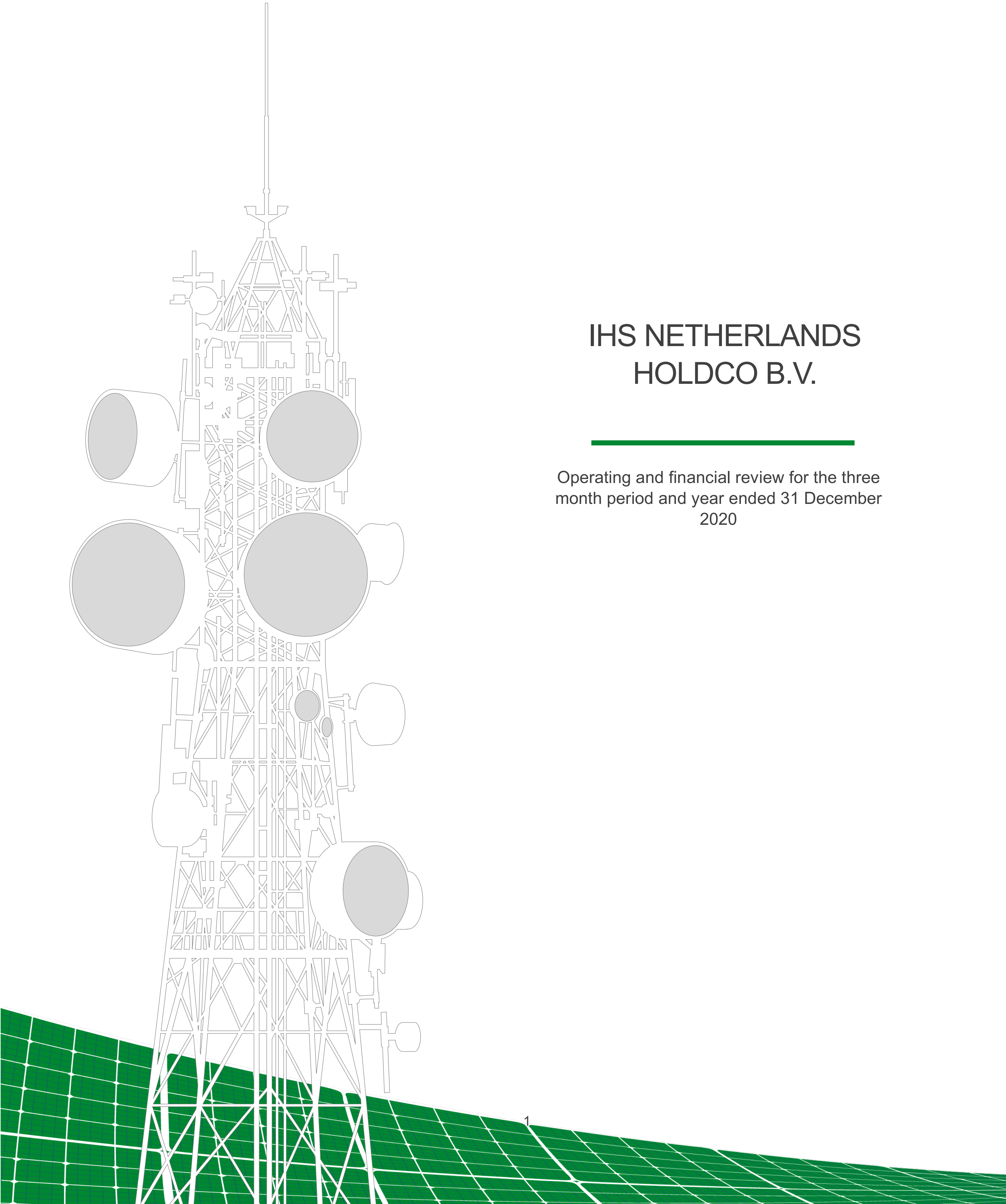
IHS NETHERLANDS HOLDCO B.V.

