APU JSC AND SUBSIDIARIES

Consolidated Financial Statements

For the year ended 31 December 2018

(With Independent Auditors' Report Thereon)

Contents

Directors' Responsibility Statement

The Group'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 is responsible for ensuring that these consolidated financial statements present fairly the state of affairs of the Group's financial position as at 31 December 2018 and the financial performance and cash flows for the year then ended on that date.

The Group's Board of Directors has responsibility for ensuring that the Group keeps 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 6 thereto.

The Group's Board of Directors also has 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 considers 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 2018 were authorised for issuance by the Group's Board of Directors.

P. Batsaikhan	Ts. Erdenebileg	G. Enkhbileg
Chairman of BOD	Chief Executive Officer	Chief Financial Officer

Ulaanbaatar,
Mongolia

Date: 27 June 2019

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of APU JSC and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, 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 a summary of significant 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("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.

Key Audit Matters, continued

Impairment assessment of goodwill

Refer to Note 8 to the consolidated financial statements and the accounting policies in Note 6 (h) and Note 6 (m).

Area of focus	How our audit addressed the area of focus
In December 2017, APU JSC merged with Evergreen Investments LLC which resulted in the acquisition of material new subsidiaries as described in Notes 1 and 26. This merger was effected through a series of steps including various regulatory approvals, and the transaction completed on 22 December 2017. The Group determined this acquisition to be a business combination for which the purchase price was allocated between the acquired identified assets and liabilities measured at fair value, such as trademarks and customer relationships, leading to the resultant recognition of goodwill of MNT 15,468,093 thousand. Under the Group's accounting policies, goodwill with an indefinite useful life is tested for impairment annually and whenever there is an indication of impairment, together with the relevant cash generating units ("CGUs") to which the goodwill has been allocated**.** In order to assess the recoverable amount of goodwill, management calculated the present value of the estimated future cash flows of the relevant CGUs using a cash flow forecast complied by management. We identified the impairment assessment of goodwill as a key audit matter because of its importance to the consolidated financial statements, and because determining any impairment required is highly subjective as significant judgment and estimation is required to be exercised, particularly over the key assumptions such as forecasted income, the average long term growth rate, forecasted margins and appropriate risk adjusted discount rates, all of which can be inherently uncertain and could be subject to management bias.	Our audit procedures to assess the impairment test of goodwill included the following: - We reviewed the Group's impairment tests including review of the methodology applied under IAS 36 *Impairment of Assets* and reconciliation of the carrying values of assets and liabilities in the CGUs to their carrying values in the Group accounting. - We engaged our internal valuation specialists to evaluate the methodology and assumptions adopted in the discounted cash flow forecasts compiled by management, with reference to the requirements of the prevailing accounting standards. - We assessed the assumptions and critical judgments adopted in the discounted cash flow forecasts by comparing key inputs, including forecasted income, the average long term growth rate and forecasted margins with the Group's financial budgets and strategic plans and with industry trends. - We evaluated the risk adjusted discount rates applied in the discounted cash flow forecasts by benchmarking the discount rates against that of similar companies in the same industry. - We performed a retrospective review by comparing the prior year's forecast with the current year's results to assess the historical accuracy of management's forecasting process. - We assessed the disclosures in the consolidated financial statements in relation to the impairment assessment of goodwill with reference to the requirements of the prevailing accounting standards.

Key Audit Matters, continued

Revenue recognition

Refer to Note 16 to the consolidated financial statements and the accounting policies in Note 5 and Note 6 (q).

Area of focus	How our audit addressed the area of focus
In accordance with 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 because of the pressure management may feel to achieve the planned results. Further, the Group adopted the new revenue standard, IFRS 15 *Revenue from Contracts with Customers,* from 1 January 2018 and, as a result, reassessed its revenue recognition policy compared to the previous practice including related areas of significant judgment. Due to these factors, we have considered revenue recognition to be a key audit matter relevant to our audit of the consolidated financial statements.	Our audit procedures over revenue included, among others: - 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. - We performed trend analyses 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 searched for manually entered journal entries to the sales account recorded outside the regular sales process above a monetary threshold. - We evaluated the Group's process to identify necessary changes in the accounting and presentation of revenues, and assessed the changes in revenue recognition policy as a result of the new revenue standard. We have reviewed the outcome of the IFRS 15 adoption, including related disclosures and notes.

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Key Audit Matters, continued

Valuation of property, plant and equipment

Refer to Note 7 to the consolidated financial statements and the accounting policies in Note 6 (g).

