helios towers

# Interim Financial Statements
30 September 2017

www.heliostowersafrica.com

Integrity
Partnership
Excellence

# Contents

# OPERATING AND FINANCIAL REVIEW



**Revenue**

**US$257m**

**28% increase from 9 months to 30 September 2016**

The income from services provided utilising the Group's tower infrastructure

**Adjusted EBITDA***

**US$87m**

**49% increase from 9 months to 30 September 2016**

Operating loss for 9 months ended 30 September 2017 was ($23m) (30 September 2016: ($19m)

**Total sites**

**6,540**

**1% increase from 30 September 2016**

The locations at which we own or manage infrastructure and provide services for one or more customers

**Total colocations**

**6,033**

**10% increase from 30 September 2016**

The sharing of tower space by multiple customers or technologies on the same tower

**Tenancy ratio**

**1.92x**

**4% increase from 30 September 2016**

The total number of tenancies divided by the total number of towers as of a given date representing the average number of tenants per site within our portfolio

**"We have delivered another strong quarter which has seen continued top-line growth enhanced by margin expansion and operational improvement. We remain focused on ensuring that our towers are colocation ready through strengthening and delivering power reliability which has allowed us to grow both tenancy ratios and colocations year on year. Our opex saving initiatives are on track in Tanzania and DRC and have helped in increasing margins this quarter. We have also been able to grow amendment revenues from existing customers as they add more equipment to our towers to support their growing needs.**

**"Our Business Excellence Programme continues to enhance our product performance and positions us to deliver long-term growth and future value for both our shareholders and bondholders."**

**Kash Pandya** | Chief Executive Officer

* Adjusted EBITDA is defined on page 6.

## FORWARD LOOKING STATEMENTS

**Certain statements included herein may constitute forward-looking statements. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout the quarterly report and include statements regarding our intentions, beliefs or current expectations concerning, amongst other things, our results in relation to operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.**

Forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in these financial statements. In addition, even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in the quarterly report, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- a reduction in the creditworthiness and financial strength of our tenants;
- increases in operating expenses;
- the ability of third-party contractors to perform in accordance with contractual terms and specifications;
- failure to protect our ground leases or renew these leases when they come due;
- the effects of potential consolidation or competition in the telecommunications tower industry in the countries in which we operate;
- technological changes in cellular and other telecommunications equipment used by our tenants;
- liquidated damages provisions contained in our site agreements;
- our inability to successfully execute our growth business strategy, which depends on factors outside our control;
- the competition in the telecommunications tower industry may create pricing pressure;

- foreign exchange risks;
- failure to construct build-to-suit towers due to factors outside our control;
- our ability to raise additional financing and to generate sufficient cash to service our debt and to control and finance our capital expenditures and operations;
- our ability to maintain our licences and permits for our towers and other licences and permits necessary for the conduct of our business;
- local community opposition;
- a reduction in demand for our services;
- the effects of changes in laws and regulations;
- liability under environmental laws;
- unforeseen damage for which our insurance may not provide adequate coverage;
- dependence on our ability to recruit, train, retain and motivate key employees;
- the effect of perceived health risks from radio emissions;
- the effect of disputes, material litigation and other legal proceedings;
- violations of anti-corruption laws, sanctions and regulations;
- unpredictable changes in the relevant tax systems;
- general political and economic conditions, including changes to the global, regional or domestic economy affecting our costs of financing and operations; and
- our success at managing the risks of the above factors and the other financial, business and operating risks referred to elsewhere in these financial statements.

In light of these risks, uncertainties and assumptions, the forward-looking events described in the quarterly report may not occur.

These forward-looking statements speak only as of the date of the quarterly report. We do not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to either us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in the quarterly report.

## STATISTICAL AND NON-IFRS MEASURES

We have included in the quarterly report statistical data relating to our business, such as the number of sites, number of tenancies and tenancy ratio. We have described the manner in which we calculated this data in the quarterly report. This data is derived from management estimates and is not part of our consolidated financial statements and has not been audited by an auditor. You should note that other companies in the telecommunications tower industry may calculate and present this data in a different manner and, therefore, you should use caution in comparing our data with data presented by other companies, as the data may not be directly comparable.

