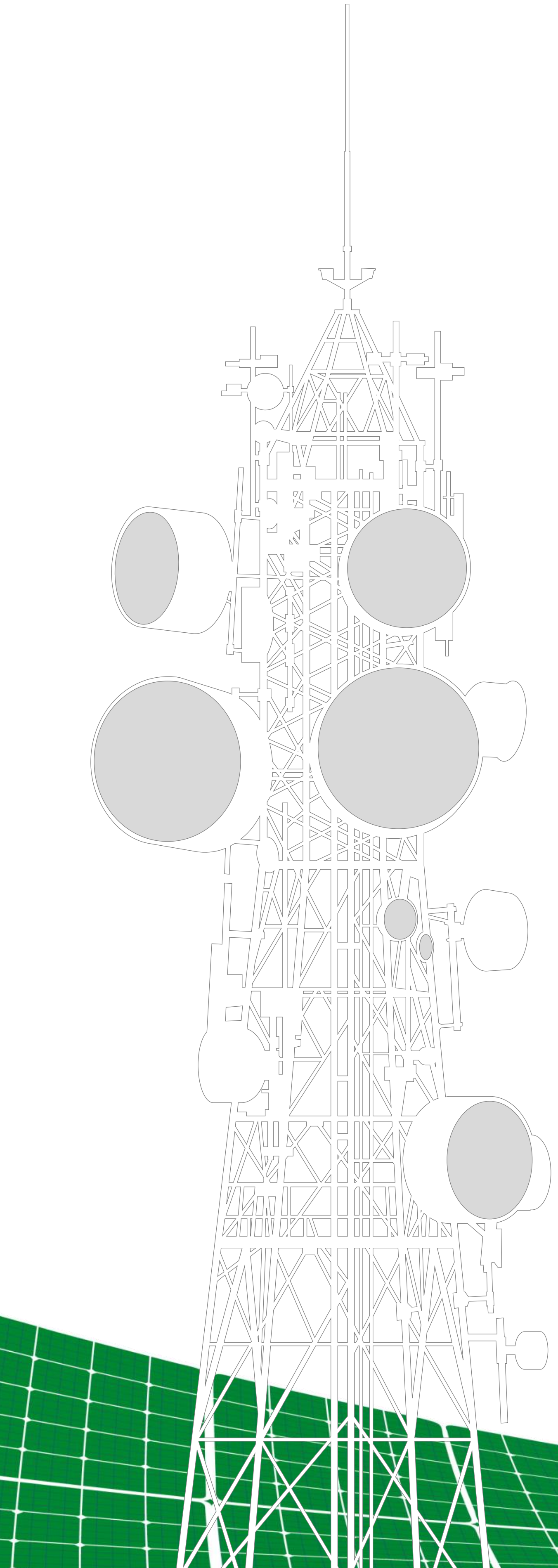
Towers of strength



IHS NETHERLANDS HOLDCO B.V.

Unaudited Interim Consolidated Financial Statements for the 3 month and 6 month periods ended 30 June 2019

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Contents

INFORMATION ON THE COMPANY 4
OPERATING AND FINANCIAL REVIEW 5
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 9
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 10
CONSOLIDATED CASH FLOW STATEMENTS 11
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 12
1. GENERAL INFORMATION 12
2. BASIS OF PREPARATION 12
3. REVENUE 13
4. COST OF SALES BY NATURE 13
5. ADMINISTRATIVE EXPENSES 13
6. OTHER INCOME 14
7. FINANCE INCOME 14
8. FINANCE COSTS 14
9. CHANGES IN FAIR VALUE THROUGH THE PROFIT AND LOSS 14
10. TAXATION 15
11. NON-IFRS PERFORMANCE MEASURES RECONCILIATIONS 15
12. PROPERTY, PLANT AND EQUIPMENT 16
13. INTANGIBLE ASSETS 17
14. DERIVATIVE FINANCIAL INSTRUMENTS 18
15. BORROWINGS 18
16. LEASE LIABILITIES 19
17. PROVISIONS FOR LIABILITIES AND OTHER CHARGES 20
18. CASH GENERATED FROM OPERATIONS 20
19. RELATED PARTY TRANSACTIONS 21
20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS 21
21. EVENTS AFTER THE REPORTING PERIOD 21
NON-IFRS MEASURES AND GLOSSARY 22
SUMMARY OF UNAUDITED QUARTERLY RESULTS 23

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 June 2019, the Group owned 6,621 towers, with a colocation rate of 1.57x, based on 10,383 tenants.

Highlights for the quarter and year to date

- Q2 and H1 revenue increase year-on-year of 18.6% and 20.3% respectively.
- Q2 and H1 EBITDA increase year-on-year of 35.2% and 35.0% respectively.
- Q2 and H1 EBITDA increase year-on-year of 30.8% and 30.5% on a like-for-like basis excluding the impact of IFRS 16 Leases ('IFRS 16') accounting.
- Added 392 lease amendments and 203 tenants in the quarter.

	3 month period ended 30 June			**6 month period ended 30 June**		
	2019 $'000	2018 $'000	Change %	**2019 $'000**	2018 $'000	Change %
Revenue	**106,516**	89,785	18.6%	**210,621**	175,078	20.3%
Operating profit	**25,580**	20,748	23.3%	**70,654**	47,890	47.5%
Profit/(loss) for the period	**5,660**	(41,029)	n.a	**23,943**	(76,023)	n.a
*Alternative measures**						
EBITDA	**74,738**	55,298	35.2%	**144,986**	107,397	35.0%
EBITDA margin	**70.2%**	61.6%	8.6pt	**68.8%**	61.3%	7.5pt

*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 22 for further details.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Adoption of IFRS 16

The table below removes the accounting impact of IFRS 16 from the Group's financial results, as reported in these interim financial statements for the year to date, in order to aid a like-for-like comparison of the current period results to the prior year. Please refer to note 2 for a description of the basis of preparation of these accounts and the accounting policy for IFRS 16.

