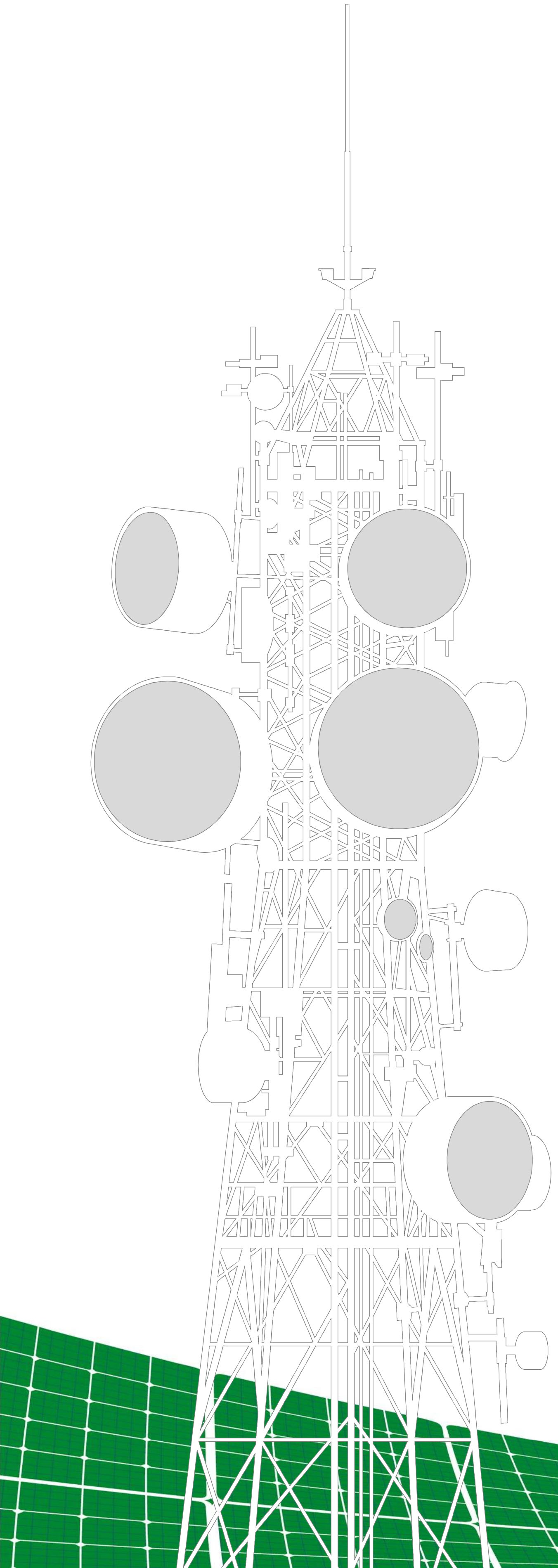
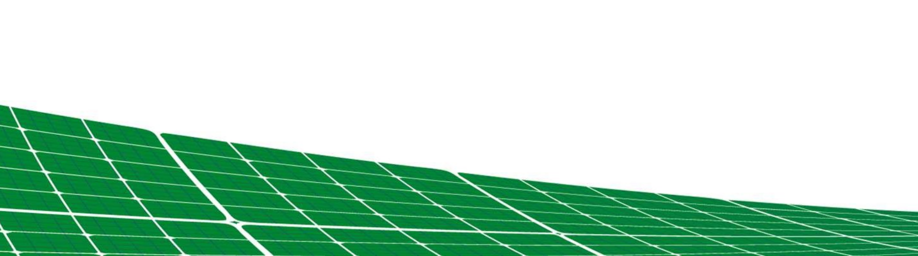
# IHS NETHERLANDS HOLDCO B.V.



Unaudited Interim Consolidated Financial Statements for the 3 month and 6 month periods ended 30 June 2018



## Directors

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## Registered office

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# 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 2018, the Group owned 6,107 towers, with a colocation rate of 1.54x, based on 9,408 tenants.

**Highlights for the quarter and year to date**

- Q2 and H1 revenue decrease year-on-year of 7.7% and 12.1% respectively.
- Q2 and H1 organic revenue increase year-on-year of 9.1% and 3.9% respectively.
- Q2 and H1 EBITDA decrease year-on-year of 12.2% and 15.4% respectively.
- Added 397 lease amendments and 186 tenants in the quarter.

| | **3 month period ended 30 June** | | | **6 month period ended 30 June** | | |
|---|---|---|---|---|---|---|
| | **2018 $'000** | 2017 $'000 | Change % | **2018 $'000** | 2017 $'000 | Change % |
| **Revenue** | **89,785** | 97,273 | (7.7)% | **175,078** | 199,129 | (12.1)% |
| **Operating profit** | **20,748** | 11,355 | 82.7% | **47,890** | 53,572 | (10.6)% |
| **(Loss)/profit for the period** | **(41,029)** | (425) | n.a. | **(76,023)** | 3,562 | n.a. |
| *Alternative measures** | | | | | | |
| **EBITDA** | **55,298** | 62,994 | (12.2)% | **107,397** | 126,894 | (15.4)% |
| **EBITDA margin** | **61.6%** | 64.8% | (3.2)pts | **61.3%** | 63.7% | (2.4)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 Q2 2018 the net increase in number of towers was 139, resulting in a total of 6,107 live owned towers at the end of the period; included in this quarterly net increase is the addition of 145 BTS sites. Tenants increased by 186 in the quarter, resulting in a Colocation Rate of 1.54x at 30 June 2018. We also added 397 lease amendments during the quarter.

