

Mechel Steel Group OAO
Form F-1/A
October 15, 2004

As filed with the Securities and Exchange Commission on October 15, 2004

Registration No. 333-119497

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

AMENDMENT NO. 3

TO

FORM F-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

MECHEL STEEL GROUP OAO

(Exact name of Registrant as specified in its charter)

Russian Federation (State or other jurisdiction of incorporation or organization) Krasnopresnenskaya Naberezhnaya 12 Moscow 123610 Russian Federation +7-095-258-1828 (Address, including zip code, and telephone number, including area code, of registrant principal executive offices)	3312 (Primary Standard Industrial Classification Code Number)	None (I.R.S. Employer Identification No.) Puglisi & Associates 850 Library Avenue, Suite 204 Newark, Delaware 19715 +1-302-738-6680 (Name, address, including zip code, and telephone number, including area code, of agent for service)
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with a copy to:

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Russian Federation

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+7-095-785-1234

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. " "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. " _____

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered ⁽¹⁾	Proposed maximum offering price per unit ⁽²⁾	Proposed maximum aggregate offering price ⁽²⁾	Amount of registration fee ⁽⁴⁾
Common shares, nominal value 10 rubles per share ⁽³⁾	47,871,135	\$8.00	\$382,969,080	\$48,522.18

(1) Includes common shares that (a) are to be offered in the United States by the registrant, (b) are to be offered in the United States by the selling shareholders, (c) may be offered in the United States pursuant to an over-allotment option granted by the selling shareholders to the underwriters and (d) are to be initially sold outside the United States pursuant to Regulation S that may thereafter be resold in the United States in transactions required to be registered under the Securities Act. All common shares being offered will be in the form of American Depositary Shares.

(2) Estimated solely for purposes of calculating the registration fee.

(3) A separate registration statement on Form F-6 has been filed with respect to the registration of ADSs evidenced by American depositary receipts issuable upon the deposit of the common shares registered hereby.

(4) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information contained in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

Subject to Completion

October 15, 2004

13,875,691 American Depositary Shares

Representing 41,627,073 Common Shares

Each American depositary share, or ADS, represents three common shares of Mechel Steel Group OAO, a public company with limited liability incorporated under the laws of the Russian Federation. We are selling 33,301,659 common shares in the form of ADSs, and the selling shareholders are selling 8,325,414 common shares in the form of ADSs. We will not receive any proceeds from the sale of common shares in the form of ADSs by the selling shareholders. The ADSs will be evidenced by American depositary receipts, or ADRs.

Upon completion of this offering, the principal and selling shareholders will own 85.95% of our shares. If the underwriters' over-allotment option is exercised in full, the principal and selling shareholders will own 84.45% of our shares.

Our common shares are listed for trading on the Russian Trading System, or RTS, under the symbol **SGML**. Before this offering, there has been no public market for our ADSs, and the trading price of our common shares on RTS will not necessarily be related to the initial public offering price per ADS. We currently expect that the initial public offering price per ADS in the offering will be between \$19.00 and \$21.00. The ADSs have been approved for listing on the New York Stock Exchange under the symbol **MTL**.

This investment involves a high degree of risk. Please see Risk Factors beginning on page 10 for a discussion of those risks.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Price to Public	Underwriting	Proceeds to	Proceeds to
	Discounts	Mechel	Selling

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				Shareholders
Per ADS	\$•	\$•	\$•	\$•
Total	\$•	\$•	\$•	\$•

The selling shareholders have granted the underwriters a 30-day option to purchase up to an additional 6,244,062 common shares in the form of ADSs at the public offering price per ADS, less underwriting discounts and commissions, solely to cover any over-allotments.

The proceeds of this offering will be held in escrow and escrow-type accounts, and trading in the ADSs on the New York Stock Exchange will be subject to cancellation until the placement report for the common shares being offered by us is registered by the Russian Federal Service for the Financial Markets. If the placement report is not registered within 60 days after the closing date (or such later date as we and the selling shareholders agree with the underwriters), we will refund the public offering price, together with interest, if any, to the holders of the ADSs at the time of such cancellation, regardless of the then-prevailing market price of the ADSs.

