

APU COMPANY

Absolute. Pure. Unique.

Semi-Annual Operational Report 2018



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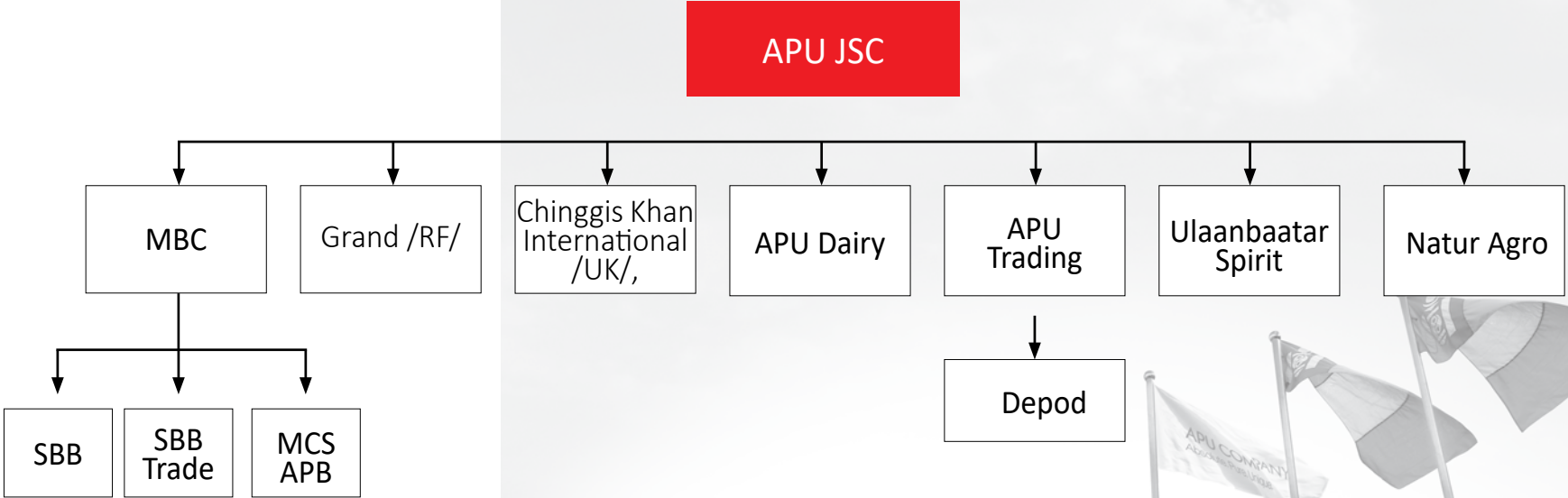
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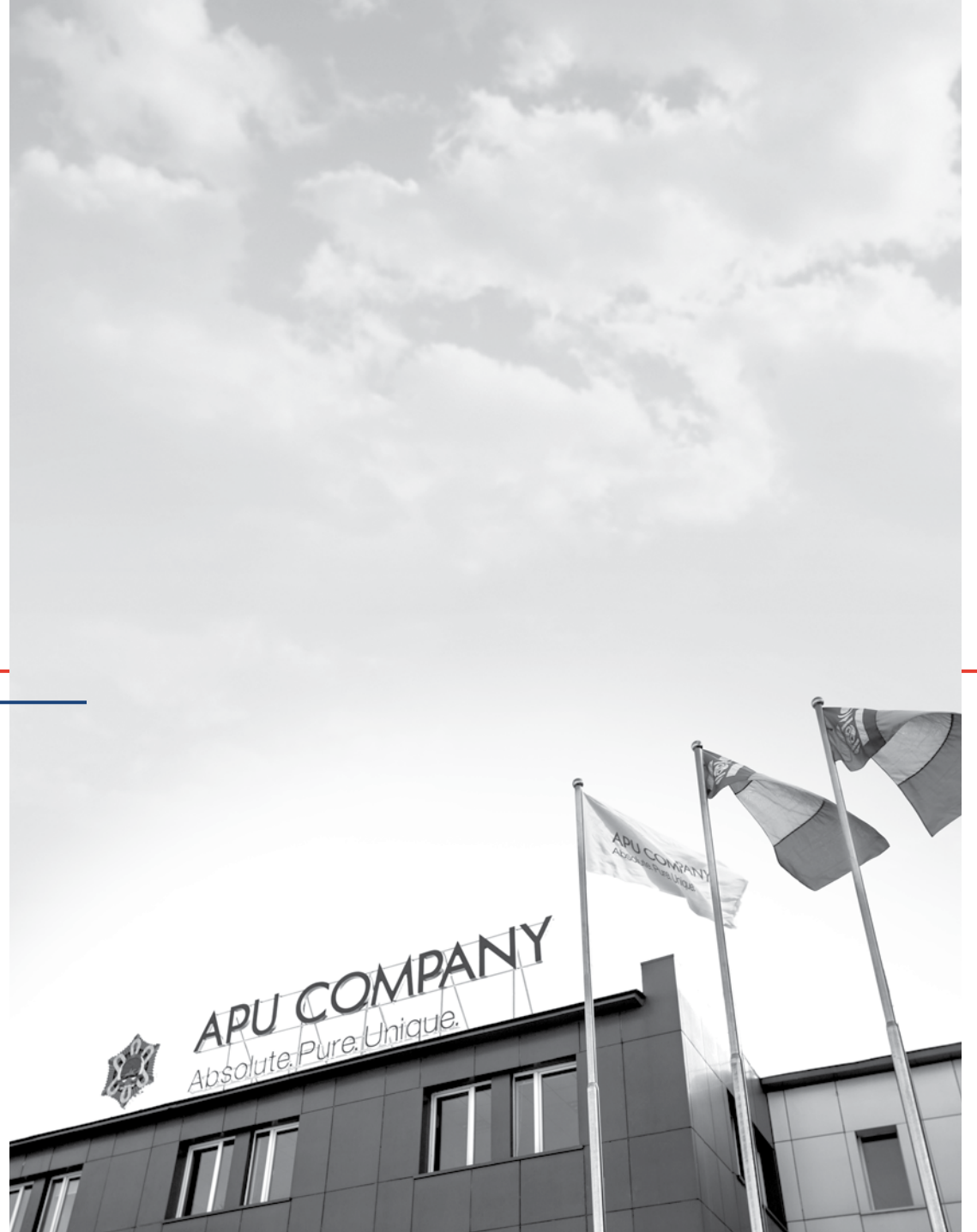
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GROUP STRUCTURE



COMPANY INFORMATION





DEPOD LLC

Established in 2008, Depod LLC enables the reuse of bottles by recycling and supplying bottles to production plants to promote environmentally friendly production. As of the first half of 2018, the company has operated with 80 employees and resulted 659 million MNT in assets. It collected and recycled 6 million bottles during the period.



