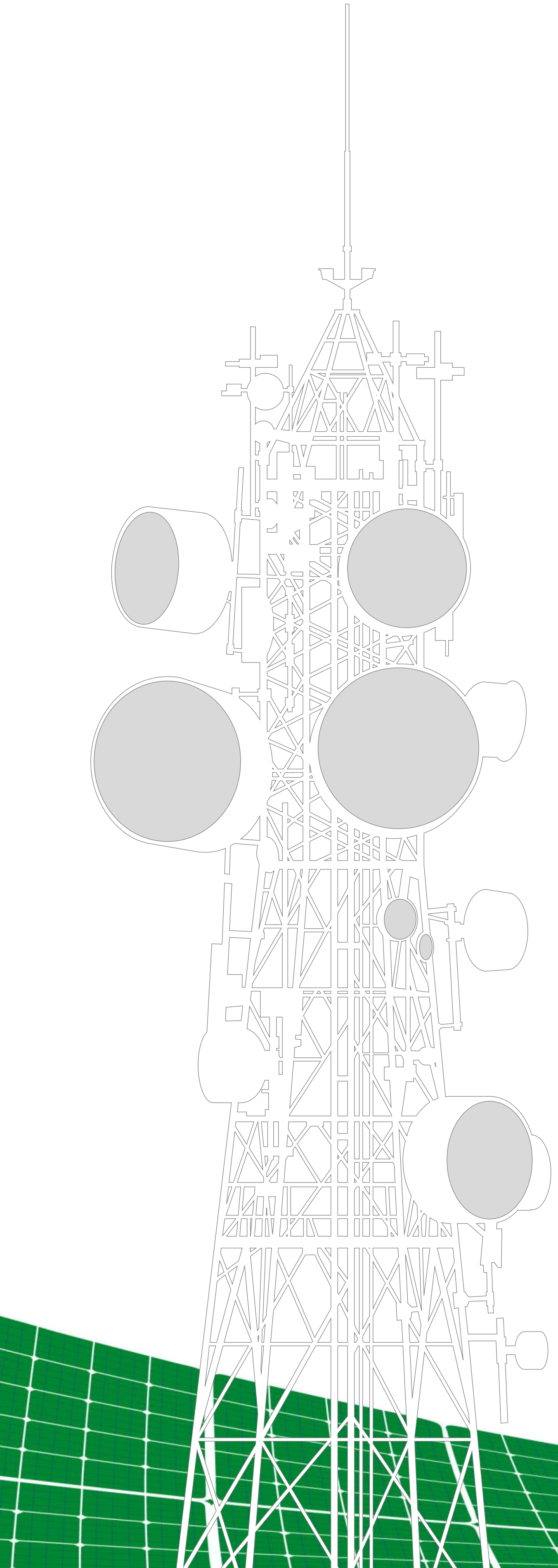
Towers of strength

IHS NETHERLANDS HOLDCO B.V.

Unaudited Interim Consolidated Financial Statements for the 3 month and 9 month periods ended 30 September 2018



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Contents

INFORMATION ON THE COMPANY

Information on the Company and the Group

IHS Netherlands Holdco B.V. (the "Company") and its subsidiaries form the "Restricted Group" for the purposes of the $800 million 9.5% Senior Notes due 2021, issued on 27 October 2016 (the "Holdco Notes"), listed on the Irish Stock Exchange. Each of the Company's subsidiaries is a Guarantor of those notes. The Company and its subsidiaries are hereinafter referred to as the "Group".

The Company was incorporated on 12 May 2016 and shares in the Company were subscribed for by its now immediate parent entity, IHS Netherlands (Interco) Coöperatief U.A., as a result of which the Company became part of the "IHS Group", a group whose ultimate parent Company is IHS Holding Limited ("IHS Holding"), a private company incorporated under the laws of Mauritius.

On 13 May 2016, the Company subscribed for the entire share capital in two special purpose vehicles, IHS Netherlands NG1 B.V. ("NG1") and IHS Netherlands NG2 B.V. ("NG2").

On 15 September 2016, IHS Holding transferred the shares it held (representing 100% ownership[1]) in IHS Nigeria Limited ("IHSN") and IHS Towers NG Limited (formerly Helios Towers Nigeria Limited) ("ITNG") to NG1 and NG2 respectively. The Restricted Group for the purposes of the Holdco Notes was thus fully formed on 15 September 2016.

Disclaimer

The information in this document may contain forward-looking statements. Forward-looking statements include, but are not limited to, all statements other than statements of historical fact included in the information, including, without limitation, those regarding the Group's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets in which it operates or intends to operate. Forward-looking statements can be identified, in some instances, by the use of words such as "target", "believe", "expect", "aim", "intend", "continue", "forecast", "seek", "may", "anticipate", "estimate", "plan", "project", "will", "can have", "likely", "should", "would", "could" and other words and terms of similar meaning or the negative thereof, or by the forward-looking nature of discussions of strategy, plans or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which it will operate in the future. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or developments or otherwise. For the avoidance of doubt, the Company does not accept any liability in respect of any such forward-looking statements.

Certain data included in the information are "non-IFRS measures". These non-IFRS measures may not be comparable to similarly titled financial measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with International Financial Reporting Standards. Although the Company believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of its business, users are cautioned not to place undue reliance on any non-IFRS financial measures and ratios included in this presentation.

[1] Less one share in each of IHS Nigeria Limited and IHS Towers NG Limited which are held by a nominee shareholder, for local legal reasons.

OPERATING AND FINANCIAL REVIEW

Overview

All financial information provided in this 'Operating and financial review' represents the consolidated position of the Group. A glossary of terms used is provided at the end of this document. The functional and presentation currency of the Company is the United States dollar ("USD", "US dollar" or "$").

The Group is a leading independent telecommunications tower infrastructure owner and operator in Nigeria. Its primary business is leasing tower space for communications equipment to Mobile Network Operators ("MNOs") and other customers, who in turn provide wireless, voice and data services to their end users. The Group provides its customers with opportunities to lease space on existing towers alongside current tenants, known as colocation, or to commission new towers for construction to the customer's specifications, known as build-to-suit ("BTS"). The Group also provides managed services in limited situations, such as maintenance, operations, marketing and leasing services, for certain towers owned by third parties. Services are provided based on long-term contracts with annual contractual escalations. A significant proportion of contracted tenant lease revenues are linked to US dollars.

The Group predominantly serves three of the four main Nigerian mobile network operators. As of 30 September 2018, the Group owned 6,331 towers, with a colocation rate of 1.53x, based on 9,683 tenants.

Highlights for the quarter

- Q3 revenue increase year-on-year of 0.7% and 9 month revenue decrease year-on-year of 7.9%.
- Q3 and 9 month underlying Naira revenue increase year-on-year of 19.5% and 9.0% respectively.
- Q3 and 9 month EBITDA decrease year-on-year of 3.8% and 11.5% respectively.
- Added 325 lease amendments and 275 tenants in the quarter.

