

FIRST QUARTER REPORT 2018



This is the first quarter report of State Trading Organization plc, for the year 2018.

In compiling this report, STO has made its best efforts to adhere to the Listing Rules, the Corporate Governance Code of Capital Market Development Authority and the Continuous Disclosure Obligation of Issuers Regulation.

This report includes events for the period from 01st January 2018 to 31st March 2018.

Report was published on 30th April 2018.

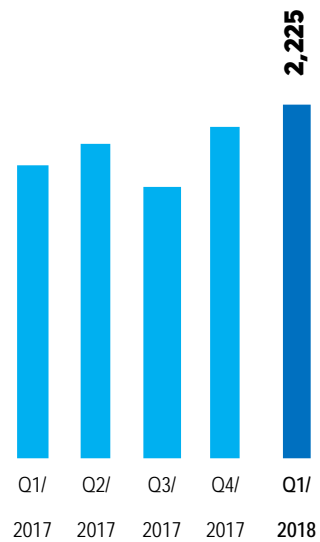




FINANCIAL HIGHLIGHTS

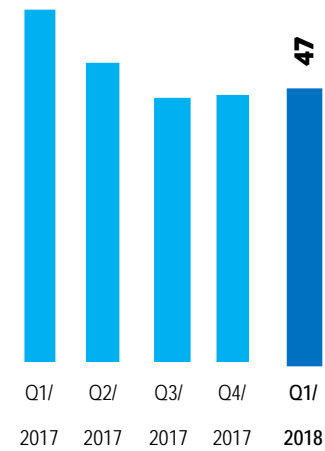
REVENUE

(All figures in MVR, in millions)



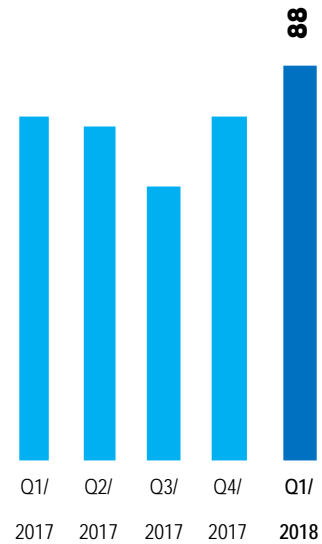
NET PROFIT AFTER TAX

(All figures in MVR, in millions)



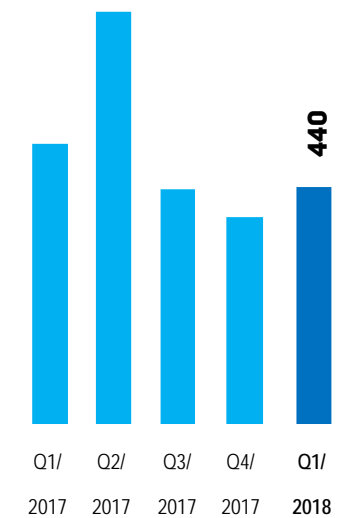
OPERATING PROFIT

(All figures in MVR, in millions)



MARKET CAP.

(All figures in MVR, in millions)



CORPORATE HIGHLIGHTS



On 28th January 2018, STO celebrated the maiden voyage of its new oil tanker "MT Alimas" which has a capacity of 25,000 metric tonnes.

- STO re-opened its electronics showroom at City Square on 3rd February 2018. This outlet offers leading brands of electronics items including Dell Laptops, Dell desktops, S.Jcam action camera, Vstarcam IP camera, JBL sound, Edifier speakers, Huawei mobile phones and other electronic accessories. The outlet offers a modern design with a friendly ambience, further enhancing the consumer experience.



- STO's 53rd Anniversary Function was held on 25th February 2018 at Dharubaaruge. At this function, awards were given out to best staffs of company, long service staffs, best customers and excellence in governance award by STO Board, from amongst the subsidiary companies. This year the excellence in governance award was obtained to Allied Insurance Company of the Maldives Pvt Ltd.

- STO along with its Group Companies, Allied Insurance Company of the Maldives Pvt Ltd, Fuel Supplies Maldives Pvt Ltd and Maldivian Gas Pvt Ltd were ranked amongst the top businesses in the Maldives at Gold 100 Gala event held on 22nd February 2018.