NATUR AGRO LLC

Established in 2012, Natur Agro LLC is a fully automated distillery with a daily production capacity of 32,500 L alpha-grade spirit. For the first half of 2018, the company has resulted 19.1 billion MNT in assets.



ULAANBAATAR SPIRIT LLC

Established in 2002, Ulaanbaatar Spirit LLC is a modern distillery with a daily production capacity of 12,800 L spirit. During the first half of 2018, the company has operated with 33 employees and resulted 3.8 billion MNT in assets.

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APU JSC

Established in 1924, APU JSC has operated with vodka, spirit, beer, water and soft drinks production plants. During the first half of 2018, the company has employed 703 persons and produced 41.5 million L of beverage.

Vodka plant

Firstly commissioned in 1972, the vodka plant is now a computer microprocess-controlled factory equipped with leading manufacturers' equipment from Germany, Austria and Italy. The plant has an annual production capacity of 200,000 hL.



Brewery

In 1927, APU ventured into beer production with the guidance from expert brewers from Czechoslovakia. In 2013, the brewery underwent a complete renovation of building, lines, equipment and technology and was fully equipped with Krones equipment from Germany. The brewhouse has an annual production capacity of 1 million hL.



Water and soft drinks plant

The soft drinks plant is equipped with fully automatic machines and equipment manufactured by world's leading firms such as Klinger (Austria), Kosme, Gernep and Famix (Germany) and Samsa Pack (Italy). In 2012, the production capacity of the plant quadrupled with the joint implementation of a new PET filling line project with KRONES company in Germany. The plant filters and purifies ground water with 4-stage filters by a water filtration system supplied by Grunbeck company in Germany.





SPIRT BAL BURAM LLC

Spirt Bal Buram LLC, which was established in 1973, has employed 295 persons and resulted 38.1 billion MNT in assets and 4.3 million L in production volume for the first half of 2018.



MCS ASIA PACIFIC BREWERY LLC

Incorporated in 2005, MCS Asia Pacific Brewery LLC has employed 256 persons and resulted 68.3 billion MNT in assets and 11.5 million L in production volume as of the first half of 2018.

APU DAIRY

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APU DAIRY LLC

Established in 2017, APU Dairy LLC conducts milk and dairy production and sales. As of the first half of 2018, the company has employed 195 persons and resulted 52.4 billion MNT in assets and 8.8 million L in production and sales volume.

APU TRADING

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APU TRADING LLC

Established in 2007, APU Trading LLC has been responsible for distribution of APU products by employing a highly skilled sales management team.

For the first half of 2018, the company has employed 485 persons and sold 39.9 million L products through its 4298 points of sale.



SPIRT BAL BURAM TRADE LLC

Established in 2001, Spirt Bal Buram Trade LLC is also responsible for distribution of APU group products by employing a highly skilled sales management team.

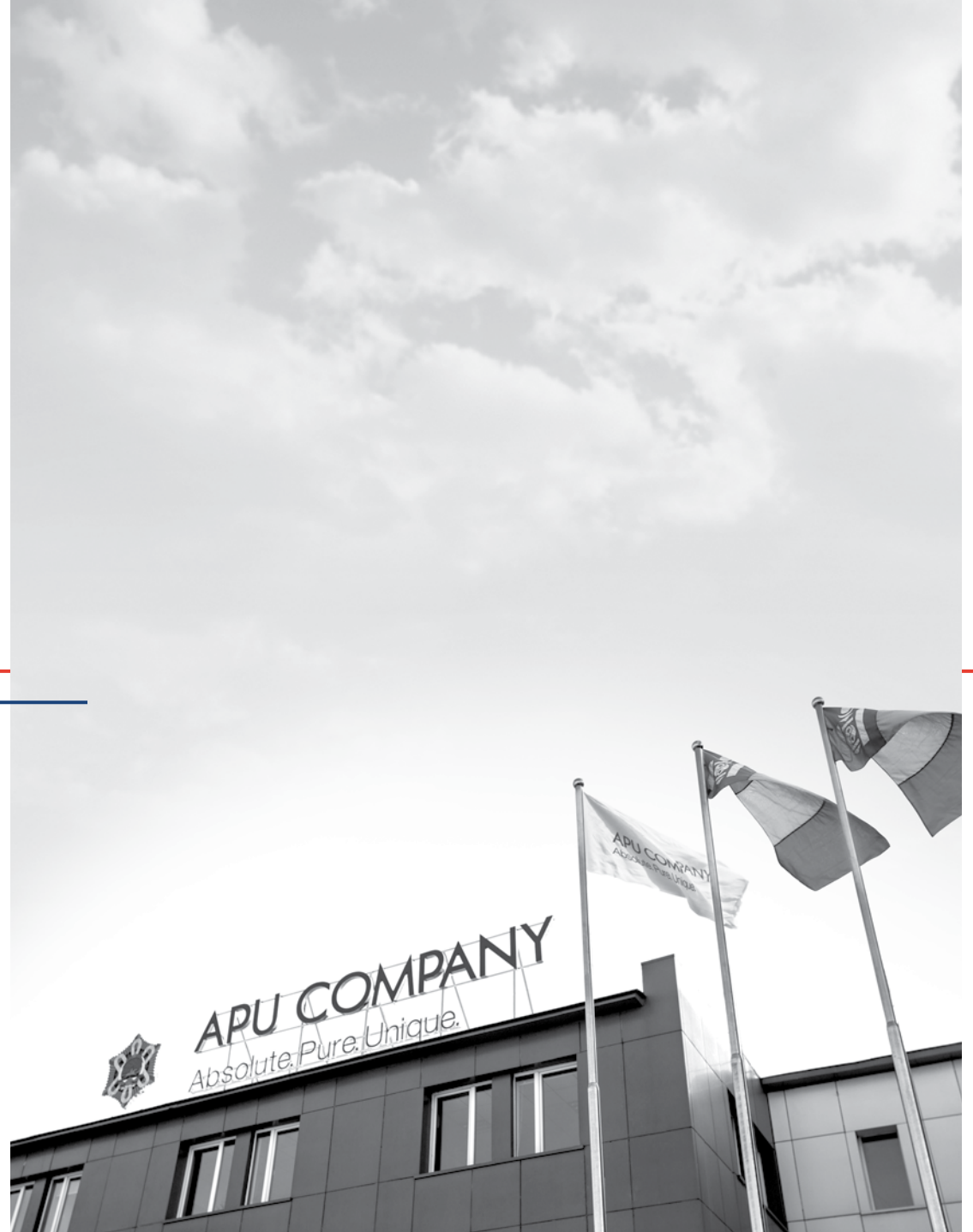
As of the first half of 2018, the company has employed 155 persons and sold 19.6 million L of products.