The underwriters expect to deliver the ADRs evidencing the ADSs to purchasers on or about •, 2004.

Sole Global Coordinator and Sole Bookrunner

UBS Investment Bank

JPMorgan

Troika Dialog

Morgan Stanley

The date of this prospectus is •, 2004

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with different information. This document may only be used where it is legal to sell these securities. The information in this document is accurate only as of the date of this prospectus.

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

In May 2004, we acquired a controlling stake in Izhstal OAO, a Russian specialty steel producer. For purposes of describing our market position in periods prior to May 2004 in this prospectus, we include Izhstal's market shares.

In this prospectus, references to "U.S. dollars" or "\$" are to the currency of the United States, and references to "rubles" are to the currency of the Russian Federation. The term "tonne" as used herein means a metric tonne. A metric tonne is equal to 1,000 kilograms or 2,204.62 pounds.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom; (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the Order); or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2) of the Order (all such persons together being referred to as relevant persons). The ADSs are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such ADSs will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

None of the ADSs has been or will be qualified by prospectus for sale to the public in Canada under applicable Canadian securities laws and, accordingly, any offer or sale of the ADSs in Canada will be made pursuant to an exemption from the applicable prospectus filing requirements, and otherwise in compliance with applicable Canadian laws. Canadian investors should refer to the section of this prospectus entitled Information for Canadian Investors, and Ontario purchasers in particular should refer to Underwriting Information for Canadian Investors Statutory Rights of Action (Ontario Purchasers).

In connection with this offering, UBS Limited or any person acting for UBS Limited may over-allot or effect transactions with a view to supporting the market price of the common shares or ADSs at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on UBS Limited or its agent or agents to do this. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

Prospectus summary

This summary highlights information that we present more fully elsewhere in this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing. You should read the entire prospectus carefully, including the information discussed in Risk Factors and Cautionary Note Regarding Forward-Looking Statements. Unless the context otherwise requires, references to Mechel, we, us or our refer collectively to Mechel Steel Group OAO and its subsidiaries. Certain steel- and mining-related terms used in this prospectus are defined in Glossary.

OUR COMPANY

We are a low-cost integrated steel and mining group focused on the production of steel long products, as well as mining products such as coal, iron ore and nickel. In 2003 and in the first half of 2004, we had revenues of \$2.05 billion and \$1.63 billion, respectively. We are the largest and most comprehensive producer of specialty steels and alloys in Russia, producing 52% of total Russian specialty steel output, over three times as much as our nearest competitor. We are also the second largest producer of long products in Russia.

Our steel business comprises the production and sale of semi-finished steel products, carbon and specialty long products, carbon and stainless flat products and value-added downstream metal products including hardware, stampings and forgings. Our steel business also produces significant amounts of coke, both for internal use and for sales to third parties.

We have substantial coal, iron ore and nickel mining interests in Russia and Kazakhstan, with the flexibility to supply our own steel production or sell to third parties depending on price differentials between purchases from local suppliers and sales to foreign and domestic customers. We are capable of internally sourcing all of the coking coal, 92% of the iron ore and 55% of the nickel requirements of our steel segment, assuming in the case of iron ore that third parties process certain quantities of our iron ore concentrate into sinter and pellets. In addition, we are the only specialty steel manufacturer in the world capable of internally sourcing all three of these raw materials. We were the second largest producer of coking coal in Russia in 2003, with a 12% market share. We also control 24% of the coking coal washing capacity in Russia.

Additionally, we own 17.1% of the common shares of Magnitogorsk Iron and Steel Works OAO, or MMK, Russia's largest producer of flat products, with reported revenues of \$3.05 billion and \$2.17 billion in 2003 and in the first half of 2004, respectively, under International Financial Reporting Standards.