- Foundation stone of STO Hiya project was laid on 27th February 2018. The two residential towers of fifteen floors will provide STO staff with 356 apartments.



MARKETING AND PROMOTIONS

- STO Construction Materials held “Gadha Tinu” promotion in collaboration with Maldives Structural Products Pvt Ltd.
- STO Electronics held “Hello Electronics” promotion from 3rd to 28th February at STO Electronics. Discounts were offered up to 15% from selected items and lucky winners awarded grand prizes weekly.
- A special offer for Hulhumale' flat owners was carried out from January to March, with free delivery service to Hulhumale' flats.
- STO Ramazan Bazaar started on 19th March and will go on till 31st May. We offer up to 20% discounts on home electronics items and give away weekly prizes worth MVR500,000.00.
- STO Supermart conducted a kids evening with the launching of IVY yogurt drink at Rasrani Bageecha on 12th January 2018.
- Chocolate Fest 2018 was launched on 11th February 2018 at STO Supermart.
- Maldives Association of Surgeons organized the 4th Advanced Wound Care Workshop 2018 in collaboration with Ministry of Health, Malaysian Society of Wound Care Professionals and State Trading Organization Plc in Laamu Gan for the Healthcare Professionals.



SOCIAL RESPONSIBILITY

- STO was chosen as "The CSR Campaign of the Year 2017" during Gold 100 Gala on 22nd February 2018, in recognition of its "All Island Pharmacy Project"



- On 8th March 2018, STO extended the partnership with Hope for Women.



- STO celebrated World Down Syndrome day on 21st March 2018.



- STO celebrated International Women's Day 2018 on 8th March 2018.

STO endorsed and works towards;

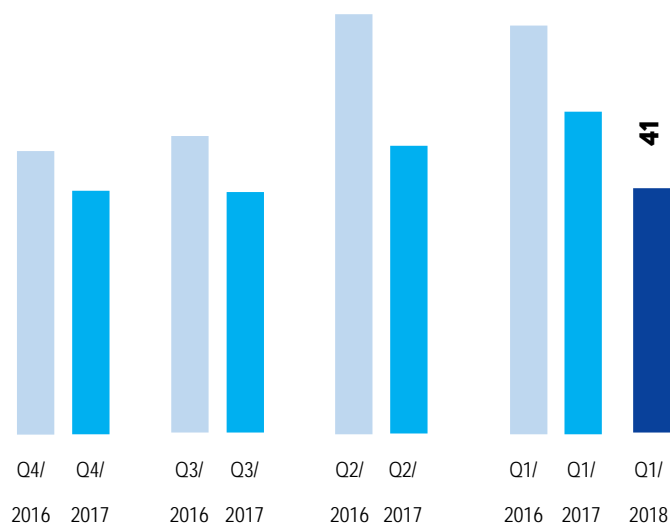




SHARE PERFORMANCE

EARNINGS PER SHARE

(in MVR)



Shareholding structure as at end of first quarter was as follows;

	No. of shares	%
Government	919,869	81.63
Public	207,041	18.37
Total	1,126,910	100

There were no changes to the shareholding structure during the quarter.

Company's performance in the share market is given below ;

	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Highest Trade Price	500	400	490	700	478
Lowest Trade Price	350	350	400	490	478
Last Trade Price	390	350	400	700	478
WATP	373	368	423	496	478
Market Capitalization (in Millions)	439.49	394.42	450.67	788.84	538.66
Dividend Yield	13%	15%	13%	7%	12%
Price Earnings Ratio	9	9	10	14	9
Earnings per Share	41	39	40	49	55

BOARD ACTIVITIES

In Accordance with the Articles of Association of the Company, STO has seven Directors in the Board which include, five non-executive, independent members and two executive members.

On 23rd January 2018, the Privatization and Corporatization Board replaced Ms. Aishath Rayaheen Shareef with Ms. Mariyam Zaahiya. Ms. Aishath Rayaheen Shareef was appointed as a Board Director of Maldives Ports Limited.

Below are the current members in the Board.