*Revenue*

Revenue decreased by 12.1% to $175.1m in the 6 month period ended 30 June 2018 compared to $199.1m in the 6 month period ended 30 June 2017 and by 7.7% to $89.8m in the 3 month period ended 30 June 2018 compared to $97.3m in the 3 month period ended 30 June 2017. The 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 H1 2018 at an average rate of ₦360.6/USD1 (Q2 2018: ₦360.8/USD1) compared to a rate of ₦305.2/USD1 in H2 2017 (Q2 2017: ₦305.3/USD1); this accounted for a 15.9% year-on-year decrease in revenue expressed in US dollars. Underlying Naira revenue increased by 9.1% to ₦32.40 billion in Q2 2018 compared to ₦29.70 billion in Q2 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 25.3% to $102.8m in the 6 month period ended 30 June 2018 from $137.5m in the prior year comparative period. The decrease was primarily due to decreased impairment of property, plant and equipment and prepaid land rent, lower depreciation and amortisation and lower costs for site rental, staff and regulatory permits. The decrease in the impairment of property, plant and equipment and site rental is due to the fact that a larger number of sites were identified for decommissioning in 2017.

Cost of sales decreased by 36.9% to $52.4m in Q2 2018 from $83.0m in Q2 2017. The decrease is primarily driven by the same expense line items as noted above for the 6 month period ended 30 June 2018, with the cost of regulatory permits having a greater impact, having decreased by $1.3m in Q2 2018 as compared to Q2 2017. This is due to a re-assessment of the estimated cost of permit renewal per site.

Power costs for Q2 2018 increased by 9.2% to $16.0m compared to $14.6m in Q2 2017. Underlying Naira diesel costs increased by 17.8% year on year but when translated to US Dollar equivalent, diesel price per litre decreased by 0.4% year on year, reflecting the translation of Naira costs at the NAFEX rate in 2018. A 2.9% rise in diesel litres consumed chiefly reflected increased power usage from increased towers and newly integrated tenants.

Depreciation and 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.

Administrative expenses increased significantly year on year, to $30.8m in H1 2018 from $15.0m in the same period in 2017 and from $7.1m in Q2 2017 to $19.9m in Q2 2018. The largest increase in administrative expenses is the impairment of withholding tax assets of $16.7m in H1 2018 ($13.0m in Q2 2018) compared to no impairment for the comparative periods in 2017. Withholding tax was initially impaired in Q3 2017 following an assessment of the recoverability of the balance through its application against corporation tax liabilities in future periods.

The increase in costs from impairment of withholding tax assets was marginally offset by a year-on-year decrease in repairs and maintenance costs of $0.6m in H1 2018 and $0.3m in Q2 2018. Although underlying Naira values of staff costs have increased year-on-year, US dollar consolidated staff costs have remained stable year-on-year due to the adoption of the NAFEX rate from the beginning of 2018.

*Operating profit*

Despite increased gross profits, driven mainly by lower cost of sales, operating profit in H1 2018 was $47.9m compared to an operating profit of $53.6m in H1 2017, given the increased administrative expenses, as described above.

Operating profit of $20.7m in Q2 2018 was higher than the $11.4m in Q2 2017 due to decreased cost of sales driving increased gross profit, though this effect was partly offset by higher administrative expenses incurred as discussed above, and a decrease in other income of $0.9m.

*EBITDA*

Q2 2018 EBITDA decreased by 12.2% year-on-year, from $63m in Q2 2017 to $55.3m in Q2 2018, with the EBITDA margin decreasing by 3.2pts from 64.8% to 61.6%. Despite a year-on-year increase in operating profit in Q2 2018, a higher EBITDA was achieved in Q2 2017 after adjusting for the impairment of property, plant and equipment in that period. Underlying Naira EBITDA increased by 3.7% to ₦19.95 billion in Q2 2018 compared to ₦19.23 billion in Q2 2017.

EBITDA for the 6 months ended 30 June 2018 decreased by 15.4% year-on-year, from $126.9m to $107.4m, with the EBITDA margin decreasing by 2.4pts from 63.7% to 61.3%. This decrease results from the lower operating profit in H1 2018, as discussed above, and the reversal of the impairment of property, plant and equipment in H1 2017. 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 $74.8m in the 6 month period ended 30 June 2018 compared to $48m the same period in 2017 and increased to $38.4m in the 3 month period ended 30 June 2018 as compared to $9.8m in the same period in 2017. The year-on-year increases in H1 2018 and Q2 2018 are primarily due to the large net foreign exchange gains on non-deliverable forwards (NDFs) in 2017 that were not experienced in 2018. The year-on-year increases in net financing costs for H1 2018 and Q2 2018 were partially offset by decreased net foreign exchange losses from financing activities of $8.6m and $2.8m respectively and by increases in interest income earned on fixed deposits of $2.1m and $1.2m respectively.

