

Mechel OAO
Form 6-K
December 19, 2008

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Report of Foreign Private Issuer

**Pursuant to Rule 13a-16 or 15d-16
under the Securities Exchange Act of 1934**

December 18, 2008

Commission File Number: 333-119497

MECHEL OAO

(Translation of registrant's name into English)

Krasnoarmeyskaya 1,

Moscow 125993

Russian Federation

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

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Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Note: Regulation S-T Rule 101(b)(c) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

MECHEL REPORTS 2008 FIRST HALF AND NINE MONTHS FINANCIAL RESULTS

**Revenues in the first nine months increased 84.7% to \$8.6 billion
 Operating income in the first nine months increased 167% to \$2.8 billion
 Net income in the first nine months increased 132% to \$1.6 billion,
 or \$3.94 per ADR/ordinary share**

Moscow, Russia December 18, 2008 Mechel OAO (NYSE: MTL), a leading Russian integrated mining and steel group, today announced financial results for the first half ended June 30, 2008 and for the nine months ended September 30, 2008.

Igor Zyuzin, Mechel OAO's Chief Executive Officer, commented: Mechel's record financial and operational performance in the first nine months of 2008 was the result of successful implementation of our strategy to grow the Company both organically and through acquisitions. Favorable market conditions for mining and steel products also contributed to the Company's performance.

Consolidated Results for the first half of 2008

US\$ thousand	1H 2008	1H 2007	Change Y-on-Y
Revenue	5,349,246	2,986,861	79.1%
Net operating income	1,606,384	738,986	117.4%
<i>Net operating margin</i>	<i>30.03%</i>	<i>24.74%</i>	
Net income	1,101,773	489,456	125.1%
EBITDA*	1,879,919	813,681	131.0%
<i>EBITDA, margin (1)</i>	<i>35.1%</i>	<i>27.2%</i>	

* See Attachment A.

(1) - EBITDA margin is calculated as a percentage of consolidated revenues of the segment, including intersegment sales.

Net revenue in the first half of 2008 rose 79.1% to \$5.35 billion, from \$2.99 billion in the first half of 2007, reflecting increased production volumes and strong selling prices across the Company's primary product categories. Operating income rose by 117.4% to \$1.6 billion, or 30.0% of net revenue, versus operating income of \$738.9 million, or 24.7% of net revenue, in 2007.

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For the first half of 2008, Mechel reported consolidated net income of \$1.1 billion, or \$2.65 per ADR/ordinary share.

Consolidated EBITDA rose by 131.0% to \$1.87 billion in the first half of 2008 compared to \$813.6 million in the first half of 2007.

Consolidated Results for the nine months of 2008

US\$ thousand	9M 2008	9M 2007	Change Y-on-Y
Revenue	8,580,681	4,646,948	84.7%
Net operating income	2,807,535	1,051,585	167.0%
<i>Net operating margin</i>	<i>32.72%</i>	<i>22.63%</i>	
Net income	1,637,474	706,003	131.9%
EBITDA*	2,864,134	1,204,822	137.7%
<i>EBITDA, margin (2)</i>	<i>33.4%</i>	<i>25.9%</i>	

* See Attachment A.

(2) - EBITDA margin is calculated as a percentage of consolidated revenues of the segment, including intersegment sales.

Net revenue for the first nine months of 2008 rose 84.7% to \$8.58 billion, from \$4.65 billion in the first nine months of 2007. Operating income rose by 167.0% to \$2.8 billion, or 32.7% of net revenue, versus operating income of \$1.05 billion, or 22.6% of net revenue, in 2007.

For the first nine months of 2008, Mechel reported consolidated net income of \$1.6 billion, or \$3.94 per ADR/ordinary share.

Consolidated EBITDA rose by 137.7% to \$2.86 billion in the first nine months of 2008 from \$1.2 billion a year ago.

Please see the attached tables for a reconciliation of consolidated EBITDA to net income.

Mining Segment Results for the first half of 2008**

US\$ thousand	1H 2008	1H 2007	Change Y-on-Y
Revenues from external customers	1,709,289	595,724	186.9%
Operating income	917,433	208,757	339.5%
Net income	630,701	148,090	325.9%
EBITDA*	1,063,512	266,211	299.5%
<i>EBITDA, margin (3)</i>	<i>51.0%</i>	<i>30.8%</i>	

* See Attachment A.

