

# AQ Sora LLC

Estimation of the investment value of brown  
coal mining licenses as at December 31, 2019

Preliminary draft results for discussion





### **AQ Sora LLC**

3rd floor, Suite 24, Building 9B  
Olympic Street, 1st Khoroo,  
Sukhbaatar District, Ulaanbaatar

*The presentation is presented in a draft form and may be modified, supplemented, and edited, which may lead to significant differences between the preliminary and final versions. Therefore, this presentation cannot be edited for any purpose other than discussion with PwC for the purpose of finalizing the results.*

July 2020

Dear Sirs,

Under the request of AQ Sora LLC (hereinafter – the “Client”) stipulated in Engagement Letter on provision of consultancy services on value analysis dated March 6, 2020 (hereinafter – the “Engagement Letter”), PricewaterhouseCoopers Advisory LLC (hereinafter – “PwC”, the “Consultant”) has provided advisory services, namely, value analysis of the investment value of five brown coal mining licenses held by AQ Sora LLC (hereinafter – the “Value analysis subject”, “Company”) as at 31 December 2019 (hereinafter – the “Value analysis date”) and prepared the value analysis presentation (hereinafter – the “Deliverable”, “Presentation”). The accompanying Presentation indicates the results and key conclusions of our value analysis.

According to the International Valuation Standards (January 2019), the investment value is defined as “...the value of an asset to a particular owner or prospective owner for individual investment or operational objectives”.

Taking into account the value analysis purpose and intended use of its results, the investment value range of five brown coal mining licenses as at 31 December 2019 is equal to **MNT 158,782 mln and MNT 218,087 mln or USD\* 58.1 mln and USD\* 79.8 mln.**

Should you need additional clarification on any aspect of our Presentation, please do not hesitate to contact Timur Yeginzhanov.

Sincerely yours,

PricewaterhouseCoopers Advisory LLC

### **Arman Nurkin, CFA**

Partner  
M: +7 (707) 733 0915  
arman.nurkin@pwc.com

### **Radoslav Ratkovsky, MBA**

Director  
M: +976 9595 6023  
radoslav.r.ratkovsky@pwc.com

### **Timur Yeginzhanov, PMP**

Senior Manager  
M: +7 (717) 255 07 09  
timur.yeginzhanov@pwc.com

### **PricewaterhouseCoopers Advisory LLC**

Central Tower, Floor 6, Suite 603, Sukhbaatar  
Square, SBD-8, Ulaanbaatar 14200, Mongolia  
www.pwc.com/mn

\* Central Bank of Mongolia exchange rate as of the Value analysis date is 2,734.33 MNT/USD

# Executive summary



**License owner:** AQ Sora LLC (Client)



**Value analysis subjects:** MV-020419, MV-020420, MV-020421, MV-020423, and MV-020424



**Location:** Dalanjargalan soum of Dornogovi province and Sumber and Shiveegovi soum of Govisumber province

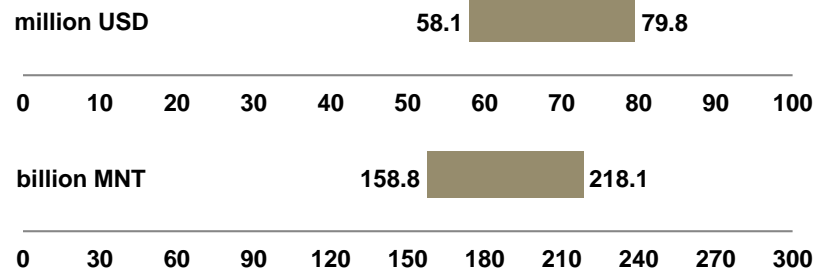


**Value analysis date:** 31 December 2019

Mining License	Resources (B+C) mln tons	Prod. reserves mln tons	Resources Scenario 1 mln tons	Scenario 1 mln MNT	Scenario 2 mln MNT	Applied approach
MV-020419	44.7	n/a	44.7	570	570	Market
MV-020420	48.2	n/a	48.2	613	613	Market
MV-020421	528.5	n/a	463.4	5,900	5,900	Market
		65.1	n/a	5,272	9,290	Income
MV-020423	112.0	95.1	n/a	135,544	186,178	Income
MV-020424	450.5	n/a	375.1	4,776	4,776	Market
		75.4	n/a	6,106	10,760	Income
<b>Total</b>	<b>1,184</b>	<b>235.6</b>	<b>931.5</b>	<b>158,782</b>	<b>218,087</b>	

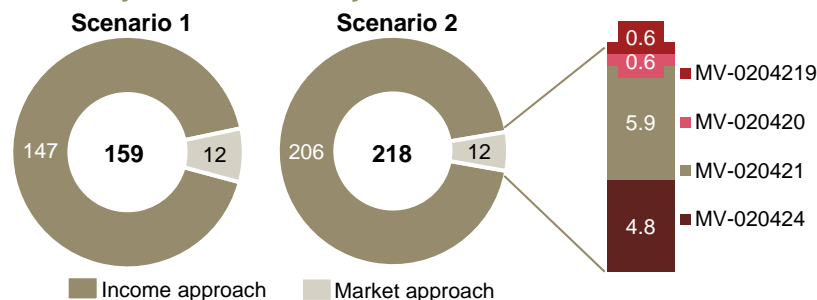
Source: Client's data, PwC analysis

## Investment value range



Source: PwC analysis

## Summary of the value analysis



Source: PwC analysis

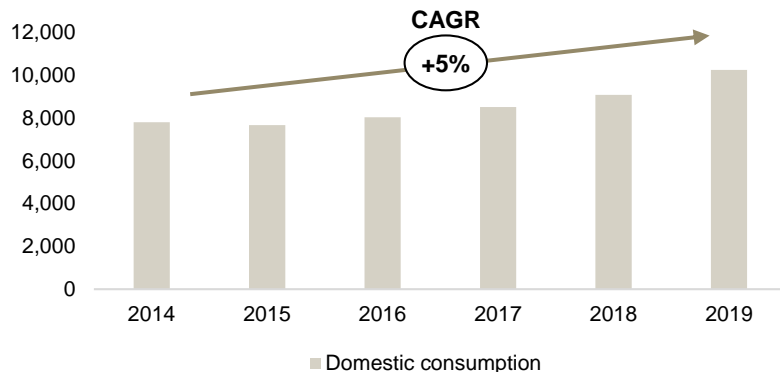
## Rationale behind the selection of valuation approaches applied for each license

- For those licenses that have a feasibility (pre-feasibility) study and economically feasible reserves, income approach, namely discounted free cash flow method was adopted. The calculations were performed separately for Uekhii Tsagaan and Nagoon toirom coal mines.
- The licenses, for which the amount of economically feasible reserves is not yet estimated as at December 31, 2019, or they can only be considered as such if certain conditions are met, market approach, namely comparable transactions method was applied.

# Coal industry trends

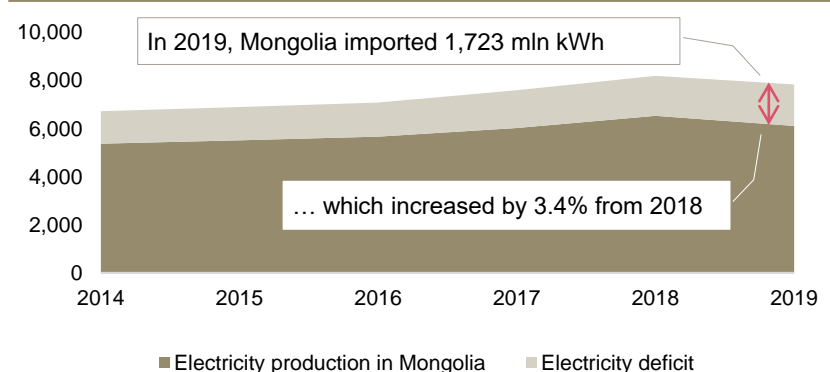
Mongolia has the world's fourth largest coal reserves - 26.6 billion tons. Coal-fired power plants are the main consumers of brown coal in the country.