The H1 2018 year-on-year increase of $0.9m in interest expense is largely from increased borrowings resulting from the drawdown of ₦6.4bn (approximately $21m) by IHSN under the NGN Credit Facility in February 2017. The interest rate on the NGN Credit Facility was 78 basis points higher in Q1 2018 than in Q1 2017 while the interest rate for Q2 2018 was 283 basis points lower than Q2 2017, owing to a 361 basis point decrease in the NIBOR rate on 6 April 2018.

The impact of the decreased NIBOR rates is reflected in the year-on-year Q2 decrease in interest expense of $1.1m.

# OPERATING AND FINANCIAL REVIEW (CONTINUED)

**Taxation**

The tax expense for H1 2018 was $2.3m compared to $1.5m in H1 2017 and is comprised of corporation tax and education tax in both periods, with a small amount of capital gains tax in H1 2018. IHSN and ITNG have assessed losses which offset most taxable income generated in the period. The income tax charge for the 6 months ended 30 June 2018 includes small income tax charges for IHS Netherlands Holdco B.V. and ITNG and education tax charges, at 2% of profits, for ITNG and IHSN. Corporation tax in Q2 2018 has also increased year-on-year, this is due to the release of a $0.6m prior year over provision-in Q2 2017 in IHSN,

Deferred tax liabilities related to property, plant and equipment and intangible assets have increased in H1 2018 and have been offset by the 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. Deferred tax liabilities in respect of the fair valuation of the derivatives embedded within the terms of the Holdco Notes have decreased and are now deferred tax assets following the change in the derivatives value. Such assets are recognised to the extent they do not exceed the sum of deferred tax liabilities; please refer to note 14.

**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 June 2018 of $8.3m and a decrease in cash and cash equivalents in the 6 months to 30 June 2018 of $12.0m. These movements include an increase in restricted cash of $1.4m and $39.7m respectively. Refer to note 19 for details regarding the movement in restricted cash. As at 30 June 2018 we had $113.1m (31 December 2017: $125.1m) of cash and cash equivalents of which $72.1m (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 14.8% year on year to $85.3m in H1 2018 compared to net cash inflows of $100.1m in H1 2017. The primary driver of this decrease is a year-on-year decrease in operating profits and EBITDA, coupled with a year-on-year increase in payments of long term rent of $8.9m. The cash outflows from movements in working capital were $13.4m lower in H1 2018 compared to H1 2017 which helped to offset some of the decrease.

Net cash inflows from operating activities decreased by 8.3% year on year to $85.4m in Q2 2018 compared to net cash inflows of $93.0m in Q2 2017. The primary driver is a year-on-year decrease in EBITDA, coupled with a year-on-year increase in payments of long term rent of $7.3m. The cash inflows from movements in working capital were $7.3m higher in Q2 2018 compared to Q2 2017 which offset some of the decrease.

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 increased from $23.5m in H1 2017 to $46.0m in H1 2018. Payments made for property, plant and equipment (including advance payments) were $24.4m higher in the period because of increased BTS activity. In H1 2018, $48.9m (including $35.7m of advance payments) were made towards BTS towers and power equipment upgrades. The higher capital expenditure was offset by a transfer of $1.3m of restricted cash from other receivables to cash and cash equivalents and an increase in interest received of $1.2m year-on-year. Refer to note 19 for details regarding the movement in restricted cash.

Net cash used in investing activities increased by $17.4m, to $31.8m in Q2 2018 as compared to $14.5m in Q2 2017. The increase is primarily driven by increased BTS activity; in Q2 2018, $32.8m (including $23.3m of advance payments) were made towards BTS towers and power equipment upgrades. The increased capital expenditure was partially offset by a year-on-year increase of $0.7m in interest received.

In H1 2018 we had a net outflow from financing activities of $52.2m (H1 2017: net outflow of $30.1m) and in Q2 2018 we had a net outflow from financing activities of $46.1m (Q2 2017: net outflow of $43.2m). The higher outflow in H1 2018 is primarily due to there being no cash inflow from loan drawdowns, as was the case in H1 2017 where there was approximately $21.0m drawn down under the NGN Credit Facility. H1 2018 and Q2 2018 also include a repayment of the Naira facility of $2.8m which further increases the cash outflow from financing activities in those periods. Repayments of margins on NDFs of $1.2m were also received during Q2 2018 but as these were received into restricted accounts, they are not reported as cash flows from financing activities but rather as a net movement in restricted cash. Refer to note 19 for details regarding the movement in restricted cash.