GRAND LLC

Since its incorporation in 2012 under laws of the Russian Federation (RF), Grand LLC has been responsible for distribution of APU products in the territory of the RF by employing a highly skilled sales management team. As of the first half of 2018, the company had 6 employees and 1.2 billion MNT of assets.

PRODUCT PORTFOLIO



VODKA portfolio

CHINGGIS KHAN



SOYOMBO



EVOK



VELVET



BOLOR



ARKHI



EDEN



CHINGGIS



TITEM



TAIGA



ULAANBAATAR



VIVA



OKHI



YRUUL



SULD



ALTAN TURUU



SARKHAD



BEER portfolio

CHINGGIS KHAN



GOLDEN GOBI



TIGER



HEINEKEN



PRIME



BORGIO



NIISLEL



LEGEND



SERUUN



KHAR KHORUM



KALTENBERG



SENGUR



SENGUR RADLER



BLISS



JALAM KHAR



SOFT DRINK portfolio

APU
Pure water



ORGILUUN
Sparkling water



TERELJ, SELENGE
Carbonated soft drinks



FRUTTA
Juices



Dairy product portfolio

SAIN



МААМУУ



ДЕЕЖ



PURE MILK



Import product portfolio

CINZANO

CINZANO



WILD TURKEY

**WILD
TURKEY**
BOURBON



APEROL

APEROL



CAMPARI

GRUPPO
CAMPARI



JÄGERMEISTER


Jägermeister



New and refreshed brands



LUNAR NEW YEAR EDITIONS
JANUARY 2018



DEEJ AARUUL
FEBRUARY 2018



SAIN BIFIDO TARAG
MARCH 2018



TARAG WITH BROWN SUGAR
APRIL 2018



SENGUR 2.4L
PACKAGE REDESIGN
MAY 2018



WORLD CUP EDITION
MAY 2018



SARKHAD
BOTTLE REDESIGN
JUNE 2018



KHARAA AND YRUUL
NAADAM FESTIVAL EDITIONS
JUNE 2018

SEMI-ANNUAL OPERATIONAL REVIEW

Pursuant to the Financial Regulatory Commission (FRC)'s resolution No.224 dated 24 November 2017, the Merger of Evergreen Investments LLC into APU JSC was approved. This report presents 2018 half-year results by APU group.

As of the half year of 2018, we realized 200 billion MNT in sales of 65 million liters of 278 SKUs, earned 33.7 billion MNT in profits by employing 2202 persons in total.

For the reporting period, we have contributed 120 billion MNT to the state fund.

NET SALES REVENUE

(million MNT)

85% ↑

2018Q2 201,278

2017Q2 108,443

NET PROFIT

(million MNT)

2 time ↑

2018Q2 33,697

2017Q2 15,948

SKUs

(SKU)

66% ↑

2018Q2 278

2017Q2 167

SALES VOLUME

(thousand L)

50% ↑

2018Q2 65,434

2017Q2 44,292

TAX PAYMENT

(million MNT)

2 time ↑

2018Q2 120,021

2017Q2 60,767

HEADCOUNT

(person)