Throughout this 'Operating and Financial Review' the term 'like-for-like' is used to compare 2019 H1 results excluding the impact of IFRS 16 accounting to the 2018 H1 results. No other adjustments have been made. Changes in cash flow line items are as a result of changes in presentation within line items; there is no change in underlying cash flows as a result of applying IFRS 16.

	6 month period ended 30 June			
	As reported 2019	IFRS 16 impact 2019	**Excluding IFRS 16 2019**	**As Reported 2018**
	$'000	$'000	**$'000**	**$'000**
Revenue	**210,621**	-	**210,621**	**175,078**
Cost of sales	**(104,742)**	(967)	**(105,709)**	**(102,773)**
Administrative expenses	**(43,741)**	-	**(43,741)**	**(30,837)**
Net financing costs	**(61,451)**	2,001	**(59,450)**	**(74,828)**
Taxation	**8,209**	-	**8,209**	**(2,335)**
Cash flows generated from operating activities	**89,557**	(12,188)	**77,369**	**85,286**
Net cash used in financing activities	**(105,894)**	12,188	**(93,706)**	**(52,236)**
Right of use assets (at period end)	**82,622**	(82,622)	**-**	**-**
Trade and other receivables (non-current and current at period end)	**138,320**	56,743	**195,063**	**246,503**
Lease liabilities (non-current and current at period end)	**26,914**	(26,914)	**-**	**-**
*Alternative measures**				
EBITDA	**144,986**	(4,794)	**140,193**	**107,397**
EBITDA margin	**68.8%**	(2.2)pts	**66.6%**	**61.3%**

Trading results

In Q2 2019 the net increase in number of towers was 24, resulting in a total of 6,621 live owned towers at the end of the period. Tenants increased by 203 in the quarter, giving a colocation rate of 1.57x at 30 June 2019. We also added 392 lease amendments during the period.

Revenue

Revenue increased by 20.3% to $210.6m in the 6 month period ended 30 June 2019 compared to $175.1m in the 6 month period ended 30 June 2018, and by 18.6% to $106.5m in the quarter ended 30 June 2019 compared to $89.8m in the quarter ended 30 June 2018. Underlying Naira revenue increased by 20.5% in the six months to 30 June year-on-year. This growth is driven by increases in tenancies and towers as well as the escalations in our contracts and also includes $2.1m year to date of additional revenue that is a result of agreement on the application of certain contractual terms.

Costs

Cost of sales increased by 1.9% to $104.7m in the 6 month period ended 30 June 2019 from $102.8m in the prior year comparative period. Cost of sales increased by 3.0% to $54.0m in Q2 2019 from $52.4m in Q2 2018. This increase is due to higher power generation costs, higher insurance costs and higher depreciation; depreciation being higher as a result of depreciating right of use site leasehold assets under IFRS 16. These higher costs were partially offset by lower regulatory permit costs, lower impairment of property, plant and equipment, lower repairs and maintenance costs and, lower site rental costs. The majority of the cost for site rental is now being accounted for under IFRS 16 and is therefore recognised through depreciation expense rather than through site rental; this resulted in total reclassified site rent cost of $4.8m for the 6 month period ended 30 June 2019 ($2.4m for Q2 2019) and an increase in depreciation cost of $3.8m for the 6 month period ended 30 June 2019 ($1.9m for Q2 2019). Short-term lease (<12 months) rentals continue to be recognised as rental expense.

On a like-for-like basis, cost of sales increased by 2.9% from $102.8m in H1 2018 to $105.7m in H1 2019 and increased by 3.9% from $52.4m in Q2 2018 to $54.4m in Q2 2019. This increase is primarily due to increased power generation costs and higher insurance costs, partially offset by decreases in repairs and maintenance and regulatory permit costs.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Trading results (continued)

Costs (continued)

Power costs for Q2 2019 increased by 14.4% to $18.2m compared to $16.0m in Q2 2018. Underlying Naira diesel costs increased by 19.2% year-on-year and, when translated to their US dollar equivalent, diesel price per litre increased by 19.3% year-on-year. A 10.0% rise in diesel litres consumed chiefly reflects increased power usage from increased towers and newly integrated tenants.

Administrative expenses increased significantly year-on-year, to $43.7m in H1 2019 from $30.8m in the same period in 2018, and from $19.9m in Q2 2018 to $31.4m in Q2 2019. The largest increase in administrative expenses is the impairment of withholding tax assets of $28.8m in H1 2019 (of which, $24.4m in Q2 2019) compared to $16.7m in H1 2018 (of which, $13.0m in Q2 2018).

Operating profit

Operating profit of $70.7m was achieved in H1 2019 compared to an operating profit of $47.9m in H1 2018; an increase of 47.5%. Although cost of sales and administrative expenses have increased as discussed above, the increased revenue exceeded increases in costs and resulted in increased profit from operations.

EBITDA

Q2 2019 EBITDA increased by 35.2% year-on-year, from $55.3m in Q2 2018 to $74.7m in Q2 2019, with the EBITDA margin increasing by 8.6pts from 61.6% to 70.2%. The increase in EBITDA is primarily as a result of increased operating profits and the impact of IFRS 16 which, as described in cost of sales above, decreased site rental costs by $2.4m.