## Brown coal consumption, thousand ton



Source: PwC analysis and National Statistics Office of Mongolia

## Electricity deficit in Mongolia, million kWh



Source: PwC analysis and National Statistics Office of Mongolia

## Comments

- Almost 90% of the total energy production in Mongolia is sourced from coal-fired power and heat plants;
- As of 2019, Mongolian energy consumption consists of:
  - 7,839 million kWh electricity (6-year CAGR 2%) and;
  - 12,246 thousand GCal heat (6-year CAGR 3%).
- Electricity deficit nearly equals 30% of the current energy production capacity.
- Due to the electricity deficit and increasing energy demand, brown coal producers are accelerating production volume and expanding production capacity by renovating property, plant and equipment or technical park.
- The government is eager to build additional coal-fired power and heat plant nearby the main industrial parks and mega projects including a 5,280 MW Shivee Ovoo Coal-fired Plant with an annual consumption of 21 million tons of coal.

# Calculations performed under market approach

Total value based on the market approach is estimated to be **MNT 11,859 mln or USD 4.34 mln**. The coal mining licenses at early stage of exploration were estimated under the market approach, namely **comparable transactions method**. Due to the fact, that the quality of coal attributable to the subject licenses is relatively lower comparing to the selected companies under the market approach, the first quartile of multiplies was used for the purposes of the investment value estimation.

## Comparable transactions method

Target	Transaction closed date	Country	Stage	Calorific value, kcal/kg	Percent bought, %	Control premium, %	Transaction Value	Adjusted Implied EV	Total resources mln.tons	EV/ Resources
Kangra Coal Proprietary Limited	12/18/2018	South Africa	Pre-production	4,800-5,000	100%	0%	41.47	41.47	267.0	0.155x
New Brighton Collieries Limited	3/10/2015	New Zealand	Pre-production	5,493	100%	0%	1.91	1.91	4.2	0.455x
New Largo thermal coal project and Old New Largo	3/1/2018	South Africa	Pre-production	4,210	100%	0%	73.64	73.64	585.0	0.126x
Sechaba Natural Resources Limited	4/3/2018	Botswana	Pre-production	5,731	85%	0%	9.70	11.41	2,450.0	0.005x
Eloff Mining Company Proprietary Limited	7/12/2017	South Africa	Pre-production	4,585	29%	22%	3.41	14.32	424.0	0.034x
Keaton Energy Holdings Limited	6/20/2017	South Africa	Pre-production	5,823	100%	0%	41.47	68.25	345.7	0.197x
IndoMet Coal Project	10/14/2016	Indonesia	Pre-production	7,800-8,000	75%	0%	122.83	163.77	1,271.0	0.129x
Dartbrook Coal Mine	5/30/2017	Australia	Pre-production	6,200-6,300	100%	0%	19.24	19.24	2,534.0	0.008x
Khar-khonkhor Brown Coal Deposit; Onjuul Brown Coal Deposit	8/31/2009	Mongolia	Pre-production	6,085	100%	0%	19.00	19.00	1,575.3	0.012x
Modun Resources LLC	11/8/2015	Mongolia	Pre-production	6,704	100%	0%	2.21	2.21	478.0	0.005x
Nuurst Coal Project in Mongolia	7/10/2011	Mongolia	Pre-production	6,704	100%	0%	1.50	1.50	478.0	0.003x
Minimum										0.003x
<b>1 Quartile</b>										<b>0.005x</b>
Median										0.034x
Maximum										0.455x

Source: Capital IQ, PwC analysis

Value analysis subjects	Multiply method	Ownership	Country	Resources, mln.tons	Licenses value, mln USD	Licenses value, mln MNT
Market value of MV-020421	1 Quartile	100.0%	Mongolia	463	2.16	5,900
Market value of MV-020424	1 Quartile	100.0%	Mongolia	375	1.75	4,776
Market value of MV-020419	1 Quartile	100.0%	Mongolia	45	0.21	570
Market value of MV-020420	1 Quartile	100.0%	Mongolia	48	0.22	613
<b>Total</b>				<b>931</b>	<b>4.34</b>	<b>11,859</b>

Source: Client's data, PwC analysis

# Income approach (Uekhii Tsagaan) (1 of 2)

According to the feasibility study prepared by QMC in 2018 (FS UT), Uekhii Tsagaan deposit (UT) has coal reserves of **95.1 million tons**.

Investment value analysis has been conducted by the application of **two scenarios** depending on the share of sales to the Shivee Ovoo Power Plant (SO PP), a joint venture between the Mongolian and Chinese governments, which is expected to start operations in 2023:

- **Scenario 1** – investment value analysis using **60% share** of coal produced to be sold to SO PP, while the remaining **40%** for the currently operating CHPs, such as 4th CHP and 3rd CHP;
- **Scenario 2** – investment value analysis using **70% share** of coal produced to be sold to SO PP, while the remaining **30%** for the currently operating CHPs.

## Revenue

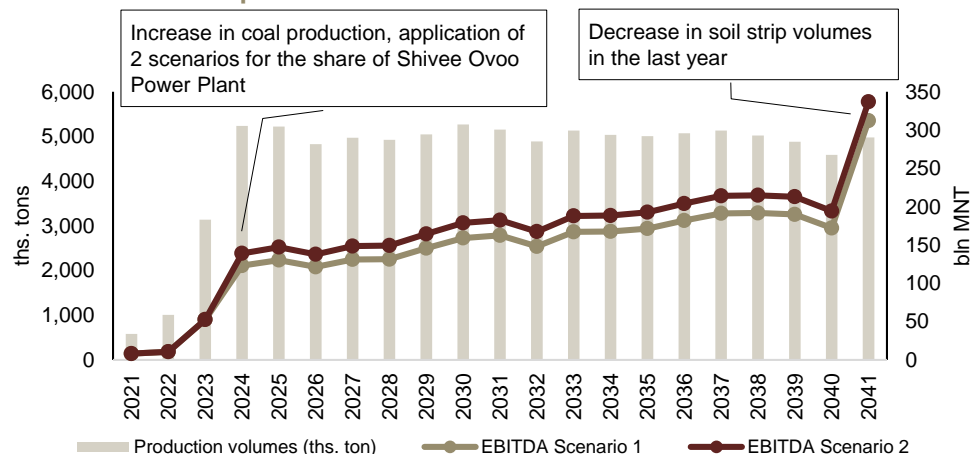
**Volumes** of coal production are based on FS UT, according to which the whole amount of reserves is to be extracted within 21 years.

**Selling prices** were calculated separately for the supply of coal to SO PP and current CHPs. Shivee Ovoo JSC's announced price per ton (regulated price) for 2019 (MNT 29,070) was adopted as a base for forecasting of regulated prices, and price from the feasibility study of Shivee Ovoo Power Plant (FS PP) of RMB 139.1 was adopted as a base for forecasting of market prices. **Regulated price** was forecasted using CPI of Mongolia as this price is driven by internal market forces and mostly depending on the operating cost basis of local CHPs in Mongolia. **SO PP price** in the forecast period was adjusted to the expert's forecasts of world coal prices, exchange rate and CPI of China.

## Discount rate

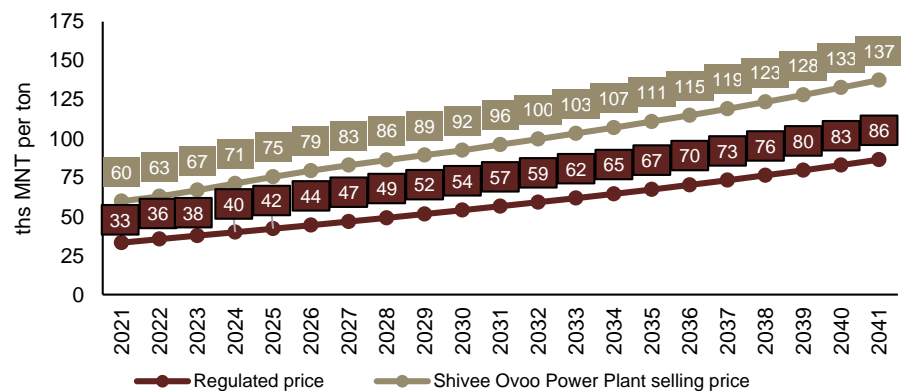
Discount rate of 19.7% was adopted for the estimation of investment value within the Scenario 1, while for the Scenario 2 discount rate of 18.9% was applied.

