



TUVALU TELECOMMUNICATIONS CORPORATION

Private Mail Bag 14, Vaiaku, Funafuti, Tuvalu
Phone: (688) 20027, Facsimile: (688) 20000 / 20800, Mobile: (688) 908888
Email addresses: [Office] ekausea@tuvalecom.tv [Private] ekausea@gmail.com

Financial Statement report_3rd Quarter 2017

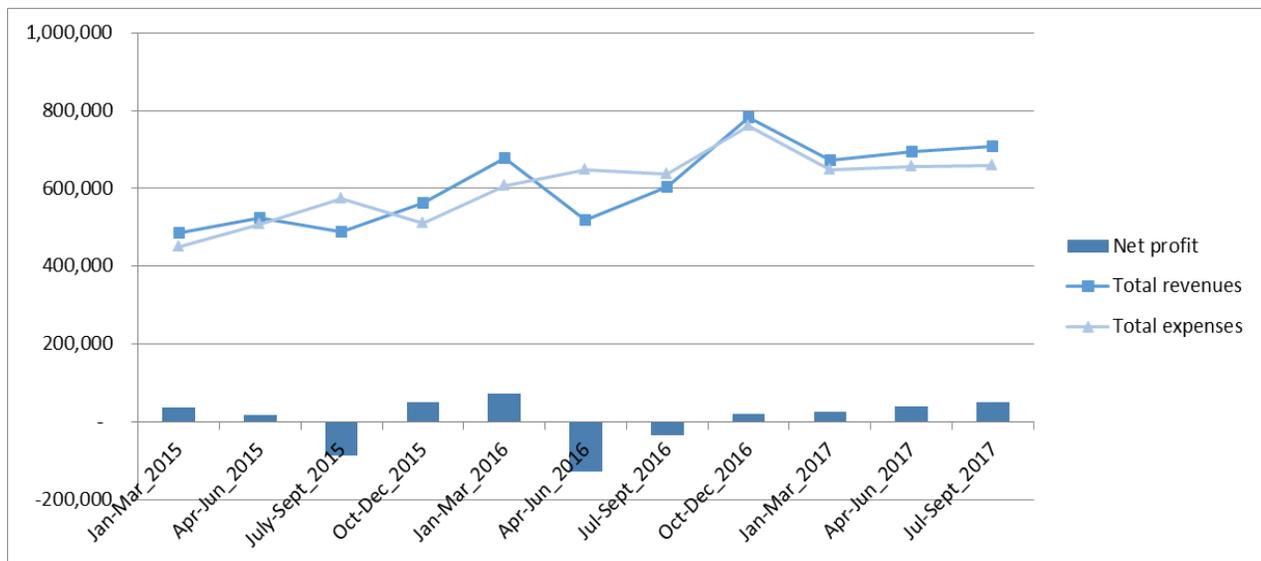
Basis of summary

The 3rd quarterly report for the year 2017 is based on the same basis of preparation in prior years, the report comprises of financial statements, summarizes TTC effort and achievement during the 3rd quarter 2017, in view with the same quarters from previous years, also included notes to and forming part of the financial statements.

Overview financial performance

- For the quarter ended 30th September 2017 the achieved net profit was \$50,614, significant increases of 28.76% over the 2nd quarter of 2017. The continued profitably growth is a direct result of the increases in total revenue of 1.99% outpaced the increases of 0.38% in expenses compared to the 2nd quarter.

The improved results depicted in the chart below, indicates the movement analysis trend in net profit achieved, reflected by the increasing trend in total revenue generated and total expenses incurred.



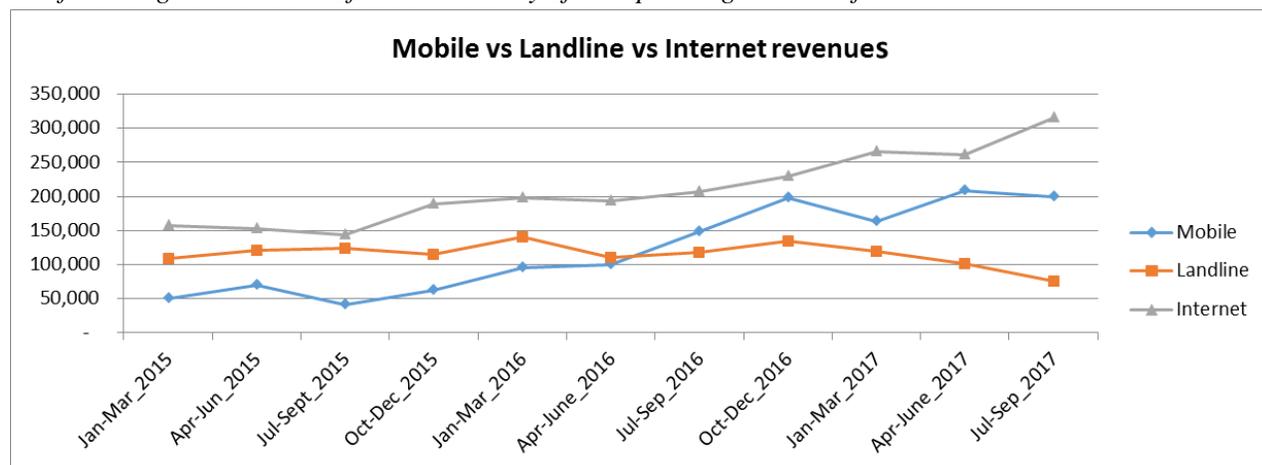
In view of the above line chart, reflect an improved steady growth trend in the net profit for the first three reported quarter in the 2017. The improved results have largely been driven by the expansionary steps previously undertaken towards services efficiency, starting to delivering improved results. However comparing to the year to date projected profit reflected a significant shortfall in net profit achieved in the