EBITDA for the 6 month period ended 30 June 2019 increased to $145.0m compared to $107.4m for the comparative period, an increase of 35.0%, with the EBITDA margin increasing by 7.5pts from 61.3% to 68.8.%. The increase in EBITDA is primarily as a result of increased operating profits coupled with the impact of IFRS 16 which, as described in cost of sales above, decreased site rental costs by $4.8m.

On a like-for-like basis H1 2019 EBITDA increased by 30.5% year-on-year, from $107.4m in H1 2018 to $140.2m in H1 2019, with the EBITDA margin increasing by 5.3pts from 61.3% to 66.6%. These increases are due to higher revenues which resulted in increased operating profits as discussed above.

Underlying Naira EBITDA increased by 35.1% to ₦26.94 billion in Q2 2019 compared to ₦19.95 billion in Q2 2018, and on a like-for-like basis, by 30.7% to ₦26.08 billion in Q2 2019 compared to ₦19.95 billion in Q2 2018.

Net financing cost

In H1 2019 the year-on-year financing costs decreased by $13.4m largely due to net foreign exchange gains from financing of $14.4m in H1 2019 as compared to net losses in H1 2018 of $3.5m. The foreign exchange gains in H1 2019 result from foreign exchange revaluations on US dollar loans held by the Nigerian subsidiaries, owing to the movement in the Naira/US dollar exchange rate which moved from 364.5 at 31 December 2018 to 360.74 at 30 June 2019. Interest income on bank deposits increased $0.5m year-on-year on increased deposit levels and is offset by foreign exchange losses on non-deliverable forward instruments which increased by $0.6m year-on-year.

The net foreign exchange gains are partially offset by a year-on-year increase of $2.1m in loan interest which is primarily due to the unwinding of the effective interest rate on the partial extinguishment of the related party loan in H1 2019. This is partially offset by lower interest rates on the NGN credit facility due to lower NIBOR rates and outstanding principal compared to H1 2018. The addition of interest expense on lease liabilities, following implementation of IFRS 16, increases the year-on-year net finance cost by $2.0m.

On a like-for-like basis, year-on-year net financing cost for the 6 month period ended 30 June 2019 decreased by 20.6% from $74.8.m for the 6 month period ended 30 June 2018 to $59.5m in Q1 2019.

Taxation

The tax credit for H1 2019 is $8.2m and $14.1m in Q2 2019 compared to a tax expense of $2.3m in H1 2018 and $1.2m in Q2 2018. It is comprised of corporation tax and education tax in both periods. The tax credit arises in IHSN ($14.6m in Q2 2019) and is a reversal of an overprovision of the 2018 tax charge. Both of IHSN and ITNG have unutilised capital allowances, which partially offset their taxable income generated in the period; ITNG also has assessed losses which partially offset taxable income.

Aggregate deferred tax liabilities relating to property, plant and equipment and intangible assets have increased in H1 2019 and the impact of the decrease has been offset by the derecognition of deferred tax assets raised in respect of provisions, 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 capital allowances and assessed losses which were brought forward from the prior year. Deferred tax liabilities in respect of the fair valuation of the derivatives embedded within the terms of the Holdco Notes have increased following the change in the derivatives value (see note 14). Deferred tax assets are recognised to the extent they do not exceed the sum of deferred tax liabilities.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Cash flows and funding

Net change in cash position

There was a net decrease in cash and cash equivalents in the 3 months to 30 June 2019 of $63.4m and in the 6 months to 30 June 2019 of $51.9m. This is mainly due to increased outflow from financing activities (see below), but partially offset by increased operating cash flows. As at 30 June 2019 we had $131.6m (31 December 2018: $183.5m) of cash and cash equivalents of which $98.6m (31 December 2018: $132.2m) was held in US dollars.

Changes in cash from operations, financing and investment

Net cash inflows from operating activities totalled $31.6m in the 3 month period ended 30 June 2019 compared to net cash inflows of $85.4m in the 3 month period ended 30 June 2018. The primary driver of this decrease is the cash outflow from working capital of $(39.8)m for Q2 2019 compared to cash inflows of $35.2m for the comparative period. The reclassification of $12.2m of payments for long term rent from cash flows from operations to cash flows from investing activities, as a result of IFRS 16, partially offsets this decrease.

Net cash used in investing activities decreased from $46.0m in H1 2018 to $36.5m in H1 2019. The decrease is primarily driven by lower payments made for property, plant and equipment (including advance payments) of $40.4m in the period compared to $48.9m in the comparative period. The higher cash outflows in H1 2018 were mainly comprised of advance payments for property, plant and equipment, in in anticipation of increased BTS activity which occurred in H2 2018.

In H1 2019 we had a net outflow from financing activities of $105.9m (H1 2018: net outflow of $52.2m) and in Q2 2019 we had a net outflow from financing activities of $65.0m (Q2 2018: net outflow of $46.1m). The increase in cash outflows is due to $10.9m in principal repayments for the NGN credit facility and principal repayments on loans from related parties of $40.0m, partially offset by a decrease in interest paid on the NGN credit facility of $4.3m. The reclassification of $12.2m of payments for long term rent from cash flows from operations to cash flows from investing activities, as a result of IFRS 16, further increases cash outflows from financing activities in the period.

On a like-for-like basis, cash outflows from financing activities in Q2 2019 amount to $93.7m for the 3 month period ended 30 June 2019.

Indebtedness

At 30 June 2019, the book value of total outstanding loans and borrowings were $1.6bn (31 December 2018: $1.6bn), of which $682.1m (31 December 2018: $693.1m) is in the form of subordinated shareholder loans from the Company's ultimate parent entity (with a principal value of $826.4m (31 December 2018: $866.3m)).