Operating and financial review for the three month period and year ended 31 December 2020



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 $510 million 7.125% Senior Notes due 2025 (the “2025 Notes”) and the $940 million 8.0% Senior Notes due 2027 (the “2027 Notes”), together “the Notes”, each issued in US Dollars, and listed on The International Stock Exchange (TISE). Each of the Company’s subsidiaries, other than Tower Infrastructure Company Limited, which is an immaterial subsidiary, is a Guarantor of those notes. The Company and its subsidiaries are hereinafter referred to as the “Group” or “Restricted Group”.

On 18 September 2019, the Company issued $1.3 billion in aggregate principal amount across its 2027 Notes and 2025 Notes, split as $800 million in aggregate principal amount in respect of its 2027 Notes and $500 million in aggregate principal amount in respect of its 2025 Notes. On 31 July 2020, the Company issued an additional $150 million in aggregate principal amount across its 2027 Notes and 2025 Notes, split as $140 million in aggregate principal amount in respect of its 2027 Notes and $10 million in aggregate principal amount in respect of its 2025 Notes.

Basis of preparation

On 18 September 2019 IHS Netherlands (Interco) Coöperatief U.A. (the immediate parent of the Company) transferred the shares it held (representing 100% ownership) in Nigeria Tower Interco B.V. (“Tower Interco”) to IHS Netherlands Holdco B.V., thereby bringing INT Towers Limited (“INT”), a fully owned subsidiary of Tower Interco, into the Group.

Since the Group as currently constituted was not fully formed until 18 September 2019, financial information on a statutory basis for the comparative year from 18 September to 31 December 2019 will have limited use for bondholders. Consequently, this operating and financial review has been prepared on a pro forma combined basis, aggregating the results of operations and financial position of the group existing previously with those of the two subsidiaries (Tower Interco and INT), acquired in September 2019 as part of a group restructuring, as if they had been part of the Group from 1 January 2018.

Overview

All financial information provided in this ‘Operating and Financial Review’ represents the combined 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 MNOs. As of 31 December 2020, the Group owned 16,537 towers, with a colocation rate of 1.50x, based on 24,834 tenants.

Results of operations

The table below shows our combined results of operations for the 3 month periods ended and the years ended 31 December 2020 and 2019.

	3 month period ended		Year ended	
	31 Dec 2020 $'000	31 Dec 2019 $'000	**31 Dec 2020 $'000**	31 Dec 2019 $'000
Revenue	**272,866**	**241,780**	**1,037,632**	**925,704**
Cost of sales	(141,511)	(195,030)	(587,609)	(601,207)
Gross profit	**131,355**	**46,750**	**450,023**	**324,497**
Administrative expenses	(31,084)	(42,466)	(96,867)	(124,595)
Other income	4,582	351	9,141	4,637
Operating profit	**104,853**	**4,635**	**362,297**	**204,539**
Net finance cost	(186,960)	(77,777)	(493,956)	(253,444)
Changes in fair value through profit or loss	142,903	20,011	110,486	17,248
Profit/(loss) before taxation	**60,796**	**(53,131)**	**(21,173)**	**(31,657)**
Taxation (expense)/benefit	(43,972)	(1,626)	(145,650)	14,444
Profit/(loss) for the period	**16,824**	**(54,757)**	**(166,823)**	**(17,213)**
Alternative measures				
Adjusted EBITDA	182,361	127,905	707,506	561,771
Adjusted EBITDA margin	66.8%	52.9%	68.2%	60.7%

Towers and tenants

The net increase in towers of 38 for the year ended 31 December 2020 resulted in total towers of 16,537 at 31 December 2020. The net increase in towers for the three month period ended 31 December 2020 was 38.

We added 638 and 122 net new tenants in the year and three month period ended 31 December 2020 respectively, resulting in total tenants of 24,834 and a Colocation Rate of 1.50x at 31 December 2020. In the year and three month period ended 31 December 2020, we added 3,974 and 985 lease amendments respectively, resulting in total lease amendments of 17,348 at 31 December 2020.