STRATEGY

Our goal is to expand our position in Russia as a leading supplier of carbon long products and as the leading supplier of specialty long products, to further develop our position as a competitive exporter of these products, to expand our mining business and to capitalize on the synergies deriving from our status as an integrated group. We also intend to leverage our core businesses, where appropriate, with acquisitions of value-added downstream businesses.

The key elements of our strategy include the following:

Ø *Expand our Position as a Leading Producer of Carbon Long Products in Russia.* We have already built a solid presence in this sector, including a market-leading position in engineering steel and strong sales in rebar and wire rod. We intend to improve these positions further, including through the addition of substantial new production capacity achieved by targeted, cost-effective capital expenditures. We plan to increase our raw steel and rolled steel production capacity from

6.3 million and 5.0 million tonnes in 2004, respectively, to 8.2 million and 7.1 million tonnes in 2007, respectively. Additionally, we seek to benefit from the following factors in Russia:

If the economy continues to expand, the demand for long products, particularly in the construction industry, should increase, providing us with additional sales opportunities.

Substantial infrastructure repairs and industrial upgrade needs should also drive demand for our products.

- Ø *Develop and Expand our Position as a High-Quality, Low-Cost Producer of Specialty Long Products.* We are Russia's primary producer of specialty long products. We believe that this higher-margin business provides us with substantial opportunities to increase our revenues and profitability for the following reasons:

Our low-cost production provides us with a competitive base for expanding our market share in Europe, Asia and the CIS countries.

The Russian market for specialty long products has considerable room for growth if demand from domestic engineering and manufacturing sectors recovers from historic post-Soviet lows in the past few years.

- Ø *Expand our Mining Business.* We intend to build on our substantial mining experience to achieve the following goals:

Develop our existing coal and iron ore reserves, particularly in order to sell more high-quality coking coal and iron ore concentrate to third parties. We plan to increase our coal production from approximately 15.2 million tonnes in 2004 to 16.6 million tonnes in 2007, and our iron ore concentrate production from approximately 4.0 million tonnes in 2004 to 5.0 million tonnes in 2007.

Make selective acquisitions of coal and other mining enterprises, including new subsoil licenses, particularly in Russia and other CIS countries, as strategic opportunities present themselves.

Maintain our flexibility to internally source raw-material inputs for our steel-making business, depending on price differentials between purchases from local suppliers and sales to foreign and domestic customers.

- Ø *Enhance our Position as a Low-Cost Producer.* We intend to further increase our efficiency and reduce our manufacturing costs by:

Selectively investing in technology and capital improvements, including expanding our use of continuous casters in our steel-making.

Preserving our cost advantages in our labor, raw materials and energy inputs.

Achieving additional savings by fully integrating recent acquisitions into our operations.

- Ø *Further Capitalize upon Synergies between our Core Businesses.* In addition to synergies deriving from our status as an integrated group, we believe that additional cost savings and opportunities will arise as we benefit from economies of scale and continue to integrate recent acquisitions, in particular by implementing improvements in working practices and operational methods. We regularly evaluate the manner in which our subsidiaries source their raw material needs and transfer products within the group in order to operate in the most efficient way, and we expect to identify and take advantage of further synergies between our core businesses.

- Ø *Selectively Expand our Downstream Capacity.* We intend to continue to selectively acquire value-added downstream businesses such as hardware, stampings and forgings producers to help us reach our customer base, including in new markets. This downstream integration:

Is a logical extension of our specialty and low-carbon long product lines, representing a higher-margin, next value-added step for products that we already manufacture.

Is in a market less cyclical than the upstream market, reducing our exposure to market downturns.

Moves us closer to our final customers, enabling us to better understand customer needs, influence buyer behavior and respond quickly to change.

- Ø *Selectively Expand our Internal Logistics Capabilities.* We intend to selectively expand our internal logistics capabilities, currently centered on our railway freight and forwarding company, and enhanced by our recent acquisition of Port Posiet, located on the Sea of Japan, to help us to optimize our transportation expenses.

- Ø *Maintain Strong Export Sales.* We intend to maintain our strong relationships with our significant export customers. Although we are focused on maintaining our market position within Russia, export sales, which constituted 55% of our total sales in the first half of 2004, allow us to diversify our sales and reduce our reliance on the Russian market in the event that it were to experience a downturn.