2.7 time ↑

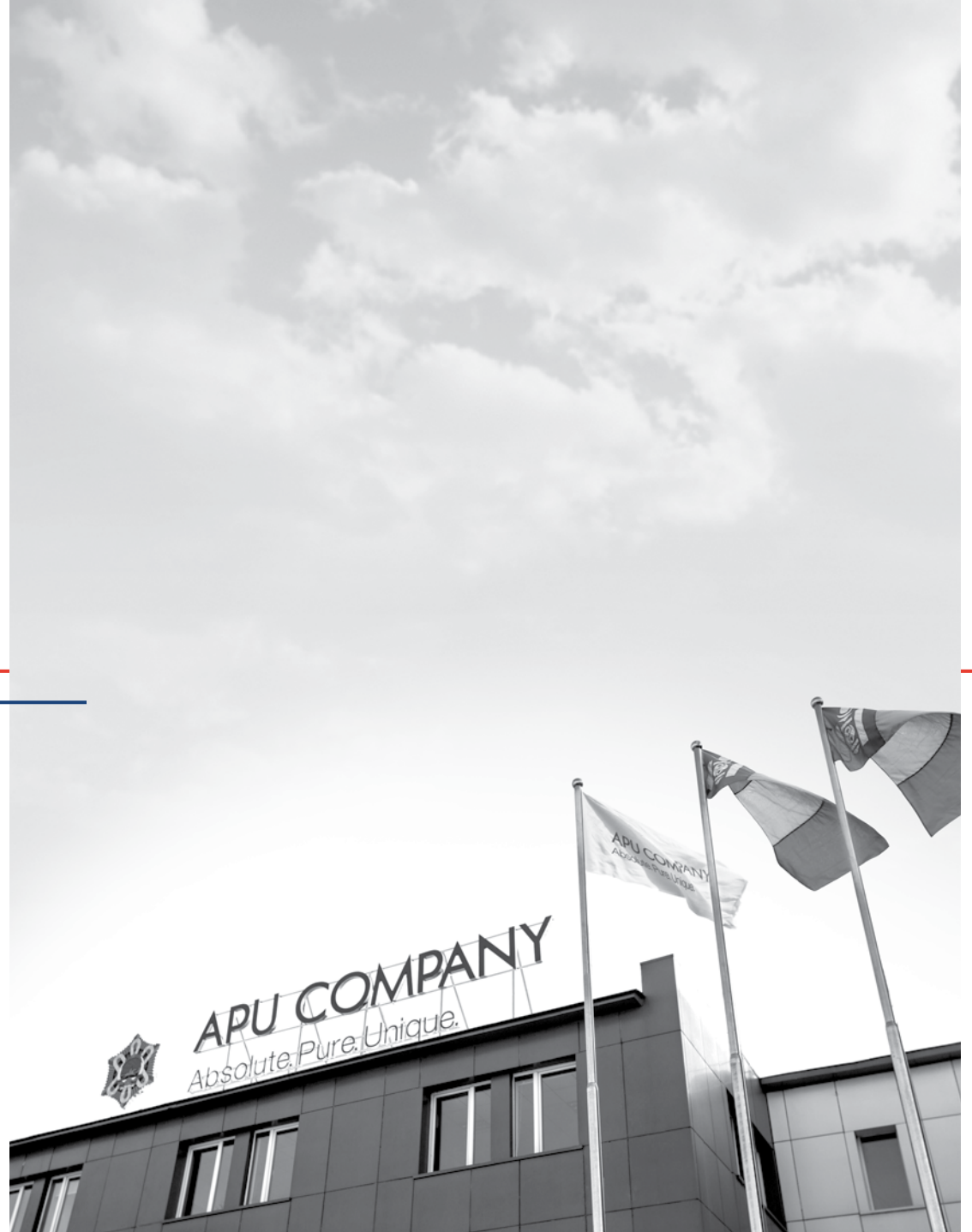
2018Q2 2,202

2017Q2 806

GROUP

APU JSC

BOARD OF DIRECTORS TEAM



THE BOARD

The Board consists of 9 directors, 3 of which are independent directors.

The Board has the following committees:

- Audit committee;
- Remuneration committee; and
- Nomination committee.



BATSAIKHAN PUREV
Chairman



KENNETH CHOO
Non-executive director



BATBAYAR BURENTOGTOKH
Non-executive director



JASPER HAMAKER
Non-executive director



GANBOLD GALSAN
Non-executive director



SERGEY GROMOV
Non-executive director



BATBAYAR ULZIIDELGER
Independent director



GERELCHULUUN YONDON-OIDOV
Independent director



UNENBAT JIGJID
Independent director



BATSAIKHAN PUREV
Chairman

P. Batsaikhan

Non-executive director and Chairman of the Board

Education: Engineering, Management

1993-1996: CEO, Shunkhlai LLC

1997-2008: CEO, Shunkhlai Group LLC

2002-2004: Chairman of Board of Directors, APU COMPANY

2004-2008: CEO, APU COMPANY

2008-Present: President, Shunkhlai Group LLC, and Chairman of Board of Directors, APU company

2010-Present: Chairman of Board of Directors, Skytel LLC



KENNETH CHOO
Non-executive director

Kenneth Choo

Non-executive director

Education: Accounting (CA), Management

1992-1994: Senior auditor, PWC

1997-2003: Regional director / Senior Vice President, Royal Ahold/CRC Ahold company

2003-2012: Business Development Director, Heineken

2013-2015: Director/Senior director/ Regional director, Heineken (APB, Singapore, Indochina, Exports)

2015-present: Managing Director, Heineken Asia Pacific

25 Jan 2017-present: Director, APU company



BATBAYAR BURENTOGTOKH
Non-executive director

B. Batbayar

Non-executive director

Education: Economy, Finance

1994-1996: Lecturer, the School of Economics, NUM

1999-2001: Commercial Banking Consultant, Economic Policy Support Project

2002-2012: Senior Banker, European Bank for Reconstruction and Development

2012-Present: Chief Financial Officer, Shunkhlai Group

2013-Present: Director, APU company



JASPER HAMAKER
Non-executive director

Jasper Hamaker

Non-executive director

Education: Econometrics, Financial management (CFA)
1990-1995: Jonge Democraten, Netherlands
2003-2005: Financial control manager, Nigerian Breweries/Heineken
2006-2010: Finance director, PT Multi Bintang Indonesia Tbk
2010-2014: Finance director, Nigerian Breweries/Heineken
2014-Present: Senior director, Regional Finance/Heineken
25 Jan 2017-present: Director, APU company



GANBOLD GALSAN
Non-executive director

G.Ganbold

Non-executive director

Education: Engineering, Management
1983-1990: Manager & Secretary, Mongolian Revolutionary Youth Union;
1991-1993: Chief executive, Mongolian Youth Federation;
1998-2000: First deputy director, Government Secretariat;
2000-2006: Vice President, Golomt Bank
2006-2011: Deputy COO, Golomt Bank
2011-2016: Deputy Director, Golomt Bank Retail banking
2016-Present: President, Golomt Bank
March 2017-Present: Director, APU Company



SERGEY GROMOV
Non-executive director

S.Gromov

Non-executive director

Education: Engineering, Management
1992-1994: Manager, "Raznoimport" LLC, Russia
1994-2000: London Branch Manager, "Trans-World Aluminum" Company
2001-2016: Chairman of Board of Directors, Chinggis Khaan Bank
2013-Present: Director, APU Company



UNENBAT JIGJID
Independent director

J.Unenbat
Independent director

Education: Economy, Banking
1990-2000: Economist, Department Head and Governor of Mongolbank
1996-2000: Representative of Asian Development Bank to Mongolia
2000-2006: CEO, Mongolian Bankers Association
2009-2015: CEO, Corporate Governance Development Center
2015-Present: CEO and Secretary of Mongolian Bankers Association
2013-Present: Independent Director, APU Company



GERELCHULUUN YONDON-OIDOV
Independent director

Yo.Gerelchuluun
Independent director

Education: Engineering, Economy
1981-1989: Lecturer, Mongolian National University
1989-1991: Advisor, Council of Ministers
1991-1993: Secretary General, State Privatization Commission
1993-1996: Director, Factory Redevelopment Centre
1996-2000: Member of Parliament
2006-2008: Senior consultant to Deputy Prime Minister
2010-2012: MD, Office of the President of Mongolia
2012-2016: MD, Office of the Ulaanbaatar city Mayor
March 2017-Present: Independent Director, APU Company

