

Mechel OAO  
Form 20-F  
April 26, 2010

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 20-F**

- o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
- OR**
- þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2009**
- OR**
- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
- OR**
- o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number 001-32328**

**MECHEL OAO**

*(Exact name of Registrant as specified in its charter)*

**RUSSIAN FEDERATION**

*(Jurisdiction of incorporation or organization)*

**Krasnoarmeyskaya Street 1, Moscow 125993, Russian Federation**

*(Address of principal executive offices)*

**Alexander Tolkach, tel.: +7-495-221-8888, e-mail: alexander.tolkach@mechel.com**

*(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)*

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

**Title of Each Class**

**Name of Each Exchange on Which Registered**

AMERICAN DEPOSITARY SHARES, EACH ADS  
REPRESENTING ONE COMMON SHARE  
COMMON SHARES, PAR VALUE  
10 RUSSIAN RUBLES PER SHARE

NEW YORK STOCK EXCHANGE

NEW YORK STOCK EXCHANGE<sup>(1)</sup>

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

**None**

*(Title of Class)*

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**None**

*(Title of Class)*

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

416,270,745 common shares (including 115,568,183 shares in the form of ADSs)

138,756,915 preferred shares (including 55,502,766 shares held by a wholly-owned subsidiary of Mechel)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

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Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check One): Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

(1) Listed, not for trading or quotation purposes, but only in connection with the registration of ADSs pursuant to the requirements of the Securities and Exchange Commission.

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## TABLE OF CONTENTS

<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	5
<u>Item 1. Identity of Directors, Senior Management and Advisers</u>	6
<u>Item 2. Offer Statistics and Expected Timetable</u>	6
<u>Item 3. Key Information</u>	6
<u>Item 4. Information on the Company</u>	51
<u>Item 4A. Unresolved Staff Comments</u>	135
<u>Item 5. Operating and Financial Review and Prospects</u>	135
<u>Item 6. Directors, Senior Management and Employees</u>	208
<u>Item 7. Major Shareholders and Related Party Transactions</u>	221
<u>Item 8. Financial Information</u>	222
<u>Item 9. The Offer and Listing</u>	227
<u>Item 10. Additional Information</u>	228
<u>Item 11. Quantitative and Qualitative Disclosures About Market Risk</u>	257
<u>Item 12. Description of Securities Other than Equity Securities</u>	261
<u>Item 13. Defaults, Dividend Arrearages and Delinquencies</u>	262
<u>Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	262
<u>Item 15. Controls and Procedures</u>	262
<u>Item 16A. Audit Committee Financial Expert</u>	269
<u>Item 16B. Code of Ethics</u>	269
<u>Item 16C. Principal Accountant Fees and Services</u>	269
<u>Item 16D. Exemptions from the Listing Standards for Audit Committees</u>	270
<u>Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	270
<u>Item 16F. Changes in Registrant's Certifying Accountant</u>	270
<u>Item 16G. Corporate Governance</u>	272
<u>Item 17. Financial Statements</u>	273
<u>Item 18. Financial Statements</u>	273
<u>Item 19. Exhibits</u>	273
<u>SIGNATURES</u>	274
<u>EX-1.1</u>	
<u>EX-1.2</u>	
<u>EX-1.3</u>	
<u>EX-1.4</u>	
<u>EX-1.5</u>	
<u>EX-1.6</u>	
<u>EX-1.7</u>	
<u>EX-1.8</u>	
<u>EX-8.1</u>	
<u>EX-12.1</u>	
<u>EX-12.2</u>	
<u>EX-13.1</u>	
<u>EX-13.2</u>	

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Unless the context otherwise requires, references to Mechel refer to Mechel OAO, and references to our group, we, or our refer to Mechel OAO together with its subsidiaries.

Our business consists of four segments: mining, steel, ferroalloys and power. References in this document to segment revenues are to revenues of the segment excluding intersegment sales, unless otherwise noted.

For the purposes of calculating certain market share data, we have included businesses that are currently part of our group that may not have been part of our group during the period for which such market share data is presented.

References to U.S. dollars, \$ or cents are to the currency of the United States, references to rubles or RUR are to the currency of the Russian Federation and references to euro or are to the currency of the member states of the European Union (the E.U. ) that participate in the European Monetary Union.

The term tonne as used herein means a metric tonne. A metric tonne is equal to 1,000 kilograms or 2,204.62 pounds.

**Table of Contents**

Certain amounts that appear in this document have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables or in the text may not be an arithmetic aggregation of the figures that precede them.

