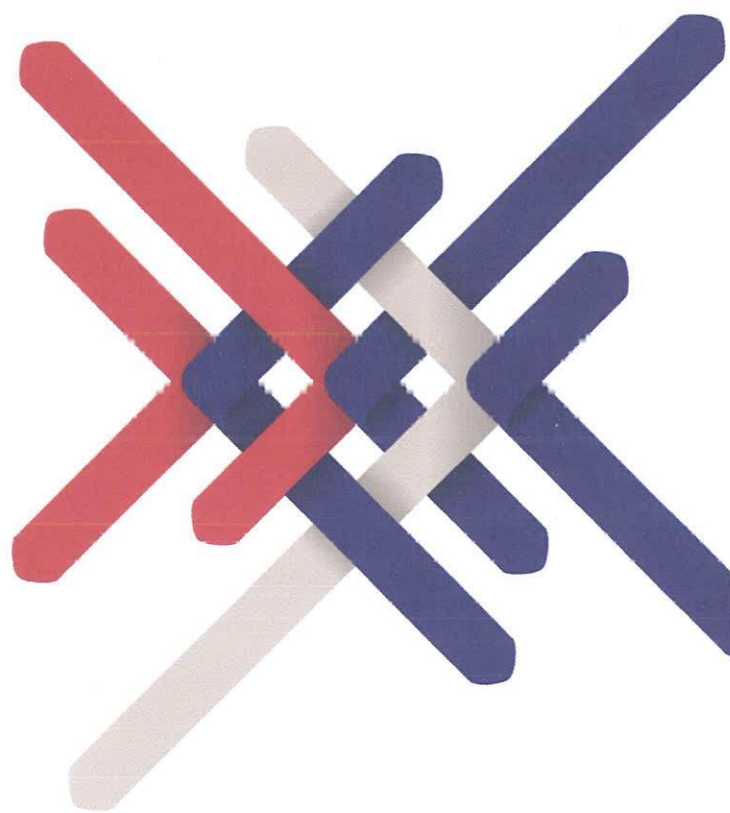


**Financial Statements and  
Independent Auditor's Report  
Ulaanbaatar BUK JSC**

31 December 2024



# Management Representation Letter

Management is responsible for fair presentation of the Company's financial statements for the year ended 31 December 2024, and its financial performance, cash flows and changes in equity for the period in accordance with International Financial Reporting Standards.


Management has fulfilled the following responsibilities in preparing the financial statements:

- Complied all accounting standards through selection of and consistent adherence to appropriate accounting policy, as well as reasonable and accurate calculation and assessment.
- Taken necessary actions to safeguard the company's assets, to prevent any fraud and misconduct, and to identify such activities.
- The Company has prepared the financial statements on a going concern basis.
- Obligated to constantly review matters that are legitimate or derivative accountabilities as a result of past events or that may result in future losses, and it has clarified the legitimate and derivative responsibilities and contingencies.

The Chairman of the Board of Directors of "Ulaanbaatar BUK" JSC, D. Nyamkhuu, CEO Kh. Zoljargal, and Head of Finance and Accounting Department O. Delgermaa hereby confirm that the company's financial statements presented on pages 9-15 of this report fairly and accurately reflect the company's financial position as of December 31, 2024, as well as the results of operations and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards.

  
D. Nyamkhuu  
Chairman of the Board  
Date:.....

  
Kh. Zoljargal  
Chief executive officer  
Date: .....

  
U. Delgermaa  
Head of Finance and  
Accounting Department  
Date: .....

# Independent Auditor's Report

---

"Grant Thornton Audit" LLC  
A member firm of GTIL global  
network for assurance, tax  
and advisory services

Dalai Tower, 9<sup>th</sup> floor,  
UNESCO street, Sukhbaatar  
District, 1<sup>th</sup>- khoroo, Ulaanbaatar  
14230, Mongolia  
T + 976 70 110744  
T | 976 70 110799

## To shareholders of the Ulaanbaatar BUK JSC:

### *Opinion*

We have audited the financial statements (hereinafter referred to as "financial statement") of the Ulaanbaatar BUK JSC (hereinafter referred to as "Company"), which comprise the following statements as of 31 December 2024, including:

- Statement of financial position,  
Statement of comprehensive income,
- Statement of changes in equity,
- Statement of cash flows,
- A summary of significant accounting policies,
- Material accounting policy information and notes to the financial statements.

In our opinion, the financial position of Ulaanbaatar BUK JSC as of December 31, 2024, and its financial performance and cash flows for the year then ended are fairly presented in all material respects in accordance with International Financial Reporting 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

### *Independence*

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Code of Ethics for Professional Accountants of Mongolia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Summary of audit approaches

<b>Key Audit Matters</b>	<ul style="list-style-type: none"> <li>These are the matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>Overall materiality used in audit of the financial statements is MNT 869,101.3 thousand. The materiality was selected on the basis of 2% of profit before tax.</li> <li>The company's objective is to consistently participate in major construction projects, enhance customer satisfaction, and solidify its market reputation and leading position. Since pre tax profit is a key metric that financial statement users focus on and given that the economic situation significantly impacts revenue from product sales, this metric was selected as the basis for materiality.</li> <li>Performance materiality was set at 75% of the overall materiality amount, or 651,826.0 thousand MNT.</li> </ul>

### Key audit matters

In our professional judgment, key audit matters are those issues that had the most significant impact on our audit of the financial statements for the reporting period. We addressed these matters within the scope of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these individual matters.