Area of focus	How our audit addressed the area of focus
The Group applies revaluation policy under International Accounting Standard 16, *Property, Plant and Equipment.* After initial recognition, an item of property, plant and equipment whose fair value can be measured reliably is carried at its revalued amount, being its fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses. The Group updated the revaluations of its property, plant and equipment as at 1 January 2018. As at 31 December 2018, property, plant and equipment with carrying value of MNT 261,659,807 thousand accounted for approximately 48% of the Group's total assets. The Group assessed the fair values of its property, plant and equipment based on an independent valuation prepared by an external valuer using various estimates and assumptions. We identified the revaluation of property, plant and equipment as a key audit matter because of the significance of their value to the Group's total assets, and because determining their fair values involves a significant degree of judgment.	Our audit procedures to assess the valuation of property, plant and equipment included the following: - We assessed the external property valuer's qualifications, expertise and experience and considered the external property valuer's objectivity and independence. - We assessed whether the property, plant and equipment were revalued on a consistent basis through inquiry of management and the external property valuer and review of the valuation report. - We involved our valuation specialists to assist us in assessing the valuations prepared by the external valuer through evaluation of the valuation methodologies adopted and the major assumptions applied. - We reviewed the valuation report and supporting information prepared by the external valuer together with our valuation specialists, and made related enquiries from the valuer. - We considered the disclosures in the consolidated financial statements in respect of the valuation of property, plant and equipment with reference to the requirements of IFRS.

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. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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, 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 skepticism 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.

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

- 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, related safeguards.

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 Mark Eberst, and the General Director of the audit firm is Soyolmaa Gungaanyambuu.

KPMG Audit LLC

КЕЙ ПИ ЭМ ЖИ АУДИТ ХХК
KPMG AUDIT LLC
УЛААНБААТАР ХОТ
ТТД 3977 ✆ 5543495

KPMG Audit LLC
Ulaanbaatar, Mongolia
27 June 2019

This report is effective as at 27 June 2019, 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 2018

(In thousands of MNT)	***Note***	**31 Dec 2018**	**31 Dec 2017**
Assets			
Property, plant and equipment	*7*	261,659,807	262,403,836
Intangible assets and goodwill	*8*	96,884,782	103,712,667
Biological assets		-	50,459
Deferred tax assets	*23*	1,289,781	6,287,493
Non-current assets		**359,834,370**	**372,454,455**
Inventories	*9*	76,790,056	70,301,766
Prepayments and prepaid expenses	*10*	10,911,252	6,961,652
Income tax receivable	*23*	100,342	94,664
Trade and other receivables	*11,25*	34,988,142	44,029,070
Cash and cash equivalents	*12,25*	61,123,898	51,009,027
Current assets		**183,913,690**	**172,396,179**
Total assets		**543,748,060**	**544,850,634**
Equity			
Share capital	*13*	106,297	106,297
Share premium	*13*	338,094,870	338,094,870
Merger reserve	*13*	(112,795,804)	(112,795,804)
Revaluation reserve	*7,13*	102,499,344	78,756,448
Foreign currency translation reserve		(6,646)	4,553
Retained earnings		124,765,611	87,043,576
Equity attributable to owners of the Group		**452,663,672**	**391,209,940**
Non-controlling interest	*27*	1,731,044	1,642,596
Total equity		**454,394,716**	**392,852,536**
Liabilities			
Long-term loans and borrowings	*14,25*	-	29,763,719
Deferred tax liabilities	*23*	22,954,642	24,055,950
Other payables	*15*	-	217,340
Non-current liabilities		**22,954,642**	**54,037,009**
Short-term loans and borrowings	*14,25*	-	39,338,004
Income tax payable	*23*	3,900,409	3,519,349
Trade and other payables	*15*	62,498,293	55,103,736
Current liabilities		**66,398,702**	**97,961,089**
Total liabilities		**89,353,344**	**151,998,098**
Total equity and liabilities		**543,748,060**	**544,850,634**

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 2018

(In thousands of MNT)	***Note***	**2018**	**2017**
Revenue	*16*	432,497,632	234,038,788
Cost of sales	*17*	(248,689,164)	(165,026,146)
Gross profit		**183,808,468**	**69,012,642**
Selling and administrative expenses	*18*	(112,781,183)	(33,026,067)
Impairment loss on trade and other receivables	*11*	(604,715)	(117,340)
Other income	*19*	1,935,405	471,392
Other expenses	*20*	(3,120,789)	(387,284)
Profit from operations		**69,237,186**	**35,953,343**
Finance income	*21*	1,822,207	2,912,074
Finance costs	*22*	(5,091,919)	(5,548,085)
Profit before income tax		**65,967,474**	**33,317,332**
Income tax expense	*23*	(17,724,910)	(9,379,539)
Profit for the year		**48,242,564**	**23,937,793**
Other comprehensive income:			
Items that will never be reclassified to profit or loss:			
Revaluation of property, plant and equipment	*7,13*	23,941,380	-
Exchange rate differences on translation		(11,199)	10,147
Total comprehensive income for the year		**72,172,745**	**23,947,940**
Profit attributable to :			
Owners of the Parent Company		48,153,298	23,937,793
Non-controlling interest		89,266	-
Profit for the year		**48,242,564**	**23,937,793**
Total comprehensive income attributable to :			
Owners of the Parent Company		72,083,479	23,947,940
Non-controlling interest		89,266	-
Total comprehensive income for the year		**72,172,745**	**23,947,940**
Earnings per share			
Basic earnings per share	*32*	45.3	27.8