CIS means the Commonwealth of Independent States, its member states being Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

The following table sets forth by segment the official names and location of some of our subsidiaries and their names as used in this document:

<b>Name as Used in This Document</b>	<b>Official Name</b>	<b>Location</b>
<b><i>Mining Segment</i></b>		
Southern Kuzbass Coal Company	Southern Kuzbass Coal Company OAO	Russia, Kemerovo region
Tomusinsk Open Pit Mine	Tomusinsk Open Pit Mine OAO	Russia, Kemerovo region
Korshunov Mining Plant	Korshunov Mining Plant OAO	Russia, Irkutsk region
Port Posiet	Port Posiet OAO	Russia, Primorsk territory
Yakutugol	Yakutugol OAO	Russia, Sakha Republic
Elgaugol	Elgaugol OAO	Russia, Sakha Republic
Port Temryuk	Port Mechel Temryuk OOO	Russia, Krasnodar territory
Port Vanino	Port Mechel Vanino OOO	Russia, Khabarovsk territory
Bluestone or Bluestone companies	Bluestone Industries, Inc., Dynamic Energy, Inc., JCJ Coal Group, LLC, and other subsidiaries carrying out the Bluestone business	United States, West Virginia
Mechel Mining	Mechel Mining OAO	Russia, Novosibirsk region
Mechel Mining Management	Mechel Mining Management Company OOO	Russia, Kemerovo region
Mechel Engineering	Mechel Engineering OOO	Russia, Moscow
<b><i>Steel Segment</i></b>		
Chelyabinsk Metallurgical Plant	Chelyabinsk Metallurgical Plant OAO	Russia, Chelyabinsk region
Vyartsilya Metal Products Plant	Vyartsilya Metal Products Plant ZAO	Russia, Karelian Republic
Beloretsk Metallurgical Plant	Beloretsk Metallurgical Plant OAO	Russia, Bashkortostan Republic
Mechel Targoviste	Mechel Targoviste S.A.	Romania
Urals Stampings Plant	Urals Stampings Plant OAO	Russia, Chelyabinsk region
Mechel Campia Turzii	Mechel Campia Turzii S.A.	Romania
Mechel Nemunas	Mechel Nemunas Co. Ltd.	Lithuania
Izhstal	Izhstal OAO	Russia, Udmurt Republic
Port Kambarka	Port Kambarka OAO	Russia, Udmurt Republic
Moscow Coke and Gas Plant	Moscow Coke and Gas Plant OAO	Russia, Moscow region
Mechel-Coke	Mechel-Coke OOO	Russia, Chelyabinsk region
Ductil Steel	Ductil Steel S.A.	Romania
Mechel-Steel Management	Mechel-Steel Management OOO	Russia, Moscow
Laminorul Plant	Laminorul S.A.	Romania

**Table of Contents**

<b>Name as Used in This Document</b>	<b>Official Name</b>	<b>Location</b>
<b><i>Ferroalloys Segment</i></b>		
Southern Urals Nickel Plant	Southern Urals Nickel Plant OAO	Russia, Orenburg region
Bratsk Ferroalloy Plant	Bratsk Ferroalloy Plant OOO	Russia, Irkutsk region
Oriel Resources	Oriel Resources Limited	United Kingdom
Tikhvin Ferroalloy Plant	Tikhvin Ferroalloy Plant ZAO	Russia, Leningrad region
Mechel Ferroalloys Management	Mechel Ferroalloys Management OOO	Russia, Moscow
<b><i>Power Segment</i></b>		
Southern Kuzbass Power Plant	Southern Kuzbass Power Plant OAO	Russia, Kemerovo region
Kuzbass Power Sales Company	Kuzbass Power Sales Company OAO	Russia, Kemerovo region
Mechel-Energo	Mechel-Energo OOO	Russia, Moscow
<b><i>Marketing and Distribution</i></b>		
Mechel Trading	Mechel Trading AG	Switzerland, Baar
Mechel Trading House	Mechel Trading House OOO	Russia, Moscow
Mechel Service Global	Mechel Service Global B.V.	Netherlands
Mechel-Service	Mechel-Service OOO	Russia, Moscow
HBL Holding	HBL Holding GmbH	Germany
<b><i>Other</i></b>		
Mecheltrans	Mecheltrans OOO	Russia, Moscow
Mechel Finance	Mechel Finance OOO	Russia, Moscow

**Table of Contents**

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Matters discussed in this document may constitute forward-looking statements, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words believe, expect, anticipate, intend, estimate, forecast, project, will, may, should and similar expressions identify forward-looking statements. Forward-looking statements appear in a number of places including, without limitation, Item 3. Key Information Risk Factors, Item 4. Information on the Company and Item 5. Operating and Financial Review and Prospects, and include statements regarding:

strategies, outlook and growth prospects;

future plans and potential for future growth;

liquidity, capital resources and capital expenditures;

growth in demand for our products;

economic outlook and industry trends;

developments in our markets;

the impact of regulatory initiatives; and

the strength of our competitors.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control and we may not achieve or accomplish these expectations, beliefs or projections. See Item 3. Key Information Risk Factors for a discussion of important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements.

