



“Just Agro” LLC Corporate bond introduction



About company

- Company established date: 2000
- Location: Headquarter in UB and branch plants in 10 provinces throughout Mongolia.
- Market share: 40% of domestic meat processing market
- Current utilization of total capacity: 35%
- After investment utilization of total capacity: 80%

Issuing condition

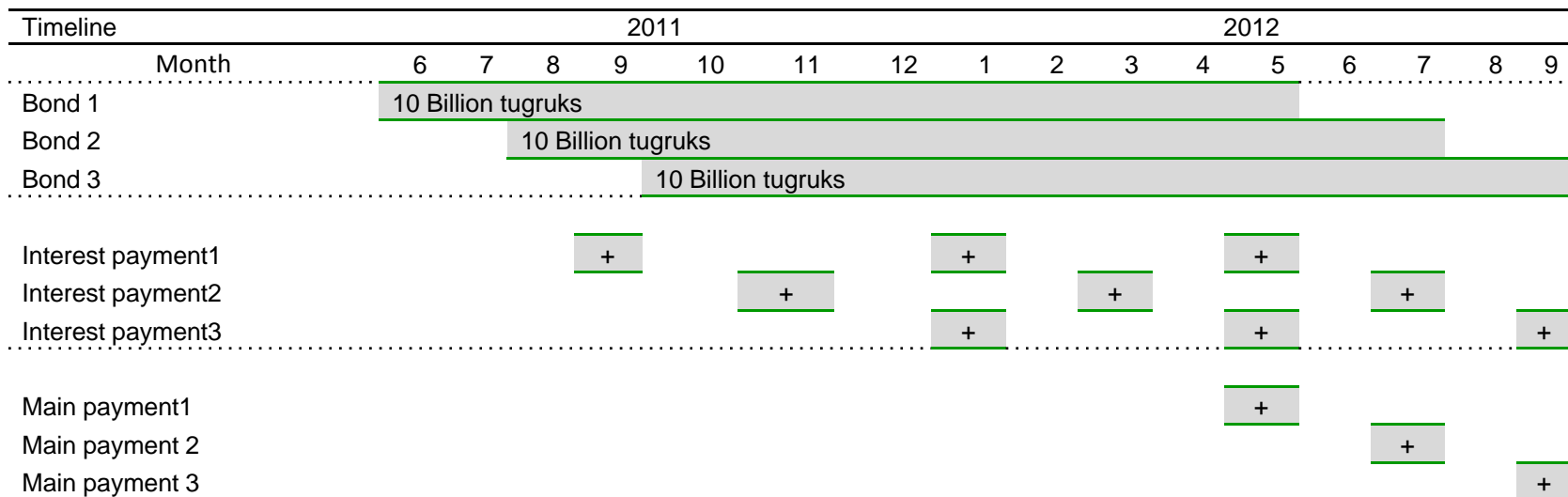
- Timing: 1st half of 2011
- Required investment: 30 billion MNT
- Denomination: 10,000 MNT
- Maturity: 12 months
- Interest rate: 16.2%
- Interest payment period: Per quarter
- Guarantee:
 - » Assets
 - » Sales agreement
 - » Possibility to be guaranteed by government



Placing in primary market

Due to timeline of preparatory works of meat, placing public offered 3,000,000 bonds will divide into 3 parts. Period of placing in initial market is 12 months.