three reported quarters this mainly due to the consequences of the slow pace of relenting growth of data and mobile usage due to the delayed targeted restructuring throughout the main revenue component.

Revenues highlights

- In view of the traditional telephony services, the landline revenue declined in growth by 24.90% compared to the 2nd quarter landline revenue, accounting for 11.55% of operating revenues. The declined growth highlighted in the line chart below gradually shows a decline trend in this primarily revenue component heavily drives by the substitution effect of data usage.
- The mobile revenue has reflected a slightly declining growth trend of 4.18% compared to the 2nd quarter, accounting for 30.38% of operating revenue.
- The rate of growth in the internet revenue overtakes the primarily revenue component showing a great indicator of sustainability in line with the effort in securing more internet bandwidth.

The following line chart sets forth a summary of the operating revenues for 2015 - 2017.



Overall performance from the main revenue component shows steady results. However, with respect to the limited market the trend reflected an inverse relationship among these components. The high data demand reflected the improvement in the internet segment in line with the high capability offer. This reflected by the substantial increases in the internet revenue compared to the other two main revenue components.

Expenditure highlights

- In view of the satellites charges slightly declined by 4.92% compared to the 2nd quarter, accounting for 72.47% of the direct operating expenditure. This mainly due to the increases in internet bandwidth including the 3mbps for Nui island to cater for the high demand in data usage.
- On the other hand, ISP connection with Intelsat was terminated in February saving us with \$8k USD monthly, with a declined in other operating expenses by 4.60%.

The following table sets forth a summary of the operating revenues for 2015 and 2017.

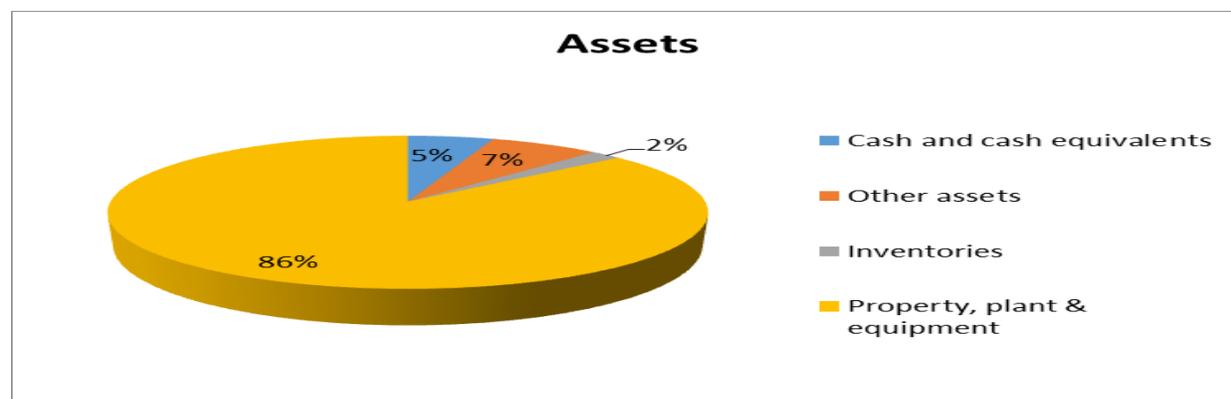
	3rd quarter 2017	3rd quarter 2016	3rd quarter 2015
Direct operating cost			
International traffic - out payment	559	19,017	20,666
ISP connection charges	-	24,055	23,670
Lease repayment cards	-	-	20,000
Lease repayment_3G network	74,516	60,000	-
Satellite charges	222,835	187,470	185,589
Cost of sales	9,584	2,356	36,133
	307,494	292,898	286,058
Other Operating expenses	350,933	344,292	287,618
TOTAL EXPENSES	658,427	637,190	573,676

Overall expenditure incurred in the reported quarter has slightly increases by 3.33% in comparison to the same quarter of last year. This reflected the management efforts to control expenses within the pace of the improvement development targeted for the reported period.