Adjusted EBITDA, as well as the related ratios and certain measures, including leverage, interest coverage, gross debt and net debt, presented in these financial statements are supplemental measures of our performance and financial position that are not required by, or presented in accordance with, IFRS. We define "Adjusted EBITDA" as loss for the period, adjusted for loss for the period from discontinued operations, additional tax, income tax, finance costs, other gains and losses, investment income, loss on disposal of property, plant and equipment, amortisation and impairment of intangible assets, depreciation and impairment of property, plant and equipment, deal costs relating to unsuccessful tower acquisition transactions or successful tower acquisition transactions that cannot be capitalised, and exceptional items. Exceptional items are material items that are considered exceptional in nature by management by virtue of their size and/or incidence. Adjusted EBITDA is not a measurement of financial performance or liquidity under IFRS and should not be considered as an alternative to net profit, income from operations or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities as a measure of liquidity. In addition, Adjusted EBITDA is not a standardised term and as a result, a direct comparison between companies using such term may not be possible.

We include as "capital expenditures" the additions of property, plant and equipment. Capital expenditures is not a standardised term, hence, a direct comparison between companies using such a term may not be possible. We define "maintenance capital expenditures" as capital expenditures for periodic refurbishments and replacement of parts and equipment to keep existing sites in service.

We define "gross debt" as our total borrowings (non-current loans and current loans) excluding unamortised loan issue costs. We define "net debt" as our gross debt less cash and cash equivalents. Gross debt and net debt are not measurements of financial position under IFRS and should not be considered as alternatives to total debt outstanding, total liabilities or any other performance measure derived in accordance with IFRS. In addition, gross debt and net debt are not standardised terms, hence, a direct comparison between companies using such terms may not be possible.

We define "adjusted EBITDA margin" as Adjusted EBITDA divided by revenue.

Each of Adjusted EBITDA, gross debt, net debt and each other non-IFRS financial measure has limitations as an analytical tool, and you should not consider any of them in isolation from, or as a substitute for, analysis of our financial condition or results of operations, as reported under IFRS. For example, some of the limitations with respect to Adjusted EBITDA are:

- it does not reflect cash outlays for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, working capital;
- it does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on indebtedness;
- they do not reflect income tax expense or the cash necessary to pay income taxes;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future and Adjusted EBITDA does not reflect the cash requirements for such replacements; and
- other companies, including companies in our industry, may calculate these measures differently than as presented in these financial statements, limiting the usefulness of these measures for comparative purposes.

Accordingly, undue reliance should not be placed on Adjusted EBITDA or the other non-IFRS financial measures contained in the quarterly report.

## WHO WE ARE

**We are the sole independent telecommunications tower infrastructure company and own and operate more tower sites than any other operator in each of Tanzania, Democratic Republic of Congo, or DRC, and Congo Brazzaville. We are also a leading operator in Ghana with a strong urban presence. Our principal business is owning and operating telecommunications towers and related passive infrastructure in order to provide tower site space and related services to large mobile network operators, or MNOs, and other telecommunications providers which in turn provide wireless voice and data services, primarily to end-user subscribers.**

We provide our customers with opportunities to use space on existing towers alongside other telecommunications providers known as colocation, or to commission new towers for construction to the customer's specifications, known as build-to-suit. We also offer comprehensive tower-site related operational services, including site selection, site preparation, maintenance, security and power management.

Founded in 2009, we closed our first major African tower portfolio acquisition in 2010 when we acquired Tigo's towers in Ghana.

Over the next six years, we closed five more major tower portfolio acquisitions, the most recent being the acquisition of 967 towers from Airtel in DRC in 2016. As a result, we now operate a geographically diverse business in Tanzania, DRC, Congo Brazzaville and Ghana. We were the first independent tower company to enter each of our markets, and entered each in a manner designed to build committed long-term relationships with our key MNO customers to provide a sustainable platform for long-term revenue and margin growth. After seven years of successful geographic expansion, we are now focused on leveraging these and other customer relationships to optimise our existing tower portfolios and grow our revenue and margins by adding tenancies, primarily through colocation but also strategic build-to-suit and in-market bolt-on acquisitions.