Hussain Salim
Mohamed
Chairman



Ahmed Shaheer
Managing
Director



Mohamed Mihad
Executive
Director / CFO



Amir Mansoor
Non-Executive,
Independent
Director



Aishath Rafiyya
Non-Executive,
Independent Director



Mariyam Zaahiya
Non-Executive
Independent Director



Mohamed Farshath
Non-Executive,
Independent Director



NUMBER OF MEETINGS

Meeting	Total number of meetings held during the quarter
Board Meetings	5
Corporate Governance and Compliance Committee	2
Nomination and Remuneration Committee	3
Audit Committee	2
Risk Committee	1

DIRECTORS ATTENDANCE TO MEETINGS

Name		Board Meetings	Corporate Governance and Compliance Committee	Nomination and Remuneration Committee	Audit Committee	Risk Committee
Hussain Salim Mohamed	Chairman	5/5	Not a member	Not a member	Not a member	Not a member
Ahmed Shaheer	Managing Director	5/5	Not a member	Not a member	Not a member	Not a member
Mohamed Mihad	Executive Director / CFO	5/5	Not a member	Not a member	Not a member	Not a member
Amir Mansoor	Non-executive, Independent Director	5/5	Not a member	3/3	2/2	1/1
Aishath Rafiyya	Non-executive, Independent Director	5/5	2/2	3/3	Not a member	1/1
Mariyam Zaahiya	Non-executive, Independent Director	4/4	2/2	Not a member	2/2	1/1
Mohamed Farshath	Non-executive, Independent Director	5/5	2/2	3/3	2/2	Not a member



MAJOR BOARD DECISIONS

- Changes were made to the board directors of subsidiaries
- Approved quarter 4 report of 2017, for publication
- Re-appointed board committees due to a change in board member
- Board evaluation forms were submitted
- Changed business hours of Company from 8am to 4pm, effective 1st February 2018
- Approved "Emmenge STO" campaign and its budget
- Approved to purchase 2 landing crafts to STO
- Discussed on strategic plans for improving construction materials and supermarket business
- Discussed on changes proposed to Articles of Association and the comments received by shareholders to it
- AGM 2017 timeline and plan was discussed

COMPLIANCE TO CORPORATE GOVERNANCE CODE

STO's Board of Directors and Management strongly support the principles of good corporate governance and are committed to embed such principles into the operations and management of STO and its Group. STO believes that the governance arrangements adopted by the STO Group are reflective of a high performing, well governed organization. These arrangements enable the Board and Management to make well informed decisions, provide appropriate accountability and transparency, and establish the proper culture and behaviors. STO also believes that leading governance practices is essential for the long term sustainability of our businesses.

The Board regularly reviews the Company's corporate governance framework, policies and practices to ensure at a minimum that they meet the expectations of our shareholders and evolve in line with the Corporate Governance Code of Capital Market Development Authority and our own internal processes and practices.



UNAUDITED INCOME STATEMENT

All values in MVR	1st Quarter 2018	4th Quarter 2017
Revenue	2,224,652,636	2,024,153,090
Cost of Sales	(1,955,569,185)	(1,786,770,831)
Gross Profit	269,083,451	237,382,258
Other Operating Income	8,684,007	15,115,072
	277,767,458	252,497,330
Selling and Marketing Costs	(48,194,401)	(49,702,251)
Administrative Costs	(140,843,115)	(125,594,681)
Other Operating Expenses	(800,507)	(2,280,293)
Operating Profit	87,929,435	74,920,106
Finance Costs	(30,640,618)	(22,635,986)
Profit Before Tax	57,288,817	52,284,120
Business Profit Tax Expense	(10,671,604)	(7,874,697)
Profit After Tax	46,617,213	44,409,423
Attributable to		
Equity Holders of the Parent	46,617,213	44,409,423
Non-Controlling Interest		
Earnings per share Attributable to Equity holders of the Parent	41.37	39.41