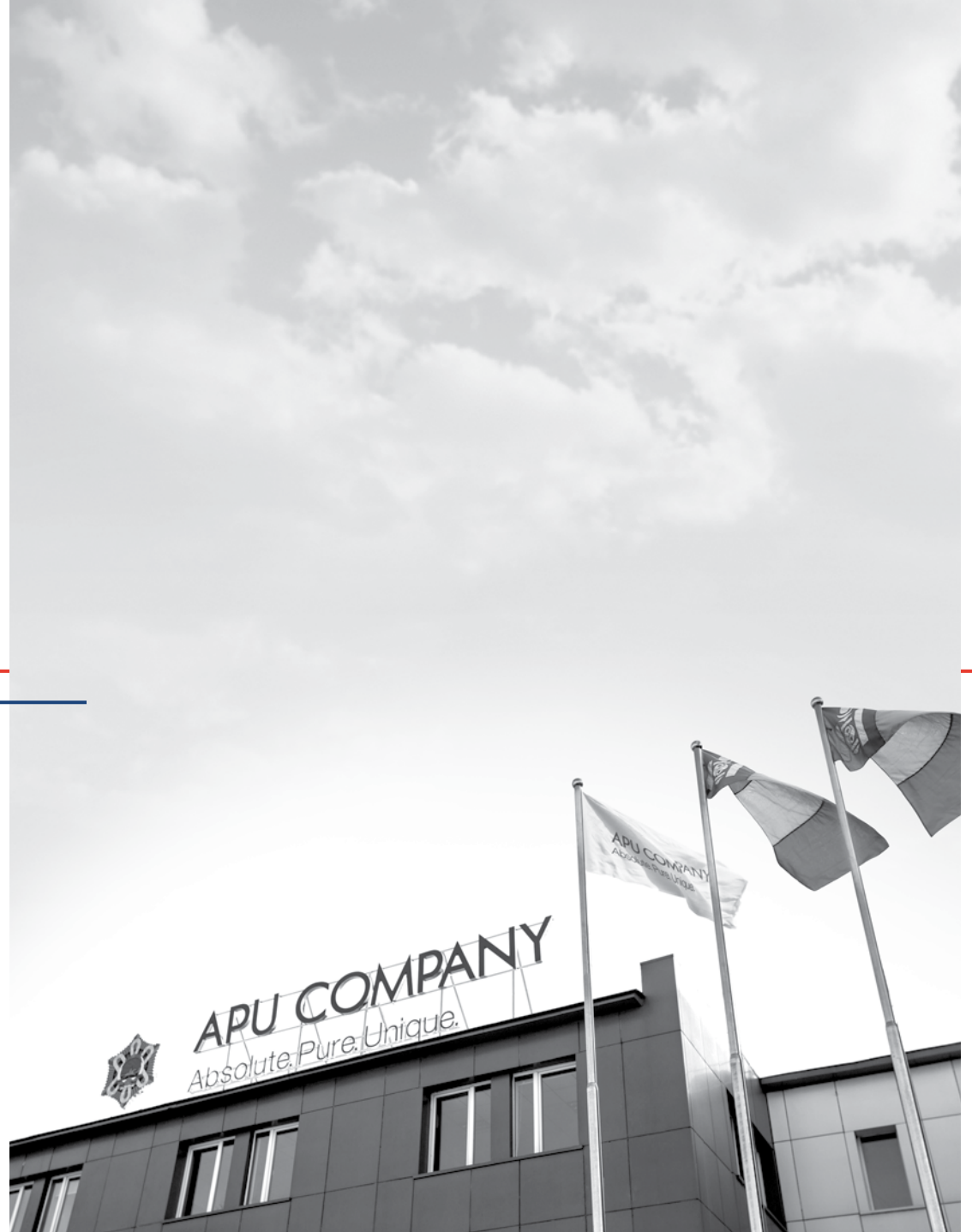


BATBAYAR ULZIIDELGER
Independent director

U.Batbayar
Independent director

Education: IT, Management
1998-Present: President, BATTOUR TRAVEL COMPANY
2008-Present: General Director, Ulaanbuudain Ekh Gazar LLC
2014-Present: Chairman of Board of Directors, BATU DIGITAL LLC
2017-Present: Director, Procon Mining Mongolian-Canadian JV
June 2017-Present: Independent Director, APU Company

EXECUTIVE MANAGEMENT TEAM



MANAGEMENT TEAM

In 2017, the executive management team was organized as a management board comprised of functional members responsible for advising and assisting the CEO in decision-making, whereas, from 2018, with respect to the business reorganization the team has been comprised of Chief Executive Officer, Chief Operations Officer, Chief Finance Officer, Chief Strategy Officer, Chief Marketing Officer, Chief Sales Officer, Chief HR and Admin Officer, Corporate Affairs Director, Export Director, Spirt Bal Buram LLC's Operational Director APU Dairy LLC's Chief Executive Officer.



ERDENEBILEG TSEVEENJAV
Chief Executive Officer, APU JSC



ENKHBILEG GONCHIG
CEO, APU Dairy LLC



KHAW TEIK PENG
Chief Operations Officer



DAMDINSUREN YADAMDORJ
Chief Strategy Officer



TUVSHIN BANZRAGCH
Chief Finance Officer



ARIUNA DANDAROVA
Chief Marketing Officer



BAYARMAGNAI GALSUMIYA
Chief Sales Officer



DULGUUN SHIPILOV
Chief Human Resource and Administration
Officer



NARANZUN BADRUUGAN
Corporate Affairs Director



GANZORIG GANBAATAR
Export Director



GANZORIG SANJ
Operational Director, Spirt Bal Buram LLC



ERDENEBILEG TSEVEENJAV
Chief Executive Officer, APU JSC

Education: Automation engineering, Business administration
1995-2000: Engineer, Sales manager and Senior manager, Gobi JSC
2000-2007: CEO, Erdenet Khivs JSC
2007-2008: Vice director, APU JSC
2008-present: CEO, APU JSC



G. Enkhbileg
Chief Executive Officer, APU Dairy LLC

Education: Accounting, Economics, Business Administration
1997-2001: Chief accountant, Ayanga International LLC
2002-2003: Chief accountant, Sanaa Trade LLC
2003-2006: Head of Finance Department, APU Trading LLC
2006-2008: Head of Finance Department, APU JSC
2008-2009: Chief Finance Officer, Capital Group LLC
2011-2012: Chief Finance Officer, APU JSC
2-2017: Chief Operations Officer, APU JSC
November 2017-present: Chief Executive Officer, APU Dairy LL



KHAW TEIK PENG
Chief Operations Officer

Education: Brewing technology, Mechanical engineering
1987-1992: Project manager, Carnaud Metalbox, Singapore
1992-1996: Maintenance manager, Asia Pacific Breweries, Singapore
1996-1998: Training manager, Myanmar Brewery, Myanmar
1998-2002: Chief engineer, Cambodia Brewery, Cambodia
2002-2005: Brewery manager, Myanmar Brewery, Myanmar
2005-2008: Technical manager, South Pacific Breweries, Papua New Guinea
2008-2014: Supply chain manager, Cambodia Brewery, Cambodia
2014-2016: Regional supply chain manager, Heineken Asia Pacific
2016-2017: Supply chain director, AB Heineken Philippines, Philippines
2017-2018: Supply chain director, MBC, Mongolia
2018-present: Chief Operations Officer, APU JSC