Revenue

Our revenue was $272.9 million for the three month period ended 31 December 2020 compared to $241.8 million for the three month period ended 31 December 2019, a year-on year increase of $31.1 million, or 12.9%.

Year-on-year revenue for the three month period ended 31 December 2020 increased organically by $50.9 million, or 21.0%, driven by an increase in tenants and from increases through contractual CPI escalations and foreign exchange reset mechanisms, and includes the impact of the reduced recognition of revenue for defaulting customers (which is contingent upon receipt of funds from defaulting customers) of $17.7 million, and reduced revenue from managed services of $3.9 million. Aggregate increases of $50.9 million in organic revenue are partially offset by the impact of movements in the Naira to US dollar foreign exchange rate of $19.8 million.

Our revenue was $1,037.6 million for the year ended 31 December 2020 compared to $925.7 million for the year ended 31 December 2019, a year-on-year increase of $111.9 million, or 12.1%.

Year-on-year revenue for the year ended 31 December 2020 increased organically by $170.5 million, or 18.4%, driven by an increase in tenants and from increases through contractual CPI escalations and foreign exchange reset mechanisms, and includes the impact of the reduced recognition of revenue for defaulting customers (which is contingent upon receipt of funds from defaulting customers) of $68.3 million, and reduced revenue from managed services of $13.0 million. Aggregate increases of $170.5 million in organic revenue are partially offset by the impact of movements in the Naira to US dollar foreign exchange rate of $58.6 million.

Cost of Sales

Our cost of sales was $141.5 million and $587.6 million for the three month period and year ended 31 December 2020, respectively, compared to $195.0 million and $601.2 million for the three month period and year ended 31 December 2019, respectively.

The table below shows our cost of sales for the three month periods and the years ended 31 December 2020 and 2019:

	3 month period ended		**Year ended**	
	31 Dec 2020 $'000	31 Dec 2019 $'000	**31 Dec 2020 $'000**	31 Dec 2019 $'000
Tower repairs and maintenance	10,362	14,201	52,319	49,774
Power generation	41,088	45,317	152,927	180,094
Regulatory permits	4,402	(194)	14,332	6,653
Site rent	(311)	346	966	2,001
Security services	6,485	5,830	22,233	22,506
Staff costs	4,659	3,399	15,458	14,060
Depreciation and amortisation	60,270	107,192	290,284	289,325
Impairment of property, plant and equipment	10,595	10,651	20,994	19,805
Impairment of prepaid land rent	146	-	349	39
Other expenses	3,815	8,288	17,747	16,950
	141,511	**195,030**	**587,609**	**601,207**

Cost of sales decreased by $53.5 million, or 27.4%, for the three month period ended 31 December 2020 compared to the three month period ended 31 December 2019, where significant decreases in depreciation and amortisation, tower repairs and maintenance, power generation costs and other cost of sales were partially offset by cost increases in security services, site regulatory permits, and staff costs.

Depreciation and amortisation decreased by $46.9 million for the three month period ended 31 December 2020, primarily as a result of higher depreciation in the three month period ended 31 December 2019 in our Nigeria segment resulting from the recognition of accelerated depreciation on capitalised advance payments.

Power generation decreased by $4.2 million in the three month period ended 31 December 2020 compared to the three month period ended 31 December 2019, despite increased activity from additional tenancies and lease amendments. This was primarily due to reductions in the cost of diesel, where reduced prices more than offset increases in overall consumption from increased activity.

Tower repairs and maintenance costs and other cost of sales decreased by $3.8 million and $4.5 million respectively in the three month period ended 31 December 2020, compared to the three month period ended 31 December 2019, primarily due to an aggregate decrease in routine and non-routine maintenance and repairs costs of $9.9 million.

Year-on-year decreases in cost of sales for the three month period ended 31 December 2020 were partially offset by a $0.7 million increase for security services, a $4.6m increase in the cost of regulatory permits (primarily because the permit cost expense for the three month period ended 31 December 2019 included a reversal of a portion of permit cost provision no longer needed), and a $1.3 million increase in staff costs.