**Indebtedness**

At 30 June 2018, total outstanding loans and borrowings were $1.6bn (book value) (31 December 2017: $1.6bn), of which $668.7m (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 six month periods ended 30 June 2018

| | Note | 3 month period ended | | 6 month period ended | |
|---|---|---|---|---|---|
| | | **30 Jun 2018 $'000** | 30 Jun 2017 $'000 | **30 Jun 2018 $'000** | 30 Jun 2017 $'000 |
| **Revenue** | 3 | **89,785** | **97,273** | **175,078** | **199,129** |
| Cost of sales | 4 | (52,380) | (82,952) | (102,773) | (137,547) |
| **Gross profit** | | **37,405** | **14,321** | **72,305** | **61,582** |
| Administrative expenses | 5 | (19,869) | (7,084) | (30,837) | (15,035) |
| Other income | 6 | 3,212 | 4,118 | 6,422 | 7,025 |
| **Operating profit** | | **20,748** | **11,355** | **47,890** | **53,572** |
| Finance income | 7 | 5,779 | 42,469 | 7,265 | 46,301 |
| Finance costs | 8 | (44,164) | (52,204) | (82,093) | (94,253) |
| Changes in fair value through the profit or loss | 9 | (22,182) | (1,340) | (46,750) | (520) |
| **(Loss)/profit before taxation** | | **(39,819)** | **280** | **(73,688)** | **5,100** |
| Taxation | 10 | (1,210) | (705) | (2,335) | (1,538) |
| **(Loss)/profit for the period** | | **(41,029)** | **(425)** | **(76,023)** | **3,562** |
| | | | | | |
| **Other comprehensive income:** | | | | | |
| *Items that may be subsequently reclassified to profit or loss:* | | | | | |
| Changes in fair value of available-for-sale financial assets | | (1) | 4 | - | 5 |
| Exchange differences on translation | | 1,635 | (1,065) | 1,902 | 1,955 |
| **Other comprehensive income/(loss) for the period** | | **1,634** | **(1,061)** | **1,902** | **1,960** |
| | | | | | |
| **Total comprehensive (loss)/income for the period** | | **(39,395)** | **(1,486)** | **(74,121)** | **5,522** |

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### At 30 June 2018

| | Note | **At 30 Jun 2018 $'000** | At 31 Dec 2017 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 486,393 | 481,536 |
| Intangible assets | 13 | 289,166 | 295,208 |
| Investments | | 12 | 12 |
| Derivative financial instruments | 14 | - | 39,030 |
| Trade and other receivables | | 70,419 | 57,393 |
| | | **845,990** | **873,179** |
| **Current assets** | | | |
| Derivative financial instruments | 14 | 10 | 16,500 |
| Inventories | | 1,995 | 3,641 |
| Trade and other receivables | | 176,084 | 131,547 |
| Amounts due from related parties | 18 | 10,130 | 12,703 |
| Cash and cash equivalents | | 113,136 | 125,086 |
| | | **301,355** | **289,477** |
| **Total assets** | | **1,147,345** | **1,162,656** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 105,071 | 76,506 |
| Income tax payable | | 6,690 | 4,599 |
| Borrowings | 15 | 36,922 | 30,216 |
| Amounts due to related parties | 18 | 5,615 | 6,724 |
| Provisions for liabilities and other charges | 16 | 7,981 | 7,749 |
| | | **162,279** | **125,794** |
| **Non-current liabilities** | | | |
| Borrowings | 15 | 866,538 | 875,208 |
| Amounts due to related parties | 18 | 668,664 | 645,441 |
| Provisions for liabilities and other charges | 16 | 1,349 | 1,297 |
| Derivative financial instruments | 14 | 7,720 | - |
| | | **1,544,271** | **1,521,946** |
| **Total liabilities** | | **1,706,550** | **1,647,740** |
| **Net liabilities** | | **(559,205)** | **(485,084)** |
| **EQUITY** | | | |
| Share capital | | 10 | 10 |
| Accumulated losses | | (317,293) | (241,270) |
| Other reserves | | (241,922) | (243,824) |
| **Total Equity** | | **(559,205)** | **(485,084)** |

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 2018

| | | 3 month period ended | | 6 month period ended | |
|---|---|---|---|---|---|
| | Note | **30 Jun 2018 $'000** | 30 Jun 2017 $'000 | **30 Jun 2018 $'000** | 30 Jun 2017 $'000 |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 17 | 94,253 | 94,776 | 99,689 | 105,535 |
| Payment for long-term rent | | (8,815) | (1,560) | (14,119) | (5,239) |
| Income taxes paid | | (78) | (168) | (284) | (168) |
| **Net cash flows generated from operating activities** | | **85,360** | **93,048** | **85,286** | **100,128** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | | (275) | (717) | (395) | (1,154) |
| Construction of property, plant and equipment | | (9,200) | (4,146) | (12,803) | (9,940) |
| Payment in advance for property, plant and equipment | | (23,337) | (9,693) | (35,715) | (13,355) |
| Purchase of software and licences | | (96) | (132) | (197) | (136) |
| Proceeds from the sale of property, plant and equipment | | 350 | 49 | 362 | 351 |
| Insurance claims received | | 49 | 140 | 73 | 609 |
| Interest income received | | 716 | 47 | 1,338 | 152 |
| Restricted cash transferred (to)/from other receivables | 19 | (2) | - | 1,290 | - |
| **Net cash used in investing activities** | | **(31,795)** | **(14,452)** | **(46,047)** | **(23,473)** |
| **Cash flows from financing activities** | | | | | |
| Bank loans and bonds received | | - | - | - | 20,997 |
| Transaction costs on new bank loans and bonds and loan facility fees | | (37) | (385) | (98) | (1,430) |
| Principal repayment to third parties | | (2,740) | - | (2,740) | - |
| Payment of margin deposit for non-deliverable forward contracts | | - | (6,056) | - | (9,255) |
| Foreign exchange derivative (losses paid)/gains received | | (247) | 6,653 | (247) | 6,653 |
| Interest paid | | (43,107) | (43,372) | (49,151) | (47,100) |
| **Net cash used in financing activities** | | **(46,131)** | **(43,160)** | **(52,236)** | **(30,135)** |
| **Increase/(decrease) in cash and cash equivalents** | | 7,434 | 35,436 | (12,997) | 46,520 |
| Cash and cash equivalents at beginning of the period | | 104,812 | 150,650 | 125,086 | 140,061 |
| Exchange gains/(losses) on cash and cash equivalents | | 890 | (4,994) | 1,047 | (5,489) |
| **Cash and cash equivalents at period end** | | **113,136** | **181,092** | **113,136** | **181,092** |