As a Group we continuously review our funding and maturity profile. As part of this review, we are exploring opportunities in the US$ global bond markets so that we are well positioned to avail ourselves of any refinancing opportunities for our 2021 Notes in the medium term.

For more information on borrowings, see note 15.

At 30 June 2019, following the application of IFRS 16 from 1 January 2019, lease liabilities arising on land leases total $26.9m.

For more information on lease liabilities, see note 16.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three month and six month periods ended 30 June 2019

	Note	3 month period ended		6 month period ended	
		30 Jun 2019 $'000	30 Jun 2018 $'000	**30 Jun 2019 $'000**	30 Jun 2018 $'000
Revenue	3	**106,516**	**89,785**	**210,621**	175,078
Cost of sales	4	(53,957)	(52,380)	(104,742)	(102,773)
Gross profit		**52,559**	**37,405**	**105,879**	**72,305**
Administrative expenses	5	(31,428)	(19,869)	(43,741)	(30,837)
Other income	6	4,449	3,212	8,516	6,422
Operating profit		**25,580**	**20,748**	**70,654**	**47,890**
Finance income	7	1,659	5,779	19,472	7,265
Finance costs	8	(38,858)	(44,164)	(80,923)	(82,093)
Changes in fair value through the profit or loss	9	3,221	(22,182)	6,531	(46,750)
(Loss)/profit before taxation		**(8,398)**	**(39,819)**	**15,734**	**(73,688)**
Taxation	10	14,058	(1,210)	8,209	(2,335)
Profit/(loss) for the period		**5,660**	**(41,029)**	**23,943**	**(76,023)**
Other comprehensive income/(loss):					
Items that may be subsequently reclassified to profit or loss:					
Changes in fair value of available-for-sale financial assets		-	(1)	-	-
Exchange differences on translation		95	1,635	(6,178)	1,902
Other comprehensive income/(loss) for the period		**95**	**1,634**	**(6,178)**	**1,902**
Total comprehensive profit/(loss) for the period		**5,755**	**(39,395)**	**17,765**	**(74,121)**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 30 June 2019

	Note	At 30 Jun 2019 $'000	At 31 Dec 2018 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	477,726	473,059
Right of use assets	12	82,622	-
Intangible assets	13	279,679	281,755
Investments		9	9
Derivative financial instruments	14	13,450	6,920
Trade and other receivables		50,136	89,918
		903,622	**851,661**
Current assets			
Inventories		22,021	4,585
Trade and other receivables		88,184	77,839
Amounts due from related parties	19	568	3,763
Cash and cash equivalents		131,617	183,513
		242,390	**269,700**
Total assets		**1,146,012**	**1,121,361**
LIABILITIES			
Current liabilities			
Trade and other payables		99,673	106,866
Income tax payable		3,548	6,106
Derivative financial instruments	14	581	310
Borrowings	15	53,362	51,821
Lease liabilities	16	5,690	-
Amounts due to related parties	19	15,809	6,942
Provisions for liabilities and other charges	17	3,253	3,334
		181,916	**175,379**
Non-current liabilities			
Borrowings	15	834,297	844,349
Lease liabilities	16	21,224	-
Amounts due to related parties	19	682,064	693,113
Provisions for liabilities and other charges	17	1,448	1,222
		1,539,033	**1,538,684**
Total liabilities		**1,720,949**	**1,714,063**
Net liabilities		**(574,937)**	**(592,702)**
EQUITY			
Share capital		10	10
Accumulated losses		(331,863)	(355,806)
Other reserves		(243,084)	(236,906)
Total equity		**(574,937)**	**(592,702)**

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

CONSOLIDATED CASH FLOW STATEMENTS

For the three month and six month period ended 30 June 2019

		3 month period ended		6 month period ended	
		30 Jun 2019	**30 Jun 2018**	30 Jun 2019	30 Jun 2018
	Note	**$'000**	**$'000**	$'000	$'000
Cash flows from operating activities					
Cash generated from operations	18	35,523	94,253	93,902	99,689
Payment for rent*		-	(8,815)	(267)	(14,119)
Income taxes paid		(3,889)	(78)	(4,078)	(284)
Net cash flows generated from/(used in) operating activities		**31,634**	**85,360**	**89,557**	**85,286**
Cash flows from investing activities					
Purchase of property, plant and equipment		(213)	(275)	(446)	(395)
Construction of property, plant and equipment		(4,199)	(9,200)	(8,627)	(12,803)
Payments in advance for property, plant and equipment		(28,018)	(23,337)	(31,279)	(35,715)
Purchase of software and licences		-	(96)	(28)	(197)
Proceeds from the sale of property, plant and equipment		-	350	221	362
Insurance claims received		853	49	857	73
Interest income received		1,147	716	2,763	1,338
Restricted cash transferred from other receivables		-	(2)	-	1,290
Net cash used in investing activities		**(30,430)**	**(31,795)**	**(36,539)**	**(46,047)**
Cash flows from financing activities					
Fees on loans and financial derivatives		(160)	(37)	(368)	(98)
Principal repayment to third parties		(5,477)	(2,740)	(10,903)	(2,740)
Principal repayment to related parties		(15,001)	-	(40,001)	-
Payment of lease liabilities		(5,771)	-	(12,188)	-
Payment of margin deposit for non-deliverable forwards		3,218	-	3,218	-
Foreign exchange derivative losses paid		(443)	(247)	(443)	(247)
Interest paid		(41,011)	(43,107)	(44,858)	(49,151)
Loss on purchase of foreign currency		(351)	-	(351)	-
Net cash used in financing activities		**(64,996)**	**(46,131)**	**(105,894)**	**(52,236)**
(Decrease)/increase in cash and cash equivalents		(63,792)	7,434	(52,876)	(12,997)
Cash and cash equivalents at beginning of the period		195,037	104,812	183,513	125,086
Exchange gains on cash and cash equivalents		372	890	980	1,047
Cash and cash equivalents at period end		**131,617**	**113,136**	**131,617**	**113,136**

* In 2019, following the implementation of IFRS 16, payment for rent represents amounts paid on short-term leases. In 2018, it represents all rentals paid.