We provide space on our towers and related services under individual site agreements governed by long-term master lease agreements, or MLAs, of typically 10 to 15 years in duration, with provision for subsequent multiple renewals. The fees our customers pay under these long-term MLAs are typically indexed to a consumer price index, or CPI, and fuel and electricity prices to allow for escalation over the life of the agreement and provide a partial hedge against inflation and diesel and electricity prices, which are strongly correlated with the U.S. dollar.

We believe our geographically diverse tower portfolios, leading market positions, committed long-term customer relationships, experienced management team and strong operational capabilities leave us well positioned to capitalise on what we expect to be continued high demand for space on existing and new tower sites in our fast-growing markets. We plan to meet this demand primarily by adding colocation tenancies to our existing tower portfolios. Additional colocations are highly accretive to our operating margins, adding significant incremental revenue without requiring a significant increase in operating expense and typically requiring minimal capital expenditure.

## MATERIAL RECENT DEVELOPMENTS

### Vodacom Buyout

In February 2017 Vodacom Tanzania, HTA Holdings, Ltd and Helios Towers Tanzania entered into an agreement pursuant to which HTA Holdings, Ltd acquired a portion of the shareholder loan advanced by Vodacom Tanzania to HTT Infraco, a subsidiary of Helios Towers Tanzania, for US$30 million in cash. Under the same agreement, HTA Holdings, Ltd received an option up to and including 31 March 2018 to acquire Vodacom Tanzania's shares in Helios Towers Tanzania and the remaining outstanding shareholder loan and accrued interest thereon. Fair Competition Commission (FCC) and Tanzanian Communications Regulatory Authority (TCRA) approvals in relation to the share acquisition were received in September 2017 and October 2017, respectively, and the transaction to purchase the shares and repay the outstanding loan completed on 20 October 2017.

### Zantel Acquisition

During September 2016, we executed a sale and purchase agreement with Zanzibar Telecom Ltd ("Zantel"), pursuant to which we agreed to acquire tower sites in mainland Tanzania (the "Zantel Acquisition") for approximately US$6.7 million. We have also agreed to provide space on these towers (as well as other existing towers already owned by the Company) to Zantel under an MLA executed concurrently with the signing of the purchase and sale agreement. Fair Competition Commission approval was granted in Q1 2017. On 28 July 2017, HTT Infraco Limited completed its first close, acquiring 86 mainland towers sites from Zantel. A further 15 sites were transferred on 2 October 2017 making a total of 101 sites transferred to date.

### Tanzanian IPO

Pursuant to the Electronic and Postal Communications Act of 2010 (the "EPOCA") as amended by the Finance Act, No. 2 of 2016 and further amended by the Finance Act in June 2017, each person holding a licence to provide network facilities in Tanzania before 1 July 2016 such as HTT Infraco, the primary operating subsidiary in Tanzania, was required to offer shares equal to at least 25% of its total share capital to investors on the Dar es Salaam Stock Exchange by no later than 31 December 2016. To that end HTT Infraco provided a draft prospectus to the Capital Markets & Securities Authority (CMSA) on 29 December 2016, whereby HTT Infraco proposed to carry out an initial public offering of 25% of its total enlarged issued share capital. On 1 February 2017, HTT Infraco made an interim application to the CMSA, and submitted a revised draft prospectus. As part of its preparation for the initial public offering and commitment to comply with the law, HTT Infraco intends to undertake a capital reorganisation to transform the Company into one that is able to conclude a successful IPO. HTT Infraco has therefore engaged in discussions with the CMSA who have confirmed that HTT should make a formal application to the Fair Competition Commission (FCC) for approval of its capital reorganisation plan, before proceeding with the IPO. A draft application to the FCC is currently being finalised (the application could not be finalised before the Vodacom share purchase completed) and will be submitted to the FCC within the next few weeks. FCC approval will be required before further work in relation to the IPO can take place.

