

APU JSC AND SUBSIDIARIES

Consolidated Financial Statements

For the year ended 31 December 2023

(With Independent Auditors' Report Thereon)

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Directors' Responsibility Statement

APU JSC's Board of Directors is responsible for the preparation of the consolidated financial statements.


The consolidated financial statements of APU JSC and its subsidiaries (together "the Group") have been prepared to comply with International Financial Reporting Standards. The Group's Board of Directors are responsible for ensuring that these consolidated financial statements present fairly the state of affairs of the Group's financial position as at 31 December 2023 and the financial performance and cash flows for the year then ended on that date.

The Group's Board of Directors have responsibility for ensuring that the Group keep proper accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the consolidated financial statements comply with the requirements set out in Note 2 to Note 5 thereto.

The Group's Board of Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Group's Board of Directors consider that, in preparing the consolidated financial statements including explanatory notes, it has used appropriate policies, consistently applied and supported by reasonable and prudent judgment and estimates, and that all applicable accounting standards have been followed.

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issuance by the Group's Board of Directors.



The image shows three handwritten signatures on a horizontal line. The first signature is on the left, the second in the middle, and the third on the right. A faint rectangular stamp is visible in the background behind the first signature. The stamp contains the text 'МОНГОЛ УЛС' at the top, 'APU COMPANY' in the middle, and '2760073-115224357' at the bottom. An arrow points from the second signature to the third.

P. Batsaikhan
Chairman

Ts. Erdenebileg
Chief Executive Officer

G. Enkhbileg
Chief Financial Officer

Ulaanbaatar,
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Independent Auditors' Report

To: The Shareholders and Board of Directors
APU Joint Stock Company

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of APU JSC (the "Parent Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mongolia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to Note 18 to the consolidated financial statements and the accounting policies in Note 5 (q).

Area of focus	How our audit addressed the area of focus
<p>Under International Standards on Auditing there is a presumed fraud risk relating to revenue recognition. We have determined this to apply to the occurrence of the revenue and recognition of revenue in a correct accounting period because of the pressure management may feel to achieve the planned results.</p> <p>Due to these factors, we have considered revenue recognition to be a key audit matter relevant to our audit of the consolidated financial statements.</p>	<p>Our audit procedures over revenue included, among others:</p> <ul style="list-style-type: none">- We evaluated the design and implementation of control activities that address process risk of revenue recognition related to fraudulent financial reporting.- We tested selected controls management has in place over the sales and revenue recognition process, focusing on controls over the existence, accuracy and timing of revenue recognition.- We challenged the revenue recognition policies adopted by the Group by making inquiries of management and inspecting a sample of sales contracts to understand the delivery terms of the transactions so as to assess the Group's timing of revenue recognition with reference to the requirements of the prevailing accounting standards.- We assessed whether revenue was recognized in the appropriate accounting period and in accordance with the terms of the sales contracts by comparing a sample of sales transactions recorded around the year end with relevant underlying documents, which included goods dispatch notes or documentation indicating the customers' acknowledgment of delivery of the goods sold.



Key Audit Matters, continued

Revenue recognition, continued

Area of focus	How our audit addressed the area of focus
	<ul style="list-style-type: none">- We performed trend analysis of the main revenue lines of the Group, we developed an expectation of the Group's revenue using quantities and prices, and we performed audit procedures over sales between the Group and its customers such as customer confirmations.- We tested of details for journal entries which met our high risk criteria.- We assessed the disclosures in the consolidated financial statements in relation to the revenue with reference to the requirements of IFRS 15.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements, continued

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Cho, Sang-Yong.

KPMG AUDIT LLC

KPMG Audit LLC
Ulaanbaatar, Mongolia
29 March 2024



This report is effective as at 29 March 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any. Furthermore, this report is intended solely for the use of the shareholders of the Group. To the fullest extent permitted by law, we do not assume responsibility towards or accept liability to any other party in relation to the contents of this report.

APU Joint Stock Company and Subsidiaries Consolidated Statement of Financial Position

As at 31 December 2023

<i>(In thousands of MNT)</i>	Note	31 Dec 2023	31 Dec 2022
Assets			
Property, plant and equipment	6	498,807,964	415,600,484
Intangible assets and goodwill	7	69,116,813	74,044,933
Deferred tax assets	25	980,650	1,336,981
Biological assets	8	623,520	-
Non-current assets		569,528,947	490,982,398
Inventories	9	221,237,792	185,883,448
Prepayments and prepaid expenses	10	27,780,501	65,529,920
Income tax receivable		7,833,375	9,656,075
Trade and other receivables	11, 28	69,306,535	51,008,440
Cash and cash equivalents	12, 28	122,152,149	38,365,107
Assets held for sale		642,000	709,036
Current assets		448,952,352	351,152,026
Total assets		1,018,481,299	842,134,424
Equity			
Share capital	13	106,418	106,297
Share premium	13	339,442,756	338,094,870
Merger reserve	13	(112,795,804)	(112,795,804)
Revaluation reserve	13	157,839,026	156,566,882
Foreign currency translation reserve		(56,565)	703,518
Retained earnings		274,269,755	220,738,413
Equity attributable to owners of the Group		658,805,586	603,414,176
Non-controlling interest	29	21,770,071	30,163,068
Total equity		680,575,657	633,577,244