	3 month period ended 30 Sep			**9 month period ended 30 Sep**		
	2018 $'000	2017 $'000	Change %	**2018 $'000**	2017 $'000	Change %
Revenue	**96,553**	95,907	0.7%	**271,631**	295,036	(7.9)%
Operating profit	**19,836**	13,428	47.7%	**67,726**	67,000	1.1%
Loss for the period	**(14,097)**	(27,449)	(48.6)%	**(90,120)**	(23,887)	n.a.
*Alternative measures**						
EBITDA	**61,013**	63,392	(3.8)%	**168,410**	190,286	(11.5)%
EBITDA margin	**63.2%**	66.1%	(2.9)pts	**62.0%**	64.5%	(2.5)pts

*Alternative performance measures are non-IFRS measures that are presented to provide readers with additional information that is regularly reviewed by management. They should not be viewed in isolation or as an alternative to the equivalent IFRS measure. See reconciliations of EBITDA in note 11 to the closest equivalent IFRS measure and Non-IFRS measures definitions on page 21 for further details.

Trading results

In Q3 2018 the net increase in number of towers was 224, resulting in a total of 6,331 live owned towers at the end of the period; this quarterly net increase is due solely to the addition of 224 BTS sites. Tenants increased by 275 in the quarter, resulting in a colocation rate of 1.53x at 30 September 2018. We also added 325 lease amendments during the quarter.

Revenue

Revenue decreased by 7.9% to $271.6m in the 9 month period ended 30 September 2018 compared to $295.0m in the 9 month period ended 30 September 2017 and increased by 0.7% to $96.6.m in the 3 month period ended 30 September 2018 compared to $95.9m in the 3 month period ended 30 September 2017. The 9 month year on year revenue decrease is driven primarily by the adoption of the NAFEX rate which resulted in the translation of the Naira ("₦") results for the 9 month period at an average rate of ₦361.3/USD1 compared to a rate of ₦305.2/USD1 for the 9 month period in 2017; this accounted for a 16.9% year-on-year decrease in revenue expressed in US dollars. Underlying Naira revenue increased by 19.5% to ₦35.0 billion in Q3 2018 compared to ₦29.3 billion in Q3 2017, driven by increases in tenancies and towers but partly offset by the non-performing customers for which we no longer recognise revenue.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Trading results (continued)

Costs

Cost of sales decreased by 13.3% to $167.9m in the 9 month period ended 30 September 2018 from $193.6m in the prior year comparative period. The decrease was primarily due to less impairment of property, plant and equipment and prepaid land rent, lower costs for site rental, staff and regulatory permits, partly offset by increases in depreciation and power generation costs. The lower impairment of property, plant and equipment and site rental is because a larger number of sites were identified for decommissioning in 2017.

Cost of sales increased by 16.1% to $65.1m in Q3 2018 from $56.1m in Q3 2017. The net increase is primarily driven by an increase in power costs and depreciation and amortisation, partly offset by a decrease in the same expense line items as noted above for the 9 month period ended 30 September 2018.

Power costs for Q3 2018 increased by 30% to $18.0m compared to $13.8m in Q3 2017. Underlying Naira diesel costs increased by 30.7% year on year and when translated to US Dollar equivalent, diesel price per litre increased by 10.1% year on year, reflecting the translation of Naira costs at the NAFEX rate in 2018. A 4.4% rise in diesel litres consumed chiefly reflects increased power usage from increased towers and newly integrated tenants. Underlying Naira diesel costs for the 9 month period ended 30 September 2018 increased by 16.7% year on year and when translated to US Dollar equivalent, diesel price per litre decreased by 1.4% year on year.

Amortisation and site rental costs are Naira denominated expenses and have decreased in US dollar terms, owing to the adoption of the NAFEX rate for the conversion of profit and loss items from the beginning of 2018. Depreciation, also a Naira denominated cost, has increased year on year in US dollar terms due to one-off accelerated depreciation on assets capitalised during the 3 months ended 30 September 2018.

Administrative expenses decreased significantly year on year, to $15.0m in Q3 2018 from $29.9m in Q3 2017. The largest decrease in administrative expenses is the impairment of withholding tax assets of $8.6m in Q3 2018 compared to $24.3m for the comparative period in 2017. Withholding tax was first impaired in Q3 2017 following an assessment of the recoverability of the balance through its application against corporation tax liabilities in future periods; this resulted in a large one-off impairment of withholding tax in Q3 2017.

The decrease in administrative costs from impairment of withholding tax assets was marginally offset by a year-on-year increase in allowances for doubtful debts of $0.8m in Q3 2018. Although underlying Naira values of staff costs have increased year-on-year, consolidated staff costs translated into US dollar, have remained stable year-on-year for the 9 month period ended 30 September 2018, due to the adoption of the NAFEX rate from the beginning of 2018.

Operating profit

Operating profit of $19.8m in Q3 2018 was 47.7% higher than the $13.4m in Q3 2017 due to decreased administrative expenses as discussed above, though this effect was partly offset by higher cost of sales incurred, driving decreased gross profit.

EBITDA

Q3 2018 EBITDA decreased by 3.8% year-on-year, from $63.4m in Q3 2017 to $61.0m in Q3 2018, with the EBITDA margin decreasing by 2.9pts from 66.1% to 63.2%. Despite a year-on-year increase in operating profit in Q3 2018, a higher EBITDA was achieved in Q3 2017 after adjusting for the impairment of withholding tax in that period. Underlying Naira EBITDA increased by 14.6% to ₦22.12 billion in Q3 2018 compared to ₦19.30 billion in Q3 2017.

EBITDA for the 9 months ended 30 September 2018 decreased by 11.5% year-on-year, from $190.3m to $168.4m, with the EBITDA margin decreasing by 2.5pts from 64.5% to 62.0%. Despite a higher operating profit for the 9 months ended 30 September 2018 compared to the same period in 2017, the EBITDA for the 9 month period ended 30 September 2017 was higher after the reversal of the impairment of property, plant and equipment in that period. Exceptional items included in operating profit are excluded in calculating EBITDA (please see reconciliation of EBITDA in note 11).

Net financing costs

Net financing costs increased to $119.9m in the 9 month period ended 30 September 2018 compared to $93.2m the same period in 2017. The year-on-year increase in the period is primarily due to the large net foreign exchange gains on non-deliverable forwards (NDFs) in 2017 that were not experienced in 2018, partially offset by decreased net foreign exchange losses from financing activities of $2.5m and by increases in interest income earned on fixed deposits of $2.8m.

The Q3 2018 year-on-year decrease of $2.7m in interest expense is largely due to the interest rate on the Naira Credit Facility which was 755 basis points lower in Q3 2018 than in Q3 2017, owing to 361 and 497 basis point decreases in the NIBOR rate on 6 April 2018 and 6 July 2018 respectively.