Bond issue, payments, timeline graphic

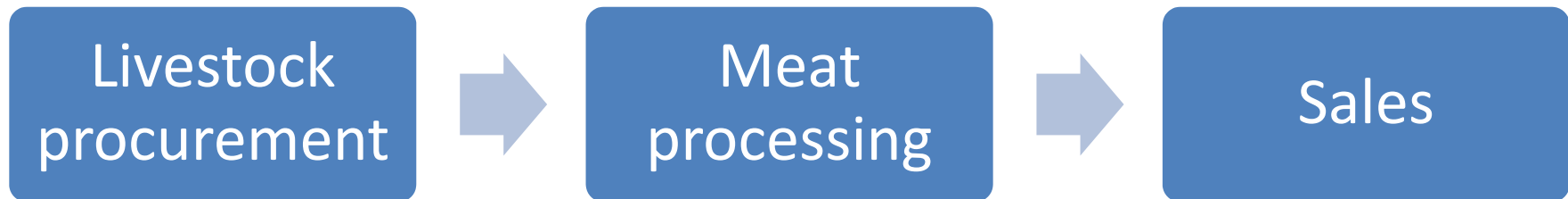


Brief introduction

- “Just Agro” LLC is involved in processing meat and semi-finished meat products. Its primary objective is to create an integrated and complex system of livestock procurement, meat processing and sales of high quality products to domestic and international markets meeting the required safety standards.
- In 2007 “Just Agro” LLC was 100% undertaken by Just group and has been integrated into a newly established Just Agro division and it implemented a country-wide revolutionary new cattle trading system buying cattle directly from the herders without intermediation of middlemen leaving more profit with herders through its 6 meat processing plants in provinces.
- On 2009 “Just Agro” LLC became independent entity and has been working its main operation since.
- As of the year 2010, “Just Agro” LLC has a market share of 32.3% of the total livestock procurement, 26% of the total slaughtering capacity, 30% of the total meat and semi-finished meat products storage capacity and 22.8% of the country’s total meat export. “Makh Market” supplies about 40% of the industrial processed meat to the Mongolian local market and procures 1/3 of the strategic meat reserve and meat export out of Ulaanbaatar city.
- In 2010 with the implementation of internationally accepted HACCP at all stages of meat processing plant, we are able to produce and supply consumers with meat products that are processed with modern technology and are in line with the requirements of ISO 22000 and national standards.



Business process



The company runs a network of 11 meat slaughtering and packaging plants fitted with the latest equipment and using modern technology meeting world industry standards. Establishing meat slaughtering and packaging plants in provincial areas creates a number of advantages such as the opportunity to purchase livestock directly from local herders avoiding intermediaries. This proximity to the herders paves the way to the development and implementation of a flexible price policy depending on the peculiarity of the province and the prevailing market conditions. This gives numerous positive results including the improvement of meat quality, wealth creation in rural areas, the prevention of cattle rustling as well as decrease of price inflation.



Locations

The range of operation covers near 200 km radius also herds cattle in 50-200 km radius area. So that it helps to develop cooperation with herders, prevent cattle from losing weight and increase output of meat products.



 Булган Max Market
Одоо ажиллаж байгаа үйлдвэр

 Нэмж баригдах үйлдвэр



Infrastructure, Transportation

	Names of plants	Capacity of cooling (Ton)	Capacity of deep freezing (Days/Ton)
1	Ulaanbaatar Makh Market	7,000	20
2	Bayan-Olgii Makh Market	1,000	20
3	Bulgan Makh Market	500	20
4	Zavkhan Makh Market	500	15
5	Sukhbaatar Makh Market	750	20
6	Uvs Makh Market	250	15
7	Dornod Makh Market	3,000	66
8	Zavkhan Makh Market	1,000	40
9	Baganuur Makh Market	1,200	40
10	Selenge Makh Market	3,000	40
11	Ovorkhangai Makh Market	1,000	/incompleted /
	Total	19,200	280

The transportation to center plant from branch plants is made with dedicatory transportations.

Center plant has the capacity to freeze and hold over 10,000 ton meat.

To make transportation of meat fast and safe, the extension of center plant was built along the branch line at the beginning of 2011.

It gave easier way to transport meat which processed in branch plants to export and give in directly use of domestic products.