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 2018

(In thousands of MNT)	Share capital (Note 13)	Share premium (Note 13)	Merger reserve (Note 13)	Revaluation reserve (Note 7,13)	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to owners of the Parent Company								
Balance at 1 January 2017	**74,167**	**-**	**-**	**80,653,246**	**(5,594)**	**61,950,655**	**142,672,474**	**-**	**142,672,474**
Total comprehensive income:									
Profit for the year	-	-	-	-	-	23,937,793	23,937,793	-	23,937,793
Other comprehensive income	-	-	-	-	10,147	-	10,147	-	10,147
Transactions with owners:									
Issue of ordinary shares related to business combination	32,130	338,094,870	-	-	-	-	338,127,000	-	338,127,000
Merger	-	-	(112,795,804)	-	-	-	(112,795,804)	-	(112,795,804)
Dividends declared	-	-	-	-	-	(741,670)	(741,670)	-	(741,670)
Changes in ownership interests:									
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	1,642,596	1,642,596
Transfers to retained earnings	-	-	-	(1,896,798)	-	1,896,798	-	-	-
Balance at 31 December 2017	**106,297**	**338,094,870**	**(112,795,804)**	**78,756,448**	**4,553**	**87,043,576**	**391,209,940**	**1,642,596**	**392,852,536**
Balance at 1 January 2018	**106,297**	**338,094,870**	**(112,795,804)**	**78,756,448**	**4,553**	**87,043,576**	**391,209,940**	**1,642,596**	**392,852,536**
Total comprehensive income:									
Profit for the year	-	-	-	-	-	48,153,298	48,153,298	89,266	48,242,564
Other comprehensive income	-	-	-	23,941,380	(11,199)	-	23,930,181	-	23,930,181
Transactions with owners:									
Dividends declared	-	-	-	-	-	(10,629,747)	(10,629,747)	(818)	(10,630,565)
Transfers to retained earnings	-	-	-	(198,484)	-	198,484	-	-	-
Balance at 31 December 2018	**106,297**	**338,094,870**	**(112,795,804)**	**102,499,344**	**(6,646)**	**124,765,611**	**452,663,672**	**1,731,044**	**454,394,716**

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 2018

(In thousands of MNT)	Note	2018	2017
Cash flows from operating activities			
Profit for the year		48,242,564	23,937,793
Adjustments for:			
Income tax expense	*23*	17,724,910	9,379,539
Interest expense	*22*	3,179,756	5,548,085
Interest income	*21*	(1,822,207)	(434,689)
Unrealised foreign exchange (gain)/loss, net		(228,426)	(2,897,106)
Depreciation	*7*	34,248,280	19,127,083
Amortisation	*8*	6,874,405	34,954
Impairment loss on trade and other receivables, net	*11*	604,715	117,340
Impairment loss on property, plant and equipment	*20*	1,952,652	-
Impairment loss on prepaid expenses	*18*	-	277,436
Impairment loss on slow moving and obsolete items	*9*	529,459	1,021,629
Gain on disposal of property, plant and equipment	*19*	(500)	(9,937)
Loss on disposal of property, plant and equipment	*20*	48,765	212,436
Loss on write-off of property, plant and equipment	*20*	281,105	-
		111,635,478	**56,314,563**
Changes in assets and liabilities:			
Trade and other receivables		8,341,727	(7,631,004)
Inventories		(6,580,877)	1,596,653
Prepayments		(4,508,033)	(391,345)
Trade and other payables		(1,947,342)	8,451,719
		106,940,953	**58,340,586**
Interest paid		(3,167,618)	(5,383,929)
Interest received	*21*	1,822,207	434,689
Income taxes paid	*23*	(13,468,108)	(4,858,093)
Net cash provided by operating activities		**92,127,434**	**48,533,253**

APU Joint Stock Company and Subsidiaries
Consolidated Statement of Cash Flows, continued
For the year ended 31 December 2018

(In thousands of MNT)	Note	2018	2017
Cash flows from investing activities			
Acquisition of property, plant and equipment		(12,600,217)	(5,138,413)
Acquisition of intangible assets	*8*	(54,507)	-
Proceeds from disposal of property, plant and equipment	*7*	678,965	20,181
Net proceeds from sale of investment security		-	33,812
Cash acquired on acquisition of subsidiaries	*26*	-	29,535,698
Net cash (used in) provided by investing activities		**(11,975,759)**	**24,451,278**
Cash flows from financing activities			
Repayment of borrowings	*14*	(69,077,504)	(38,571,673)
Dividends paid	*13*	(1,101,706)	(53,436)
Net cash used in financing activities		**(70,179,210)**	**(38,625,109)**
Exchange difference on translating foreign operation		2,141	5,012
Net increase in cash and cash equivalents		**9,974,606**	**34,364,434**
Cash and cash equivalents at the beginning of year	*12*	51,009,027	16,790,124
Effect of foreign exchange rate fluctuations on cash held		140,265	(145,531)
Cash and cash equivalents at the end of year	*12*	**61,123,898**	**51,009,027**