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

NOTES TO THE 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 consolidated financial statements ("financial statements") as at and for the three months and six month periods ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). They include the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, and the accompanying selected notes.

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

2. BASIS OF PREPARATION

These unaudited 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 2018. The disclosures made in these financial statements are not complete disclosures as required by International Financial Reporting Standards "IFRS" (IAS 34).

The preparation of the unaudited 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 ₦360.74 (2018: ₦364.50) per US dollar for the consolidated statements of financial position, and monthly average rates ranging from ₦360.42 to ₦363.82 per US dollar (2018: ₦360.25 to ₦361.13) for the consolidated statements of comprehensive income and consolidated statements of cash flows.

2.2 ADOPTION OF IFRS 16

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. Under IFRS 16, lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17. For lessees however, the standard provides a single lessee accounting model requiring lessees to recognise assets and liabilities for all leases which will result in a 'right of use' asset for the leased item and a financial liability to pay related rentals. The only exceptions are short-term and low-value leases.

As a lessor, the Group has revenue contracts with customers that contain an operating lease component for colocation revenues. Given that lessor accounting under IFRS 16 is largely unchanged, the Group did not have an accounting impact on its revenue from contracts with customers on implementing IFRS 16.

As a lessee, the Group's leases primarily comprise real estate leases. The significant majority of these are site land leases for our tower sites but the Group also holds a small number of office space leases and warehouse leases. These leases were classified as operating leases under IAS 17.

The Group applied IFRS 16 from 1 January 2019 using the modified retrospective approach which requires the recognition of the cumulative effect of initially applying IFRS 16, as of 1 January 2019, to retained earnings and not to restate prior years.

[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 CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.2 ADOPTION OF IFRS 16 (continued)

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (i.e. < 12 months) and leases of low-value assets (i.e. < US$5,000).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using a relevant incremental borrowing rate (based on the related risks of each country and the lease term) at the start of the contract.

2.3 APPROVAL

These consolidated financial statements were authorised and approved for issue on 24 July 2019.

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		**6 month period ended**	
	30 Jun 2019	30 Jun 2018	**30 Jun 2019**	30 Jun 2018
	$'000	$'000	**$'000**	$'000
Tower repairs and maintenance	4,530	5,611	9,212	10,714
Power generation	18,234	15,944	37,556	30,660
Regulatory permits	1,067	2,970	2,107	6,439
Site rent*	344	2,305	398	4,518
Security services	2,735	2,543	5,017	4,994
Staff costs	1,162	929	2,245	1,863
Depreciation* and amortisation	24,001	21,174	44,942	40,977
Impairment of property, plant and equipment	393	441	393	1,646
Impairment of prepaid land rent	-	16	-	35
Other expenses†	1,491	447	2,872	927
	53,957	**52,380**	**104,742**	**102,773**

* In the 6 month period ended 30 June 2019, rent is decreased by $4.8m and depreciation increased by $3.8m as a result of applying IFRS 16.

† 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		**6 month period ended**	
	30 Jun 2019	30 Jun 2018	**30 Jun 2019**	30 Jun 2018
	$'000	$'000	**$'000**	$'000
Staff costs	3,284	3,504	7,498	6,995
Rent	219	152	459	370
Repairs and maintenance	831	705	1,948	1,306
Travel cost	188	219	627	499
Professional fees	307	99	714	637
Depreciation and amortisation	55	126	114	255
Impairment of withholding tax assets	24,397	13,030	28,789	16,746
Loss on disposal of property, plant and equipment	313	112	315	206
Other expenses	1,834	1,922	3,277	3,823
	31,428	**19,869**	**43,741**	**30,837**

Included in 'Other expenses' for the 6 month periods ended 30 June 2019 and 2018 are allowances for doubtful debts of $2.4m and $2.7m respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER INCOME

Other income for the three month and six month periods ended 30 June 2019 comprises charges to INT Towers Limited ("INT") under the management services agreement between IHSN and INT and insurance claim income.

7. FINANCE INCOME

	3 month period ended		6 month period ended	
	30 Jun 2019	30 Jun 2018	**30 Jun 2019**	30 Jun 2018
	$'000	$'000	**$'000**	$'000
Interest income - bank deposits	1,146	1,211	2,762	2,241
Foreign exchange gain from non-deliverable forward exchange contracts	24	39	24	155
Foreign exchange gain arising from financing	489	4,529	16,686	4,869
	1,659	**5,779**	**19,472**	**7,265**

8. FINANCE COSTS

	3 month period ended		6 month period ended	
	30 Jun 2019	30 Jun 2018	**30 Jun 2019**	30 Jun 2018
	$'000	$'000	**$'000**	$'000
Interest expense	37,006	36,394	75,580	73,478
Interest on lease liabilities	959	-	2,001	-
Foreign exchange loss from non-deliverable forward exchange contracts	12	-	731	112
Foreign exchange loss arising from financing	719	7,732	2,243	8,405
Fees on loans and financial derivatives	162	38	368	98
	38,858	**44,164**	**80,923**	**82,093**