Financial Indicators

Indicators	2008	2009	2010	2011.01
Current assets	5 419 950,0	10 312 705,0	5 576 354,3	4 048 538,2
Non current assets	23 949 111,9	29 302 310,2	32 591 047,2	47 465 404,1
<u>Total Assets</u>	<u>29 369 061,9</u>	<u>39 615 015,2</u>	<u>38 167 401,5</u>	<u>51 513 942,4</u>
Notes payable	602 041,6	2 819 494,9	1 025 513,1	876 440,7
Accounts payable	14 892,8	6 342,8	21 492,0	35 681,6
Warranty payable	4 988 955,2	7 109 912,7	2 469 871,8	
Bank loans			1 900 000,0	2 700 000,0
Prepaid revenue			116 170,1	127 099,6
Total current liabilities	5 605 889,7	9 935 750,5	5 533 047,1	3 739 221,9
Total long-term liabilities	16 984 335,3	24 982 391,0	28 237 845,2	12 753,3
Total liabilities	22 590 225,0	34 918 141,6	33 770 892,3	3 751 975,2
Total stockholders' equity	6 778 836,9	4 696 873,5	4 396 509,1	47 761 967,1
Total Liab. & Stockholders Equity	29 369 061,9	39 615 015,2	38 167 401,5	51 513 942,4

The undertaker "Just group" Co., Ltd transferred to "Just Agro" Co., Ltd 28.237.845.241.90 tugruks in their 01/18 commandment to decrease its accounts payable of financial statement of 2010 without erecting loan under its name on 30th of Mar 2011.

According from indicators current liabilities are 15 times more than accounts receivables, it shows there's a need for new operational strategy for current investment policy.



Financial Indicators

Indicators	2008	2009	2010	2011.01
Sales Revenue	7 669 353,8	10 309 506,1	17 799 654,3	1 531 163,9
Cost of goods sold	4 992 702,5	6 000 055,3	8 874 999,7	693 200,8
Cross profit	2 649 440,4	4 307 371,7	8 922 783,1	837 963,1
Total operational expenses	3 283 724,1	7 156 014,1	9 154 150,9	828 781,5
Net profit before interest and tax	(634 283,7)	(2 848 642.4)	(231 367.7)	9 181.5
Net profit before tax	8 978,6	(2 081 963.3)	143 850.5	16 722.8
Net profit after tax	5 529.4	(2 081 963.3)	123 340.9	15 376.3

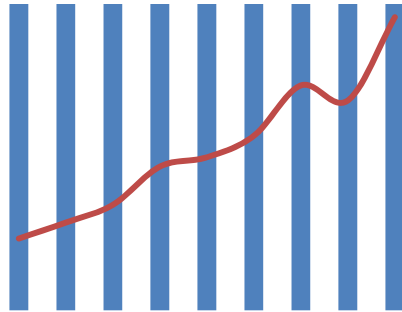
In 2008-2010 Sales Revenue increased rapidly by over 10 billion tugruks. Diluted cost of goods sold was 65.3% in 2008, 58.% in 2009, 49.9% in 2010 and the total profit increased 34.7%-50.1%.

However the total profit increased, total operational expenses also increased by 2.2 times in 2008-2009, 27.9% in 2009-2010 caused net profit before interest and tax loss.

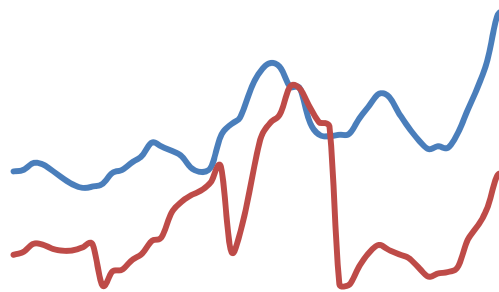


Meat price and Inflation

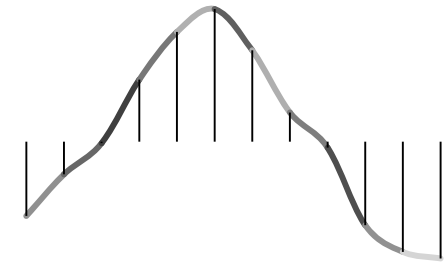
— Meat consumption /ton/
— Price /MNT/



— Meat price
— Inflation



Monthly fluctuation of meat price index



Annual meat product consumption of Mongolia is approximately under 300.000 ton. Of which:

- Meat processing plants – ca 15 percent (ca 30 plants, and depending on current capital, only 20-30 percent of full capacity is utilized)
- Small business Sector – around 85 percent.

