



TUVALU TELECOMMUNICATIONS CORPORATION

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Financial Statement report_4th Quarter 2017

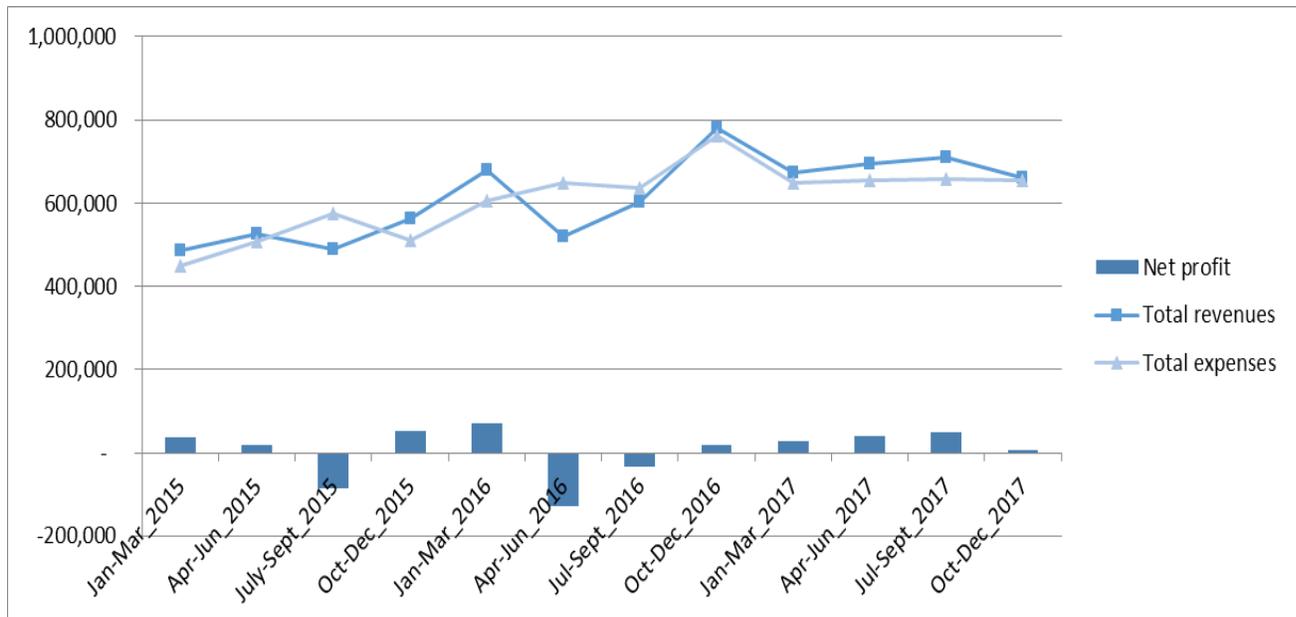
Basis of summary

The 4th 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 4th 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 31st December 2017 achieved net profit of \$5,300, gradually decrease by 18% compared to net profit achieved in the 4th quarter in year 2016.