## Forecasted coal production volumes and EBITDA



Source: Client's data, PwC analysis

## Forecasted coal prices per ton



Source: PwC analysis

# Income approach (Uekhii Tsagaan) (2 of 2)

## Operating expenses

According to FS UT, operating expenses mainly consist of **stripping expenses** (46%), **transportation expenses** (24%), and **Coal extraction expenses** (12%).

Operating expenses per unit were projected based on FS UT data adjusted to CPI of Mongolia and multiplied by the corresponding volumes of production.

## Capital expenditures

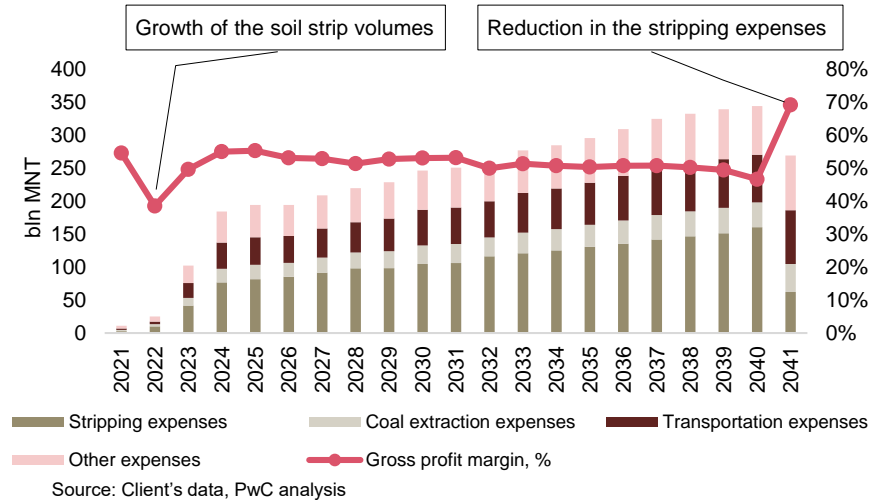
Capital expenditures were calculated based on FS UT and adjusted for the change in Mongolia's CPI of the corresponding period. CAPEX related to machinery and plant equipment was calculated in line with the projection of US CPI and MNT/USD exchange rate.

## Sensitivity analysis

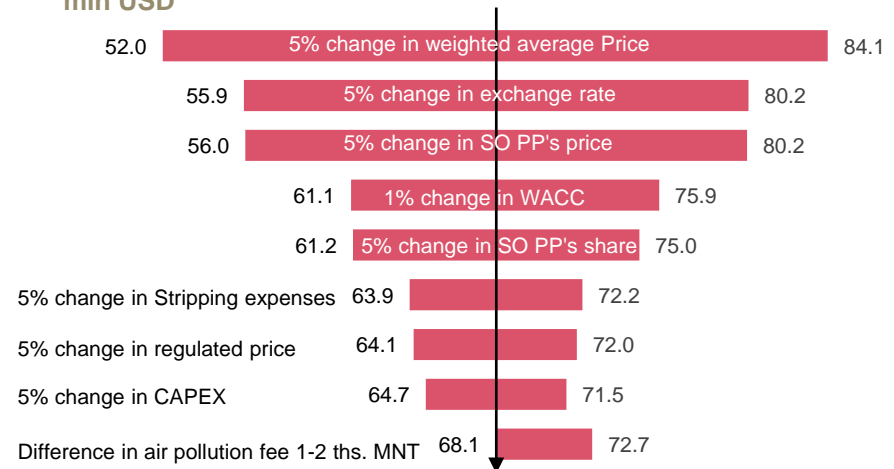
In the course of the investment value analysis, we additionally performed sensitivity analysis for the Scenario 2 (USD 68.1 mln). The analysis identified the changes in the following assumptions to be the most sensitive:

- Change in weighted average Price;
- Change in exchange rate;
- Change in Shivee Ovoo Power Plant selling price;
- Change in WACC;
- Change in Shivee Ovoo Power Plant's share in sales;
- Change in Stripping expenses;
- Change in regulated price;
- Change in CAPEX;
- Difference in air pollution fee 1-2 ths. MNT

## Forecasted operating expenses structure and profit margin



## Change in investment value based on the assumptions of Scenario 2, mln USD



Source: PwC analysis

# Income approach (Nogoon toirom) (1 of 2)

According to the pre-feasibility study prepared by QMC in 2015 (PFS NT), Nogoon toirom deposit (NT) has coal reserves of **140.5 million tons**. Coal extracted from the deposit is expected to be sold to Shivee Ovoo Power Plant only. Client expects that mining operations in NT will start in 2023.

## Revenue

**Volumes** of coal production are based on PFS NT, according to which the whole amount of reserves is to be extracted within 22 years. The price from the FS PP of RMB 139.1 per ton was adopted as a base for forecasting of **selling prices**. The price was adjusted to the forecasts of world coal prices, exchange rates and CPI of China.

## Operating expenses

According to PFS NT, operating expenses mainly consist of **stripping expenses** (62%), **coal extraction expenses** (10%), and **transportation expenses** (9%).

Operating expenses per unit were projected based on PFS NT data adjusted to CPI of Mongolia and multiplied by the corresponding volumes of production.

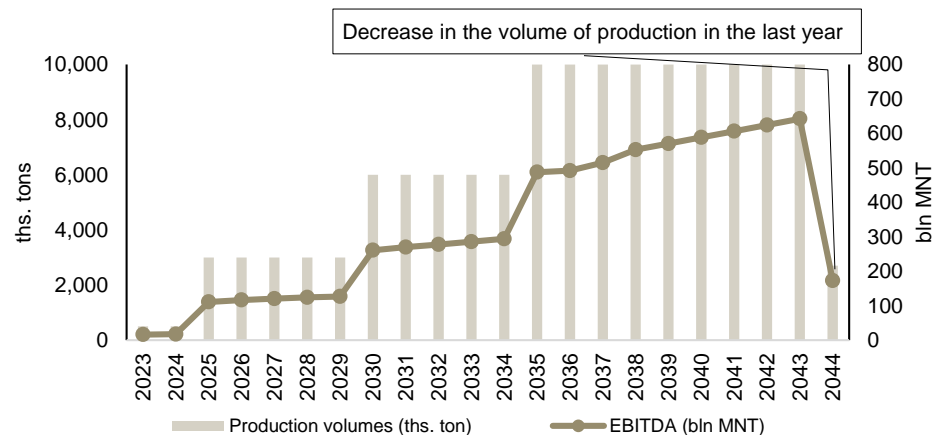
## Capital expenditures

Capital expenditures were calculated based on PFS NT and adjusted for the change in Mongolia's CPI of the corresponding period. CAPEX related to machinery and plant equipment was calculated in line with the projection of US CPI and MNT/USD exchange rate.