The impact of the decreased NIBOR rates is also reflected in the year-on-year decrease in interest expense of $1.7m for the 9 month period ended 30 September 2018.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Taxation

The tax expense for Q3 2018 was $3.5m compared to $5.0m in Q3 2017 and is comprised of corporation tax and education tax in both periods. IHSN and ITNG have assessed losses which offset most taxable income generated in the period. The income tax charge for the 9 months ended 30 September 2018 includes small income tax charges for IHS Netherlands Holdco B.V. and ITNG, education tax charges, at 2% of profits, for ITNG and IHSN and the effects of reversals of prior year over provision of education tax and corporation tax for IHSN and IHS Netherlands Holdco B.V. respectively. Corporation tax in Q3 2018 has decreased year-on-year primarily due to the release of a $0.2m prior year over provision in IHS Netherlands Holdco B.V.

Deferred tax liabilities related to property, plant and equipment and intangible assets have decreased in Q3 2018 and the impact of the decrease has been offset by the de-recognition of deferred tax assets raised in respect of the unrealised foreign exchange losses and unutilised capital allowances, up to the level of the deferred tax liabilities. Tax losses, for which no deferred tax assets had previously been recognised, have also been utilised in the period, particularly assessed losses brought forward from the prior year. Deferred tax assets in respect of the fair valuation of the derivatives embedded within the terms of the Holdco Notes have decreased and are now deferred tax liabilities following the change in the derivatives value per note 14. Such assets are recognised to the extent they do not exceed the sum of deferred tax liabilities.

Cash flows and funding

Net change in cash position

There was a net increase in cash and cash equivalents in the 3 months to 30 September 2018 of $50.9m and an increase in cash and cash equivalents in the 9 months to 30 September 2018 of $39.0m. These movements include decreases in restricted cash of $50.2m and $10.5m for the 3 month and 9 month periods ended 30 September 2018 respectively due to the EFCC releasing the restriction on some of the affected accounts. Refer to note 19 for details regarding the movement in restricted cash. As at 30 September 2018 we had $164.0m (31 December 2017: $125.1m) of cash and cash equivalents of which $88.0m (31 December 2017: $70.7m) was held in US dollars.

Changes in cash from operations, financing and investment

Net cash inflows from operating activities decreased by 19.0% year on year to $117.2m in the 9 months ended 30 September 2018 compared to net cash inflows of $144.8m in the 9 months ended 30 September 2017. The primary driver of this decrease is a year-on-year decrease in EBITDA, coupled with a year-on-year increase in payments of long term rent and income tax of $9.2m and $2.8m respectively. The cash outflows from movements in working capital were $6.7m lower in the 9 months ended 30 September 2018 which helped to offset some of the decrease.

Net cash inflows from operating activities decreased by 28.5% year on year to $31.9m in Q3 2018 compared to net cash inflows of $44.7m in Q3 2017. The primary driver is a year-on-year decrease in EBITDA, coupled with a year-on-year increase in payments of income tax of $2.7m and the cash outflows from movements in working capital which were $6.7m higher in Q3 2018 compared to Q3 2017. The year-on-year increases in payment for long term rent are from greater numbers of rent renewals made in 2018 to date and increased numbers of sites.

Net cash used in investing activities decreased from $68.3m in the 9 months ended 30 September 2017 to $19.8m in the same period in 2018. The decrease is primarily driven by the transfer of $51.6m of restricted cash from other receivables to cash and cash equivalents following a release of restrictions and an increase in interest received of $1.7m year-on-year. This was offset by the higher payments made for property, plant and equipment (including advance payments) of $4.8m in the period from increased BTS activity. For the 9 month period ending 30 September 2018, $74.9m (including $57.9m of advance payments) were made towards BTS towers and power equipment upgrades. Refer to note 19 for details regarding the movement in restricted cash.

Net cash used in investing activities decreased by $71.1m, to cash generated from investing activities of $26.2m in Q3 2018 as compared to cash used in investing activities of $44.9m in Q3 2017. The decrease is primarily driven by the transfer of $50.3m of restricted cash from other receivables to cash and cash equivalents and lower payments made for property, plant and equipment (including advance payments) of $19.6m. Refer to note 19 for details regarding the movement in restricted cash.

For the 9 month period ended 30 September 2018 we had a net outflow from financing activities of $59.0m (2017: net outflow of $40.0m). The higher outflow is primarily due to there being no cash inflow from loan drawdowns, as was the case in 2017 where there was approximately $21.0m drawn down under the NGN Credit Facility. The 9 month period for 2018 also includes a repayment of the Naira facility of $6.4m which further increases the cash outflow from financing activities in that period. Margins on NDFs of $2.3m were also received during Q3 2018 and this further decreased the cash outflows from financing activities in that period.

Indebtedness

At 30 September 2018, total outstanding loans and borrowings were $1.6bn (book value) (31 December 2017: $1.6bn), of which $680.7m (31 December 2017: $645.4m) is in the form of subordinated shareholder loans from the Company's ultimate parent entity (with a principal value of $866.3m (31 December 2017: $866.3m)).

For more information on indebtedness, see note 15.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three month and nine month periods ended 30 September 2018

	Note	**3 month period ended**		**9 month period ended**	
		30 Sep 2018 $'000	30 Sep 2017 $'000	**30 Sep 2018 $'000**	30 Sep 2017 $'000
Revenue	3	**96,553**	**95,907**	**271,631**	**295,036**
Cost of sales	4	(65,085)	(56,068)	(167,858)	(193,615)
Gross profit		**31,468**	**39,839**	**103,773**	**101,421**
Administrative expenses	5	(15,031)	(29,902)	(45,868)	(44,937)
Other income	6	3,399	3,491	9,821	10,516
Operating profit		**19,836**	**13,428**	**67,726**	**67,000**
Finance income	7	2,178	1,635	9,443	47,936
Finance costs	8	(47,200)	(46,884)	(129,293)	(141,137)
Changes in fair value through the profit or loss	9	12,283	7,790	(34,467)	7,270
Loss before taxation		**(12,903)**	**(24,031)**	**(86,591)**	**(18,931)**
Taxation	10	(1,194)	(3,418)	(3,529)	(4,956)
Loss for the period		**(14,097)**	**(27,449)**	**(90,120)**	**(23,887)**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Changes in fair value of available-for-sale financial assets		(2)	-	(2)	5
Exchange differences on translation		4,145	(645)	6,047	763
Other comprehensive income/(loss) for the period		**4,143**	**(645)**	**6,045**	**768**
Total comprehensive loss for the period		**(9,954)**	**(28,094)**	**(84,075)**	**(23,119)**