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



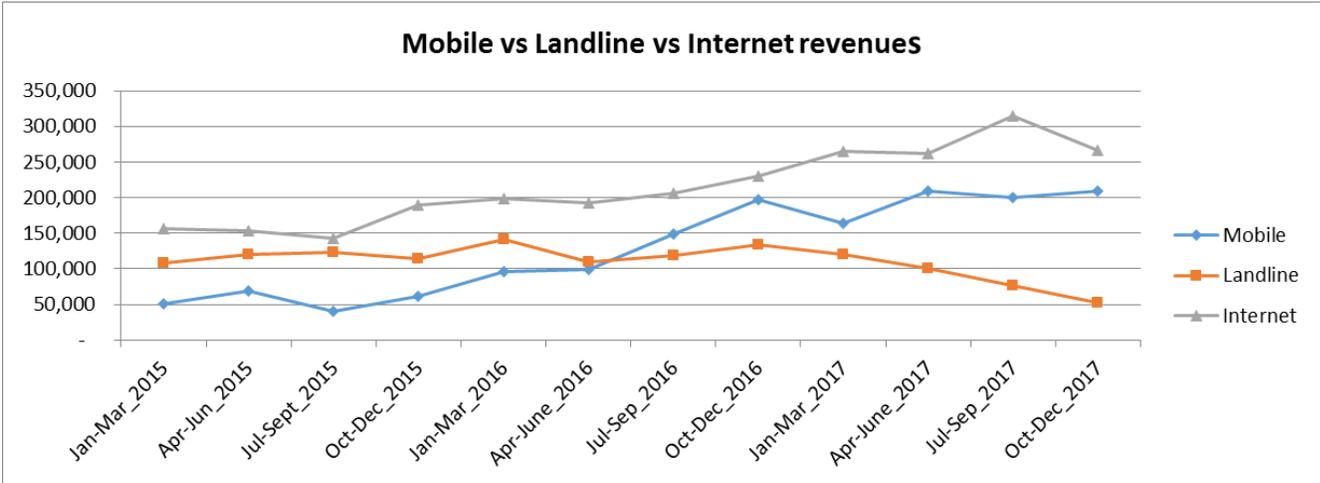
The above chart reflects a gradual declined in 4th quarter revenue trend compared to the increasing growth rate experience in last three quarters. The decreasing rate mainly due to the significant drop in the telephone (fixed landline) revenue by 30.51% compared to 3rd quarter collection, due to the outdated and problematic billing system. In view of the slight growth rate in the Total expenses incurred for the

reported quarter, reflected a tight budgetary control measures over all the expenses categories. Thus increasing rate in total revenue outpace increasing growth in total expenditures.

Revenues highlights

- In view of the traditional telephony services, the landline revenue declined by 30.51% compared to the 3rd quarter landline revenue, accounting for 10% of operating revenues. The declined growth rate reflected in the line chart below shows a decline trend in this primarily revenue component heavily drives not only by the substitution effect of data usage but by outdated the billing system.
- The mobile revenue has reflected a slightly increase growth trend of 4.87% compared to the 2nd quarter, accounting for 39.68% 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. However, for the reported quarter the collection drop by 15.58% in comparison to the 3rd quarter.

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. This has reflected by the increasing usage in the mobile services compared to the other two main services segments.

Expenditure highlights

- In view of the satellites charges slightly increase by 6.16% compared to the 3rd quarter, accounting for 82% 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.

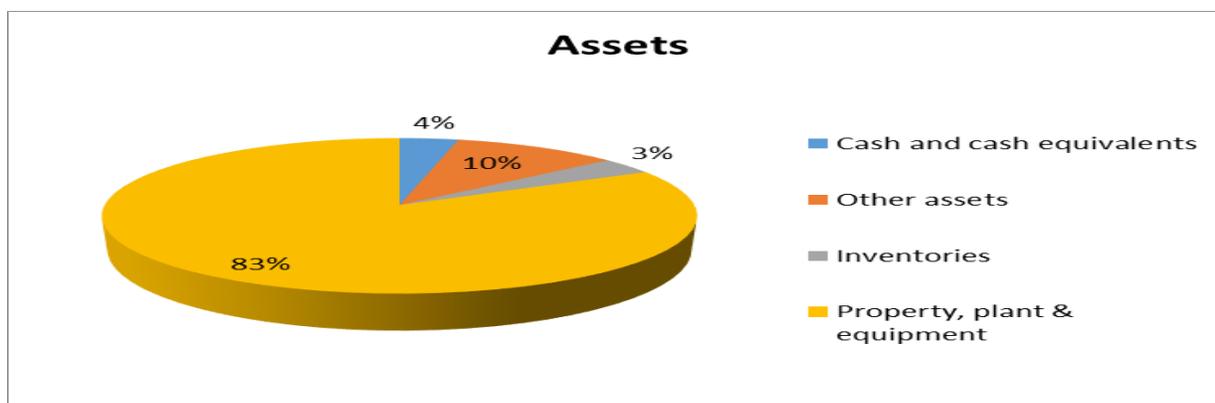
	4th quarter 2017	4th quarter 2016	4th quarter 2015
Direct operating cost			
International traffic - out payment	457	20,983	16,568
ISP connection charges	-	25,990	25,777
Lease repayment cards	-	-	4,000
Lease repayment_3G network	48,968	64,000	28,387
Satellite charges	236,564	256,801	155,006
Cost of sales	2,515	18,659	36,133
	288,504	386,433	265,871
Other Operating expenses	360,951	356,060	260,604
TOTAL EXPENSES	649,455	742,493	526,475