### Millicom stake sale plans

Millicom Holding, B.V. has informed us that it is seeking a purchaser for its current 22.83% equity interest in us and has begun a process to identify a purchaser. The shareholder agreement by and among us and our principal shareholders contains restrictions on to whom Millicom Holding, B.V. may transfer its interest. Without the prior written consent of 90% of the equity interest held by our other shareholders, Millicom Holding, B.V. cannot transfer its interest in us to, among others, (i) entities with significant participation in the telecommunication tower industry; or (ii) entities that are named on certain lists promulgated by the United Nations Security Council and the World Bank or are otherwise the target of economic sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury. Other prohibited transferees include certain individuals or entities entrusted with prominent public functions. No assurance can be given that Millicom Holding, B.V. will successfully identify a purchaser or complete a sale of its interest in us.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in our results of operations and financial condition.

Historical results may not indicate future performance.

Some of the information in this section, including information in respect of our plans and strategies for the business, contains forward-looking statements that involve risk and uncertainties and is based on assumptions about our future business.

Actual results could differ materially from those contained in such forward-looking statements as a result of a variety of factors.

The following discussion should be read in conjunction with the consolidated financial statements, including accompanying notes, appearing elsewhere in the quarterly report.

## FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition, results of operations and liquidity have been influenced in the quarters discussed in these financial statements by the following events, facts, developments and market characteristics. We believe that these factors are likely to continue to influence our operations in the future.

### Growth in the number of tenancies

Our revenue is primarily driven by the number of tenancies across our site portfolio. We increase our number of tenancies in three ways: by adding colocations, by acquiring sites with existing tenancies and by means of build-to-suit construction of sites following a customer order.

### Colocations

Colocations are at the centre of our business model since they allow us to grow revenue and improve operating margins without significant additional capital expenditures. As of 30 September 2017, we operated 6,540 total sites with 12,573 tenancies, reflecting a tenancy ratio of 1.92x. We have also recently entered into a number of new agreements with our customers regarding future colocation opportunities.

While additional colocations are accretive to our revenue, certain of our contractual arrangements provide discounts to anchor tenants as additional colocations occur on the respective towers, which may result in a decrease in our average service rate per tenancy. However, because a significant portion of our direct operating costs at a tower site are fixed in nature, the addition of colocation tenancies incrementally improves our overall Adjusted EBITDA. As a result, our revenue for any fiscal period is affected not only by the number of tenancies during the period, but also by the mix of tenancies between anchor tenancies and colocations within our portfolio.

### Acquisition of site portfolios

Historically, we have increased the size of our site portfolio through the acquisitions of new site portfolios, which generate additional fees and, in most instances, the ability to add colocations. We acquire existing site portfolios only when they meet our internal criteria, which include, among others, return on investment, the potential for future colocations, ease of ground leasing or purchasing land for sites, ease of community approvals, and the credit strength of the potential anchor tenant. We acquired an additional 967 sites in July 2016, primarily from a subsidiary of Airtel in DRC. Generally, the extent to which we can increase revenue and add colocations on our acquired sites depends on the fees payable for, and the existing tenancy ratio of, each acquired site. Our acquired site portfolios are often composed primarily of towers with a single anchor tenancy, which may deliver lower immediate margins compared to site portfolios with a higher tenancy ratio. We believe that such site portfolios are often available for purchase at more compelling valuations and include the potential for us to leverage our other customer relationships and operational expertise to attract incremental colocation tenancies.

Furthermore, our acquisition strategy of seeking site portfolios that are available at relatively lower purchase prices allows us the flexibility to set service rates at market levels that are attractive to our customers, which we believe reduces the risk of renegotiation upon contract expiration.

### Build-to-suit construction

We also capitalise on our existing relationships with top-tier telecommunications operators in order to drive organic growth through build-to-suit tower construction. We pursue build-to-suit construction only where it provides an attractive return derived from an anchor tenant of good credit strength, which allows us to manage the timing and amount of associated capital expenditures. We also complete an extensive site analysis prior to agreeing to the construction of a new site to ensure that the site is attractive for additional colocation tenancies.