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 30 September 2018

	Note	**At 30 Sep 2018 $'000**	At 31 Dec 2017 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	466,542	481,536
Intangible assets	13	284,707	295,208
Investments		9	12
Derivative financial instruments	14	4,560	39,030
Trade and other receivables		80,583	57,393
		836,401	**873,179**
Current assets			
Derivative financial instruments	14	-	16,500
Inventories		2,939	3,641
Trade and other receivables		139,490	131,547
Amounts due from related parties	18	10,117	12,703
Cash and cash equivalents		164,039	125,086
		316,585	**289,477**
Total assets		**1,152,986**	**1,162,656**
LIABILITIES			
Current liabilities			
Trade and other payables		108,240	76,506
Income tax payable		4,088	4,599
Borrowings	15	69,728	30,216
Amounts due to related parties	18	4,521	6,724
Provisions for liabilities and other charges	16	5,079	7,749
		191,656	**125,794**
Non-current liabilities			
Borrowings	15	848,535	875,208
Amounts due to related parties	18	680,669	645,441
Provisions for liabilities and other charges	16	1,285	1,297
Derivative financial instruments	14	-	-
		1,530,489	**1,521,946**
Total liabilities		**1,722,145**	**1,647,740**
Net liabilities		**(569,159)**	**(485,084)**
EQUITY			
Share capital		10	10
Accumulated losses		(331,390)	(241,270)
Other reserves		(237,779)	(243,824)
Total Equity		**(569,159)**	**(485,084)**

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

For the three month and nine month periods ended 30 September 2018

	Note	3 month period ended 30 Sep 2018 $'000	3 month period ended 30 Sep 2017 $'000	9 month period ended 30 Sep 2018 $'000	9 month period ended 30 Sep 2017 $'000
Cash flows from operating activities					
Cash generated from operations	17	39,860	49,528	139,549	155,063
Payment for long-term rent		(4,101)	(3,762)	(18,220)	(9,001)
Income taxes paid		(3,825)	(1,116)	(4,109)	(1,284)
Net cash flows generated from operating activities		**31,934**	**44,650**	**117,220**	**144,778**
Cash flows from investing activities					
Purchase of property, plant and equipment		(510)	(168)	(905)	(1,322)
Construction of property, plant and equipment		(3,302)	(39,138)	(16,105)	(49,078)
Payments in advance for property, plant and equipment		(22,213)	(6,345)	(57,928)	(19,700)
Purchase of software and licences		(148)	(234)	(345)	(370)
Proceeds from the sale of property, plant and equipment		257	139	619	490
Insurance claims received		601	265	674	874
Interest income received		1,197	646	2,535	798
Restricted cash transferred from other receivables	19	50,348	-	51,638	-
Net cash generated from/(used in) investing activities		**26,230**	**(44,835)**	**(19,817)**	**(68,308)**
Cash flows from financing activities					
Bank loans and bonds received		-	-	-	20,997
Transaction costs on new bank loans and bonds and loan facility fees		(316)	(827)	(414)	(2,257)
Principal repayment to third parties		(3,636)	-	(6,376)	-
Receipt/(payment) of margin deposit for non-deliverable forward contracts		2,297	(4,194)	2,297	(13,449)
Foreign exchange derivative gains received/(losses paid)		-	1,553	(247)	8,206
Interest paid		(5,101)	(6,415)	(54,252)	(53,515)
Net cash used in financing activities		**(6,756)**	**(9,883)**	**(58,992)**	**(40,018)**
Increase/(decrease) in cash and cash equivalents		51,408	(10,068)	38,411	36,452
Cash and cash equivalents at beginning of the period		113,136	181,092	125,086	140,061
Exchange (losses)/gains on cash and cash equivalents		(505)	(4,494)	542	(9,983)
Cash and cash equivalents at period end		**164,039**	**166,530**	**164,039**	**166,530**

The notes are an integral part of these consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

IHS Netherlands Holdco B.V. is a private Company with limited liability incorporated under the laws of the Netherlands on 12 May 2016.

The Company owns 100% of the shares in IHS Netherlands NG1 B.V. and IHS Netherlands NG2 B.V., who in turn own 100%[2] of the shares in IHS Nigeria Limited and IHS Towers NG Limited respectively. IHS Netherlands Holdco B.V. therefore indirectly owns 100% of IHS Nigeria Limited and IHS Towers NG Limited, the two main operating subsidiaries of the Company.

These unaudited interim consolidated financial statements ("financial statements") as at and for the three months ended 30 September 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). They include the interim consolidated statement of comprehensive income, the consolidated statement of financial position, the interim consolidated statement of cash flows, and the accompanying selected notes.

The Company is principally involved in the managing and leasing of telecommunications infrastructure to telecommunications and other service providers.

2. BASIS OF PREPARATION

These unaudited interim consolidated financial statements ("financial statements") do not constitute statutory accounts. These financial statements include the consolidated financial information of IHSN, ITNG, NG1, NG2 and the Company.

The principal accounting policies applied in the preparation of these financial statements are consistent with those of the Group's consolidated financial statements for the period ended 31 December 2017. The disclosures made in these financial statements are not complete disclosures as required by International Financial Reporting Standards "IFRS" (IAS34).

The preparation of the unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the reported numbers. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.1 FUNCTIONAL AND PRESENTATION CURRENCY

The functional and presentation currency of the Company is the US dollar. Unless otherwise indicated, financial information presented in US dollar has been rounded to the nearest thousand.

The functional currency for IHS Nigeria Limited and IHS Towers NG Limited is Nigerian Naira ("₦" or "NGN"). The financial statements were translated to US dollar (the reporting currency) at ₦363.92 (2017: ₦360.00) per US dollar for the consolidated statements of financial position, and monthly average rates ranging from ₦360.25 to ₦363.19 per US Dollar (2017: ₦304.7 to ₦305.8) for the interim consolidated statements of comprehensive income and interim consolidated statements of cash flows.

Until 31 December 2017, the Group used the relevant central bank rate, being the relevant official rate in each jurisdiction for foreign currency translation. In April 2017, the Central Bank of Nigeria introduced a new foreign exchange window, which includes the NAFEX (Nigerian Autonomous Foreign Exchange Rate Fixing). This has resulted in a situation where there are several different official exchange rates in the market, thereby requiring the Company to monitor and evaluate which exchange rate is most appropriate to apply in translating foreign currency transactions in its Nigeria businesses and in translating Naira amounts for group reporting purposes.

Where multiple official exchange rates exist, the Group assesses the appropriate rate to use and takes into account relevant factors. In the case of translating foreign operations or foreign transactions, such factors include access to those rates in the future to meet payments or dividends. In determining whether it is appropriate to move from one official rate to another, the Group considers the available rates in official markets.