9. CHANGES IN FAIR VALUE THROUGH THE PROFIT AND LOSS

	3 month period ended		6 month period ended	
	30 Jun 2019	30 Jun 2018	**30 Jun 2019**	30 Jun2018
	$'000	$'000	**$'000**	$'000
Embedded derivatives in bond – change in fair value	3,221	(22,182)	6,531	(46,750)
	3,221	**(22,182)**	**6,531**	**(46,750)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. TAXATION

	3 month period ended		**6 month period ended**	
	30 Jun 2019	30 Jun 2018	**30 Jun 2019**	30 Jun 2018
	$'000	$'000	**$'000**	$'000
Company income tax	13,647	(337)	8,897	(664)
Education tax	419	(863)	(680)	(1,661)
Capital gains tax	(8)	(10)	(8)	(10)
	14,058	**(1,210)**	**8,209**	**(2,335)**

ITNG has assessed losses which partially offset taxable income generated in the current period. IHSN has no assessed losses as it fully utilised its available tax losses in the prior year. This gave rise to a prior year adjustment in IHSN of $16.8m against its current tax charge in H1 of $7.2m. Both entities have unutilised capital allowances, which partially offset their taxable income in H1 2019.

The income tax expense for the current period includes a small income tax charge for IHS Netherlands Holdco B.V. and charges for current income tax and education tax for ITNG, in so far as this is related to its subsidiary, Tower Infrastructure Company Limited (TICL), which does not have assessed losses or withholding tax credits 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 any 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**		**6 month period ended**	
	30 Jun 2019	30 Jun 2018	**30 Jun 2019**	30 Jun 2018
	$'000	$'000	**$'000**	$'000
Profit/(loss) for the period	5,660	(41,029)	23,943	(76,023)
Add back:				
Tax (credit)/charge	(14,058)	1,210	(8,209)	2,335
Change in fair value through the profit or loss	(3,221)	22,182	(6,531)	46,750
Finance costs	38,858	44,164	80,923	82,093
Finance income	(1,659)	(5,779)	(19,472)	(7,265)
Depreciation and amortisation	24,055	21,300	45,056	41,232
Impairment of property, plant and equipment and prepaid land rent	393	457	393	1,681
Net loss/(profit) on disposal of property, plant and equipment	313	(237)	94	(152)
Impairment of withholding tax assets	24,397	13,030	28,789	16,746
EBITDA	**74,738**	**55,298**	**144,986**	**107,397**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

	Tower equipment $'000	Land and buildings $'000	Leasehold Assets $'000	Furniture and office equipment $'000	Motor Vehicles $'000	Capital work-in-progress $'000	Total $'000
Cost							
At 1 January 2018	691,081	28,467	-	6,832	4,625	14,934	745,939
Additions during the period	860	283	-	229	300	29,146	30,818
Disposals*	(36,001)	(252)	-	(25)	(24)	-	(36,302)
Transfers from advanced payments	52,299	1,645	-	-	-	1,967	55,911
Reclassifications	10,658	7,431	-	548	-	(18,637)	-
Effect of movement in exchange rates	(8,935)	(428)	-	(91)	(57)	(172)	(9,683)
At 31 December 2018	**709,962**	**37,146**	**-**	**7,493**	**4,844**	**27,238**	**786,683**
At 1 January 2019	709,962	37,146	-	7,493	4,844	27,238	786,683
Additions during the period	376	(69)	86,546	156	-	8,591	95,600
Disposals	(3,216)	-	(91)	(15)	-	-	(3,322)
Transfers from/(to) advanced payments	30,575	-	-	-	-	(2,965)	27,610
Reclassifications	9,327	331	-	-	-	(9,658)	-
Effect of movement in exchange rates	7,456	388	14	78	50	298	8,284
At 30 June 2019	**754,480**	**37,796**	**86,469**	**7,712**	**4,894**	**23,504**	**914,855**
Accumulated depreciation							
At 1 January 2018	(253,971)	(818)	-	(5,561)	(4,053)	-	(264,403)
Charge for the period	(78,038)	(245)	-	(1,337)	(411)	-	(80,031)
Disposals	30,192	252	-	23	22	-	30,489
Impairment	(3,501)	(13)	-	-	-	-	(3,514)
Effect of movement in exchange rates	3,693	10	-	79	53	-	3,835
At 31 December 2018	**(301,625)**	**(814)**	**-**	**(6,796)**	**(4,389)**	**-**	**(313,624)**
At 1 January 2019	(301,625)	(814)	-	(6,796)	(4,389)	-	(313,624)
Charge for the period	(35,656)	(137)	(3,827)	(280)	(123)	-	(40,023)
Disposals	2,900	-	91	15	-	-	3,006
Impairment	(393)	-	-	-	-	-	(393)
Effect of movement in exchange rates	(3,236)	(8)	(111)	(72)	(46)	-	(3,473)
At 30 June 2019	**(338,010)**	**(959)**	**(3,847)**	**(7,133)**	**(4,558)**	**-**	**(354,507)**
Net book value							
At 31 December 2018	408,337	36,332	-	697	455	27,238	473,059
At 30 June 2019	**416,470**	**36,837**	**82,622**	**579**	**336**	**23,504**	**560,348**

*Included in the disposal of tower equipment for the year ended 31 December 2018 is the impact of the utilisation of decommissioning provision which was settled through exchange of the assets disposed of. This amounts to $4.8m.