## Discount rate

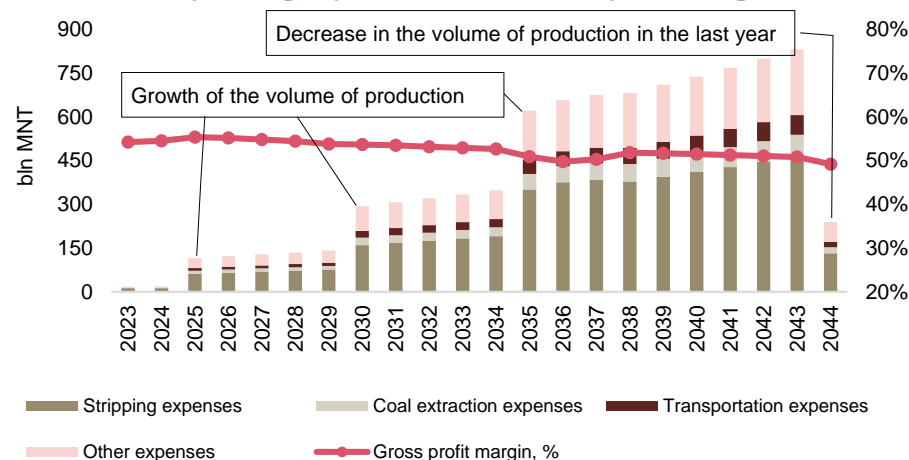
For the purpose of estimation of the investment value range discount rate of 20.8% was adopted within the Scenario 1 whereas investment value within the Scenario 2 was estimated by using discount rate of 20.0%.

## Forecasted coal production volumes and EBITDA



Source: Client's data, PwC analysis

## Forecasted operating expenses structure and profit margin



Source: Client's data, PwC analysis



# Income approach (Nogoon toirom) (2 of 2)

## Sensitivity analysis

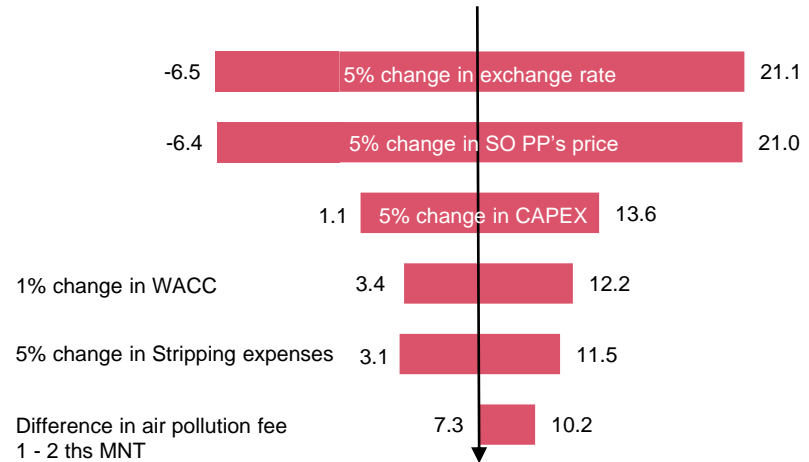
We additionally performed sensitivity analysis for the Scenario 2 (USD 7.3 mln). According to the analysis, changes in the following assumptions have the most significant impact on the investment value:

- Change in exchange rate;
- Change in Shivee Ovoo Power Plant selling price;
- Change in CAPEX;
- Change in WACC;
- Change in Stripping expenses;
- Difference in air pollution fee 1-2 ths. MNT.

Compared to UT's sensitivity analysis, NT's investment value is more affected by exchange rate which can be explained by earlier date of PFS of NT (2015) for which the difference between the exchange rate as at the Value analysis date and the date of PFS preparation is more significant.

In addition, changes in CAPEX are more sensitive for NT as overall the mine is capital intensive comparing to UT. The difference in CAPEX/production ratio of NT is \_\_\_% higher than similar indicator for UT.

Change in investment value based on the assumptions of Scenario 2, mln USD



Source: PwC analysis

# Income approach calculations (1 of 8)

## Income approach results - Uekhii Tsagaan, Scenario 1 (1 of 2)

### Uekhii Tsagaan

Item		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue	<i>mln MNT</i>	-	19,365	35,804	155,048	307,437	324,569	315,729	340,267	351,643	374,866	406,132
COGS	<i>mln MNT</i>	-	(7,955)	(19,272)	(72,954)	(132,314)	(139,465)	(140,964)	(151,386)	(160,003)	(164,301)	(176,185)
<b>Gross profit</b>	<i>mln MNT</i>	-	<b>11,409</b>	<b>16,532</b>	<b>82,094</b>	<b>175,123</b>	<b>185,105</b>	<b>174,765</b>	<b>188,881</b>	<b>191,640</b>	<b>210,565</b>	<b>229,946</b>
<i>Gross profit margin</i>	%		59%	46%	53%	57%	57%	55%	56%	54%	56%	57%
Selling and administrative expenses	<i>mln MNT</i>	-	(3,208)	(5,931)	(29,467)	(52,069)	(54,823)	(53,374)	(57,826)	(60,220)	(64,797)	(70,873)
<b>EBITDA</b>	<i>mln MNT</i>	-	<b>8,202</b>	<b>10,601</b>	<b>52,627</b>	<b>123,053</b>	<b>130,281</b>	<b>121,391</b>	<b>131,055</b>	<b>131,420</b>	<b>145,768</b>	<b>159,074</b>
<i>EBITDA margin</i>	%		42%	30%	34%	40%	40%	38%	39%	37%	39%	39%
Depreciation	<i>mln MNT</i>	-	(2,597)	(5,688)	(15,360)	(25,233)	(26,006)	(26,652)	(27,314)	(27,107)	(27,240)	(26,936)
<b>EBIT</b>	<i>mln MNT</i>	-	<b>5,604</b>	<b>4,913</b>	<b>37,267</b>	<b>97,820</b>	<b>104,275</b>	<b>94,739</b>	<b>103,741</b>	<b>104,313</b>	<b>118,528</b>	<b>132,137</b>
<i>EBIT margin</i>	%		29%	14%	24%	32%	32%	30%	30%	30%	32%	33%
CIT expenses	<i>mln MNT</i>	-	(595)	(570)	(8,833)	(24,192)	(25,795)	(23,475)	(25,796)	(25,769)	(29,227)	(32,433)
<b>NOPAT</b>	<i>mln MNT</i>	-	<b>5,009</b>	<b>4,343</b>	<b>28,434</b>	<b>73,628</b>	<b>78,480</b>	<b>71,265</b>	<b>77,945</b>	<b>78,543</b>	<b>89,301</b>	<b>99,704</b>
(-) change in net working capital	<i>mln MNT</i>	-	(110)	(94)	(680)	(869)	(98)	50	(140)	(65)	(132)	(178)
(-) change in VAT balance	<i>mln MNT</i>	-	(879)	642	(2,306)	5,458	1,744	181	320	86	430	496
(+) depreciation	<i>mln MNT</i>	-	2,597	5,688	15,360	25,233	26,006	26,652	27,314	27,107	27,240	26,936
(-) capital expenditures	<i>mln MNT</i>	-	(46,430)	(16,519)	(171,588)	(11,771)	(4,408)	(4,757)	(5,360)	(6,051)	(5,827)	(5,957)
<b>Free cash flow</b>	<i>mln MNT</i>	-	<b>(39,813)</b>	<b>(5,940)</b>	<b>(130,781)</b>	<b>91,679</b>	<b>101,725</b>	<b>93,391</b>	<b>100,079</b>	<b>99,621</b>	<b>111,011</b>	<b>121,001</b>
Discount period	<i>units</i>	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5
Discount rate	%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%
Discount factor	<i>coefficient</i>	0.91	0.76	0.64	0.53	0.45	0.37	0.31	0.26	0.22	0.18	0.15
<b>Discounted free cash flow</b>	<i>mln MNT</i>	-	<b>(30,418)</b>	<b>(3,793)</b>	<b>(69,787)</b>	<b>40,885</b>	<b>37,913</b>	<b>29,089</b>	<b>26,052</b>	<b>21,673</b>	<b>20,183</b>	<b>18,386</b>
<b>Net Present Value</b>	<i>mln MNT</i>		<b>135,544</b>									