The addition of tenancies through the acquisition of sites, the construction of our build-to-suit sites and the addition of colocations on these sites increases our revenue. However, tenancies and their associated revenue may be affected by cancellations of existing site agreements. Most of our site agreements with operators are non-cancellable; however, a site agreement may, in some instances, be cancelled upon the payment of a termination fee.

## FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Contractual rate escalations to mitigate against volatility of primary cost components

We often include annual contractual escalators in our site agreements to mitigate against inflation risk and volatility in diesel prices and electricity prices. The service fees payable by our customers under our MLAs are typically split into power and non-power service rate components. Although we remain exposed to inflation and diesel and electricity price volatility in certain instances, we have significantly reduced our exposure to the volatility inherent to these critical costs, which helps us better predict future cash flows and plan for capital expenditures.

The contractual escalators related to inflation are typically linked to CPI in the countries in which we operate or that of the United States, depending on the underlying currency denomination of the fee, and typically are applied once per year based on the preceding 12-month period for the succeeding 12 months. As a result, the escalation of contracted rates is likely to increase our revenue on an annual basis, but because rate escalations are made annually, we may be subject to shorter periods within a fiscal year when our underlying costs have increased in price but our contract rates have not adjusted upwards.

Additionally, we utilize power escalation clauses in our site agreements to serve as a natural hedge, although there may be a time lag, by providing pass-through provisions in relation to increased diesel and electricity prices. The contractual escalators related to diesel and electricity provide for monthly, quarterly or annual increases for the succeeding same-length period in a corresponding amount to increases in the local unit prices for fuel and usage of the electric grid. Because a significant portion of our power escalation clauses adjust quarterly, we are less subject to periods where our cost of diesel and electricity has increased locally without comparable contract rate increases.

### Cost and consumption of diesel

Fluctuations in the price of oil and changes in foreign exchange rates affect the price of diesel, which is our second largest single direct operating expense. The direct effect of falling oil prices is lower input costs, with the degree of reduction dependent on both foreign exchange effects (given we pay for diesel in the currency of the countries in which we operate) and our diesel requirements.

Unpredictable or rising costs of oil are likely to affect (positively or negatively) our operating expenses and financial condition. However, we utilize power escalation provisions in many of our site agreements to mitigate our exposure to fluctuations in oil prices.

In addition to changes in the price of diesel and our usage of the electric grid, our results of operations are affected by our efforts to reduce our overall diesel consumption by targeted investment in power system solutions to more efficiently provide power to the sites, including the use of hybrid and AC/DC generators and low power solar systems. The majority of our MLAs have adjustments linked to diesel unit price movements, with adjustments being made periodically (quarterly or annually) to the fuel portion of the lease rates. The variations of the volume of fuel consumed on site are not passed through to the customer and therefore reductions in the quantum of fuel used will result in cost savings contributing directly to our Adjusted EBITDA.

Our development of power system solutions is most developed in Tanzania and Ghana, and we will continue our efforts to reduce diesel consumption and utilize electricity as a less expensive source of power in addition to continuing to develop such alternative power solutions in DRC and Congo Brazzaville.

## FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Contract damages

Many of our long-term site agreements contain liquidated damages provisions in the event that we fail to meet the performance standards under our SLA. Our liquidated damages provisions generally require us to make a payment to the customer, most often by means of set-off against service fees payable by the customer, if we fail to uphold a specified level of uptime and service quality.

Beginning in the third quarter of 2015, our new management team implemented an Operational Excellence Programme focused on process improvements to avoid a recurrence of liquidated damage payments. As a result, the operational difficulties that led to the incurrence of liquidated damages in 2015 have been corrected, and we have not incurred any significant liquidated damages under our contracts during the quarter ended 30 September 2017.

### Changes in network coverage and new technology in the Countries in which we operate

Our customers' demand for additional tenancies on our tower sites is necessarily dependent on the changes and development of network coverage and new technologies in the countries in which we operate. Due to substantial population growth, urbanization and the growing dependency on mobile communications in the countries in which we operate, we anticipate significant growth in mobile penetration. For an MNO to expand its network and improve quality as subscribers, data usage and MOU increase, it must maintain effective capacity to ensure network stability and a lack of congestion. This in turn requires that MNOs increase their PoS, either by locating additional antennae equipment on existing towers or by building new towers to ensure greater network coverage and density. We expect an increasing need for further PoS to accommodate new areas of 2G coverage where coverage was previously unavailable and also to meet the range and capacity requirements of certain wireless technologies in more densely populated urban areas.

## FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**Currency volatility and foreign exchange**

We consider revenue to be U.S. dollar-based where (i) revenue is both denominated and paid in U.S. dollars; or (ii) although revenue is denominated in U.S. dollars in the relevant contract, the amount of local currency due is determined by reference to the U.S. dollar amount invoiced and paid at the spot rate for the purchase of U.S. dollars with the applicable currency at the time of the invoice. Our customer contracts in Tanzania and DRC are primarily U.S. dollar-based.

However, especially in Ghana, we have contracts denominated and settled in local currency, exposing us to local currency exchange rate fluctuations. Where our MLAs are denominated in U.S. dollars, we benefit from a hedge against the currency volatility described above, including in DRC, which is primarily a dollarized economy, with all site agreements denominated in U.S. dollars and payments made in U.S. dollars. The exchange rate between the U.S. dollar and the Ghanaian cedi has experienced recent volatility; however, Ghana's exchange rate outlook is expected to stabilize following an improving economic backdrop. Our customer contracts in Congo Brazzaville are primarily denominated in the Central African franc, which is pegged to the euro, allowing for a set euro exchange ratio.

While capital expenditures are predominantly paid in U.S. dollars, the majority of operating expenses are typically paid in the local currencies in which we operate. Accordingly, we are subject to fluctuations in the rates of currency exchange. However, our use of escalation provisions tied to local currency CPI and diesel and electricity prices mitigates our exposure to local currency volatility.

Additionally, certain operating expenses, such as U.S. dollar-denominated debt interest payments, certain maintenance contracts, limited remuneration payments to expatriate staff, some insurance and certain travel expenses are paid in U.S. dollars. During the period ended 30 September 2017, 59% of our revenue was U.S. dollar-based or in currencies pegged to the Euro and 14% of our local currency was linked to the prices of fuel and electricity, which are strongly correlated with the U.S. dollar. Moreover, the local currency and fuel price linked components of our MLAs largely off-set local currency and fuel or electricity cost.

## FACTORS AFFECTING COMPARABILITY OF RESULTS OF OPERATIONS

The factors listed below and their impact on our financial condition, results of operations and liquidity may affect the comparability of the quarters presented in these financial statements and may also impact the comparability of our results of operations in future years with historical results of operations.

### Completed acquisitions

From time to time, we seek strategic acquisitions of existing tower portfolios that meet our internal criteria as they come to market. We acquired an additional 967 sites during 2016, primarily from Airtel in DRC. The tower portfolios we purchase generally have at least an existing anchor tenant and thus our acquisitions provide immediate revenue and the opportunity to increase revenue and margins by generating colocations following the date of completion. Similarly, our acquired portfolios result in increased cost of sales attributable to diesel costs, fuel costs, maintenance and security costs, and the increase to our overall asset base results in larger depreciation charges in future periods. Our past acquisition activity and continued pursuit of strategic acquisitions may affect the comparability of results on a period-to-period basis for the historical results of operations included in these financial statements and future periods with historical results of operations.

### Airtel ancillary agreements

In 2016, we executed two ancillary agreements with subsidiaries of Airtel related to our tower portfolio acquisition in DRC. First, our DRC operating subsidiary entered into an agreement whereby Airtel DRC provided us a right of first refusal to construct all of its build-to-suit tower requirements in DRC over the next five years in exchange for a US$20 million payment. Second, we entered into a non-compete agreement with the Airtel Group in DRC and Congo Brazzaville, whereby Airtel agreed not to compete with us in DRC or Congo Brazzaville for one year from the date of first closing of our portfolio acquisition (7 July 2016) and for which we issued shares with a fair value of US$30 million. We recognised each of the right of first refusal and the non-compete agreement as an intangible asset to be amortised on a straight-line basis over its useful life, with such amortisation recorded as a component of administrative expense.