The decrease in cost of sales of $13.6 million, or 2.3%, in the year ended 31 December 2020 compared to the year ended 31 December 2019 is primarily due to decreased costs related to power generation costs, which has been partially offset by increases to site regulatory permits costs, tower repairs and maintenance costs, staff costs and impairment of property, plant and equipment.

Power generation decreased by $27.2 million in the year ended 31 December 2020 compared to the year ended 31 December 2019, despite increased activity from additional tenancies and lease amendments. This was primarily due to reductions in the cost of diesel, where reduced prices more than offset increases in overall consumption from increased activity.

Site regulatory permits costs increased by $7.7 million during the year ended 31 December 2020 compared to the year ended 31 December 2019. This is primarily because the permit costs expense for the year ended 31 December 2019 included a reversal of a portion of permit cost provision no longer needed.

Cost of Sales (continued)

Depreciation and amortisation increased by $1.0 million during the year ended 31 December 2020 compared to the year ended 31 December 2019. Depreciation and amortisation in the year ended 31 December 2020 was increased by catch-up depreciation of batteries, the useful lives of which was re-assessed with effect from 1 January 2020 and any impact on the carrying value was applied prospectively, as a change in estimate, from that date. This increase is commensurate to the increase in depreciation in the year ended 31 December 2019 resulting from the recognition of accelerated depreciation on capitalised advance payments, and thus the net year-on-year impact is a net increase of $1.0 million.

Other year-on-year cost of sales increases in the year ended 31 December 2020 consisted of an increase in the impairment of property, plant and equipment of $1.2 million, a $2.5 million increase in tower repairs and maintenance, a $1.4 million increase in staff costs, and an increase of $0.8 million in other cost of sales.

Administrative Expenses

Our administrative expenses were $31.1 million and $96.9 million for the three month period and year ended 31 December 2020, respectively, compared to $42.5 million and $124.6 million for the three month period and year ended 31 December 2019, respectively.

The table below shows our administrative expenses for the three month periods and the years ended 31 December 2020 and 2019:

	3 month period ended		**Year ended**	
	31 Dec 2020 $'000	31 Dec 2019 $'000	**31 Dec 2020 $'000**	31 Dec 2019 $'000
Staff costs	7,264	5,278	26,152	21,478
Rent	213	474	800	2,131
Repairs and maintenance	(199)	1,693	1,443	3,720
Travel cost	1,484	1,094	2,903	3,063
Professional fees	201	800	2,253	3,567
Depreciation and amortisation	745	422	2,882	1,051
Impairment of withholding tax assets	6,128	4,920	31,532	44,586
Loss on disposal of property, plant and equipment	78	90	681	3,484
Other expenses	15,170	27,695	28,221	41,515
	31,084	**42,466**	**96,867**	**124,595**

Administrative expenses for the three month period ended 31 December 2020 decreased by $11.4 million, or 26.8%, which was primarily due to decreases in other administrative expenses and repairs and maintenance costs, partially offset by increases in staff costs and impairment of withholding tax assets.

Other administrative costs decreased by $12.5 million, to $15.2 million in the three month period ended 31 December 2020 compared to $27.7 million for the three month period 31 December 2019, mainly due to a $9.0 million one-off penalty for the termination of a supplier contract in the three month period 31 December 2019, a $5.7 million decrease in loss allowance on trade receivables, offset by an increase of $2.8 million in inventory impairment cost.

Staff costs increased by $2.0 million in the three month period ended 31 December 2020 due to a combination of increased headcount and increased holiday pay provisions.

Other decreases in administrative costs include decreases of $1.9 million, $0.6 million and $0.3 million in repairs and maintenance costs, professional fees and rent respectively, offset by increases of $1.2 million in impairment of withholding tax assets, $0.4 million in travel costs and $0.3 million in depreciation and amortisation.