Financial position analysis

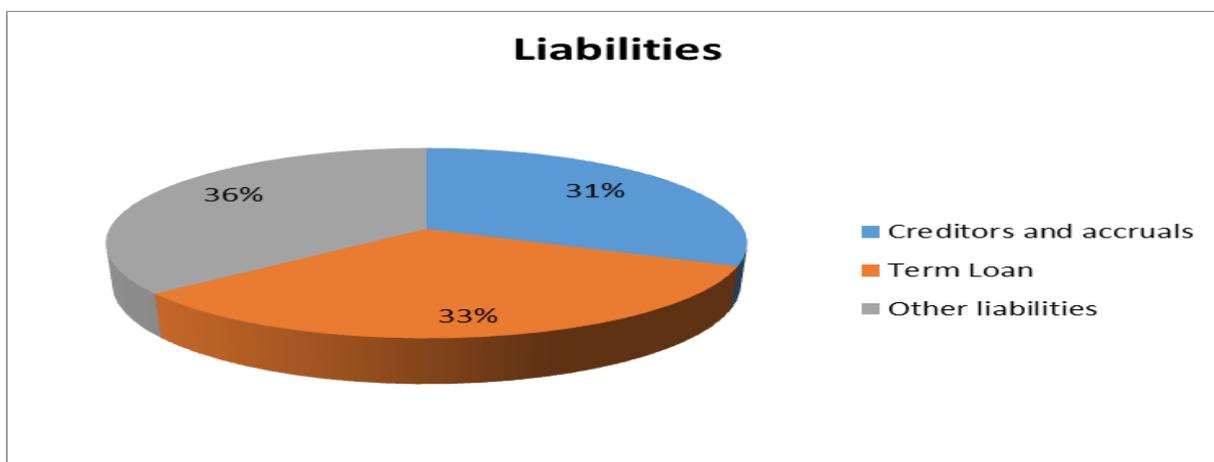
Assets

The below pie chart illustrate the Total assets structure of TTC as at 30th September 2017. The total assets slightly increases by approximately 58.65% in comparison to the same quarter of last year. The significant increase in total assets was mainly due to the procurement assets for the improvement development for the mobile network.



Liabilities

The below pie chart illustrate the Liabilities structure as at 30th September 2017. The total liabilities significant increases by 90.27%, due to the loan balance of \$913k compared to the same quarter of last year.



Despite the significant increases in the total liabilities, total assets remain sufficient enough to meet these short and long term obligation if they fall due, this reflected by the surplus in net assets of \$571k.

Key indicator

1. Movement in gross margin

Movement in Gross Profit Margin				
	3rd quarter 2017		3rd quarter 2016	
Summary				Movement
Telecom revenue	657,999		553,973	104,026
Direct costs	- 307,494		- 292,898	14,596
	350,505		261,075	89,430
Gross Margin Analysis	2.14		1.89	

The movement illustrate in the table above noted that the increase in the telecommunication revenue of \$104k compared to the 2016 performance, inflated the GP ratio for the reported quarter by 0.25. This reflected the positive responding toward the improvement development in all of our services segment boost the telephone revenue.

2. Net profit as % of sales

	3rd quarter 2017		3rd quarter 2016
Net profit	50,614	-	34,163
Main revenue component	590,829		473,032
Net profit as % of sales	8.57%		-7.22%

The second indicator indicates the proportion of sales revenue that translates into net profit. In view of the achievement net profit margin ratio of 8.57% means that every \$1 sale contributes 6 cents towards the net

profits. The increases in the net profit margin indicates the effective performance and operation by management and the corporation compared to last quarter, in terms of the rapidly improvement in sales revenue which is sufficient enough to absorb the increases in operational costs incurred.

3. Working capital ratio

	3rd quarter 2017		3rd quarter 2016
Current assets	468,407		489,056
Current liabilities	914,588		823,418
Working capital ratio	0.51		0.59

In light of the table above illustrate a deficiency working capital achieved in the reported period amount to (\$446,181) and a ratio of 0.51 slightly below the comparison quarter with a working deficiency of (\$334,362) ratio of 0.59. The deficiency working capital ratio was mainly the ripple effect of the unprofitable trend with accumulated liabilities from prior years, thus the profit trend will be slowly catering for the incurred liabilities from prior years, this shows a slightly improved result in working capital ratio compare to 2016.