Except to the extent required by law, neither we, nor any of our agents, employees or advisers intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained or incorporated by reference in this document.

**Table of Contents****PART I****Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information****Selected Financial Data**

The financial data set forth below as of December 31, 2009, 2008, 2007, 2006 and 2005, and for the years then ended, have been derived from our consolidated financial statements. Our reporting currency is the U.S. dollar and we prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States ( **U.S. GAAP**<sup>(1)</sup>).

Our results of operations for the periods presented are significantly affected by acquisitions. Results of operations of these acquired businesses are included in our consolidated financial statements for the periods after their respective dates of acquisition. See note 1(a) to our consolidated financial statements. The financial data below should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements and Item 5. Operating and Financial Review and Prospects.

	<b>Year Ended December 31,</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>(In thousands of U.S. dollars, except per share data)</b>				
<b>Consolidated statements of income and comprehensive income data:</b>					
Revenue, net	5,754,146	9,950,705	6,683,842	4,397,811	3,804,995
Cost of goods sold	(3,960,693)	(5,260,108)	(4,166,864)	(2,860,224)	(2,469,134)
Gross profit	1,793,453	4,690,597	2,516,978	1,537,587	1,335,861
Selling, distribution and operating expenses	(1,547,809)	(2,134,328)	(1,119,385)	(811,889)	(820,133)
Operating income	245,644	2,556,269	1,397,593	725,698	515,728
Other (expense) income, net <sup>(2)</sup>	(150,420)	(1,208,001)	(12,146)	139,135	10,131
Income from continuing operations, before income tax	95,224	1,348,268	1,385,447	864,833	525,859
Income tax expense	(18,893)	(118,887)	(356,320)	(230,599)	(136,643)
Income from continuing operations, net of tax	76,331	1,229,381	1,029,127	634,234	389,216
Discontinued operations, net of tax			158	543	(1,157)
Net income	76,331	1,229,381	1,029,285	634,777	388,059
	(2,590)	(88,837)	(116,234)	(31,528)	(6,879)

Less net income attributable to non-controlling interests					
Net income attributable to shareholders of Mechel OAO	73,741	1,140,544	913,051	603,249	381,180
Dividends on preferred shares	(134,498)				
Net (loss) income attributable to common shareholders of Mechel OAO	(60,757)	1,140,544	913,051	603,249	381,180
Net income	76,331	1,229,381	1,029,285	634,777	388,059
Currency translation adjustment	(325,353)	(289,633)	157,288	155,451	(65,513)
Change in pension benefit obligation	(10,155)	87,659	(14,365)		
Adjustment of available-for-sale securities	(5,178)	(6,571)	(5,059)	11,203	2,181
Additional minimum pension liability				(4,669)	
Comprehensive (loss) income	(264,355)	1,020,836	1,167,149	796,762	324,727
Comprehensive income (loss) attributable to non-controlling interests	6,759	(26,822)	(136,849)	(38,059)	4,812

**Table of Contents**

	<b>Year Ended December 31,</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>(In thousands of U.S. dollars, except per share data)</b>				
Comprehensive (loss) income attributable to shareholders of Mechel OAO	(257,596)	994,014	1,030,300	758,703	329,539
(Loss) earnings per share from continuing operations	(0.15)	2.74	2.19	1.48	0.95
Income per share effect of discontinued operations	0.00	0.00	0.00	0.00	0.00
Net (loss) income per share	(0.15)	2.74	2.19	1.48	0.95
Cash dividends per common share	0.18	1.12	0.76	0.46	0.48
Cash dividends per preferred share	1.62	0.00	0.00	0.00	0.00
Weighted average number shares outstanding	416,270,745	416,270,745	416,270,745	408,979,356	403,118,680
<b>Mining segment statements of income and comprehensive income data<sup>(3)</sup>:</b>					
Revenue, net	1,826,180	4,031,967	1,970,969	1,354,285	1,270,931
Cost of goods sold	(989,446)	(1,229,631)	(1,008,485)	(830,632)	(565,126)
Gross profit	836,734	2,802,336	962,484	523,653	705,805
Selling, distribution and operating expenses	(610,417)	(1,001,796)	(391,015)	(332,611)	(295,512)
Operating income	226,317	1,800,540	571,469	191,042	410,293
<b>Steel segment statements of income and comprehensive income data<sup>(3)</sup>:</b>					
Revenue, net					