Implementation of these strategies is subject to a number of risks. See [Risk Factors](#) for a description of these risks.

CORPORATE INFORMATION

Mechel Steel Group OAO is an open joint stock company incorporated under the laws of the Russian Federation. We are a holding company and conduct our business through a number of subsidiaries. See [Business and Management's Discussion and Analysis of Financial Condition and Results of Operations](#). We are registered with the Ministry of Taxes and Duties of the Russian Federation under the state registration number 103770301896. Our principal executive offices are located at Krasnopresnenskaya Naberezhnaya 12, Moscow 123610, Russian Federation. Our telephone number is +7-095-258-1828. Our Internet address is www.mechel.com. Information posted on our website is not a part of this prospectus.

The offering

Securities offered

ADSs representing total common shares offered 13,875,691 ADSs

ADSs representing common shares offered by us 11,100,553 ADSs

ADSs representing common shares offered by the selling shareholders 2,775,138 ADSs

Over-allotment option The selling shareholders have granted to the underwriters a 30-day option to purchase up to an additional 2,081,354 ADSs representing common shares to cover over-allotments, if any.

ADSs Each ADS represents the right to receive three common shares (subject to certain restrictions as described under Escrow of proceeds and registration of placement report below). The ADSs are evidenced by American depositary receipts, or ADRs.

Lock-up We and our selling shareholders will agree, subject to certain conditions, not to issue, transfer or dispose of, directly or indirectly, any shares or ADSs or any securities convertible into or exercisable or exchangeable for shares or ADSs, for a period of 180 days after the date of this prospectus, nor to allow our affiliates to do so, without the prior written consent of UBS Limited.

Use of proceeds The net proceeds to us from the offering will be approximately \$202.8 million, assuming an offering price equal to the mid-point of the estimated price range, which we will receive in rubles. This amount represents net proceeds after deducting estimated underwriting discounts and fees and expenses incurred in connection with the offering. We expect to use the net proceeds from this offering for the following purposes:

\$101.4 million for capital expenditures, including the purchase of equipment and modernization of facilities; and
\$101.4 million for acquisitions of additional operations and subsoil licenses.

We will not receive any of the proceeds from the sale of ADSs representing common shares offered by the selling shareholders. See Use of Proceeds and Principal and Selling Shareholders for additional information.

NYSE symbol

MTL

Settlement, delivery and trading

You must pay for the ADSs in same-day funds in U.S. dollars on the closing date of this offering, which is expected to be on or about ●, 2004.

The shares will be delivered to a custodian for Deutsche Bank Trust Company Americas, as depository, on the closing date, and the depository will issue the ADSs, subject to cancellation in the circumstances described in Escrow of proceeds and registration of placement report below.

The depository will initially issue the ADSs in the form of a single global ADR registered in the name of a nominee of The Depository Trust Company, or DTC. You will hold beneficial interests in the ADSs through DTC, and DTC and its direct and indirect participants will record your beneficial interests in their books.

We anticipate that trading in the ADSs sold in this offering on the NYSE will commence on a customary basis pursuant to normal settlement procedures on the closing date, but the ADSs will remain subject to cancellation in the circumstances described in Escrow of proceeds and registration of placement report below.

Escrow of proceeds and registration of placement report

The proceeds of this offering will be held in escrow and escrow-type accounts and trading in the ADSs on the NYSE will be subject to cancellation until the placement report for the common shares being offered by us is registered by the Federal Service for the Financial Markets. If the placement report is not registered within 60 days after the closing date (or such later date as we and the selling shareholders agree with the underwriters), we and the selling shareholders will refund the public offering price, together with interest, if any, accrued on the escrowed proceeds to the holders of the ADSs at the time of such cancellation, regardless of the then-prevailing market price of the ADSs. Such return of funds may be delayed due to Russian currency control regulations and may be prevented if there is a change in such regulations.