Key audit matters	Auditor's Responses
<p><b>Revenue Recognition</b></p> <p>The revenue for the reporting year amounted to 43,455,069.6 thousand MNT. The Company generates revenue from several distinct business activities. A contract-by-contract analysis is required for the timing of revenue recognition. The accounting policy for revenue recognition is detailed in <b>Note 4.12</b> of this report.</p>	<p>We analyzed the recognized revenue to identify new revenue streams, assessed the nature of the revenue, and examined the timing of revenue recognition and any specific conditions outlined in the contracts. In doing so, we reconciled the revenue figures with the contracts, verifying the scope, timing, and customer acceptance certificates for work or goods delivered.</p>
<p><b>Deferred Tax</b></p> <p>The effective tax rate is 10%. Due to the increase in sales revenue for the reporting period by 6,557,175.1 thousand MNT compared to the previous year, and since the profit before tax did not exceed 6 billion MNT, income tax was calculated at 10%.</p> <p>In the statement of financial position, the income tax payable for the reporting period is 352,057.7 thousand MNT, and the deferred tax liability is 275,659.9 thousand MNT. The tax expense of 532,889.0 thousand MNT, as reflected in the statement of comprehensive income, represents 11% of the profit before tax. The balances of the current and deferred taxes for the reporting period are detailed in Note 13.</p>	<p>We assessed the design and implementation of controls relating to the recognition, recoverability, and adequacy of the provision for current taxes and deferred tax assets for the reporting period. We discussed with management the appropriateness of the company's policy implementation and the control of current and deferred taxes.</p> <p>We examined the company's procedures for calculating current and deferred taxes and audited the related tax calculations.</p>

### *Other information*

Management is responsible for the other information. The other information comprises the information included in the annual report of the Company for the year ended 31 December 2024 but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

Our responsibility regarding the audit of the financial statements, as outlined above, is to read and consider the other information when it becomes available to us. In doing so, we will assess whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise materially misstated.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

### *The extent to which the auditor has considered the ability to detect illegal actions, such as fraud*

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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- In order to express an opinion on the financial statements, we obtain sufficient appropriate evidence regarding the financial information of the company's business activities. We are responsible for directing, supervising, and performing the company's audit. We are 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### *Regarding Other Legal and Regulatory Requirements*

In accordance with Articles 92 and 94 of the Company Law of Mongolia, the company is obligated to report transactions with related parties involving conflicts of interest, as well as other information stipulated by the Law on Securities Market, the Financial Regulatory Commission, the Mongolian Stock Exchange, and the company's charter. No violations related to these matters were identified.

The engagement partner who participated in the issuance of this Independent Auditor's Report is N. Erdenetsog



  
**B. OSHORGARAV**  
**MANAGING PARTNER**

Date: .....

  
**N. ERDENETSOG**  
**ENGAGEMENT PARTNER**

Date: .....

# Statement of financial position

In thousand MNT	Note	Balance 31 December 2024	Balance 31 December 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	167,851	303,662
Accounts and other receivables	8	2,203,873	5,029,381
Inventories	9	34,240,536	38,248,460
Prepaid expense/Prepayments	10	1,112,747	9,007
<b>Total current assets</b>		<b>37,725,007</b>	<b>43,590,510</b>
<b>Non-current assets</b>			
Property, plant and equipment, net	11	36,566,522	36,854,263
Intangible assets, net	12	9,317	18,634
Work in progress	13	2,964,905	-
<b>Total non-current assets</b>		<b>39,540,744</b>	<b>36,872,897</b>
<b>Total assets</b>		<b>77,265,751</b>	<b>80,463,407</b>
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts and other payables	15	12,738,419	26,825,838
Unearned revenue	16	416,820	860,430
<b>Total current liabilities</b>		<b>13,155,239</b>	<b>27,686,268</b>

## Statement of financial position (continued)

In thousand MNT	Note	Balance 31 December 2024	Balance 31 December 2023
<b>Non-current liabilities</b>			
Deferred tax liabilities	14	275,660	283,859
Other non-current liabilities	17	7,351,787	-
<b>Total non-current liabilities</b>		<b>7,627,447</b>	<b>283,859</b>
<b>Total liabilities</b>		<b>20,782,686</b>	<b>27,970,127</b>
<b>Equity</b>			
Private equity	18.1	131,547	131,548
Additional paid-in capital	18.2	7,225,920	7,225,920
Revaluation surplus	18.3	26,092,531	26,587,885
Retained earnings	18.4	23,033,067	18,547,927
<b>Total equity</b>		<b>56,483,065</b>	<b>52,493,280</b>
<b>Total liabilities and equity</b>		<b>77,265,751</b>	<b>80,463,407</b>

The statement of financial position was approved on ....., 2025 by:



Kh. Zoljargal  
Chief Executive Officer

U. Delgermaa  
Head of Finance and Accounting Department

The notes on pages 16 to 41 are integral part of this statement of financial position.