DAMDINSUREN YADAMDORJ
Chief Strategy Officer

Education: Accounting, Economics, Marketing management
1994-1996: State budget executive, Ministry of Finance
1996-1998: Finance Director, Mon-Sam LLC
2000-2004: Managing Director, Apex LLC
2008-2017: Finance Director, MBC
2017-2018: Executive Director, MBC
2018-present: Chief Strategy Officer, APU JSC



TUVSHIN BANZRAGCH
Chief Finance Officer

Education: Accounting, International business administration, Law
1997-1999: Economist, Trade and Development Bank
1999-2003: Chief accountant, Erel JSC
2003-2011: Head of Finance Department, APU JSC
2011-present: Chief Finance Officer, APU JSC



ARIUNA DANDAROVA
Chief Marketing Officer

Education: Linguistics, Business administration
1998-2000: Administration manager, Robertson & Blums Corporation
2000-2003: General manager, Biletik
2005-2006: Head of Marketing Department, APU JSC
2006-2014: Head of Product Development Department, APU JSC
2014-2017: Director of Corporate Communications and Innovation, APU JSC
2018-present: Chief Marketing Officer, APU JSC



BAYARMAGNAI GALSUMIYA
Chief Sales Officer

Education: Japanese translation, Business administration
2008-2009: Brand manager, APU Trading LLC
2009-2015: Head of Marketing department, APU Trading LLC
2015-2017 : Director of Sales and Marketing, APU Trading LLC
2018-present: Chief Sales Officer, APU JSC



DULGUUN SHIPILOV
Chief Human Resource and Administration
Officer

Education: Energy management
2008-2010: Human resources executive, MCS Distribution LLC
2011-2012: Senior HR executive, SBB Trade LLC
2012-2014: Training and development manager, MBC
2014-2015: Administration and HR manager, MBC
2016-2017: Administration and HR Director, MBC
2018-present: Chief HR and Administration Officer, APU JSC



NARANZUN BADRUUGAN
Corporate Affairs Director

Education: Art management
2007-2009: Lecturer, University of Arts and Culture
2010-2012: Director of Department of Arts and Culture, Ministry of Education, Culture and Science
2014-2016: Director of Public Relations, Shunkhlai Group
2016-2017: Director of Administration and Human Resources, APU JSC
2018-present: Corporate Affairs Director, APU JSC



GANZORIG GANBAATAR
Export Director

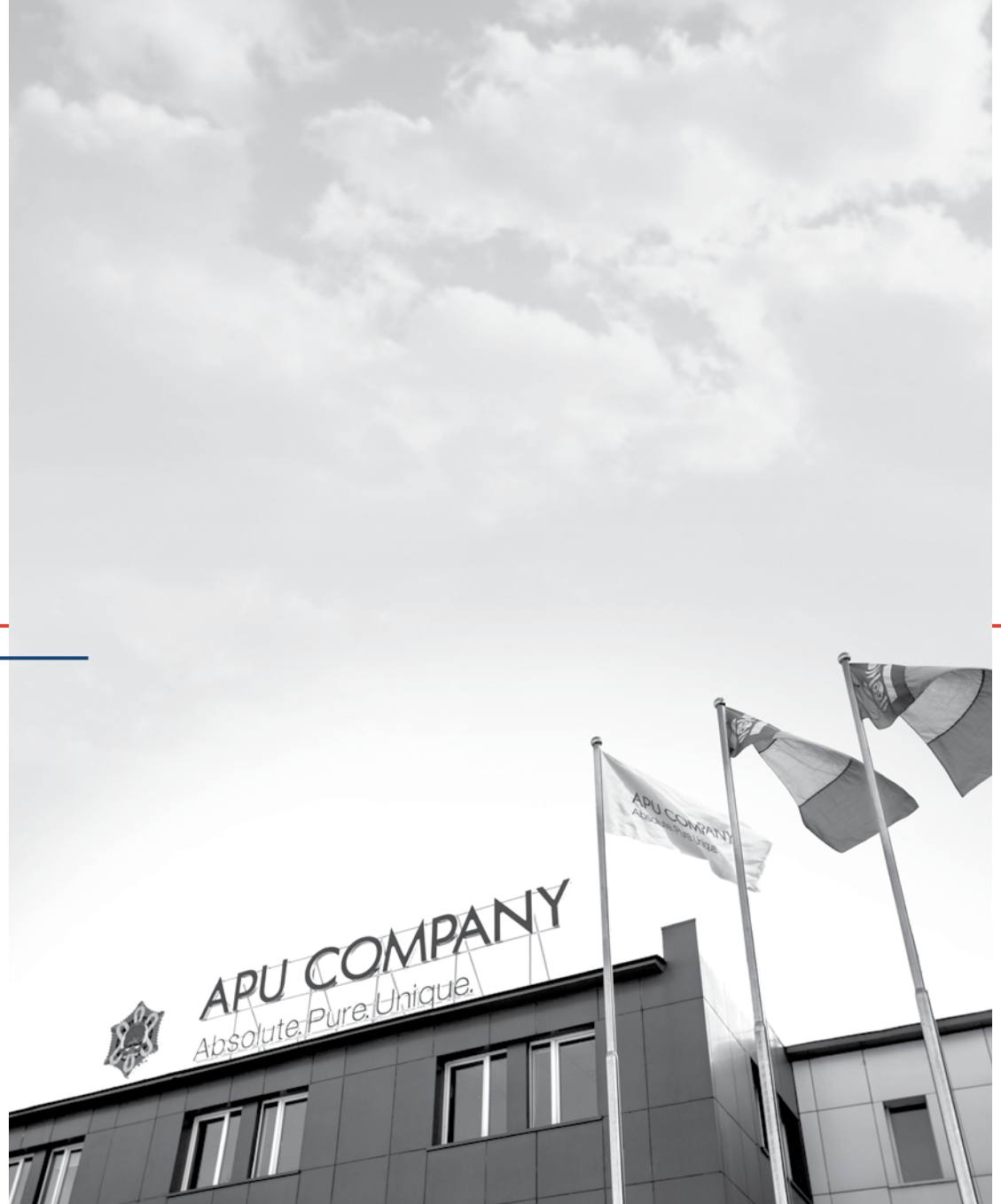
Education: Communications, Business Administration
2004-2005: Teller, UMB Bank
2005-2007, 2009-2010: Relationship Manager, Khan Bank
2010-2012: Head of Corporate Relations Department, Savings Bank
2012-2015: Business Development Director, Newcom Property
2015-2017: Corporate Affairs Director, MBC
2018-present: Export Director, APU JSC