Source: PwC analysis

# Income approach calculations (2 of 8)

## Income approach results - Uekhii Tsagaan, Scenario 1 (2 of 2)

### Uekhii Tsagaan

Item		2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Revenue	<i>mln MNT</i>	413,911	408,091	444,884	453,097	467,810	492,114	516,825	525,350	530,312	517,283	582,638
COGS	<i>mln MNT</i>	(178,817)	(187,995)	(198,869)	(204,720)	(212,555)	(221,516)	(232,113)	(238,159)	(243,714)	(250,548)	(163,465)
<b>Gross profit</b>	<i>mln MNT</i>	<b>235,095</b>	<b>220,095</b>	<b>246,015</b>	<b>248,377</b>	<b>255,255</b>	<b>270,598</b>	<b>284,712</b>	<b>287,190</b>	<b>286,597</b>	<b>266,735</b>	<b>419,173</b>
Gross profit margin	%	57%	54%	55%	55%	55%	55%	55%	55%	54%	52%	72%
Selling and administrative expenses	<i>mln MNT</i>	(72,575)	(71,963)	(78,901)	(80,798)	(83,843)	(88,630)	(93,497)	(95,432)	(96,692)	(94,661)	(107,054)
<b>EBITDA</b>	<i>mln MNT</i>	<b>162,519</b>	<b>148,132</b>	<b>167,114</b>	<b>167,579</b>	<b>171,413</b>	<b>181,968</b>	<b>191,215</b>	<b>191,758</b>	<b>189,906</b>	<b>172,074</b>	<b>312,119</b>
EBITDA margin	%	39%	36%	38%	37%	37%	37%	37%	37%	36%	33%	54%
Depreciation	<i>mln MNT</i>	(39,017)	(54,632)	(43,540)	(45,221)	(45,158)	(45,213)	(45,261)	(45,363)	(45,459)	(45,538)	(17,483)
<b>EBIT</b>	<i>mln MNT</i>	<b>123,502</b>	<b>93,501</b>	<b>123,574</b>	<b>122,359</b>	<b>126,255</b>	<b>136,755</b>	<b>145,954</b>	<b>146,395</b>	<b>144,447</b>	<b>126,536</b>	<b>294,636</b>
EBIT margin	%	30%	23%	28%	27%	27%	28%	28%	28%	27%	24%	51%
CIT expenses	<i>mln MNT</i>	(30,101)	(23,159)	(28,870)	(30,234)	(31,244)	(33,844)	(36,130)	(36,253)	(35,780)	(31,308)	(69,860)
<b>NOPAT</b>	<i>mln MNT</i>	<b>93,401</b>	<b>70,341</b>	<b>94,705</b>	<b>92,125</b>	<b>95,011</b>	<b>102,911</b>	<b>109,825</b>	<b>110,142</b>	<b>108,667</b>	<b>95,229</b>	<b>224,776</b>
(-) change in net working capital	<i>mln MNT</i>	(44)	33	(210)	(47)	(84)	(139)	(141)	(49)	(28)	74	2,950
(-) change in VAT balance	<i>mln MNT</i>	(6,802)	4,505	359	1,795	663	450	407	130	(4)	(469)	(7,205)
(+) depreciation	<i>mln MNT</i>	39,017	54,632	43,540	45,221	45,158	45,213	45,261	45,363	45,459	45,538	17,483
(-) capital expenditures	<i>mln MNT</i>	(290,569)	(25,285)	(77,958)	(9,920)	(6,062)	(6,047)	(6,103)	(6,152)	(6,256)	(6,354)	(6,436)
<b>Free cash flow</b>	<i>mln MNT</i>	<b>(164,997)</b>	<b>104,227</b>	<b>60,435</b>	<b>129,173</b>	<b>134,686</b>	<b>142,388</b>	<b>149,248</b>	<b>149,435</b>	<b>147,837</b>	<b>134,017</b>	<b>231,569</b>
Discount period	<i>units</i>	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5
Discount rate	%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%
Discount factor	<i>coefficient</i>	0.13	0.11	0.09	0.07	0.06	0.05	0.04	0.04	0.03	0.03	0.02
<b>Discounted free cash flow</b>	<i>mln MNT</i>	<b>(20,953)</b>	<b>11,061</b>	<b>5,360</b>	<b>9,575</b>	<b>8,343</b>	<b>7,372</b>	<b>6,458</b>	<b>5,403</b>	<b>4,468</b>	<b>3,385</b>	<b>4,888</b>
<b>Net Present Value</b>	<i>mln MNT</i>	<b>135,544</b>										

Source: PwC analysis

# Income approach calculations (3 of 8)

## Income approach results - Uekhii Tsagaan, Scenario 2 (1 of 2)

### Uekhii Tsagaan

Item		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue	<i>mln MNT</i>	-	19,365	35,804	155,048	323,783	341,926	332,583	358,228	369,896	393,922	426,327
COGS	<i>mln MNT</i>	-	(7,955)	(19,272)	(72,954)	(132,723)	(139,899)	(141,386)	(151,835)	(160,459)	(164,778)	(176,690)
<b>Gross profit</b>	<i>mln MNT</i>	-	<b>11,409</b>	<b>16,532</b>	<b>82,094</b>	<b>191,060</b>	<b>202,027</b>	<b>191,198</b>	<b>206,392</b>	<b>209,436</b>	<b>229,144</b>	<b>249,636</b>
<i>Gross profit margin</i>	%		59%	46%	53%	59%	59%	57%	58%	57%	58%	59%
Selling and administrative expenses	<i>mln MNT</i>	-	(3,208)	(5,931)	(29,467)	(52,069)	(54,823)	(53,374)	(57,826)	(60,220)	(64,797)	(70,873)
<b>EBITDA</b>	<i>mln MNT</i>	-	<b>8,202</b>	<b>10,601</b>	<b>52,627</b>	<b>138,991</b>	<b>147,204</b>	<b>137,824</b>	<b>148,567</b>	<b>149,216</b>	<b>164,347</b>	<b>178,764</b>
<i>EBITDA margin</i>	%		42%	30%	34%	43%	43%	41%	41%	40%	42%	42%
Depreciation	<i>mln MNT</i>	-	(2,597)	(5,688)	(15,360)	(25,233)	(26,006)	(26,652)	(27,314)	(27,107)	(27,240)	(26,936)
<b>EBIT</b>	<i>mln MNT</i>	-	<b>5,604</b>	<b>4,913</b>	<b>37,267</b>	<b>113,758</b>	<b>121,198</b>	<b>111,172</b>	<b>121,253</b>	<b>122,109</b>	<b>137,108</b>	<b>151,828</b>
<i>EBIT margin</i>	%		29%	14%	24%	35%	35%	33%	34%	33%	35%	36%
CIT expenses	<i>mln MNT</i>	-	(595)	(570)	(8,833)	(28,177)	(30,026)	(27,583)	(30,174)	(30,218)	(33,872)	(37,356)
<b>NOPAT</b>	<i>mln MNT</i>	-	<b>5,009</b>	<b>4,343</b>	<b>28,434</b>	<b>85,581</b>	<b>91,172</b>	<b>83,589</b>	<b>91,079</b>	<b>91,890</b>	<b>103,235</b>	<b>114,472</b>
(-) change in net working capital	<i>mln MNT</i>	-	(110)	(94)	(680)	(962)	(103)	53	(146)	(67)	(137)	(185)
(-) change in VAT balance	<i>mln MNT</i>	-	(879)	642	(2,306)	5,458	1,744	181	320	86	430	496
(+) depreciation	<i>mln MNT</i>	-	2,597	5,688	15,360	25,233	26,006	26,652	27,314	27,107	27,240	26,936
(-) capital expenditures	<i>mln MNT</i>	-	(46,430)	(16,519)	(171,588)	(11,771)	(4,408)	(4,757)	(5,360)	(6,051)	(5,827)	(5,957)
<b>Free cash flow</b>	<i>mln MNT</i>	-	<b>(39,813)</b>	<b>(5,940)</b>	<b>(130,781)</b>	<b>103,539</b>	<b>114,411</b>	<b>105,718</b>	<b>113,207</b>	<b>112,966</b>	<b>124,941</b>	<b>135,762</b>
Discount period	<i>units</i>	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5
Discount rate	%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%
Discount factor	<i>coefficient</i>	0.92	0.77	0.65	0.55	0.46	0.39	0.33	0.27	0.23	0.19	0.16
<b>Discounted free cash flow</b>	<i>mln MNT</i>	-	<b>(30,719)</b>	<b>(3,856)</b>	<b>(71,413)</b>	<b>47,562</b>	<b>44,212</b>	<b>34,368</b>	<b>30,960</b>	<b>25,989</b>	<b>24,181</b>	<b>22,104</b>
<b>Net Present Value</b>	<i>mln MNT</i>		<b>186,178</b>									