Due to the lack of meat reserve and constant supply system among small business sectors, meat supply reduces during spring and summer resulting price inflation.

Consequences of meat supply deficiency.

- Poor quality meat, supplied by profiteer
- High Inflation caused by meat price increase
- /83.9% of total inflation caused by meat price increase during in March 2010 /



Government policies related

Thousands of years Mongolia economy was mainly based on *livestock breeding*, since it was an important part of nomad lifestyle. Since 2006, Mongolian government has been taking policy to encourage companies who reversed their meat products in summer and spring in order to stabilize the fluctuating price range and inflation. Bond issuer also participates by reserving about 30%.

Also Mongolian government supports meat product plants by creating convenient financial environment such as working in Value-added-tax free



Investment expenditures

Number of animals prepared /by types/		Average cost of per animal	Total cost of prepared animal	Output
Beef	40,000	272,435.00	10,897,413.33	47.7%
Horse	20,000	254,435.00	5,088,706.67	51.5%
Sheep	230,000	50,375.00	11,582,110.00	41.9%
Goat	20,000	36,357.00	727,140.00	42.3%
Total	310,000	613,602.00	28,295,370.00	

Numbers of animals prepared		Sales product /ton/	Price /kg/
Beef	40,000	4 628,17	3 768,75
Horse	20,000	2 355,13	2 687,50
Sheep	230,000	2 602,39	3 225,00
Goat	20,000	115,80	2 200,00
Total	310,000	9 701,49	11 881,25



Financial plan

Financial plan was made by year covering 30th of Jun 2011 to 01st of Jul 2012.

Million tugruks

	2011-2012	2012-2013
Sales revenue	39,396.2	41,723.8
Premier of reserve meat	1,200.0	1,200.0
Cost of products sold	30,285.7	33,025.5
Cross profit	10,310.3	9,898.6
Managing and marketing cost	1,972.2	1,974.7
Depreciation cost	1,112.2	1,112.2
Investment cost	4,651.9	841.9
Net operational profit	2,574.3	6,373.3
Non operational profit	403.6	403.6
EBITDA	2,977.7	6,373.2



Prediction of cash flows

Cash flow statement was made by the time preparatory work of plants begin. Between 2011 to 2012 there's not enough cash flow for purchasing raw materials, managers decided to solve it by issuing bond. According from the table, the fund raised will be enough. Following table shows prediction of cash flows through the years.

Million tuguks

	2011-2012	2012-2013
Sales revenue	39,396.2	41,723.8
Reservation revenue	83,92	83,92
Slaughter	360,00	360,00
Premium of meat reervation	1 200,00	1 200,00
Operation loan	1 972,02	1 974,75
Bond investment	30 000,00	-
Incoming	74 020,45	46 317,32
Loan payment	1 972,02	1 974,75
Bond payment	10 000,00	20 000,00
Capital cost	28 295,37	31 176,28
Factory overheads	4 562,68	4 683,07
Operation cost	2 628,51	2 628,51
Management and marketing cost	455,75	458,48
Loan interest payment	31,93	31,98
Bond interest payment	3 240,00	1 620,00
Investment cost	705,00	-
Outgoing cash flow	51 891,26	62 573,06
Depresatin cost	1 112,23	1 112,23
Net cash flow	23 241,42	- 15 143,50
Ending balances of cash	23 241,42	10 154,05