Until the registration of the placement report by the Federal Service for the Financial Markets, you will not be entitled to instruct the depository to exercise any voting rights on your behalf as our shareholder, and the depository and its nominee will not be entitled to exercise any voting rights as a shareholder.

You may not withdraw our shares or other property on deposit with the depository in respect of the ADSs sold in this offering prior to the registration of the placement report with the Federal Service for the Financial Markets.

See Escrow of Proceeds and Registration of Placement Report for additional information.

Dividend Policy

Commencing in 2005, with respect to the year ended December 31, 2004, we expect to declare and pay an annual dividend equal to at least 15% of our annual net income, as determined under U.S. GAAP, subject to any applicable Russian legal restrictions. See Description of Capital Stock and Certain Requirements of Russian Legislation Description of Capital Stock Dividends.

Dividend payments, if any, must be recommended by our board of directors and approved by our shareholders. In particular, dividends may be declared only out of net profits calculated under Russian accounting standards and as long as the following conditions have been met:

our charter capital has been paid in full;

the value of our net assets, calculated under Russian accounting standards, is not less (and would not become less as a result of the proposed dividend payment) than the sum of our charter capital, our reserve fund and the difference between the liquidation value and the par value of our issued and outstanding preferred shares;

we have repurchased all shares from shareholders having the right to demand repurchase; and

we are not, and would not become as the result of the proposed dividend payment, insolvent.

CUSIP Number for the ADSs

583840103

ISIN Number for the ADSs
Risk Factors

US5838401033

You should carefully consider all the information in this prospectus. In particular, you should evaluate the information set forth in the section of the prospectus entitled Risk Factors beginning on page 10 before deciding whether to invest in our common shares and ADSs.

Summary consolidated financial data

The financial data set forth below as of December 31, 2003, 2002 and 2001, and for the years then ended have been derived from our audited consolidated financial statements. The financial data set forth below as of June 30, 2004 and 2003, and for the six-month periods then ended have been derived from our unaudited interim consolidated financial statements. Our reporting currency is the U.S. dollar and we prepare our consolidated financial statements in accordance with U.S. GAAP.⁽¹⁾ The unaudited interim consolidated financial statements reflect all normal and recurring adjustments that are necessary for a fair presentation of the financial position and results of operations for the interim periods presented. Results of operations for the six-month period ended June 30, 2004, are not necessarily indicative of results for the full year ended December 31, 2004, for any other interim period or for any future fiscal year. The financial data for 1999 and 2000 are not presented, as financial statements for these years are not available without unreasonable effort and expense.

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. The financial data below should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements and related notes included elsewhere in this prospectus and in Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Six months ended				
	June 30,		Year ended December 31,		
	2004	2003	2003	2002	2001
	(in thousands of U.S. dollars, except per share data)				
Consolidated income statement data					
Revenue, net	1,630,063	930,595	2,050,088	1,314,149	1,019,726
Cost of goods sold	(985,370)	(647,809)	(1,440,053)	(947,527)	(721,089)
Gross margin	644,693	282,786	610,035	366,622	298,637
Selling, distribution and operating expenses	(295,587)	(193,430)	(417,259)	(277,478)	(193,853)
Operating income	349,106	89,356	192,776	89,144	104,784
Other income and expense, net	(12,630)	(5,866)	(20,018)	(18,083)	(12,178)
Income before income tax, minority interest, discontinued operations, extraordinary gain and changes in accounting principle	336,476	83,490	172,758	71,061	92,606
Income tax expense	(74,100)	(23,135)	(47,759)	(2,653)	(30,184)
Minority interest in loss (income) of subsidiaries	(7,920)	6,632	18,979	10,433	(15,521)
Income from continuing operations	254,456	66,987	143,978	78,841	46,901
Loss from discontinued operations, net of tax		(1,317)	(2,422)	(1,835)	(735)
Extraordinary gain, net of tax		5,740	5,740	1,388	1,252
Changes in accounting principle, net of tax		3,670	(3,788)	10,859	
Net income	254,456	67,740	143,508	89,253	47,418