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 June 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 ₦361.32 (2017: ₦360.00) per US dollar for the consolidated statements of financial position, and monthly average rates ranging from ₦360.25 to ₦361.12 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.

[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 GOING CONCERN BASIS IN THE FINANCIAL STATEMENTS

After making enquiries, the Directors have reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. The results of management review of the Group companies' market, operations and financials in the past 12 months and a forecast for the foreseeable future provides a sound basis for the appropriateness of using the going concern assumption in the preparation of the Group's financial statements for the three month and six month periods ended 30 June 2018.

### 2.3 APPROVAL

These interim consolidated financial statements were authorised and approved for issue on 24 August 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** | | **6 month period ended** | |
|---|---|---|---|---|
| | **30 Jun 2018** | 30 Jun 2017 | **30 Jun 2018** | 30 Jun 2017 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Tower repairs and maintenance | 5,611 | 5,316 | 10,714 | 10,650 |
| Power generation | 15,944 | 14,595 | 30,660 | 30,726 |
| Regulatory permits | 2,970 | 4,271 | 6,439 | 7,868 |
| Site rent | 2,305 | 2,794 | 4,518 | 5,380 |
| Security services | 2,543 | 2,772 | 4,994 | 5,677 |
| Staff costs | 929 | 1,204 | 1,863 | 2,767 |
| Depreciation and amortisation | 21,174 | 20,928 | 40,977 | 42,690 |
| Impairment of property, plant and equipment | 441 | 29,338 | 1,646 | 29,338 |
| Impairment of prepaid land rent | 16 | 1,116 | 35 | 1,116 |
| Other expenses | 447 | 618 | 927 | 1,335 |
| | **52,380** | **82,952** | **102,773** | **137,547** |

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 2018** | 30 Jun 2017 | **30 Jun 2018** | 30 Jun 2017 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Staff costs | 3,504 | 3,077 | 6,995 | 7,102 |
| Rent | 152 | 249 | 370 | 571 |
| Repairs and maintenance | 705 | 1,031 | 1,306 | 1,914 |
| Travel cost | 219 | 288 | 499 | 649 |
| Professional fees | 99 | 334 | 637 | 593 |
| Depreciation and amortisation | 126 | 120 | 255 | 245 |
| Impairment of withholding tax assets | 13,030 | - | 16,746 | - |
| Loss on disposal of property, plant and equipment | 112 | 201 | 206 | 264 |
| Other expenses | 1,922 | 1,784 | 3,823 | 3,697 |
| | **19,869** | **7,084** | **30,837** | **15,035** |

Included in 'Other expenses' for the six month periods ended 30 June 2018 and 2017 were allowances for doubtful debts of $2.7m and $2.4m respectively. For the 3 month periods ended 30 June 2018 and 2017 the amounts are $1.2m and $1.0m respectively.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 6. OTHER INCOME

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

## 7. FINANCE INCOME

| | **3 month period ended** | | **6 month period ended** | |
|---|---|---|---|---|
| | **30 Jun 2018** | 30 Jun 2017 | **30 Jun 2018** | 30 Jun 2017 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Interest income - bank deposits | 1,211 | 47 | 2,241 | 152 |
| Foreign exchange gain from non-deliverable forward exchange contracts | 39 | 34,005 | 155 | 37,274 |
| Foreign exchange gain arising from financing | 4,529 | 8,417 | 4,869 | 8,875 |
| | **5,779** | **42,469** | **7,265** | **46,301** |

## 8. FINANCE COSTS

| | **3 month period ended** | | **6 month period ended** | |
|---|---|---|---|---|
| | **30 Jun 2018** | 30 Jun 2017 | **30 Jun 2018** | 30 Jun 2017 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Interest expense | 36,394 | 37,444 | 73,478 | 72,554 |
| Foreign exchange loss from non-deliverable forward exchange contracts | - | - | 112 | - |
| Foreign exchange loss arising from financing | 7,732 | 14,378 | 8,405 | 20,993 |
| Loan facility fees | 38 | 382 | 98 | 706 |
| | **44,164** | **52,204** | **82,093** | **94,253** |