IHS Towers of strength

NOTES TO THE 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 2018	124,346	1,576	170,942	20,989	317,853
Additions during the period	-	350	-	-	350
Effect of movement in exchange rates	(1,536)	(22)	(1,916)	(259)	(3,733)
At 31 December 2018	**122,810**	**1,904**	**169,026**	**20,730**	**314,470**
At 1 January 2019	122,810	1,904	169,026	20,730	314,470
Additions during the period	-	28	-	-	28
Effect of movement in exchange rates	1,278	20	1,562	216	3,076
At 30 June 2019	**124,088**	**1,952**	**170,588**	**20,946**	**317,574**
Accumulated amortisation					
At 1 January 2018	-	(996)	(17,202)	(4,447)	(22,645)
Charge for the period	-	(436)	(8,342)	(1,450)	(10,228)
Effect of movement in exchange rates	-	16	77	65	158
At 31 December 2018	**-**	**(1,416)**	**(25,467)**	**(5,832)**	**(32,715)**
At 1 January 2019	-	(1,416)	(25,467)	(5,832)	(32,715)
Charge for the period	-	(174)	(4,178)	(681)	(5,033)
Effect of movement in exchange rates	-	(15)	(72)	(60)	(147)
At 30 June 2019	**-**	**(1,605)**	**(29,717)**	**(6,573)**	**(37,895)**
Net book value					
At 31 December 2018	122,810	488	143,559	14,898	281,755
At 30 June 2019	**124,088**	**347**	**140,871**	**14,373**	**279,679**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DERIVATIVE FINANCIAL INSTRUMENTS

	30 Jun 2019 $'000	31 Dec 2018 $'000
Current		
Non-deliverable forward exchange contracts	(581)	(310)
Non-current		
Embedded derivatives within listed bonds	13,450	6,920
	12,869	**6,610**

The embedded derivatives at 30 June 2019 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 $15.01 million (asset) (December 2018: $8.55 million (asset)) while the Holdco Notes put option had a fair value of $1.56 million (liability) (December 2018: $1.63 million (liability)), net $13.45 million (asset) (December 2018: net $6.92 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, the Group had NDF liabilities carried at $0.58 million (liabilities) (December 2018: $0.31 million liabilities)).

15. BORROWINGS

	30 Jun 2019 $'000	31 Dec 2018 $'000
Current		
Bank borrowings	26,472	24,744
Bond borrowings	26,890	27,077
	53,362	**51,821**
Non-current		
Bank borrowings	43,750	55,631
Bond borrowings	790,547	788,718
	834,297	**844,349**
Total third party borrowings	**887,659**	**896,170**
Related party loans (note 19)	682,064	693,113
All borrowings	**1,569,723**	**1,589,283**

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 2018: 2021).

As at 30 June 2019, principal repayments totalling ₦2.0 billion ($5.5m) were made against the NGN Credit Facility, decreasing the facility value and outstanding principal amount to ₦25.0 billion. The facility was fully drawn at 30 June 2019 and 31 December 2018.

NOTES TO THE 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.

As a Group we continuously review our funding and maturity profile. As part of this review, we are exploring opportunities in the US$ global bond markets so that we are well positioned to avail ourselves of any refinancing opportunities for our 2021 Notes in the medium term.

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 was fully repaid at maturity on 15 July 2019; see note 21 for events after the reporting period.

Related party loans

As at 30 June 2019, the Group had loans with principal value of $826.4 million (31 December 2018: $866.3 million) from IHS Holding Limited.

Contractual maturities

As at 30 June 2019, 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	70,222	88,976	34,454	54,522	-	-
Bond borrowings	817,437	997,279	89,612	907,667	-	-
Related party loans	682,064	868,121	-	167,784	664,388	35,949
	1,569,723	**1,954,376**	**124,066**	**1,129,973**	**664,388**	**35,949**

16. LEASE LIABILITIES

	30 Jun 2019 $'000	31 Dec 2018 $'000
Current	5,690	-
Non-current	21,224	-
Total lease liabilities	**26,914**	**-**

Lease liabilities represent the net present value of future payments due under long term land leases for leasehold land on which our towers are located and for other leasehold assets such as warehouses and offices. During the period, payments to the value of $12.2m (2018: nil) were made in respect of recognised lease liabilities. These lease liabilities are unwound using discount rates which represent the credit risk of the lessee entity and the length of the lease agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

	31 Jun 2019	31 Dec 2018
	$'000	$'000
Current	3,253	3,334
Non-current	1,448	1,222
Total decommissioning provision	**4,701**	**4,556**

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.

18. CASH GENERATED FROM OPERATIONS

Reconciliation:	**3 month period ended**		**6 month period ended**	
	30 Jun 2019	30 Jun 2018	**30 Jun 2019**	30 Jun 2018
	$'000	$'000	**$'000**	$'000
(Loss)/profit before taxation	(8,398)	(39,819)	15,734	(73,688)
Adjusted for:				
Depreciation of property, plant and equipment	21,540	18,718	40,023	36,060
Impairment of property, plant and equipment	393	441	393	1,646
Amortisation of intangible assets	2,516	2,582	5,033	5,172
Impairment of prepaid land rent	-	16	-	35
Amortisation of prepaid land rent	144	2,252	213	4,444
Loss on sale of property, plant and equipment	313	112	315	206
Impairment of receivables	1,248	1,247	2,490	2,746
Impairment of inventory	-	292	-	292
Impairment of withholding tax assets	24,397	13,030	28,789	16,746
Finance costs	38,858	44,164	80,923	82,093
Fair value (gain)/loss through profit or loss	(3,221)	22,182	(6,531)	46,750
Finance income	(1,659)	(5,779)	(19,472)	(7,265)
Gain on sale of property, plant and equipment	-	(349)	(221)	(358)
Insurance claims income	(853)	(49)	(857)	(73)
Operating profit before working capital changes	**75,278**	**59,040**	**146,832**	**114,806**
(Increase)/decrease in inventories	(12,541)	1,777	(17,360)	1,336
(Increase)/decrease in trade and other receivables (excluding prepaid rent)	(40,678)	8,200	(53,242)	(47,228)
Increase in trade and other payables	4,884	23,048	4,913	29,576
Increase in net amounts due from related parties	(46,883)	(14,522)	(55,254)	(25,382)
Increase in net amounts due to related parties	55,463	16,710	68,013	26,581
Net working capital changes	**(39,755)**	**35,213**	**(52,930)**	**(15,117)**
Cash generated from operations	**35,523**	**94,253**	**93,902**	**99,689**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. RELATED PARTY TRANSACTIONS