** 2007 numbers are restated as a result of establishment of the ferroalloy segment

(3) - EBITDA margin is calculated as a percentage of consolidated revenues of the segment, including intersegment sales.

Mining Segment Output for the first half of 2008

Product	1H 2008 thousand tonnes	1H 2008 vs. 1H 2007
Coal	14,033	58%
Coking coal	8,444	100%
Steam coal	5,590	20%
Coal concentrate*	7,788	50%
Coking	6,285	72%
Steam	1,503	-3%
Iron ore concentrate	2,740	4%

* The coal concentrate has been produced from the part of the raw coal output.

Mining segment revenue from external customers for the first half of 2008 totaled \$1.7 billion, or 32.0% of consolidated net revenue from external customers, an increase of 186.9% compared to segment revenue from external customers of \$597.7 million in the first half of 2007. The increase in revenue was due to a rise in total output and a favorable pricing environment, as well as the contributions of acquisitions.

Operating income for the first half of 2008 in the mining segment rose 339.5% to \$917.4 million, or 44.0% of total segment revenue, compared to operating income of \$208.7 million a year ago. EBITDA in the mining segment for the first half of 2008 was \$1.06 billion, 299.5% higher than

segment EBITDA of \$266.2 million in the first half of 2007. The EBITDA margin for the mining segment increased to 51.0% from 30.8% in the 2007 six-month period.

Mining Segment Results for the first nine months of 2008

US\$ thousand	9M 2008	9M 2007	Change Y-on-Y
Revenues from external customers	2,829,137	881,594	220.9%
Operating income	1,560,449	313,760	397.3%
Net income	1,021,911	221,746	360.8%
EBITDA*	1,685,011	398,674	322.7%
<i>EBITDA, margin (4)</i>	<i>49.7%</i>	<i>30.8%</i>	

* See Attachment A.

(4) - EBITDA margin is calculated as a percentage of consolidated revenues of the segment, including intersegment sales.

Mining Segment Output for the first nine months of 2008*

Product	9M 2008 thousand tonnes	9M 2008 vs. 9M 2007
Coal	20,702	54%
Coking coal	12,409	95%
Steam coal	8,293	17%
Coal concentrate**	11,213	30%
Coking	9,264	41%
Steam	1,949	-7%
Iron ore concentrate	3,620	-2.5%

* 2007 numbers are restated as a result of establishment of the ferroalloy segment

** The coal concentrate has been produced from part of the raw coal output.

Mining segment revenue from external customers for the first nine months of 2008 totaled \$2.8 billion, or 33.0% of consolidated net revenue from external customers, an increase of 220.9% compared with segment revenue from external customers of \$881.6 million in the first nine months of 2007.

Operating income for the first nine months of 2008 in the mining segment rose 397.3% to \$1.56 billion, or 46.0% of total segment revenue, compared to operating income of \$313.8 million a year ago. EBITDA in the mining segment for the first nine months of 2008 was \$1.69 billion, 322.7% higher than segment EBITDA of \$398.7 million in the first nine months of 2007. The EBITDA margin for the mining segment amounted to 49.7% in the 2008 nine-month period, compared to 30.8% in the first nine months of 2007.

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Vladimir Polin, Senior Vice President of Mechel OAO, commented on the results of the mining segment: The strong results in Mechel's mining segment were due to both market conditions in the first nine months of 2008 and excellent management of our assets. We took measures to increase the volume of coking coal produced by Yakutugol, allowing us to leverage strong market conditions during the period. At the same time, over the course of 2008 we significantly reduced production costs at Yakutugol by nearly 1.5 times, placing us in a better position to operate successfully through the recent weakness in the global marketplace.

Looking ahead, our priority will continue to be the careful management of our operating costs, as well as the construction of access railroad to the Elga deposit, which is of strategic importance for the Company and can significantly increase its shareholder value in the future. We will also remain flexible with regard to our management of steam and coking coal mining, ensuring we have the maximum production flexibility to adapt to trends in the marketplace.

Steel Segment Results for the first half of 2008

US\$ thousand	1H 2008	1H 2007	Change Y-on-Y
Revenues from external customers	3,004,173	2,079,443	44.5%
Operating income	598,896	331,090	80.9%
Net income	467,678	242,221	93.1%
EBITDA*	771,290	381,470	102.2