The Group considered the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates* and also performed an assessment of the availability of the NAFEX rate in that market. The Group's analysis concluded that access to US dollar in Nigeria in the future to meet payments or dividends was expected to be obtained via the more liquid NAFEX market. Management applied their judgement in determining when it was most appropriate to switch from CBN rates to NAFEX rates. This judgement was based around whether the Group had sufficient access to the NAFEX market.

Based on this judgement, management determined that it was appropriate to switch at 31 December 2017. On this basis, the NAFEX has been used for the translation of USD denominated balances in the Nigerian subsidiaries and also for consolidation purposes at 31 December 2017 and subsequently.

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[2] Less one share in each of IHS Nigeria Limited and IHS Towers NG Limited which are held by a nominee shareholder, for local legal reasons

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.2 APPROVAL

These interim consolidated financial statements were authorised and approved for issue on 13 November 2018.

3. REVENUE

The Group's revenue accrues primarily from providing telecommunication support services. The Group provides services in respect of telecommunication towers ranging from infrastructure sharing and leasing (colocation) and managed services. For the sale of colocation and managed services, revenue is recognised in the accounting period in which the services are rendered.

4. COST OF SALES BY NATURE

	3 month period ended		**9 month period ended**	
	30 Sep 2018	30 Sep 2017	**30 Sep 2018**	30 Sep 2017
	$'000	$'000	**$'000**	$'000
Tower repairs and maintenance	5,395	5,405	16,109	16,055
Power generation	17,914	13,765	48,574	44,491
Regulatory permits	2,594	4,064	9,033	11,932
Site rent	2,533	3,084	7,051	8,464
Security services	2,479	2,775	7,473	8,452
Staff costs	997	1,134	2,860	3,901
Depreciation and amortisation	31,426	22,807	72,403	65,497
Impairment of property, plant and equipment	1,010	2,390	2,656	31,728
Impairment of prepaid land rent	23	167	58	1,283
Other expenses	714	477	1,641	1,812
	65,085	**56,068**	**167,858**	**193,615**

Other expenses include non-site rent, vehicle maintenance and repairs, insurance, travel costs, professional fees and other sundry costs.

5. ADMINISTRATIVE EXPENSES

	3 month period ended		**9 month period ended**	
	30 Sep 2018	30 Sep 2017	**30 Sep 2018**	30 Sep 2017
	$'000	$'000	**$'000**	$'000
Staff costs	3,197	2,826	10,192	9,928
Rent	166	271	536	842
Repairs and maintenance	558	806	1,864	2,720
Travel cost	233	94	732	743
Professional fees	434	161	1,071	754
Depreciation and amortisation	79	130	334	375
Impairment of withholding tax assets	8,646	24,347	25,392	24,347
Loss on disposal of property, plant and equipment	74	249	280	513
Other expenses	1,644	1,018	5,467	4,715
	15,031	**29,902**	**45,868**	**44,937**

Included in 'Other expenses' for the nine month periods ended 30 September 2018 and 2017 were allowances for doubtful debts of $4.0m and $2.8m respectively. For the 3 month periods ended 30 September 2018 and 2017 the amounts are $1.2m and $0.4m respectively.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER INCOME

Other income for the three month and nine month periods ended 30 September 2018 comprises charges to INT Towers Limited ("INT") under the management services agreement between IHSN and INT.

7. FINANCE INCOME

	3 month period ended		9 month period ended	
	30 Sep 2018	30 Sep 2017	**30 Sep 2018**	30 Sep 2017
	$'000	$'000	**$'000**	$'000
Interest income - bank deposits	1,333	646	3,574	798
Foreign exchange gain from non-deliverable forward exchange contracts	-	-	155	37,274
Foreign exchange gain arising from financing	845	989	5,714	9,864
	2,178	**1,635**	**9,443**	**47,936**

8. FINANCE COSTS

	3 month period ended		9 month period ended	
	30 Sep 2018	30 Sep 2017	**30 Sep 2018**	30 Sep 2017
	$'000	$'000	**$'000**	$'000
Interest expense	35,945	38,563	109,423	111,117
Foreign exchange loss from non-deliverable forward exchange contracts	-	3,197	112	3,197
Foreign exchange loss arising from financing	10,939	5,012	19,344	26,005
Loan facility fees	316	112	414	818
	47,200	**46,884**	**129,293**	**141,137**

9. CHANGES IN FAIR VALUE THROUGH THE PROFIT AND LOSS

	3 month period ended		9 month period ended	
	30 Sep 2018	30 Sep 2017	**30 Sep 2018**	30 Sep 2017
	$'000	$'000	**$'000**	$'000
Embedded derivatives in bond – change in fair value	12,283	7,790	(34,467)	7,270
	12,283	**7,790**	**(34,467)**	**7,270**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

10. TAXATION

	3 month period ended		9 month period ended	
	30 Sep 2018	30 Sep 2017	**30 Sep 2018**	30 Sep 2017
	$'000	$'000	**$'000**	$'000
Company income tax	(200)	(267)	(864)	(324)
Education tax	(1,004)	(1,203)	(2,665)	(2,793)
Capital gains tax	10	-	-	-
Deferred taxes	-	(1,948)	-	(1,839)
	(1,194)	**(3,418)**	**(3,529)**	**(4,956)**

IHSN and ITNG have assessed losses which mostly offset taxable income generated in the current period. The income tax expense for the current period is the income tax expense of IHS Netherlands Holdco B.V. and a charge for current income tax for ITNG, in so far as this is related to its subsidiary, Tower Infrastructure Company Limited (TICL), which does not have assessed losses which it can offset against taxable income. The education tax charge represents a 2% charge on the taxable profits of IHSN and ITNG, before the application of assessed losses brought forward. Deferred tax assets continue to exceed liabilities and to be recognised to the level of deferred tax liabilities, yielding nil deferred tax expense or income for the period.

11. NON-IFRS PERFORMANCE MEASURES RECONCILIATIONS

Reconciliation of loss for the period to EBITDA

	3 month period ended		9 month period ended	
	30 Sep 2018	30 Sep 2017	**30 Sep 2018**	30 Sep 2017
	$'000	$'000	**$'000**	$'000
Loss for the period	(14,097)	(27,449)	(90,120)	(23,887)
Add back:				
Tax charge	1,194	3,418	3,529	4,956
Change in fair value through the profit or loss	(12,283)	(7,790)	34,467	(7,270)
Finance costs	47,200	46,884	129,293	141,137
Finance income	(2,178)	(1,635)	(9,443)	(47,936)
Depreciation and amortisation	31,505	22,937	72,737	65,872
Impairment of property, plant and equipment and prepaid land rent	1,033	2,557	2,714	33,011
Net (loss)/profit on disposal of property, plant and equipment	(7)	123	(159)	56
Impairment of withholding tax assets	8,646	24,347	25,392	24,347
EBITDA	**61,013**	**63,392**	**168,410**	**190,286**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