All values in MVR	1st Quarter 2018	4th Quarter 2017
ASSETS		
NON CURRENT ASSETS		
Property Plant and Equipment	2,214,993,603	2,193,697,180
Investment in Subsidiaries	117,249,835	117,249,835
Investment in Associates	10,567,267	10,567,267
Investment in Joint Venture	4,700,000	4,700,000
Available-for-sale Financial Assets	12,740,800	12,740,800
Deferred Tax Asset	47,861,097	47,861,097
Total Non-Current Assets	2,408,112,602	2,390,505,473
CURRENT ASSETS		
Inventories	569,418,601	665,129,644
Trade and Other Receivables	3,226,624,834	2,926,823,791
Cash and Cash Equivalents	205,092,348	158,871,721
Total Current Assets	4,001,135,783	3,750,825,157
Total Assets	6,409,248,385	6,137,641,335
EQUITY		
Share Capital	56,345,500	56,345,500
Share Premium	27,814,500	27,814,500
General Reserve	687,489,631	678,166,189
Retained Earnings	1,544,097,488	1,506,803,882
Total Equity	2,315,747,119	2,269,130,071
LIABILITIES		
NON-CURRENT LIABILITIES		
Loans and Borrowings	455,733,974	490,047,705
Current Liabilities		
Current Tax Liabilities	7,395,606	12,576,071
Trade and Other Payables	2,495,649,915	2,529,830,174
Borrowings	1,134,721,771	836,057,314
Total Current Liabilities	3,637,767,292	3,378,463,559
Total Liabilities	4,093,501,266	3,868,511,264
Total Equity and Liabilities	6,409,248,385	6,137,641,335

Mohamed Mihad
Chief Financial Officer /
Executive Director

Ahmed Shaheer
Managing Director

UNAUDITED CASH FLOW STATEMENT



All values in MVR	1st Quarter 2018	4th Quarter 2017
Profit before business profit tax	57,288,817	52,284,120
Adjustments for:		
- Depreciation & amortization	22,405,721	16,737,701
- Interest income	(1,413,242)	(1,375,146)
- Interest expense	32,396,508	32,038,397
- Dividend income		(9,049,933)
- Provision for impairment of receivables		4,290,651
- Receivables written off		
- Provision for bad debt	5,372,735	7,686,531
- Provision for slow and non moving inventories	(715,928)	(739,347)
- (Profit) / loss on disposal of investments	96,982	(127,538)
Changes in working capital:		
- Inventories—(increase) / decrease	96,426,807	(212,162,700)
- trade and other receivables—(increase) / decrease	(305,173,778)	(351,360,129)
- Trade and other payables—(increase) / decrease	(34,007,973)	481,131,667
Cash flows from operating activities	(127,323,351)	15,063,624
Interest paid	(32,396,508)	(32,038,397)
Business profit tax paid	(15,852,069)	
Net cash generated from / (used in) operating activities	(175,571,928)	(16,974,774)
Cash flows from investing activities		
Purchases of property, plant and equipment - net	(43,799,126)	(326,629,769)
Loan repayments received from related parties		(514,500)
Interest received	1,413,242	1,375,146
Dividends received		9,049,933
Net cash generated from / (used in) investing activities	(42,385,884)	(316,719,189)
Cash flows from financing activities		
Net proceeds from / (repayment of) borrowings	264,350,726	320,834,333
Net payment made for currency SWAPs		
Dividends paid to shareholders	(172,287)	(279,183)
Net cash generated from / (used in) financing activities	264,178,439	320,555,150
Net increase / (decrease) in cash and cash equivalents	46,220,627	(13,138,813)
Cash, cash equivalents and bank overdrafts at beginning of the quarter	158,871,721	172,010,534
Bank overdraft		
Cash, cash equivalents and bank overdrafts at end of the quarter	205,092,348	158,871,721



DECLARATION

COMPLIANCE TO THE MALDIVES COMPANIES ACT 10/96 , LISTING RULES, CDOI REGULATION 2010

We believe that we have abided compliance to these regulations and its requirements within this quarter.

COMPLIANCE TO CORPORATE GOVERNANCE CODE OF CMDA

STO, during the quarter has adhered to the relevant provisions of the Code, where required. Statement by Board of Directors on Compliance to Corporate Governance is given on page 11.

TAX

The Company had paid required tax to MIRA within the allocated time.

FINES

There were no fines due on Company, with regard to any of the regulations afore mentioned, during the quarter.

MQRR COMPLIANCE

This report has been prepared in compliance with the Minimum Quarterly Reporting Requirements of CMDA.