APU Joint Stock Company and Subsidiaries Consolidated Statement of Financial Position

As at 31 December 2023

<i>(In thousands of MNT)</i>	<i>Note</i>	31 Dec 2023	31 Dec 2022
Liabilities			
Deferred tax liabilities	25	29,888,320	25,539,734
Other payables	15, 28	-	2,325,831
Long-term lease liabilities		41,528,089	31,333,809
Employee benefits	14	989,976	1,380,674
Long-term borrowings	16, 28	107,392,420	18,333,200
Derivative financial liabilities	17, 28	432,338	-
Non-current liabilities		180,231,143	78,913,248
Short-term lease liabilities		18,593,081	10,935,008
Income tax payable		1,562,784	191,148
Trade payables	15, 28	53,134,960	51,632,914
Other payables	15, 28	44,383,674	61,718,062
Short-term loans and borrowings	16, 28	40,000,000	5,166,800
Current liabilities		157,674,499	129,643,932
Total liabilities		337,905,642	208,557,180
Total equity and liabilities		1,018,481,299	842,134,424

The accompanying notes form an integral part of these consolidated financial statements.

APU Joint Stock Company and Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

<i>(In thousands of MNT)</i>	Note	2023	2022
Revenue	18	1,105,352,126	850,239,813
Cost of sales	19	(625,950,191)	(478,212,778)
Gross profit		479,401,935	372,027,035
Selling and administrative expenses	20	(299,608,310)	(201,931,899)
(Impairment loss)/reversal gain on financial assets	11, 12	(81,470)	111,674
Other income	21	6,354,660	7,656,079
Other expenses	22	(10,721,991)	(13,410,462)
Profit from operations		175,344,824	164,452,427
Finance income	23	1,937,993	151,237
Finance costs	24	(19,619,409)	(10,491,453)
Profit before income tax		157,663,408	154,112,211
Income tax expense	25	(40,605,307)	(28,214,649)
Profit for the year		117,058,101	125,897,562
Other comprehensive income:			
<i>Items that will never be reclassified to profit or loss:</i>			
Revaluation surplus	13	2,333,990	65,809,809
Exchange rate differences on translation		(760,083)	746,961
Remeasurements of employee benefits		279,689	(438,863)
Total comprehensive income for the year		118,911,697	192,015,469
Profit/(loss) attributable to:			
Owners of the Parent Company		146,794,559	144,692,756
Non-controlling interest	29	(29,736,458)	(18,795,194)
Profit for the year		117,058,101	125,897,562
Total comprehensive income/(loss) attributable to:			
Owners of the Parent Company		148,648,155	210,810,663
Non-controlling interest	29	(29,736,458)	(18,795,194)
Total comprehensive income for the year		118,911,697	192,015,469
Earnings per share			
Basic earnings per share	34	137.9	136.1

The accompanying notes form an integral part of these consolidated financial statements.

APU Joint Stock Company and Subsidiaries
Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Parent Company						Non-controlling interest (Note 29)	Total equity	
	Share capital (Note 13)	Share premium (Note 13)	Merger reserve (Note 13)	Revaluation reserve (Note 13)	Foreign currency translation reserve	Retained earnings			Total
<i>(In thousands of MNT)</i>									
Balance as at 1 January 2022	106,297	338,094,870	(112,795,804)	92,842,146	(43,443)	186,011,795	504,215,861	83,821	504,299,682
<i>Total comprehensive income:</i>									
Profit / (loss) for the year	-	-	-	-	-	144,692,756	144,692,756	(18,795,194)	125,897,562
Other comprehensive income / (loss)	-	-	-	65,809,809	746,961	(438,863)	66,117,907	-	66,117,907
<i>Transactions with owners:</i>									
Dividends declared	-	-	-	-	-	(111,612,348)	(111,612,348)	-	(111,612,348)
Additional capital	-	-	-	-	-	-	-	48,874,441	48,874,441
Transfers to retained earnings	-	-	-	(2,085,073)	-	2,085,073	-	-	-
Balance at 31 December 2022	106,297	338,094,870	(112,795,804)	156,566,882	703,518	220,738,413	603,414,176	30,163,068	633,577,244
Balance at 1 January 2023	106,297	338,094,870	(112,795,804)	156,566,882	703,518	220,738,413	603,414,176	30,163,068	633,577,244
<i>Total comprehensive income:</i>									
Profit / (loss) for the year	-	-	-	-	-	146,794,559	146,794,559	(29,736,458)	117,058,101
Other comprehensive income / (loss)	-	-	-	2,333,990	(760,083)	279,689	1,853,596	-	1,853,596
<i>Transactions with owners:</i>									
Dividends declared	-	-	-	-	-	(94,604,752)	(94,604,752)	-	(94,604,752)
Treasury shares sold	121	1,347,886	-	-	-	-	1,348,007	-	1,348,007
Additional capital	-	-	-	-	-	-	-	21,343,461	21,343,461
Transfers to retained earnings	-	-	-	(1,061,846)	-	1,061,846	-	-	-
Balance at 31 December 2023	106,418	339,442,756	(112,795,804)	157,839,026	(56,565)	274,269,755	658,805,586	21,770,071	681,575,657