	Tower equipment $'000	Land and buildings $'000	Furniture and office equipment $'000	Motor Vehicles $'000	Capital work-in-progress $'000	Total $'000
Cost						
At 1 January 2017	727,081	32,300	7,797	5,499	8,333	781,010
Additions during the period	5,414	1,053	296	-	21,481	28,244
Disposals	(9,803)	-	(17)	(31)	-	(9,851)
Transfers from advance payment	78,293	-	-	-	4,322	82,615
Reclassifications	16,212	300	-	-	(16,512)	-
Effect of movement in exchange rates	(126,116)	(5,186)	(1,244)	(843)	(2,690)	(136,079)
At 31 December 2017	**691,081**	**28,467**	**6,832**	**4,625**	**14,934**	**745,939**
At 1 January 2018	691,081	28,467	6,832	4,625	14,934	745,939
Additions during the period	13	923	217	-	16,123	17,276
Disposals	(12,503)	(252)	(25)	(24)	-	(12,804)
Transfers from advance payment	45,776	127	-	-	(2,275)	43,628
Reclassifications	8,411	7,362	432	-	(16,205)	-
Effect of movement in exchange rates	(7,760)	(370)	(79)	(50)	(146)	(8,405)
At 30 September 2018	**725,018**	**36,257**	**7,377**	**4,551**	**12,431**	**785,634**
Accumulated depreciation						
At 1 January 2017	(204,828)	(816)	(4,788)	(4,055)	-	(214,487)
Charge for the period	(77,898)	(152)	(1,763)	(753)	-	(80,566)
Disposals	9,058	-	12	18	-	9,088
Impairment	(26,728)	-	-	-	-	(26,728)
Effect of movement in exchange rates	46,425	150	978	737	-	48,290
At 31 December 2017	**(253,971)**	**(818)**	**(5,561)**	**(4,053)**	**-**	**(264,403)**
At 1 January 2018	(253,971)	(818)	(5,561)	(4,053)	-	(264,403)
Charge for the period	(63,492)	(179)	(1,000)	(343)	-	(65,014)
Disposals	9,389	253	23	22	-	9,687
Impairment	(2,643)	(13)	-	-	-	(2,656)
Effect of movement in exchange rates	3,171	8	69	46	-	3,294
At 30 September 2018	**(307,546)**	**(749)**	**(6,469)**	**(4,328)**	**-**	**(319,092)**
Net book value						
At 31 December 2017	437,110	27,649	1,271	572	14,934	481,536
At 30 September 2018	**417,472**	**35,508**	**908**	**223**	**12,431**	**466,542**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS

	Goodwill $'000	Software and licences $'000	Customer related intangible assets $'000	Network related intangible assets $'000	Total $'000
Cost					
At 1 January 2017	147,010	1,360	200,015	24,814	373,199
Additions during the period	-	502	-	-	502
Effect of movement in exchange rates	(22,664)	(286)	(29,073)	(3,825)	(55,848)
At 31 December 2017	**124,346**	**1,576**	**170,942**	**20,989**	**317,853**
At 1 January 2018	124,346	1,576	170,942	20,989	317,853
Additions during the period	-	345	-	-	345
Effect of movement in exchange rates	(1,339)	(19)	(1,676)	(226)	(3,260)
At 30 September 2018	**123,007**	**1,902**	**169,266**	**20,763**	**314,938**
Accumulated depreciation					
At 1 January 2017	-	(785)	(8,335)	(3,484)	(12,604)
Charge for the period	-	(392)	(9,891)	(1,768)	(12,051)
Effect of movement in exchange rates	-	181	1,024	805	2,010
At 31 December 2017	**-**	**(996)**	**(17,202)**	**(4,447)**	**(22,645)**
At 1 January 2018	-	(996)	(17,202)	(4,447)	(22,645)
Charge for the period	-	(343)	(6,270)	(1,110)	(7,723)
Effect of movement in exchange rates	-	13	67	57	137
At 30 September 2018	**-**	**(1,326)**	**(23,405)**	**(5,500)**	**(30,231)**
Net book value					
At 31 December 2017	124,346	580	153,740	16,542	295,208
At 30 September 2018	**123,007**	**576**	**145,861**	**15,263**	**284,707**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

14. DERIVATIVE FINANCIAL INSTRUMENTS

	30 Sep 2018 $'000	31 Dec 2017 $'000
Current		
Non-deliverable forward exchange contracts	-	16,500
Non-current		
Embedded derivatives within listed bonds	4,560	39,030
	4,560	**55,530**

The embedded derivatives at 30 September 2018 represent the fair value of the put and call options embedded within the terms of the Holdco Notes. The call options give the Group the right to redeem the bond instruments at a date prior to the maturity date (27 October 2021), in certain circumstances and at a premium over the initial notional amount.

The put option provides the holders with the right (and the Group with an obligation) to settle the Holdco Notes before their redemption date in the event of a change in control (as defined in the terms of the IHS Notes, which also includes a major asset sale), and at a premium over the initial notional amount.

As at reporting date, the Holdco Notes call option had a fair value of $6.25 million (asset) (December 2017: $40.27 million (asset)) while the Holdco Notes put option had a fair value of $1.69 million (liability) (December 2017: $1.24 million (liability)), net $4.56 million (asset) (December 2017: net $39.03 million (asset)).

The non-deliverable forward exchange contracts (NDFs) give IHS the right to purchase US dollars at a future date at an agreed fixed exchange rate; these are measured at fair value. As at the reporting date all NDFs of the Group had matured (December 2017: $16.50 million (asset)).

15. BORROWINGS

	30 Sep 2018 $'000	31 Dec 2017 $'000
Current		
Bank borrowings	23,949	16,169
Bond borrowings	45,779	14,047
	69,728	**30,216**
Non-current		
Bank borrowings	60,986	77,722
Bond borrowings	787,549	797,486
	848,535	**875,208**
Total third party borrowings	**918,263**	**905,424**
Related party loans (note 18)	680,669	645,441
All borrowings	**1,598,932**	**1,550,865**

Bank borrowings

Bank borrowings are a Naira credit facility (the “NGN Credit Facility”) of an original ₦32.9 billion held by IHSN provided by a consortium of lenders. The NGN Credit Facility has a five-year term. The facility was issued at Nibor plus a 2.5% margin and is due to be repaid in full by 2021 (December 2016: 2021).

As at 30 September 2018, principal repayments totalling ₦2.3 billion ($6.mm) were made against the NGN Credit Facility, decreasing the facility value and outstanding principal amount to ₦30.6 billion. The facility was fully drawn at 30 September 2018 and 31 December 2017.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

15. BORROWINGS (continued)

Bond borrowings

IHS Netherlands Holdco B.V.