# Statement of comprehensive income

In thousand MNT	Note	2024	2023
Revenue	19	43,455,070	36,897,894
Cost	20	(25,258,843)	(21,258,576)
<b>Gross profit</b>		<b>18,196,227</b>	<b>15,639,318</b>
Lease revenue	21	182,327	157,091
Interest income	22	1,932	66
Other income		251,400	6,706
Sales, marketing expenses	23	(262,700)	(207,430)
General, administrative expenses	24	(12,721,712)	(14,915,999)
Finance costs	22	(457,645)	-
Other expenses	26	(554,684)	(234,635)
Gain on disposal of fixed assets		-	2,039
Foreign exchange gain	25	72,229	2,000
Other losses		(33,143)	-
<b>Profit before tax</b>		<b>4,654,222</b>	<b>449,156</b>
Income tax expense	27	(532,889)	(72,017)
<b>Profit after tax</b>		<b>4,121,333</b>	<b>377,139</b>

## Statement of comprehensive income *(continued)*

In thousand MNT	Note	2024	2023
<b>Other comprehensive income</b>			
Investment valuation reserve		(495,354)	(537,078)
		-	-
<b>Total other comprehensive income</b>		<b>3,625,979</b>	<b>(159,938)</b>
<b>Basic earnings per share</b>		<b>31.33</b>	<b>2.87</b>

The notes on pages 16 to 41 are integral part of this statement of comprehensive income.

# Statement of changes in equity

In thousand MNT	Notes	Share capital	Additional paid-in capital	Revaluation surplus	Retained earnings	Total
<b>Balance 1 January 2024</b>	18	131,548	7,225,920	26,587,885	18,547,927	<b>52,493,280</b>
Not profit (loss) for the year	18.4	-	-	-	4,121,333	<b>4,121,333</b>
Declared dividends	15	-	-	-	(131,548)	<b>(131,548)</b>
Realized revaluation surplus	18.3	-	-	(495,354)	495,354	-
<b>Balance 31 December 2024</b>		<b>131,548</b>	<b>7,225,920</b>	<b>26,092,531</b>	<b>23,033,066</b>	<b>56,483,065</b>

The notes on pages 16 to 41 are integral part of this statement of changes in equity.

## Statement of cash flows

In thousand MNT	Notes	2024	2023
<b>Cash flows from operating activities</b>			
<b>Total cash inflow</b>		<b>41,961,022</b>	<b>41,777,809</b>
Revenue from sales of goods and services		41,669,394	41,463,902
Proceeds from insurance claims		683	37,782
Other cash inflow		290,945	276,125
<b>Total cash outflow</b>		<b>(31,107,942)</b>	<b>(37,454,564)</b>
Payments to employees		(8,648,934)	(7,542,093)
Payments to social insurance authority		(2,209,807)	(2,436,129)
Acquisition of inventory		(8,426,113)	(17,347,455)
Paid for utilities		(871,077)	(1,020,959)
Payments for fuel, transportation fees, and spare parts		(5,959,894)	(5,318,906)
Interest payments		(457,645)	-
Payments to tax authorities		(2,682,802)	(2,670,033)
Insurance payments		(26,349)	(26,644)
Other cash expenditures		(924,321)	(1,092,345)
<b>Net cash flow from operating activities</b>		<b>10,853,080</b>	<b>4,323,245</b>
<b>Cash flow from Investing activities</b>			
<b>Total cash inflow</b>		<b>2,231</b>	<b>66</b>
Revenue from the sale of fixed assets		300	-
Interest income received		1,931	66

## Statement of cash flow (continued)

In thousand MNT	Notes	2024	2023
<b>Total cash outflow</b>		<b>(120,410)</b>	<b>(59,070)</b>
Expenditures for acquiring fixed assets		(120,410)	(59,070)
<b>Net cash flow from investing activities</b>		<b>(118,179)</b>	<b>(59,004)</b>
<b>Cash flow from financing activities</b>			
<b>Total cash inflow</b>		<b>12,950,000</b>	<b>1,762,000</b>
Proceeds from loans and debt securities issued		12,950,000	1,762,000
<b>Total cash outflow</b>		<b>(23,815,000)</b>	<b>(6,236,000)</b>
Paid for loans and debt securities		(23,815,000)	(6,236,000)
<b>Net cash flow from financing activities</b>		<b>(10,865,000)</b>	<b>(4,474,000)</b>
Effect of foreign exchange rate fluctuations		(5,712)	(52,755)
<b>Total net cash flow</b>		<b>(135,811)</b>	<b>(262,514)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>7</b>	<b>303,662</b>	<b>566,176</b>
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>167,851</b>	<b>303,662</b>

The notes on pages 16 to 41 are integral part of this statement of cash flows.