GANZORIG SANJ
Operational Director, Spirt Bal Buram LLC

Education: Economics
2001-2002: Sales representative, MCS Coca Cola LLC
2002-2004: Delivery manager, MCS Coca Cola LLC
2004-2005: Sales manager, SBB LLC
2005-2007: Head of Regional sales department, SBB Trade LLC
2007-2010: Logistics Director, MCS Distribution
2010-2014: Managing Director, SBB LLC
2014-present: Operations Director, MBC /Zuunkharaa/
2018-present: Operational Director, Spirt Bal Buram LLC /Zuunkharaa/, APU JSC

FINANCIAL INFORMATION



FINANCIAL STATEMENTS

The 18% reduction in total liabilities was caused by our pre-payment of Credit Suisse loan.

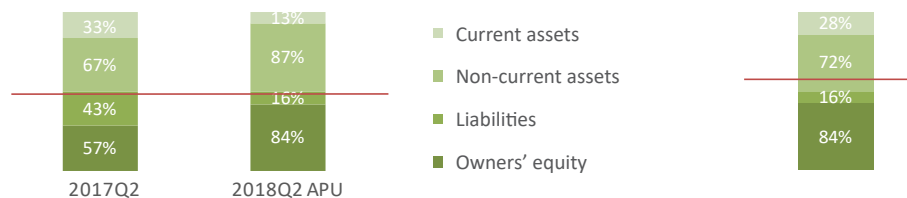
As for the balance sheet structure, there was no significant changes in the assets structure but the owners' equity in the total liabilities and equity has increased to 84% due to the decrease in liabilities or indebtedness.

Financial position

	2017Q2	2018Q2 /Separate statements APU/
Current assets	91,460	80,170
Non-current assets	188,599	529,638
Total assets	280,058	609,809
Liabilities	121,666	99,517
Owners' equity	158,392	510,292
Total liabilities and owners' equity	280,058	609,809

2018Q2 /Consolidated management report - APU Group/
176,527
449,215
625,742
98,028
527,714
625,742

Financial position



Note on the consolidated management report:

Pursuant to clause 10.4 of the Accounting law, a parent company is required to consolidate and submit its statutory year-end financial statements only. The consolidated financial indicators stated in this presentation have been extracted from a management report prepared for the purpose of supporting corporate decision-making.

P&L

Thanks to benefits of the merger, EBIDTA margin was up 3% year-over-year.

P&L

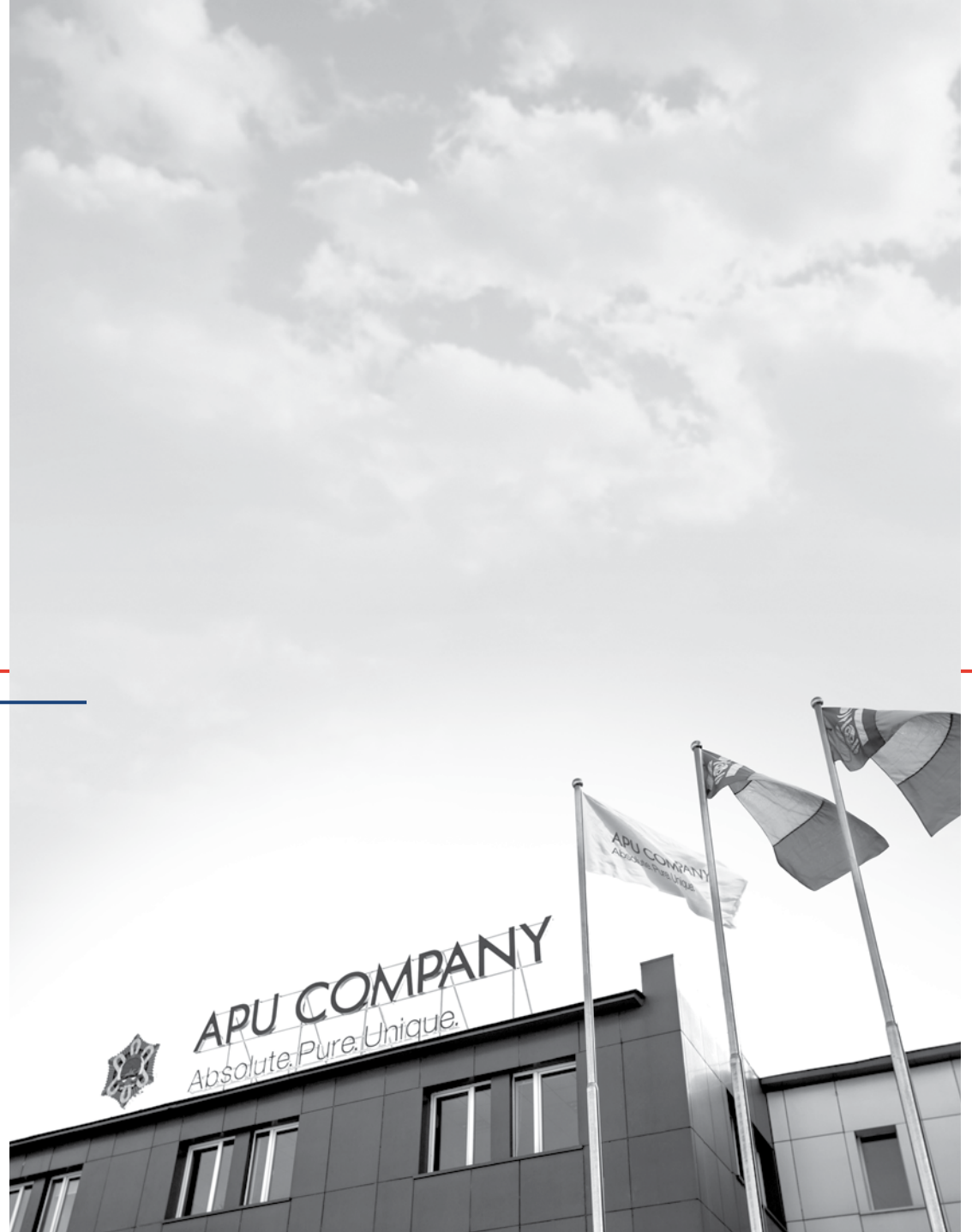
	2017Q2	2018Q2 Separate statements - APU	2018Q2 Consolidated management report - APU Group
Net sales revenue	108,443	99,476	201,278
COGS	75,565	64,508	86,333
Gross profit	32,878	34,967	114,944
Operating expenses	(17,119)	(14,370)	(70,470)
Operating profit	15,759	20,597	44,474
Non-operating profit (loss)	5,214	(3,183)	(2,086)
Profit before tax	20,973	17,414	42,387
Tax expense	5,024	3,562	(8,691)
Profit after tax	15,948	13,852	33,697
EBITDA	28,388	27,857	57,682
<i>Operating profit margin</i>	15%	21%	22%
<i>Net profit margin</i>	15%	14%	17%
<i>EBITDA margin</i>	26%	28%	29%