IHS Netherlands Holdco B.V. issued $800 million 9.5% Senior Notes due 2021 (the "Holdco Notes") under a Senior Notes Indenture dated 27 October 2016 between the Issuer (IHS Netherlands Holdco B.V.), the Guarantors (each of IHS Netherlands NG1 B.V., IHSN, IHS Netherlands NG2 B.V., ITNG, Tower Infrastructure Company Limited and IHS Towers Netherlands FinCo NG B.V.), the Trustee (Citibank N.A., London branch), the Principal Paying Agent and Transfer Agent (Citibank N.A., London branch) and the Registrar (Citibank N.A., London branch). The Notes are listed on the Irish Stock Exchange.

The Holdco Notes have a tenor of five years from the date of issue, interest is payable semi-annually in arrear and the principal is repayable in full on maturity.

The Holdco Notes have early redemption features whereby IHS Netherlands Holdco B.V. has the right to redeem the Holdco Notes before the maturity date, and the holders hold a right to request the early settlement of the Holdco Notes, in certain circumstances. The values of the respective call and put options are disclosed in note 14.

IHS Towers Netherlands FinCo NG B.V.

Of the original $250 million 8.375% Guaranteed Senior Notes due 2019 (the "FinCo Notes") issued by IHS Towers Netherlands FinCo NG B.V., an aggregate principal amount of $13.065 million remains outstanding and continues to accrue interest at an annual interest rate of 8.375% payable semi-annually in arrear on 15 January and 15 July. The principal is repayable at the maturity date (15 July 2019).

Related party loans

As at 30 September 2018, the Group had loans with principal value of $866.3 million (31 December 2017: $866.3 million) from IHS Holding Limited.

Contractual maturities

As at 30 September 2018, the contractual maturities of the Group's borrowings were as follows:

	Carrying value $'000	**Total contractual cash flows $'000**	**Less than 1 year $'000**	**Between 2 and 3 years $'000**	**Between 4 and 5 years $'000**	**Over 5 years $'000**
Bank borrowings	84,935	109,435	32,830	68,163	8,442	-
Bond borrowings	833,328	1,073,826	90,159	152,000	831,667	-
Related party loans	680,669	910,851	-	91,662	783,240	35,949
	1,598,932	**2,094,112**	**122,989**	**311,825**	**1,623,349**	**35,949**

16. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

	30 Sep 2018 $'000	31 Dec 2017 $'000
Current	5,079	7,749
Non-current	1,285	1,297
Total decommissioning provision	**6,364**	**9,046**

The provision is for decommissioning and relates to the probable obligation that the Group may incur on the leased land on which its tower equipment is constructed. The amount is recognised initially at the present value of the estimate of the amount that will be required to decommission and restore the leased sites to the original states, discounted using the effective borrowing rate of the Group. The amount provided for each site has been discounted based on the respective lease terms attached to each site.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

17. CASH GENERATED FROM OPERATIONS

Reconciliation:	3 month period ended		9 month period ended	
	30 Sep 2018	30 Sep 2017	**30 Sep 2018**	30 Sep 2017
	$'000	$'000	**$'000**	$'000
Loss before taxation	(12,903)	(24,031)	(86,591)	(18,931)
Adjusted for:				
Depreciation of property, plant and equipment	28,954	19,921	65,014	56,858
Impairment of property, plant and equipment	1,010	2,390	2,656	31,728
Amortisation of intangible assets	2,551	3,016	7,723	9,014
Impairment of prepaid land rent	23	167	58	1,283
Amortisation of prepaid land rent	2,526	3,544	6,970	8,924
Net loss on sale of property, plant and equipment	74	249	280	513
Impairment of receivables	1,241	435	3,987	2,828
Impairment of inventory	-	-	292	-
Impairment of withholding tax assets	8,646	24,347	25,392	24,347
Finance costs	47,200	46,884	129,293	141,137
Fair value gain through profit or loss	(12,283)	(7,790)	34,467	(7,270)
Finance income	(2,178)	(1,635)	(9,443)	(47,936)
Gain on sale of property, plant and equipment	(81)	(126)	(439)	(457)
Insurance claims income	(601)	(265)	(674)	(874)
Operating profit before working capital changes	**64,179**	**67,106**	**178,985**	**201,164**
(Increase)/decrease in inventories	(976)	742	360	308
(Increase)/decrease in trade and other receivables (excluding prepaid rent) †	(26,620)	29,198	(73,848)	(36,358)
Increase/(decrease) in trade and other payables	4,930	(49,890)	34,506	(15,924)
(Increase)/decrease in net amounts due from related parties	(22,045)	83,958	(47,427)	(7,847)
Increase/(decrease) in net amounts due to related parties	20,392	(81,586)	46,973	13,720
Net working capital changes	**(24,319)**	**(17,578)**	**(39,436)**	**(46,101)**
Cash generated from operations	**39,860**	**49,528**	**139,549**	**155,063**

†Included in the increase in trade and other receivables for the 9 month period to 30 September 2018 is an increase in respect of receipts from customers during the period, totalling $19.4m, which were received into restricted accounts. Refer to note 19 for information on the restricted cash.

18. RELATED PARTY TRANSACTIONS

	30 Sep 2018	31 Dec 2017
Current	**$'000**	$'000
Amounts due from:		
IHS Holding Limited	4,207	7,699
INT Towers Limited*	5,579	-
IHS Netherlands (Interco) Coöperatief U.A.	331	5,004
	10,117	**12,703**
Amounts due to:		
IHS Holding Limited	1,203	139
INT Towers Limited *	3,269	5,893
IHS Netherlands (Interco) Coöperatief U.A.	49	692
	4,521	**6,724**
Non-current		
Amounts due to:		
IHS Holding Limited	**680,669**	**645,441**

* INT Towers Limited is a sister subsidiary to IHSN and ITNG in Nigeria.
Non-current amounts due to IHS Holding Limited represent shareholder loans as disclosed in note 15.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

19. RESTRICTED CASH

Amounts held in bank accounts of $24.1m (31 December 2017: $34.6m) are classified as 'other receivables' within current assets as the Group is not currently able to access such amounts and consequently they no longer meet the criteria of 'cash and cash equivalents'. This relates to certain "post no debit" instructions in respect of some of our accounts, received by our banks in Nigeria from the Nigeria Economic and Financial Crimes Commission (EFCC), with whom we continue to co-operate in relation to certain information requests.

To our knowledge, no formal allegation or investigation against IHS has been notified to us as part of the EFCC's inquiries, and we continue to fully co-operate with the EFCC's information requests, while working constructively with them to understand the basis of their actions in respect of our accounts.

The movement in the restricted cash for the period is as follows:

	$'000
Balance as at 30 June 2018	74,297
Interest income earned and rolled over	136
Transfer from restricted cash to cash and cash equivalents	(50,327)
Exchange gains on restricted cash	(1)
Balance as at 30 September 2018	**24,105**

The transfer of $50.3 million from restricted cash to cash and cash equivalents is due to the EFCC releasing the restriction on some of the affected accounts during Q3 2018.