The accompanying notes form an integral part of these consolidated financial statements

APU Joint Stock Company and Subsidiaries Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(In thousands of MNT)

	Note	2023	2022
Cash flows from operating activities			
Profit for the year		117,058,101	125,897,562
Adjustments for:			
Income tax expense	25	40,605,307	28,214,649
Interest expense on lease liabilities	24	7,646,997	4,728,702
Interest expense on loans	24	10,329,275	1,917,134
Interest expense on derivative financial liabilities	24	964,284	-
Unwinding of the discount on employee benefit provision	24	215,372	56,002
Interest income	23	(1,545,488)	(151,237)
Unrealised foreign exchange loss, net		54,597	6,222,387
Depreciation	6	75,198,344	59,293,818
Amortisation	7	7,666,150	7,466,003
(Reversal gain)/impairment loss on trade and other receivables, net	11	(179,905)	48,127
Impairment loss/(reversal gain) on bank balances	12	261,375	(159,801)
(Reversal gain)/impairment loss on slow moving and obsolete items	9	(73,696)	21,948
Gain on disposal of property, plant and equipment	21	(117,224)	(127,793)
Loss on disposal of property, plant and equipment	22	295,000	29,474
Loss on write-off of property, plant and equipment	22	713,797	588,678
Impairment loss on property, plant and equipment	13, 22	2,335,703	8,358,289
Loss on fair value of derivative financial instruments	24	432,338	-
Loss on write-off of biological assets	8, 22	268,955	-
Equity-settled payment transactions	13	1,348,007	-
		263,477,289	242,403,942
Changes in assets and liabilities:			
Trade and other receivables		(19,067,099)	(17,466,618)
Inventories		(34,581,998)	(97,861,588)
Assets held for sale		67,036	(709,036)
Prepayments		24,683,643	(13,209,846)
Trade payables		2,934,585	25,559,708
Other payables		(3,280,135)	25,273,304
Employee benefits		(326,381)	69,035
		233,906,940	164,058,901
Interest on loans paid		(10,329,275)	(579,223)
Interest on lease liabilities paid	24	(7,646,997)	(4,728,702)
Interest on derivative financial liabilities paid		(368,461)	-
Interest received		1,545,488	151,237
Income taxes paid		(32,725,088)	(46,256,577)
Net cash provided by operating activities		184,382,607	112,645,636

APU Joint Stock Company and Subsidiaries
Consolidated Statement of Cash Flows, continued

For the year ended 31 December 2023

(In thousands of MNT)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(117,750,041)	(92,642,150)
Acquisition of intangible assets	7	(2,738,030)	(547,103)
Proceeds from disposal of property, plant and equipment		3,911,473	412,588
Purchase of biological assets	8	(892,475)	-
Net cash used in investing activities		<u>(117,469,073)</u>	<u>(92,776,665)</u>
Cash flows from financing activities			
Proceeds from borrowings		230,570,440	67,000,000
Repayment of borrowings		(105,900,000)	(45,500,000)
Dividends paid	13	(111,480,816)	(100,762,553)
Payment of lease liabilities		(15,679,896)	(6,474,100)
NCI portion of new capital issued by subsidiary		21,343,461	25,097,686
Net cash used in financing activities		<u>18,853,189</u>	<u>(60,638,967)</u>
Exchange difference on translating foreign operation		(921,452)	309,351
Net increase/(decrease) in cash and cash equivalents		<u>84,845,271</u>	<u>(40,460,645)</u>
Cash and cash equivalents at the beginning of year	12	38,365,107	77,277,711
(Impairment loss)/reversal gain on cash and cash equivalents	12	(261,375)	159,801
Effect of foreign exchange rate fluctuations on cash held		(796,854)	1,388,240
Cash and cash equivalents at the end of year	12	<u>122,152,149</u>	<u>38,365,107</u>

The accompanying notes form an integral part of these consolidated financial statements.