## 9. CHANGES IN FAIR VALUE THROUGH THE PROFIT AND LOSS

| | **3 month period ended** | | **6 month period ended** | |
|---|---|---|---|---|
| | **30 Jun 2018** | 30 Jun 2017 | **30 Jun 2018** | 31 Dec 2017 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Embedded derivatives in bond – change in fair value | (22,182) | (1,340) | (46,750) | (520) |
| | **(22,182)** | **(1,340)** | **(46,750)** | **(520)** |

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 10. TAXATION

| | 3 month period ended | | 6 month period ended | |
|---|---|---|---|---|
| | **30 Jun 2018** | 30 Jun 2017 | **30 Jun 2018** | 30 Jun 2017 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Company income tax | (337) | 239 | (664) | (57) |
| Education tax | (863) | (1,053) | (1,661) | (1,590) |
| Capital gains tax | (10) | - | (10) | - |
| Deferred taxes | - | 109 | - | 109 |
| | **(1,210)** | **(705)** | **(2,335)** | **(1,538)** |

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 | | 6 month period ended | |
|---|---|---|---|---|
| | **30 Jun 2018** | 30 Jun 2017 | **30 Jun 2018** | 30 Jun 2017 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Loss for the period** | (41,029) | (425) | (76,023) | 3,562 |
| *Add back:* | | | | |
| Tax charge | 1,210 | 705 | 2,335 | 1,538 |
| Change in fair value through the profit or loss | 22,182 | 1,340 | 46,750 | 520 |
| Finance costs | 44,164 | 52,204 | 82,093 | 94,253 |
| Finance income | (5,779) | (42,469) | (7,265) | (46,301) |
| Depreciation and amortisation | 21,300 | 21,048 | 41,232 | 42,935 |
| Impairment of property, plant and equipment and prepaid land rent | 457 | 30,454 | 1,681 | 30,454 |
| Net (loss)/profit on disposal of property, plant and equipment | (237) | 137 | (152) | (67) |
| Impairment of withholding tax assets | 13,030 | - | 16,746 | - |
| **EBITDA** | **55,298** | **62,994** | **107,397** | **126,894** |

## 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 | 414 | 12 | 217 | - | 12,809 | 13,452 |
| Disposals | (1,574) | (252) | (25) | (24) | - | (1,875) |
| Transfers from advance payment | 22,166 | 145 | - | - | 8,759 | 31,070 |
| Reclassifications | 3,431 | 7,362 | 432 | - | (11,225) | - |
| Effect of movement in exchange rates | (2,581) | (112) | (26) | (17) | (63) | (2,799) |
| **At 30 June 2018** | **712,937** | **35,622** | **7,430** | **4,584** | **25,214** | **785,787** |
| | | | | | | |
| **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 | (34,711) | (111) | (996) | (242) | - | (36,060) |
| Disposals | 1,368 | 253 | 23 | 22 | - | 1,666 |
| Impairment | (1,646) | - | - | - | - | (1,646) |
| Effect of movement in exchange rates | 1,010 | 2 | 22 | 15 | - | 1,049 |
| **At 30 June 2018** | **(287,950)** | **(674)** | **(6,512)** | **(4,258)** | **-** | **(299,394)** |
| | | | | | | |
| **Net book value** | | | | | | |
| At 31 December 2017 | 437,110 | 27,649 | 1,271 | 572 | 14,934 | 481,536 |
| **At 30 June 2018** | **424,987** | **34,948** | **918** | **326** | **25,214** | **486,393** |

## 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 | - | 197 | - | - | 197 |
| Effect of movement in exchange rates | (454) | (6) | (574) | (77) | (1,111) |
| **At 30 June 2018** | **123,892** | **1,767** | **170,368** | **20,912** | **316,939** |
| | | | | | |
| **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 | - | (236) | (4,187) | (749) | (5,172) |
| Effect of movement in exchange rates | - | 4 | 22 | 18 | 44 |
| **At 30 June 2018** | **-** | **(1,228)** | **(21,367)** | **(5,178)** | **(27,773)** |
| | | | | | |
| **Net book value** | | | | | |
| At 31 December 2017 | 124,346 | 580 | 153,740 | 16,542 | 295,208 |
| **At 30 June 2018** | **123,892** | **539** | **149,001** | **15,734** | **289,166** |

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 14. DERIVATIVE FINANCIAL INSTRUMENTS

| | **30 Jun 2018** | 31 Dec 2017 |
|---|---|---|
| | **$'000** | $'000 |
| *Current* | | |
| Non-deliverable forward exchange contracts | 10 | 16,500 |
| *Non-current* | | |
| Embedded derivatives within listed bonds | (7,720) | 39,030 |
| | **(7,710)** | **55,530** |

The embedded derivatives at 30 June 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 $0.60 million (asset) (December 2017: $40.27 million (asset)) while the Holdco Notes put option had a fair value of $8.32 million (liability) (December 2017: $1.24 million (liability)), net $7.72 million (liability) (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 the Group had NDF's to the value of $0.01 million (asset), (December 2017: $16.50 million (asset)). During the 6 month period to 30 June 2018 $16.8m of NDF profits, represented in the balance of NDFs at 31 December 2017, were received into restricted accounts. The receipt of these profits is therefore not reflected in the cash flow from financing activities for the period but rather as a net movement in restricted cash.