Overall expenditure incurred in the reported quarter has slightly decrease by 12.53% 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

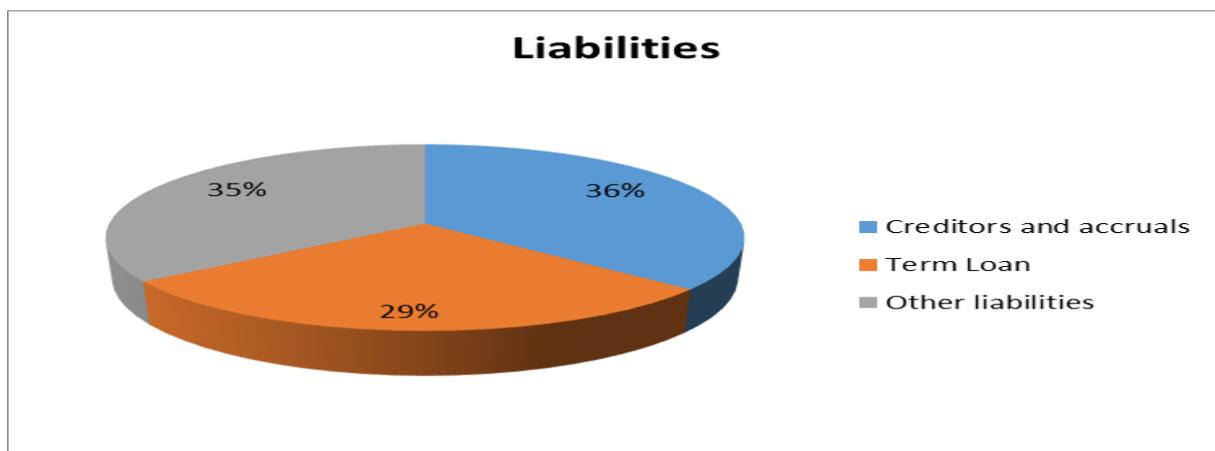
Assets

The below pie chart illustrates the Total assets structure of TTC as at 31st December 2017. The total assets slightly increases by approximately 10.64% 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 and internet for the remaining three central outer islands.



Liabilities

The below pie chart illustrates the Liabilities structure as at 31st December 2017. The total liabilities significant increases by 7.87%, due to the loan balance of \$819k 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 \$577k.

Key indicator

1. Movement in gross margin

Summary	4th quarter 2017	4th quarter 2016	Movement
Telecom revenue	600,192	652,628	- 52,436
Direct costs	- 288,504	- 386,433	97,929
	311,688	266,195	45,493
Gross Margin Analysis	2.08	1.69	

The movement illustrate in the table above noted that the decrease in the direct costs of \$97.k compared to the 2016 costs incurred, inflated the GP ratio for the reported quarter by 0.39. This reflected the management effort to secure bandwidth at low costs compared to previous years.

2. Net profit as % of sales

	4th quarter 2017	4th quarter 2016
Net profit	5,300	19,897
Main revenue component	528,301	561,010
Net profit as % of sales	1.00%	3.55%

The second indicator indicates the proportion of sales revenue that translates into net profit. In view of the achievement net profit margin ratio of 1.00% 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

	4th quarter 2017	4th quarter 2016
Current assets	594,147	1,592,898
Current liabilities	1,077,101	795,585
Working capital ratio	0.55	2.00

In light of the table above illustrate a deficiency working capital achieved in the reported period amount to (\$482,954) and a ratio of 0.55 slightly below the comparison quarter with a working surplus of \$797,313 ratio of 2. 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.

Enileta K George
Chief Financial Officer

Simeti Lopati
General Manager

Kiatoa Ulika
Chairman