

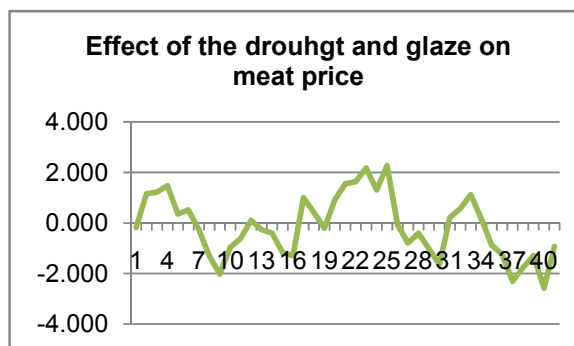
2.9. ISSUER’S RISK ANALYSIS FOR INVESTORS

Nature, weather related risks:

Mongolian animal husbandry sector is fully dependent from weather. By this any natural disaster, like drouhgt, glaze and animal diseases directly effect to the meat sector.

Following risks may occure in meat sector because of change of weathers.

improper livestock loss because of drought and glaze. This will lead to decrease of the meat supply and increase of the meat price. For example: winter of 2009-2010 there was a glaze and 7.5 million livestock lossed this leads to dramatic decrease on meat supply. The main



thing that is effecting the meat price are drought and glaze. According to the research every 115 year drought and glazes occurs and that year the supply of meat decreases and price of meat increases dramatically.

- Because of the overheat during summer the livestock are shortage with keep so they cannot fully take their keeps. This will affect the cut ability and the quality.
- Mongolia is located in the active zone of foot and mouth disease, malignant anthrax and other diseases so if these diseases occure then the quality and supply of meat decreases.

Company’s operational risks

The subsidiaries of the issuer company’s operate in the local areas so the following risks might occurs:

- The meat preparing, processing, and selling isn’t organized in one system so any buyer or middle man can buy the livestock form herders with higher prices and supplying the market and it’s affecting the operation of meat processing plants negatively. For example decrease the meat processing market and increase the price of the livestock;
- Also during the way to the plants the livestock are losing their weights, some of them are dying so the herders are more likely to sell it directly to middle men.



Risks during the production and storage

The company is focusing on the investment to improve the technologies, quality of the products and improve the employees abilities but from sudden and external, internal forces there might be some risks may occure

- Because of shortage of raw materials cannot operate with the full capacity of the plants,
- Because of some diseases the supplies decreases,

Marketing risks:

Meat is one of the important consumption of a person, so the meat needs to be have high quality. Following risks may occure during the meat processing, marketing and buyers behavior.

- Because of any natural disaster or diseases the transportation cannot be made in time,
- Because of any diseases the importing countries might banne their meat export
- Increase the tax of import so that the marketing expenses increase
- Because of the direct supply of meat from herders or middle man the sales of the company decreases.

Risks related to human resource

The country's economy is growing, and all sectors are growing fast. Especially the mining sector is growing fast and the number of people that are willing to work at this sector is icreasing. This might cause the following risks. For example;

- Lose a professional employees and workforce deficiency.
- During the meat processing period workforce deficiency in local plants,

Risks related to financial

Because of the change of the main raw materials price of company the following risks may occure: For example;

- Because of the increase of the raw materials price the costs might exceed the budgeted expenses.
- Due to the increase in raw materials cost ,shortage of current asset
- The buyers might not pay in time
- Due to the country's economy the bonuses for reserved meat might not pay in time



Economical Risk

The negative affects of the country's economy and social may effect negatively to the company's operations, marketing and production cost. For example;

- Due to the increase of inflation rate the purchasing power of buyers decreases
- Due to the increase of electricity charge the production cost increases
- Due to the unstable exchange rate,
- The Chinese business men are cooperating with middle men and buying a large number of livestock so it's leading to increase of the livestock price,
- Due to the price increase of Russian petroleum companies and increase of the exporting tax of petroleum the transportation costs are increasing,
- Due to the increase of the foreign trade the rail road transportation has been increased so the product delivery cannot made in time
- Exporting the livestock by foot,

Political regulatory risks

The governments regulation and policies might effect the company's production, marketing and costs, for example;

- Due to unstable government the laws and regulation of the sector changes
- In order to make the price of the meat stable decrease the price lower than maket value
- Due to the improve the social welfare of the population change in tax amount
- Decrease the bonus amount for reserved meat

Risks related to financial responsibilities

Issuer company has low risks that related to the bonds interest payments and capital payments, but there are some factors that might effect the issuer to cannot pay the payments;

- All the risks mentained above might affect the issuer company's financial responsibility.

Other risks

Due to the devaluation of money the value of bonds that investors have might decrease. There aren't any ways to avoid this risk. All the risks mentioned above are from internal and external effects.