	30 Jun 2019	31 Dec 2018
Current	**$'000**	$'000
Amounts due from:		
IHS Holding Limited	237	3,432
IHS Netherlands (Interco) Coöperatief U.A.	331	331
	568	**3,763**
Amounts due to:		
IHS Holding Limited	2,418	1,289
INT Towers Limited *	13,342	5,604
IHS Netherlands (Interco) Coöperatief U.A.	49	49
	15,809	**6,942**
Non-current		
Amounts due to:		
IHS Holding Limited	**682,064**	**693,113**

* 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.

20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group had contractual, non-cancellable capital commitments of $14.5m for full turnkey site build and upgrade of existing sites as at 30 June 2019.

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

The outstanding principal amount of the $250 million 8.375% Guaranteed Senior Notes due 2019 issued by IHS Towers Netherlands FinCo NG B.V was fully redeemed upon maturity, on 15 July 2019, and are no longer outstanding.

There were no other disclosable events after the reporting period.

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.

Consolidated Leverage: Aggregate outstanding indebtedness on a consolidated basis (excluding subordinated shareholder debt), calculated with operating leases treated in accordance with IFRS effective at the time of issuance of the 2021 Senior Notes.

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

Consolidated Leverage Ratio: Ration of Consolidated Leverage to L2QA EBITDA, calculated with operating leases treated in accordance with IFRS effective at the of issuance of the 2021 Senior Notes.

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:

	As reported 30 Jun 2019 $'000	As reported 31 Mar 2019 $'000	Excluding IFRS 16 30 Jun 2019 $'000	Excluding IFRS 16 31 Mar 2019 $'000	As reported 31 Dec 2018 $'000	As reported 30 Sep 2018 $'000
Statement of profit or loss						
Revenue	**106,516**	**104,105**	106,516	104,105	**120,846**	**96,553**
Cost of sales	(53,957)	(50,785)	(54,447)	(51,262)	(63,091)	(65,085)
Gross profit	**52,559**	**53,320**	**52,069**	52,843	**57,755**	**31,468**
Administrative expenses	(31,428)	(12,313)	(31,428)	(12,313)	(25,224)	(15,031)
Other income	4,449	4,067	4,449	4,067	4,234	3,399
Operating profit	**25,580**	**45,074**	**25,090**	44,597	**36,765**	**19,836**
Finance income	1,659	17,813	1,659	17,813	5,813	2,178
Finance cost	(38,858)	(42,065)	(37,898)	(41,023)	(44,545)	(47,200)
Changes in fair value though profit or loss	3,221	3,310	3,221	3,310	2,360	12,283
(Loss)/profit before taxation	**(8,398)**	**24,132**	**(7,928)**	24,697	**393**	**(12,903)**
Taxation	14,058	(5,849)	14,058	(5,849)	(24,809)	(1,194)
Profit/(loss) for the period	**5,660**	**18,283**	**6,130**	18,848	**(24,416)**	**(14,097)**
EBITDA reconciliation:						
Profit/(loss) for the period	**5,660**	**18,283**	**6,130**	**18,848**	**(24,416)**	**(14,097)**
Add back:						
Tax charge	(14,058)	5,849	(14,058)	5,849	24,809	1,194
Changes in fair value though profit or loss	(3,221)	(3,310)	(3,221)	(3,310)	(2,360)	(12,283)
Finance cost	38,858	42,065	37,899	41,023	44,545	47,200
Finance income	(1,659)	(17,813)	(1,659)	(17,813)	(5,813)	(2,178)
Depreciation and amortisation	24,055	21,000	22,128	19,101	17,522	31,505
Impairment of property, plant and equipment and prepaid land rent	393	-	393	-	921	1,033
Net (profit)/loss on disposal of property, plant and equipment	313	(219)	313	(219)	369	(7)
Impairment/(reversal of impairment) of withholding tax receivable	24,397	4,392	24,397	4,392	(12,519)	8,646
Other one-off items*	-	-	-	-	30,645	-
EBITDA	**74,738**	**70,247**	**72,322**	**67,871**	**73,703**	**61,013**
EBITDA margin	70.2%	67.5%	67.9%	65.2%	61.0%	63.2%
Capital expenditure in quarter:						
Purchase of property, plant and equipment	(213)	(233)			(637)	(510)
Construction of property, plant and equipment	(4,199)	(4,428)			(13,023)	(3,302)
Purchase of software and licences	-	(28)			(5)	(148)
Advance payments for property, plant and equipment	(28,018)	(3,261)			(18,027)	(22,213)
Total capital expenditure	**(32,430)**	**(7,950)**			**(31,692)**	**(26,173)**
Interest received	1,147	1,616			2,323	1,197
Interest paid	(41,011)	(3,847)			(41,337)	(5,101)
Fees on loans and financial derivatives	(160)	(208)			(227)	(316)
Net interest paid in quarter	**(40,024)**	**(2,439)**			**(39,241)**	**(4,220)**

*One-off items for the three months ended 31 December 2018 includes an increase in the impairment provision for overdue trade accounts receivables treated as exceptional given its size and incidence.