## 15. BORROWINGS

| | **30 Jun 2018** | 31 Dec 2017 |
|---|---|---|
| | **$'000** | $'000 |
| *Current* | | |
| Bank borrowings | 23,090 | 16,169 |
| Bond borrowings | 13,832 | 14,047 |
| | **36,922** | **30,216** |
| *Non-current* | | |
| Bank borrowings | 67,037 | 77,722 |
| Bond borrowings | 799,501 | 797,486 |
| | **866,538** | **875,208** |
| Total third party borrowings | **903,460** | **905,424** |
| Related party loans (note 18) | 668,664 | 645,441 |
| All borrowings | **1,572,124** | **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).

In April 2018, the first principal repayment of ₦1.0 billion ($2.8m) was made against the NGN Credit Facility, decreasing the facility value and outstanding principal amount to ₦31.9 billion. The facility was fully drawn at 30 June 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 June 2018, the Group had loans with principal value of $849.3 million (31 December 2017: $849.3 million) and $17.0 million (31 December 2017: $17.0 million) from IHS Holding Limited at 5% and 7% per annum respectively. Interest is chargeable only in the 8th year and the loans are interest free before then. The loans are repayable in full by 2024 and are subject to a subordination deed such that they are subordinated to the payment of other debt.

*Contractual maturities*

As at 30 June 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 | 90,127 | 123,423 | 34,701 | 71,202 | 17,520 | - |
| Bond borrowings | 813,333 | 1,074,373 | 77,094 | 165,612 | 831,667 | - |
| Related party loans | 668,664 | 910,851 | - | 27,777 | 690,571 | 192,503 |
| | **1,572,124** | **2,108,647** | **111,795** | **264,591** | **1,539,758** | **192,503** |

### 16. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

| | **30 Jun 2018 $'000** | 31 Dec 2017 $'000 |
|---|---|---|
| Current | 7,981 | 7,749 |
| Non-current | 1,349 | 1,297 |
| Total decommissioning provision | **9,330** | **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** | | **6 month period ended** | |
|---|---|---|---|---|
| | **30 Jun 2018** | 30 Jun 2017 | **30 Jun 2018** | 30 Jun 2017 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **(Loss)/profit before taxation** | (39,819) | 280 | (73,688) | 5,100 |
| *Adjusted for:* | | | | |
| Depreciation of property, plant and equipment | 18,718 | 18,052 | 36,060 | 36,937 |
| Impairment of property, plant and equipment | 441 | 29,338 | 1,646 | 29,338 |
| Amortisation of intangible assets | 2,582 | 2,997 | 5,172 | 5,998 |
| Impairment of prepaid land rent | 16 | 1,116 | 35 | 1,116 |
| Amortisation of prepaid land rent | 2,252 | 3,000 | 4,444 | 5,380 |
| Net loss on sale of property, plant and equipment | 112 | 201 | 206 | 264 |
| Impairment of receivables | 1,247 | 989 | 2,746 | 2,393 |
| Impairment of inventory | 292 | - | 292 | - |
| Impairment of withholding tax assets | 13,030 | - | 16,746 | - |
| Finance costs | 44,164 | 52,204 | 82,093 | 94,253 |
| Fair value gain through profit or loss | 22,182 | 1,340 | 46,750 | 520 |
| Finance income | (5,779) | (42,469) | (7,265) | (46,301) |
| Gain on sale of property, plant and equipment | (349) | (64) | (358) | (331) |
| Insurance claims income | (49) | (140) | (73) | (609) |
| **Operating profit before working capital changes** | **59,040** | **66,844** | **114,806** | **134,058** |
| Decrease/(increase) in inventories | 1,777 | 3,348 | 1,336 | (434) |
| Decrease/(increase) in trade and other receivables (excluding prepaid rent) † | 8,200 | 5,138 | (47,228) | (65,556) |
| Increase in trade and other payables | 23,048 | 7,557 | 29,576 | 33,966 |
| Increase in net amounts due from related parties | (14,522) | (72,497) | (25,382) | (91,805) |
| Decrease in net amounts due to related parties | 16,710 | 84,386 | 26,581 | 95,306 |
| **Net working capital changes** | **35,213** | **27,932** | **(15,117)** | **(28,523)** |
| **Cash generated from operations** | **94,253** | **94,776** | **99,689** | **105,535** |

†Included in the increase in trade and other receivables for H1 2018 is an increase in respect of receipts from customers during the period, totalling $19.4 m, which were received into restricted accounts. Refer to note 19 for information on the restricted cash.