Administrative expenses for the year ended 31 December 2020 decreased by $27.7 million, or 22.3%, compared to the year ended 31 December 2019, primarily due to decreases in other administrative expenses, impairment of withholding taxes and loss on disposal of property, plant and equipment, partially offset by increases in staff costs, and depreciation and amortisation.

Other administrative costs decreased by $13.3 million to $28.2 million in the year ended 31 December 2020 compared to $41.5 million for the year ended 31 December 2019, mainly due to a $9.0 million one-off penalty for the termination of a supplier contract in the three month period 31 December 2019, a $12.1 million decrease in loss allowance on trade receivables, offset by an increase of $2.8 million in inventory impairment cost and a $2.9 million increase in charitable contributions, mainly related to Covid-19.

Administrative Expenses (continued)

Impairment of withholding tax assets decreased by $13.1 million in the year ended 31 December 2020 compared to the year ended 31 December 2019, because a larger proportion of withholding tax is deemed recoverable against future tax liabilities.

Staff costs increased by $4.7 million in the year ended 31 December 2020 due to a combination of increased headcount and increased holiday pay provisions.

Other decreases in administrative costs include decreases of $2.8 million and $2.3 million in loss from disposal of property, plant and equipment, and repairs and maintenance costs respectively, offset by increases of $1.8 million in depreciation and amortisation.

Our year-on year decrease in loss allowance on trade receivables for the three month period and year ended 31 December 2020, was primarily attributable to a decrease in the impairment provision made for overdue trade accounts receivables compared to the same period in the prior year, as collection experience in the year ended 31 December 2019 from defaulting customers was then subsequently taken into account in assessing appropriate revenue recognition in the year ended 31 December 2020 such that amounts not expected to be recovered at the point of billing are considered to be variable consideration, contingent upon the likely receipt of funds from the defaulting customers.

Other Income

Other income was $4.6 million for the three month period ended 31 December 2020 compared to $0.4 million for the three month period ended 31 December 2019, and $9.1 million for the year ended 31 December 2020 compared to $4.6 million for the year ended 31 December 2019. The year-on-year increases of $4.2 million and $4.5 million for the respective periods mainly result from increases in insurance claim income which reflect year-on-year increases of $3.5 million and $2.8 million for the three month period and year ended 31 December 2020 respectively.

Net Finance Income/(Costs)

Our net finance costs were $44.1 million and $383.5 million for the three month period and year ended 31 December 2020, respectively, compared to $57.8 million and $236.2 million for the three month period and year ended 31 December 2019, respectively.

The table below shows our net finance costs for the three month periods and the years ended 31 December 2020 and 2019:

	3 month period ended		**Year ended**	
	31 Dec 2020 $'000	31 Dec 2019 $'000	**31 Dec 2020 $'000**	31 Dec 2019 $'000
Interest income - bank deposits	644	1,238	2,660	6,749
Interest expense	(57,629)	(60,775)	(228,901)	(215,129)
Costs paid on early settlement of bonds	-	-	-	(22,153)
Immediate amortisation of unamortised loan facility fees and bond costs	-	-	-	(10,481)
Interest on lease liabilities	(3,255)	(1,035)	(6,360)	(4,919)
Net foreign exchange gains/(losses) from non-deliverable forward exchange contracts	24,191	(982)	33,212	(1,541)
Net foreign exchange losses arising from financing	(150,537)	(15,354)	(292,144)	(3,927)
Fees on loans and financial derivatives	(374)	(869)	(2,423)	(2,043)
Net interest, fees and foreign exchange	**(186,960)**	**(77,777)**	**(493,956)**	**(253,444)**
Embedded derivatives in bond – change in fair value	143,072	20,011	110,655	17,248
Embedded derivatives in revenue contracts – change in fair value	(169)	-	(169)	-
Changes in fair value through profit or loss	**142,903**	**20,011**	**110,486**	**17,248**
Net finance costs	**(44,057)**	**(57,766)**	**(383,470)**	**(236,196)**

Net Finance Income/(Costs) (continued)

Net finance costs decreased by $13.7 million, or 23.7%, in the three month period ended 31 December 2020 compared to the three month period ended 31 December 2019 primarily due to the substantial increase of $122.9 million in fair valuation gains on embedded derivatives, an increase of $25.2 million on net foreign exchange gains from non-deliverable forward exchange contracts, partially offset by an increase of $135.2 million in net foreign exchange losses arising from financing.