Source: PwC analysis

# Income approach calculations (4 of 8)

## Income approach results - Uekhii Tsagaan, Scenario 2 (2 of 2)

### Uekhii Tsagaan

Item		2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Revenue	<i>mln MNT</i>	434,262	427,881	466,158	474,468	489,594	514,740	540,308	548,957	553,901	540,062	608,005
COGS	<i>mln MNT</i>	(179,326)	(188,490)	(199,401)	(205,254)	(213,100)	(222,082)	(232,700)	(238,749)	(244,304)	(251,117)	(164,099)
<b>Gross profit</b>	<i>mln MNT</i>	<b>254,937</b>	<b>239,391</b>	<b>266,757</b>	<b>269,214</b>	<b>276,494</b>	<b>292,658</b>	<b>307,608</b>	<b>310,207</b>	<b>309,597</b>	<b>288,945</b>	<b>443,906</b>
Gross profit margin	%	59%	56%	57%	57%	56%	57%	57%	57%	56%	54%	73%
Selling and administrative expenses	<i>mln MNT</i>	(72,575)	(71,963)	(78,901)	(80,798)	(83,843)	(88,630)	(93,497)	(95,432)	(96,692)	(94,661)	(107,054)
<b>EBITDA</b>	<i>mln MNT</i>	<b>182,361</b>	<b>167,428</b>	<b>187,856</b>	<b>188,416</b>	<b>192,651</b>	<b>204,028</b>	<b>214,111</b>	<b>214,775</b>	<b>212,906</b>	<b>194,284</b>	<b>336,852</b>
EBITDA margin	%	42%	39%	40%	40%	39%	40%	40%	39%	38%	36%	55%
Depreciation	<i>mln MNT</i>	(39,017)	(54,632)	(43,540)	(45,221)	(45,158)	(45,213)	(45,261)	(45,363)	(45,459)	(45,538)	(17,483)
<b>EBIT</b>	<i>mln MNT</i>	<b>143,344</b>	<b>112,797</b>	<b>144,316</b>	<b>143,196</b>	<b>147,493</b>	<b>158,816</b>	<b>168,850</b>	<b>169,412</b>	<b>167,447</b>	<b>148,746</b>	<b>319,369</b>
EBIT margin	%	33%	26%	31%	30%	30%	31%	31%	31%	30%	28%	53%
CIT expenses	<i>mln MNT</i>	(35,061)	(27,983)	(34,055)	(35,443)	(36,553)	(39,360)	(41,854)	(42,007)	(41,530)	(36,860)	(76,043)
<b>NOPAT</b>	<i>mln MNT</i>	<b>108,283</b>	<b>84,813</b>	<b>110,261</b>	<b>107,752</b>	<b>110,940</b>	<b>119,456</b>	<b>126,996</b>	<b>127,405</b>	<b>125,917</b>	<b>111,886</b>	<b>243,325</b>
(-) change in net working capital	<i>mln MNT</i>	(45)	36	(218)	(47)	(86)	(143)	(146)	(49)	(28)	79	3,080
(-) change in VAT balance	<i>mln MNT</i>	(6,802)	4,505	359	1,795	663	450	407	130	(4)	(469)	(7,205)
(+) depreciation	<i>mln MNT</i>	39,017	54,632	43,540	45,221	45,158	45,213	45,261	45,363	45,459	45,538	17,483
(-) capital expenditures	<i>mln MNT</i>	(290,569)	(25,285)	(77,958)	(9,920)	(6,062)	(6,047)	(6,103)	(6,152)	(6,256)	(6,354)	(6,436)
<b>Free cash flow</b>	<i>mln MNT</i>	<b>(150,117)</b>	<b>118,702</b>	<b>75,983</b>	<b>144,800</b>	<b>150,612</b>	<b>158,928</b>	<b>166,415</b>	<b>166,696</b>	<b>165,087</b>	<b>150,679</b>	<b>250,248</b>
Discount period	<i>units</i>	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5
Discount rate	%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%
Discount factor	<i>coefficient</i>	0.14	0.12	0.10	0.08	0.07	0.06	0.05	0.04	0.03	0.03	0.02
<b>Discounted free cash flow</b>	<i>mln MNT</i>	<b>(20,561)</b>	<b>13,677</b>	<b>7,365</b>	<b>11,807</b>	<b>10,332</b>	<b>9,171</b>	<b>8,079</b>	<b>6,808</b>	<b>5,672</b>	<b>4,355</b>	<b>6,084</b>
<b>Net Present Value</b>	<i>mln MNT</i>	<b>186,178</b>										

Source: PwC analysis

# Income approach calculations (5 of 8)

## Income approach results - Nogoon toirom, Scenario 1 (1 of 2)

### Nogoon toirom

Item		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenue	<i>mln MNT</i>	-	-	-	33,464	35,605	226,364	238,201	248,799	258,734	268,165	554,832	576,752	598,102
COGS	<i>mln MNT</i>	-	-	-	(15,324)	(16,191)	(101,086)	(106,772)	(112,499)	(117,863)	(123,996)	(257,061)	(268,340)	(280,075)
<b>Gross profit</b>	<i>mln MNT</i>	-	-	-	<b>18,140</b>	<b>19,414</b>	<b>125,278</b>	<b>131,429</b>	<b>136,299</b>	<b>140,871</b>	<b>144,169</b>	<b>297,772</b>	<b>308,412</b>	<b>318,027</b>
<i>Gross profit margin</i>	%				54%	55%	55%	55%	55%	54%	54%	54%	53%	53%
Selling and administrative expenses	<i>mln MNT</i>	-	-	-	(2,146)	(2,272)	(14,391)	(15,160)	(15,950)	(16,763)	(17,599)	(36,897)	(38,610)	(40,358)
<b>EBITDA</b>	<i>mln MNT</i>	-	-	-	<b>15,994</b>	<b>17,142</b>	<b>110,888</b>	<b>116,269</b>	<b>120,350</b>	<b>124,108</b>	<b>126,570</b>	<b>260,875</b>	<b>269,802</b>	<b>277,669</b>
<i>EBITDA margin</i>	%				48%	48%	49%	49%	48%	48%	47%	47%	47%	46%
Depreciation	<i>mln MNT</i>	-	-	(325)	(4,475)	(8,327)	(11,116)	(30,181)	(46,519)	(46,590)	(67,775)	(110,979)	(133,081)	(133,177)
<b>EBIT</b>	<i>mln MNT</i>	-	-	<b>(325)</b>	<b>11,519</b>	<b>8,815</b>	<b>99,771</b>	<b>86,088</b>	<b>73,831</b>	<b>77,518</b>	<b>58,795</b>	<b>149,896</b>	<b>136,721</b>	<b>144,492</b>
<i>EBIT margin</i>	%				34%	25%	44%	36%	30%	30%	22%	27%	24%	24%
CIT expenses	<i>mln MNT</i>	-	-	-	(2,110)	(1,509)	(24,288)	(21,088)	(18,215)	(19,149)	(14,716)	(37,983)	(34,948)	(36,907)
<b>NOPAT</b>	<i>mln MNT</i>	-	-	<b>(325)</b>	<b>9,409</b>	<b>7,306</b>	<b>75,483</b>	<b>65,000</b>	<b>55,616</b>	<b>58,369</b>	<b>44,079</b>	<b>111,913</b>	<b>101,773</b>	<b>107,584</b>
(-) change in net working capital	<i>mln MNT</i>	-	-	-	(191)	(12)	(1,088)	(68)	(60)	(57)	(54)	(1,635)	(125)	(122)
(-) change in VAT balance	<i>mln MNT</i>	-	-	(203)	(1,165)	1,540	1,858	(5,768)	6,369	1,672	(9,441)	1,221	10,940	2,909
(+) depreciation	<i>mln MNT</i>	-	-	325	4,475	8,327	11,116	30,181	46,519	46,590	67,775	110,979	133,081	133,177
(-) capital expenditures	<i>mln MNT</i>	-	-	(8,225)	(73,184)	(703)	(52,957)	(311,818)	(867)	(936)	(404,459)	(421,836)	(1,173)	(1,266)
<b>Free cash flow</b>	<i>mln MNT</i>	-	-	<b>(8,428)</b>	<b>(60,656)</b>	<b>16,458</b>	<b>34,412</b>	<b>(222,473)</b>	<b>107,576</b>	<b>105,638</b>	<b>(302,100)</b>	<b>(199,359)</b>	<b>244,495</b>	<b>242,283</b>
Discount period	<i>units</i>	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5
Discount rate	%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%
Discount factor	<i>coefficient</i>	0.91	0.75	0.62	0.52	0.43	0.35	0.29	0.24	0.20	0.17	0.14	0.11	0.09
<b>Discounted free cash flow</b>	<i>mln MNT</i>	-	-	<b>(5,258)</b>	<b>(31,335)</b>	<b>7,040</b>	<b>12,189</b>	<b>(65,249)</b>	<b>26,125</b>	<b>21,242</b>	<b>(50,301)</b>	<b>(27,486)</b>	<b>27,912</b>	<b>22,903</b>
<b>Net Present Value</b>	<i>mln MNT</i>	<b>11,379</b>												