## 18. RELATED PARTY TRANSACTIONS

| | **30 Jun 2018** | 31 Dec 2017 |
|---|---|---|
| **Current** | **$'000** | $'000 |
| **Amounts due from:** | | |
| IHS Holding Limited | 5,130 | 7,699 |
| IHS Netherlands (Interco) Coöperatief U.A. | 5,000 | 5,004 |
| | **10,130** | **12,703** |
| **Amounts due to:** | | |
| INT Towers Limited * | 4,148 | 5,893 |
| IHS Netherlands (Interco) Coöperatief U.A. | 47 | 692 |
| IHS Holding Limited | 1,420 | 139 |
| | **5,615** | **6,724** |
| **Non-current** | | |
| **Amounts due to:** | | |
| IHS Holding Limited | **668,664** | **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 $74.3m (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 31 March 2018 | 72,850 |
| Receipts from customers | 6 |
| Net refund of margin deposit for non-deliverable forward contracts | 1,151 |
| Interest income earned and rolled over | 494 |
| Interest paid to third parties* | (3,578) |
| Transfer from restricted cash to cash and cash equivalents* | 3,578 |
| Other movements | (21) |
| Exchange gains on restricted cash | (183) |
| Balance as at 30 June 2018 | **74,297** |

* The lenders under the syndicated Naira facility drew a portion of the interest payments from accounts which are restricted. During the period, IHSN was allowed to use cash in the restricted accounts to pay interest of $3.6m on the Naira syndicated facility on the condition that these payments would be funded through transfers of cash from non-restricted accounts. Funds to the value of $3.6m were transferred from non-restricted accounts to the restricted accounts to fund the interest payment.

Included in 'other receivables' as at 30 June 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 20 August 2018, the aggregate balance in affected accounts was approximately $24m due to the EFCC releasing the restriction on some of the affected accounts since 30 June 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 $56.3 million for full turnkey site build and upgrade of existing sites and delivery of power project equipment as at 30 June 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 US$2.8 million 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 Jun 2018 $'000 | 31 Mar 2018 $'000 | 31 Dec 2017 $'000 | 30 Sep 2017 $'000 |
|---|---|---|---|---|
| *Statement of profit or loss* | | | | |
| **Revenue** | **89,785** | **85,293** | **97,833** | **95,907** |
| Cost of sales | (52,380) | (50,393) | (53,402) | (56,068) |
| **Gross profit** | **37,405** | **34,900** | **44,431** | **39,839** |
| Administrative expenses | (19,869) | (10,968) | (50,942) | (29,902) |
| Other income | 3,212 | 3,210 | 3,361 | 3,491 |
| **Operating profit/(loss)** | **20,748** | **27,142** | **(3,150)** | **13,428** |
| Finance income | 5,779 | 1,486 | 29,747 | 1,635 |
| Finance cost | (44,164) | (37,929) | (314,445) | (46,884) |
| Changes in fair value though the profit or loss | (22,182) | (24,568) | 29,110 | 7,790 |
| **Loss before taxation** | **(39,819)** | **(33,869)** | **(258,738)** | **(24,031)** |
| Taxation | (1,210) | (1,125) | 2,183 | (3,418) |
| **Loss for the period attributable to owners** | **(41,029)** | **(34,994)** | **(256,555)** | **(27,449)** |
| *EBITDA reconciliation:* | | | | |
| **Loss for the period** | **(41,029)** | **(34,994)** | **(256,555)** | **(27,449)** |
| *Add back:* | | | | |
| Tax charge/(credit) | 1,210 | 1,125 | (2,183) | 3,418 |
| Changes in fair value though the profit or loss | 22,182 | 24,568 | (29,110) | (7,790) |
| Finance cost | 44,164 | 37,929 | 314,445 | 46,884 |
| Finance income | (5,779) | (1,486) | (29,747) | (1,635) |
| Depreciation and amortisation | 21,300 | 19,932 | 26,745 | 22,937 |
| Impairment/(reversal of impairment) of property, plant and equipment and prepaid land rent | 457 | 1,224 | (4,717) | 2,557 |
| Net (profit)/loss on disposal of property, plant and equipment | (237) | 85 | 150 | 123 |
| Impairment of withholding tax receivable | 13,030 | 3,716 | 23,499 | 24,347 |
| Other one-off items* | - | - | 17,603 | - |
| **EBITDA** | **55,298** | **52,099** | **60,130** | **63,392** |
| EBITDA margin | 61.6% | 61.1% | 61.5% | 66.1% |
| *Capital expenditure in quarter:* | | | | |
| Purchase of property, plant and equipment | (275) | (120) | (302) | (168) |
| Construction of property, plant and equipment | (9,200) | (3,603) | (2,804) | (39,138) |
| Purchase of software and licences | (96) | (101) | (132) | (234) |
| Advance payments for property, plant and equipment | (23,337) | (12,378) | (9,527) | (6,345) |
| **Total capital expenditure** | **(32,908)** | **(16,202)** | **(12,765)** | **(45,885)** |
| Interest received | 716 | 622 | 523 | 646 |
| Interest paid | (43,107) | (6,044) | (44,432) | (6,415) |
| Bond transaction costs and facility fees paid | (37) | (61) | (88) | (827) |
| **Net interest paid in quarter** | **(42,428)** | **(5,483)** | **(43,997)** | **(6,596)** |

*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.