Net finance costs increased by $147.3 million, or 62.4%, in the year ended 31 December 2020 compared to the year ended 31 December 2019 primarily due to the substantial increase of $288.2 million in net foreign exchange losses arising from financing and a decrease in interest income earned of $4.1 million, partially offset by an increase of $93.2 million in fair valuation gains on embedded derivatives and an increase in net foreign exchange gains on derivative instruments of $34.8 million.

The year-on-year increases of $122.9 million and $93.2 million in fair valuation gains on embedded derivatives for the three month period and year ended 31 December 2020 respectively, mainly result from the valuation of the embedded call options within the 2025 Notes and 2027 Notes which increased in value in the respective periods as a result of the increased market value of the Notes.

The year on year increases of $135.2 million and $288.2 million in net foreign exchange loss arising from financing for the three month period and year ended 31 December 2020 respectively, and which are mainly unrealised, result from changes in the Naira exchange rate against the U.S. dollar. These arise on commercial bank and related party loans denominated in U.S. dollars at the subsidiary level as a result of loan revaluations in local functional currency at period ends.

Interest income earned decreased year-on-year by $0.6 million and by $4.0 million for the three month period and year ended 31 December 2020 respectively, owing to lower deposit levels and lower interest rates on deposits than in the three month period and year ended 31 December 2019.

Third party loan interest expense decreased by $3.2 million, from $60.8 million in the three month period ended 31 December 2019 to $57.6 million for the three month period ended 31 December 2020, largely reflecting the impact of lower year-on-year LIBOR and NIBOR interest rates applicable to the senior facilities in the Group for the period.

There was also a $13.8 million increase in third party loan interest expense from $215.1 million in the year ended 31 December 2019 to $228.9 million for the year ended 31 December 2020, largely reflecting the impact of increased borrowings, partially offset by lower year-on-year LIBOR and NIBOR interest rates applicable to the senior facilities in the Group, which mainly impacted the interest expense in the second half of the year ended 31 December 2020.

The increase in net foreign exchange gains on derivative instruments for the three month period and year ended 31 December 2020 (which are mainly unrealised), result from the movements in exchange rates between the Nigerian Naira and the U.S. dollar which impact the value of foreign exchange derivative instruments which are contracted at fixed rates.

Income Tax Expense/(Benefit)

Our income tax expense was $44.0 million and $145.7 million for the three month period and year ended 31 December 2020, respectively, compared to an income tax expense of $1.6 million and an income tax benefit of $14.4 million for the three month period and year ended 31 December 2019, respectively.

The table below shows our income tax (expense)/benefit for the three month periods and the years ended 31 December 2020 and 2019:

	3 month period ended		**Year ended**	
	31 Dec 2020 $'000	31 Dec 2019 $'000	**31 Dec 2020 $'000**	31 Dec 2019 $'000
Company income tax	(23,534)	(1,621)	(69,986)	13,612
Education tax	(2,820)	(5)	(12,561)	840
Capital gains tax	-	-	8	(8)
Deferred income taxes	(17,618)	-	(63,111)	-
Total tax expense/(benefit)	**(43,972)**	**(1,626)**	**(145,650)**	**14,444**

Income Tax Expense/(Benefit) (continued)

The increase in the tax charge in the three month period and year ended 31 December 2020 is primarily due to circumstances related to Nigerian tax regulations affecting both current taxes and deferred taxes recognised as follows:

- The tax expense in the year ended 31 December 2020 includes an underprovision for the year ended 31 December 2019 of $14.7 million (there was no impact of the prior year underprovision in the tax expense for the three month period ended 31 December 2020).