LOAN INFORMATION

Early repayment of Credit Suisse loan in the second quarter of 2018 caused the loan amounting 15.3 million USD or 36.8 billion MNT in total to be paid off. We are also planning to repay our outstanding loan balance in the second half year.

	Loan	Currency	Beginning balance 1 Jan 2018	Repayment	Ending balance 30 Jun 2018
1	Credit Suisse	million USD	11,074	11,074	-
2	EBRD	million USD	17,091	4,273	12,818
	TOTAL	million USD	28,165	15,347	12,818
		billion MNT	68,360		31,569
	<i>USD exchange rate</i>		2,427.13		2,462.82

SHAREHOLDER INFORMATION



SHAREHOLDERS

APU was reorganized through merger and acquired shares in competitor companies with same business operations in exchange of its new shares issued for private placement to strategic investors. Evergreen Investments LLC, holding 100% shares in Mongolian Beverages Company Pte.Ltd registered in Singapore (parent company of Spirt Bal Buram LLC, SBB Trade LLC and MCS Asia Pacific Brewery LLC), APU Trading LLC, Ulaanbaatar Spirit LLC, Depod LLC and Natur Agro LLC, merged into APU JSC and, as a payment for the merger, APU JSC issued new shares to be held by Heineken Asia Pacific Pte.Ltd and Mongolian Beverage Investments LLC, the shareholders of Evergreen Investment LLC. The reorganization by merger was registered with the state registration on 22 December 2017.

Shareholders /as of 3 July 2018/

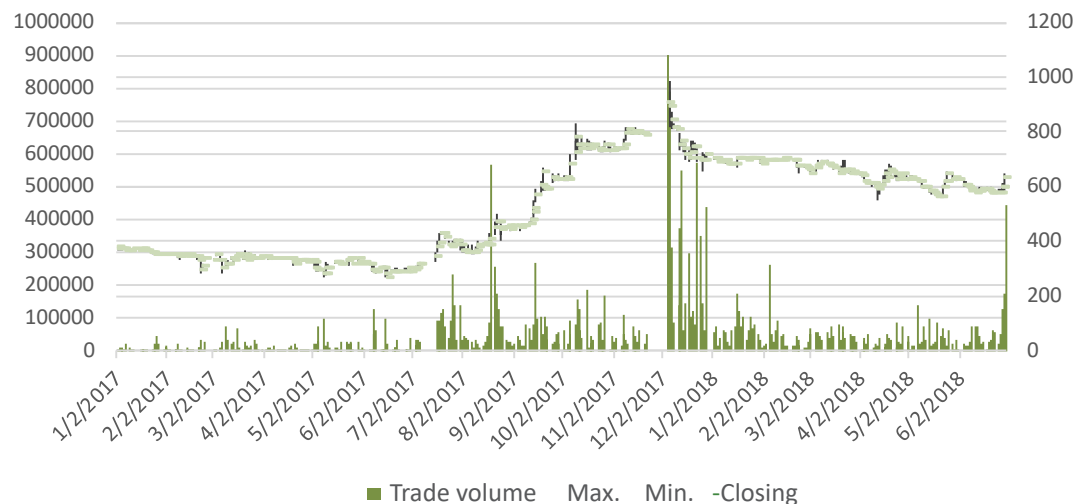
	Shareholding
Tuul International LLC	36%
Heineken Asia Pacific Pte LTd	25%
WitAlliance Limited	14%
Golomt Bank	13%
Mongolian Beverage Investments LLC	5%
Others	6%
Total	100%

SHARE TRADING AND MARKET CAPITALIZATION

To co-operate with a strategic investor, APU Company initiated the merger process in early 2017 and, in accordance with the MSE CEO's Order No. A/199 dated 23 October 2017, it was approved to increase APU shares by 321,304,553 common shares and amend the securities registration. As a result, the total number of APU shares on the market has become 1,064,181,553.

In the second quarter of 2018, 7,264 thousand shares of APU were traded at a total value of 4.7 billion MNT, representing a 4-fold growth in volume and an 8-fold increase in value, year-over-year. Share price was 633 MNT on 30 June, resulting 118% increase year-over-year and 12% reduction, compared to the beginning of the year. APU JSC share was listed 3rd among the 20 most actively traded securities on the Mongolian Stock Exchange.

	2017Q2	2017Q4	2018Q2
Closing price, MNT	290.3	716.7	633.39
Total volume traded	1,804.7	13,813.4	7,264.0
Total value of trading, million MNT	574.2	8,458.6	4,739.6
Market capitalization, billion MNT	214.96	762.70	674.04



DIVIDEND INFORMATION



DIVIDENDS

During the 11-year period from 2006 to 2017, APU JSC has declared total dividends amounting 38.5 billion MNT. For the year of 2017, the Company has decided to distribute a dividend of 10 MNT per share or 10.6 billion MNT in total.

Dividends

	Number of shares subject to dividend payout	Declared dividend per share	Total dividend payment /million MNT/
2006	742,877	60	45
2007	742,877	538	400
2008	74,287,700	10	743
2009	74,167,019	20	1,483
2010	74,167,019	40	2,967
2011	74,167,019	60	4,450
2012	74,167,019	70	5,192
2013	74,167,019	90	6,675
2014	74,167,019	-	-
2015	74,167,019	70	5,192
2016	741,167,019	1	742
2017	1,064,181,553	10	10,642