Source: PwC analysis

# Income approach calculations (6 of 8)

## Income approach results - Nogoon toirom, Scenario 1 (2 of 2)

### Nogoon toirom

Item		2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Revenue	<i>mln MNT</i>	619,761	642,062	1,108,778	1,148,763	1,190,579	1,234,295	1,279,852	1,326,848	1,374,532	1,423,544	1,474,346	412,232
COGS	<i>mln MNT</i>	(291,887)	(304,061)	(544,725)	(577,039)	(592,086)	(594,761)	(618,942)	(643,977)	(669,935)	(696,920)	(724,950)	(209,619)
<b>Gross profit</b>	<i>mln MNT</i>	<b>327,874</b>	<b>338,001</b>	<b>564,053</b>	<b>571,724</b>	<b>598,494</b>	<b>639,534</b>	<b>660,910</b>	<b>682,870</b>	<b>704,597</b>	<b>726,624</b>	<b>749,396</b>	<b>202,613</b>
Gross profit margin	%	53%	53%	51%	50%	50%	52%	52%	51%	51%	51%	51%	49%
Selling and administrative expenses	<i>mln MNT</i>	(42,155)	(44,007)	(76,535)	(79,841)	(83,270)	(86,832)	(90,510)	(94,320)	(98,273)	(102,386)	(106,658)	(29,998)
<b>EBITDA</b>	<i>mln MNT</i>	<b>285,719</b>	<b>293,994</b>	<b>487,518</b>	<b>491,883</b>	<b>515,223</b>	<b>552,703</b>	<b>570,399</b>	<b>588,551</b>	<b>606,324</b>	<b>624,238</b>	<b>642,738</b>	<b>172,615</b>
EBITDA margin	%	46%	46%	44%	43%	43%	45%	45%	44%	44%	44%	44%	42%
Depreciation	<i>mln MNT</i>	(126,093)	(154,864)	(201,026)	(216,188)	(237,893)	(237,925)	(198,139)	(154,244)	(151,767)	(151,788)	(151,806)	(96,942)
<b>EBIT</b>	<i>mln MNT</i>	<b>159,626</b>	<b>139,130</b>	<b>286,492</b>	<b>275,696</b>	<b>277,331</b>	<b>314,778</b>	<b>372,260</b>	<b>434,306</b>	<b>454,557</b>	<b>472,449</b>	<b>490,932</b>	<b>75,673</b>
EBIT margin	%	26%	22%	26%	24%	23%	26%	29%	33%	33%	33%	33%	18%
CIT expenses	<i>mln MNT</i>	(39,822)	(35,842)	(72,502)	(67,093)	(71,189)	(80,552)	(90,012)	(104,845)	(114,540)	(119,014)	(123,639)	(13,059)
<b>NOPAT</b>	<i>mln MNT</i>	<b>119,804</b>	<b>103,288</b>	<b>213,991</b>	<b>208,603</b>	<b>206,141</b>	<b>234,226</b>	<b>282,248</b>	<b>329,462</b>	<b>340,017</b>	<b>353,435</b>	<b>367,293</b>	<b>62,614</b>
(-) change in net working capital	<i>mln MNT</i>	(124)	(127)	(2,662)	(228)	(239)	(249)	(260)	(268)	(272)	(280)	(290)	8,409
(-) change in VAT balance	<i>mln MNT</i>	988	(13,217)	5,648	1,192	12,034	3,930	1,499	851	810	744	747	(25,157)
(+) depreciation	<i>mln MNT</i>	126,093	154,864	201,026	216,188	237,893	237,925	198,139	154,244	151,767	151,788	151,806	96,942
(-) capital expenditures	<i>mln MNT</i>	(1,365)	(557,524)	(434,677)	(450,634)	(1,125)	(1,164)	(1,197)	(1,229)	(1,258)	(1,284)	(1,306)	(1,324)
<b>Free cash flow</b>	<i>mln MNT</i>	<b>245,396</b>	<b>(312,715)</b>	<b>(16,675)</b>	<b>(24,879)</b>	<b>454,704</b>	<b>474,667</b>	<b>480,429</b>	<b>483,060</b>	<b>491,064</b>	<b>504,405</b>	<b>518,250</b>	<b>141,484</b>
Discount period	<i>units</i>	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5
Discount rate	%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%
Discount factor	<i>coefficient</i>	0.08	0.06	0.05	0.04	0.04	0.03	0.03	0.02	0.02	0.01	0.01	0.01
<b>Discounted free cash flow</b>	<i>mln MNT</i>	<b>19,208</b>	<b>(20,268)</b>	<b>(895)</b>	<b>(1,106)</b>	<b>16,731</b>	<b>14,462</b>	<b>12,120</b>	<b>10,091</b>	<b>8,494</b>	<b>7,224</b>	<b>6,146</b>	<b>1,389</b>
<b>Net Present Value</b>	<i>mln MNT</i>	<b>11,379</b>											