  The underprovision represents the retrospective impact of the application of amendments in the Nigeria Finance Act of 2019 (the "FA2019"), signed into law on 13 January 2020, which limit the deductibility of interest expense and realised foreign exchange losses for companies in Nigeria to a proportion of earnings before interest, taxes, depreciation and amortisation of the Nigerian company in that accounting period (as defined by the FA2019). This resulted in the disallowance of a significant portion of such costs incurred in Nigeria in 2019 which were previously expected to be deductible against 2019 taxable income, and which have now been carried forward to be applied against taxable income in future periods, subject to the same limitations and within a five year period.

- As a result of the limitations on the deductibility of losses related to realised foreign exchange losses and interest expense, introduced by the FA2019, the current taxes on income (including the underprovision described above) increased to $26.4 million and $82.5 million for the three month period and year ended 31 December 2020, the majority of which will not result in cash outflows as withholding tax is applied in settlement thereof.

- Also, as a result of the limitations on the deductibility of losses related to realised foreign exchange losses and interest expense, introduced by the FA2019, the value of deferred tax assets deemed to be recoverable no longer exceed the value of deferred tax liabilities, resulting in deferred tax charges of $17.6 million and $63.1 million being included in the deferred tax expense for the three month period and year ended 31 December 2020.

Adjusted EBITDA

Adjusted EBITDA for the three month period ended 31 December 2020 increased by 42.6% year-on-year, to $182.4 million, from $127.9 million in the three month period ended 31 December 2019, with the Adjusted EBITDA margin increasing by 13.9pts to 66.8% from 52.9%, in the same period.

Adjusted EBITDA for the year ended 31 December 2020 increased by 25.9% year-on-year, to $707.5 million, from $561.8 million in the year ended 31 December 2019, with the Adjusted EBITDA margin increasing by 7.5pts to 68.2% from 60.7%, in the same period.

The increase in Adjusted EBITDA in both periods is primarily as a result of increased operating profits as discussed above. The year-on-year increase in Adjusted EBITDA for the three month period ended 31 December 2020, is lower than the year-on-year increase in operating profits for the same period amounts by $45.8 million, and results from decreases in the period of non-cash depreciation and impairment expenses which do not impact Adjusted EBITDA.

Capital Expenditure:

The table below shows our capital expenditure for the three month periods and the years ended 31 December 2020 and 2019:

	3 month period ended		**Year ended**	
	31 Dec 2020 $'000	31 Dec 2019 $'000	**31 Dec 2020 $'000**	31 Dec 2019 $'000
Purchase of property, plant and equipment	(624)	(5,556)	(3,127)	(9,100)
Construction of property, plant and equipment	(659)	(22,038)	(31,432)	(64,114)
Purchase of software and licences	(26)	(689)	(144)	(783)
Advance payments for property, plant and equipment	(41,221)	(73,432)	(127,620)	(132,688)
Total capital expenditure	**(42,530)**	**(101,715)**	**(162,323)**	**(206,685)**

Capital expenditure was $42.5 million for the three month period ended 31 December 2020 compared to $101.7 million for the three month period ended 31 December 2019, a decrease of $59.2 million, and $162.3 million for the year ended 31 December 2020 compared to $206.7 million for the year ended 31 December 2019, a decrease of $44.4 million.

The decrease in both periods is primarily due to a decrease in maintenance capital expenditure which decreased by $50.4 million year-on-year for the three month period ended 31 December 2020 and which decreased by $52.7 million year-on-year for the year ended 31 December 2020.