Included in 'other receivables' as at 30 September 2018 is an amount of $4.0m relating to margin deposits on matured NDFs which the bank is currently not able to release into the Group's bank accounts. The Group expects that these amounts will be refunded once the "post no debit" is released. If refunded earlier these amounts are expected to be refunded into restricted accounts.

As at 13 November 2018, the aggregate restricted balance in affected accounts was $1.0m as the EFCC has released the restriction on some of the affected accounts since 30 September 2018.

While we currently expect that the "post no debit" on the affected accounts will be released once the EFCC's enquiries are completed, it is still not possible at this time to predict the matter's likely duration or outcome.

20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group had contractual, non-cancellable capital commitments of $70.9m for full turnkey site build and upgrade of existing sites and delivery of power project equipment as at 30 September 2018.

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. The Group reviews these matters in consultation with internal and external legal counsel to determine on a case by case basis whether a loss from each of these matters is probable, possible or remote.

The Group's contingent liabilities in respect of litigations and claims amounted to $2.6m at the end of the reporting period. Based on legal advice received, the Group's liability is not likely to crystallise, thus no provisions have been made in these financial statements.

21. EVENTS AFTER THE REPORTING PERIOD

There were no other disclosable events after the reporting period. Refer to note 19 for updates on the movement of restricted cash after the period end.

NON-IFRS MEASURES AND GLOSSARY

EBITDA, EBITDA margin and other non-IFRS financial measures are used by Group management to monitor the underlying performance of the business and the operations. EBITDA, EBITDA margin and other non-IFRS financial measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA, EBITDA margin and other non-IFRS financial measures as reported by us to EBITDA, EBITDA margin and other non-IFRS financial measures as reported by other companies. EBITDA, EBITDA margin and the other non-IFRS financial measures described in this document are unaudited and have not been prepared in accordance with IFRS or any other generally accepted accounting principles. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of any regulatory authority and will not be subject to review by a regulatory authority; compliance with such requirements may require us to make changes to the presentation of this information.

Capital expenditure (“Capex”): Any expenditure which would be treated as capital expenditure in the financial statements in accordance with applicable accounting principles including advance payments for capital expenditure and excluding any non-cash expenditure.

EBITDA: Profit or loss for the period excluding the impact of finance income, finance cost, fair value through profit or loss, depreciation and amortisation, and provision for or benefit from taxes, less other income, plus other expenditures that are sufficiently large and unusual as to distort comparisons from one period to the next. EBITDA is an indicator of the financial performance of our core business. EBITDA is a component of the calculation that has been used by our lenders to determine compliance with certain covenants under our debt facilities. EBITDA is not intended to be an alternative measure of operating income or gross profit margin as determined in accordance with IFRS.

EBITDA margin: EBITDA divided by revenue, expressed as a percentage.

Group: IHS Netherlands Holdco B.V. and each of its direct and indirect subsidiaries.

Gross debt: Borrowings as stated on the balance sheet less related party loans and finance leases.

L2QA EBITDA: EBITDA for the last two quarters on an annualised basis.

Gross Leverage: Gross debt divided by L2QA EBITDA.

Towers: Refers to ground-based towers, in-building solutions, rooftop and wall-mounted towers and cells-on-wheels, each of which are constructed to support wireless transmission equipment. We measure the number of towers in our portfolio at a given time by counting the number of towers that we own or operate with at least one tenant. The number of towers in our portfolio excludes towers for which we provide managed services.

Tenants: Refers to the number of distinct customers that have leased space on each tower that we own across our portfolio.

Colocation Rate: Refers to the average number of tenants per tower that is owned or operated across a tower portfolio at a given point in time, excluding managed services.

Lease Amendments: Refers to the installation of additional equipment on a site or the provision of ancillary services for an existing tenant.

SUMMARY OF UNAUDITED QUARTERLY RESULTS

For the respective quarters ended:

	30 Sep 2018 $'000	30 Jun 2018 $'000	31 Mar 2018 $'000	31 Dec 2017 $'000
Statement of profit or loss				
Revenue	**96,553**	**89,785**	**85,293**	**97,833**
Cost of sales	(65,085)	(52,380)	(50,393)	(53,402)
Gross profit	**31,468**	**37,405**	**34,900**	**44,431**
Administrative expenses	(15,031)	(19,869)	(10,968)	(50,942)
Other income	3,399	3,212	3,210	3,361
Operating profit/(loss)	**19,836**	**20,748**	**27,142**	**(3,150)**
Finance income	2,178	5,779	1,486	29,747
Finance cost	(47,200)	(44,164)	(37,929)	(314,445)
Changes in fair value though the profit or loss	12,283	(22,182)	(24,568)	29,110
Loss before taxation	**(12,903)**	**(39,819)**	**(33,869)**	**(258,738)**
Taxation	(1,194)	(1,210)	(1,125)	2,183
Loss for the period attributable to owners	**(14,097)**	**(41,029)**	**(34,994)**	**(256,555)**
EBITDA reconciliation:				
Loss for the period	**(14,097)**	**(41,029)**	**(34,994)**	**(256,555)**
Add back:				
Tax charge/(credit)	1,194	1,210	1,125	(2,183)
Changes in fair value though the profit or loss	(12,283)	22,182	24,568	(29,110)
Finance cost	47,200	44,164	37,929	314,445
Finance income	(2,178)	(5,779)	(1,486)	(29,747)
Depreciation and amortisation	31,505	21,300	19,932	26,745
Impairment/(reversal of impairment) of property, plant and equipment and prepaid land rent	1,033	457	1,224	(4,717)
Net (profit)/loss on disposal of property, plant and equipment	(7)	(237)	85	150
Impairment of withholding tax receivable	8,646	13,030	3,716	23,499
Other one-off items*	-	-	-	17,603
EBITDA	**61,013**	**55,298**	**52,099**	**60,130**
EBITDA margin	63.2%	61.6%	61.1%	61.5%
Capital expenditure in quarter:				
Purchase of property, plant and equipment	(510)	(275)	(120)	(302)
Construction of property, plant and equipment	(3,302)	(9,200)	(3,603)	(2,804)
Purchase of software and licences	(148)	(96)	(101)	(132)
Advance payments for property, plant and equipment	(22,213)	(23,337)	(12,378)	(9,527)
Total capital expenditure	**(26,173)**	**(32,908)**	**(16,202)**	**(12,765)**
Interest received	1,197	716	622	523
Interest paid	(5,101)	(43,107)	(6,044)	(44,432)
Bond transaction costs and facility fees paid	(316)	(37)	(61)	(88)
Net interest paid in quarter	**(4,220)**	**(42,428)**	**(5,483)**	**(43,997)**

*One-off items for the three months ended 31 December 2017 includes an increase in the impairment provision for overdue trade accounts receivables treated as exceptional given its size and incidence.