Source: PwC analysis

# Income approach calculations (7 of 8)

## Income approach results - Nogoon toirom, Scenario 2 (1 of 2)

### Nogoon toirom

Item		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenue	<i>mln MNT</i>	-	-	-	33,464	35,605	226,364	238,201	248,799	258,734	268,165	554,832	576,752	598,102
COGS	<i>mln MNT</i>	-	-	-	(15,324)	(16,191)	(101,086)	(106,772)	(112,499)	(117,863)	(123,996)	(257,061)	(268,340)	(280,075)
<b>Gross profit</b>	<i>mln MNT</i>	-	-	-	<b>18,140</b>	<b>19,414</b>	<b>125,278</b>	<b>131,429</b>	<b>136,299</b>	<b>140,871</b>	<b>144,169</b>	<b>297,772</b>	<b>308,412</b>	<b>318,027</b>
<i>Gross profit margin</i>	%				54%	55%	55%	55%	55%	54%	54%	54%	53%	53%
Selling and administrative expenses	<i>mln MNT</i>	-	-	-	(2,146)	(2,272)	(14,391)	(15,160)	(15,950)	(16,763)	(17,599)	(36,897)	(38,610)	(40,358)
<b>EBITDA</b>	<i>mln MNT</i>	-	-	-	<b>15,994</b>	<b>17,142</b>	<b>110,888</b>	<b>116,269</b>	<b>120,350</b>	<b>124,108</b>	<b>126,570</b>	<b>260,875</b>	<b>269,802</b>	<b>277,669</b>
<i>EBITDA margin</i>	%				48%	48%	49%	49%	48%	48%	47%	47%	47%	46%
Depreciation	<i>mln MNT</i>	-	-	(325)	(4,475)	(8,327)	(11,116)	(30,181)	(46,519)	(46,590)	(67,775)	(110,979)	(133,081)	(133,177)
<b>EBIT</b>	<i>mln MNT</i>	-	-	<b>(325)</b>	<b>11,519</b>	<b>8,815</b>	<b>99,771</b>	<b>86,088</b>	<b>73,831</b>	<b>77,518</b>	<b>58,795</b>	<b>149,896</b>	<b>136,721</b>	<b>144,492</b>
<i>EBIT margin</i>	%				34%	25%	44%	36%	30%	30%	22%	27%	24%	24%
CIT expenses	<i>mln MNT</i>	-	-	-	(2,110)	(1,509)	(24,288)	(21,088)	(18,215)	(19,149)	(14,716)	(37,983)	(34,948)	(36,907)
<b>NOPAT</b>	<i>mln MNT</i>	-	-	<b>(325)</b>	<b>9,409</b>	<b>7,306</b>	<b>75,483</b>	<b>65,000</b>	<b>55,616</b>	<b>58,369</b>	<b>44,079</b>	<b>111,913</b>	<b>101,773</b>	<b>107,584</b>
(-) change in net working capital	<i>mln MNT</i>	-	-	-	(191)	(12)	(1,088)	(68)	(60)	(57)	(54)	(1,635)	(125)	(122)
(-) change in VAT balance	<i>mln MNT</i>	-	-	(203)	(1,165)	1,540	1,858	(5,768)	6,369	1,672	(9,441)	1,221	10,940	2,909
(+) depreciation	<i>mln MNT</i>	-	-	325	4,475	8,327	11,116	30,181	46,519	46,590	67,775	110,979	133,081	133,177
(-) capital expenditures	<i>mln MNT</i>	-	-	(8,225)	(73,184)	(703)	(52,957)	(311,818)	(867)	(936)	(404,459)	(421,836)	(1,173)	(1,266)
<b>Free cash flow</b>	<i>mln MNT</i>	-	-	(8,428)	(60,656)	16,458	34,412	(222,473)	107,576	105,638	(302,100)	(199,359)	244,495	242,283
Discount period	<i>units</i>	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5
Discount rate	%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Discount factor	<i>coefficient</i>	0.91	0.76	0.63	0.53	0.44	0.37	0.31	0.26	0.21	0.18	0.15	0.12	0.10
<b>Discounted free cash flow</b>	<i>mln MNT</i>	-	-	(5,345)	(32,058)	7,250	12,634	(68,072)	27,434	22,452	(53,514)	(29,433)	30,084	24,847
<b>Net Present Value</b>	<i>mln MNT</i>	<b>20,049</b>												

Source: PwC analysis



# Income approach calculations (8 of 8)

## Income approach results - Nogoon toirom, Scenario 2 (2 of 2)

### Nogoon toirom

Item		2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Revenue	<i>mln MNT</i>	619,761	642,062	1,108,778	1,148,763	1,190,579	1,234,295	1,279,852	1,326,848	1,374,532	1,423,544	1,474,346	412,232
COGS	<i>mln MNT</i>	(291,887)	(304,061)	(544,725)	(577,039)	(592,086)	(594,761)	(618,942)	(643,977)	(669,935)	(696,920)	(724,950)	(209,619)
<b>Gross profit</b>	<i>mln MNT</i>	<b>327,874</b>	<b>338,001</b>	<b>564,053</b>	<b>571,724</b>	<b>598,494</b>	<b>639,534</b>	<b>660,910</b>	<b>682,870</b>	<b>704,597</b>	<b>726,624</b>	<b>749,396</b>	<b>202,613</b>
<i>Gross profit margin</i>	%	53%	53%	51%	50%	50%	52%	52%	51%	51%	51%	51%	49%
Selling and administrative expenses	<i>mln MNT</i>	(42,155)	(44,007)	(76,535)	(79,841)	(83,270)	(86,832)	(90,510)	(94,320)	(98,273)	(102,386)	(106,658)	(29,998)
<b>EBITDA</b>	<i>mln MNT</i>	<b>285,719</b>	<b>293,994</b>	<b>487,518</b>	<b>491,883</b>	<b>515,223</b>	<b>552,703</b>	<b>570,399</b>	<b>588,551</b>	<b>606,324</b>	<b>624,238</b>	<b>642,738</b>	<b>172,615</b>
<i>EBITDA margin</i>	%	46%	46%	44%	43%	43%	45%	45%	44%	44%	44%	44%	42%
Depreciation	<i>mln MNT</i>	(126,093)	(154,864)	(201,026)	(216,188)	(237,893)	(237,925)	(198,139)	(154,244)	(151,767)	(151,788)	(151,806)	(96,942)
<b>EBIT</b>	<i>mln MNT</i>	<b>159,626</b>	<b>139,130</b>	<b>286,492</b>	<b>275,696</b>	<b>277,331</b>	<b>314,778</b>	<b>372,260</b>	<b>434,306</b>	<b>454,557</b>	<b>472,449</b>	<b>490,932</b>	<b>75,673</b>
<i>EBIT margin</i>	%	26%	22%	26%	24%	23%	26%	29%	33%	33%	33%	33%	18%
CIT expenses	<i>mln MNT</i>	(39,822)	(35,842)	(72,502)	(67,093)	(71,189)	(80,552)	(90,012)	(104,845)	(114,540)	(119,014)	(123,639)	(13,059)
<b>NOPAT</b>	<i>mln MNT</i>	<b>119,804</b>	<b>103,288</b>	<b>213,991</b>	<b>208,603</b>	<b>206,141</b>	<b>234,226</b>	<b>282,248</b>	<b>329,462</b>	<b>340,017</b>	<b>353,435</b>	<b>367,293</b>	<b>62,614</b>
(-) change in net working capital	<i>mln MNT</i>	(124)	(127)	(2,662)	(228)	(239)	(249)	(260)	(268)	(272)	(280)	(290)	8,409
(-) change in VAT balance	<i>mln MNT</i>	988	(13,217)	5,648	1,192	12,034	3,930	1,499	851	810	744	747	(25,157)
(+) depreciation	<i>mln MNT</i>	126,093	154,864	201,026	216,188	237,893	237,925	198,139	154,244	151,767	151,788	151,806	96,942
(-) capital expenditures	<i>mln MNT</i>	(1,365)	(557,524)	(434,677)	(450,634)	(1,125)	(1,164)	(1,197)	(1,229)	(1,258)	(1,284)	(1,306)	(1,324)
<b>Free cash flow</b>	<i>mln MNT</i>	<b>245,396</b>	<b>(312,715)</b>	<b>(16,675)</b>	<b>(24,879)</b>	<b>454,704</b>	<b>474,667</b>	<b>480,429</b>	<b>483,060</b>	<b>491,064</b>	<b>504,405</b>	<b>518,250</b>	<b>141,484</b>
Discount period	<i>units</i>	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5
Discount rate	%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Discount factor	<i>coefficient</i>	0.09	0.07	0.06	0.05	0.04	0.03	0.03	0.02	0.02	0.02	0.01	0.01
<b>Discounted free cash flow</b>	<i>mln MNT</i>	<b>20,974</b>	<b>(22,277)</b>	<b>(990)</b>	<b>(1,231)</b>	<b>18,752</b>	<b>16,315</b>	<b>13,763</b>	<b>11,533</b>	<b>9,772</b>	<b>8,365</b>	<b>7,163</b>	<b>1,630</b>
<b>Net Present Value</b>	<i>mln MNT</i>	<b>20,049</b>											

Source: PwC analysis

[pwc.com](https://www.pwc.com)

© 2020 PwC. All rights reserved. Not for further distribution without the permission of PwC. "PwC" refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm's professional judgment or bind another member firm or PwCIL in any way.