Results for the Last Four Quarters:

Statement of profit or loss	**31 Dec 2020 $'000**	**30 Sep 2020 $'000**	**30 Jun 2020 $'000**	**31 Mar 2020 $'000**
Revenue	272,866	274,383	241,590	248,793
Cost of sales	(141,511)	(137,281)	(146,218)	(162,599)
Gross profit	**131,355**	**137,102**	**95,372**	**86,194**
Administrative expenses	(31,084)	(23,571)	(6,289)	(35,923)
Other income	4,582	47	4,220	292
Operating profit	**104,853**	**113,578**	**93,303**	**50,563**
Net finance cost	(186,960)	(74,818)	(27,592)	(204,586)
Changes in fair value though profit or loss	142,903	(7,064)	17,251	(42,604)
Profit/(loss) before taxation	**60,796**	**31,696**	**82,962**	**(196,627)**
Taxation	(43,972)	(21,802)	(76,060)	(3,816)
Profit/(loss) for the period	**16,824**	**9,894**	**6,902**	**(200,443)**
Adjusted EBITDA reconciliation:				
Profit/(loss) for the period	**16,824**	**9,894**	**6,902**	**(200,443)**
Add back:				
Tax charge	43,972	21,802	76,060	3,816
Changes in fair value though profit or loss	(142,903)	7,064	(17,251)	42,604
Net finance cost	186,960	74,818	27,592	204,586
Depreciation and amortisation	61,015	67,868	74,724	89,559
Impairment of property, plant and equipment and prepaid land rent	10,741	3,097	5,637	1,868
Net (profit)/loss on disposal of property, plant and equipment	(376)	82	(397)	(141)
Impairment/(reversal of impairment) of withholding tax receivable	6,128	10,747	(7,887)	22,544
Adjusted EBITDA	**182,361**	**195,372**	**165,380**	**164,393**
Adjusted EBITDA margin	66.8%	71.2%	68.5%	66.1%
Capital expenditure in quarter:				
Purchase of property, plant and equipment	(624)	(1,243)	(399)	(861)
Construction of property, plant and equipment	(659)	(10,603)	(9,045)	(11,125)
Purchase of software and licences	(26)	(10)	-	(108)
Advance payments for property, plant and equipment	(41,221)	(29,503)	(23,696)	(33,200)
Total capital expenditure	**(42,530)**	**(41,359)**	**(33,140)**	**(45,294)**

NON-IFRS MEASURES AND GLOSSARY

Adjusted EBITDA, Adjusted EBITDA margin and other non-IFRS financial measures are used by Group management to monitor the underlying performance of the business and the operations. Adjusted EBITDA, Adjusted 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 Adjusted EBITDA, Adjusted EBITDA margin and other non-IFRS financial measures as reported by us to Adjusted EBITDA, Adjusted EBITDA margin and other non-IFRS financial measures as reported by other companies. Adjusted EBITDA, Adjusted 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.

Adjusted EBITDA: Profit or loss for the period excluding the impact of finance income, finance cost, fair value through profit or loss, depreciation and amortization, impairments of fixed assets and land rent, profit or loss on disposal of assets, impairment of withholding taxes, share-based payment expense, and provision for or benefit from income taxes, less other income plus other expenditures that management considers sufficiently large and unusual as to distort comparisons from one period to the next. Adjusted EBITDA is a component of the calculation that has been used by our lenders to determine compliance with certain covenants under our debt facilities. Adjusted EBITDA is not intended to be an alternative measure of operating income or gross profit margin as determined in accordance with IFRS.

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

Capital expenditure (“Capex”): the additions of property, plant and equipment (including advance payments for such additions) and the purchase of software, as presented in the statement of cash flows.

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.

Consolidated Net Leverage: Aggregate outstanding net indebtedness on a consolidated basis (excluding subordinated shareholder debt).

Consolidated Net Leverage Ratio: Ratio of consolidated net leverage to consolidated EBITDA for the most recently ended four consecutive fiscal quarters.

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

Lease Amendments: Refers to the installation of additional equipment on a site or the provision of certain ancillary services for an existing Tenant, for which we charge our customers a recurring lease fee.

Gross Debt: Borrowings as stated on the statement of financial position plus lease liabilities as stated on the statement of financial position.

LTM Adjusted EBITDA: Adjusted EBITDA for the last twelve months

Net Debt: Gross debt less cash and cash equivalents at a stated statement of financial position date.

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

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 any towers for which we provide managed services.