## CERTAIN INCOME STATEMENT ITEMS

### Revenue
Our revenue accrues substantially from fees received for the provision of space on our telecommunication sites and the provision of services to third parties.

### Cost of sales
Our cost of sales are comprised of electricity costs, diesel costs, ground lease rental costs, insurance, field service, maintenance and security costs, site depreciation and other operational expenditures.

### Gross profit
Gross profit is comprised of total revenue less cost of sales.

### Administrative expenses
Administrative expenses are costs not directly related to the provision of services to customers but which support the business as a whole. They consist of professional fees (including for audits), depreciation and amortisation (other than site depreciation, which is a component of cost of sales), costs associated with aborted investments, rentals under operating agreements, administrative staff costs (including wages and salaries), foreign exchange movements on operating monetary items and other sundry costs.

### Loss on disposal of property, plant and equipment
Loss on disposal of property, plant and equipment consists of the sale, exchange, abandonment, and involuntary termination of our property, plant and equipment.

### Finance costs
Finance income consists of interest income from bank deposits and realised net foreign exchange gains from financing arrangements. Finance cost consists of interest expense and amortisation of deferred loan facility fees on borrowings, unwinding of discount on decommissioning liability, and unrealised net foreign exchange losses arising from financing.

# QUARTER-ON-QUARTER COMPARISON

## Condensed Consolidated Statement of Profit or Loss

For the 9 months ended 30 September 2017

| | 9 months ended 30 September | | 3 months ended 30 September | |
|---|---|---|---|---|
| | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 |
| Revenue | 256,596 | 200,037 | 87,600 | 80,249 |
| Cost of sales | (212,749) | (168,624) | (71,218) | (68,808) |
| **Gross profit** | 43,8 47 | 31,413 | 16,382 | 11,441 |
| Administrative expenses | (66,614) | (50,756) | (18,347) | (22,487) |
| (Loss)/profit on disposal of property, plant and equipment | (637) | 183 | (843) | 73 |
| **Operating loss** | (23,404) | (19,160) | (2,808) | (10,973) |
| Investment income | 227 | 179 | 134 | 93 |
| Finance costs | (67,262) | (40,247) | (10,515) | (14,027) |
| **Loss before tax** | (90,439) | (59,228) | (13,189) | (24,907) |
| Tax expense | (1,659) | (1,052) | (597) | (403) |
| **Loss for the period** | (92,098) | (60,280) | (13,786) | (25,310) |

## Key metrics

| | Group | | Tanzania | | DRC | | Congo Brazzaville | | Ghana | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 US$m | 2016 US$m | 2017 US$m | 2016 US$m | 2017 US$m | 2016 US$m | 2017 US$m | 2016 US$m | 2017 US$m | 2016 US$m |
| Revenue for the quarter | $87.6 | $80.2 | $36.0 | $30.8 | $35.2 | $32.4 | $6.2 | $7.4 | $10.2 | $9.6 |
| Revenue for the year to date | $256.6 | $200.0 | $103.9 | $89.7 | $105.3 | $67.2 | $17.4 | $18.1 | $30.0 | $25.0 |
| Sites at beginning of the quarter | 6,501 | 5,512 | 3,475 | 3,496 | 1,836 | 835 | 384 | 393 | 806 | 788 |
| Sites at quarter end | 6,540 | 6,495 | 3,502 | 3,508 | 1,835 | 1,807 | 384 | 393 | 819 | 787 |
| Tenancies at beginning of the quarter | 12,701 | 10,239 | 7,210 | 6,554 | 3,280 | 1,686 | 524 | 510 | 1,687 | 1,489 |
| Tenancies at quarter end | 12,573 | 11,991 | 7,047 | 6,732 | 3,285 | 3,112 | 523 | 525 | 1,718 | 1,622 |
| Tenancy ratio at quarter end | 1.92x | 1.85x | 2.01x | 1.92x | 1.79x | 1.72x | 1.36x | 1.34x | 2.10x | 2.06x |
| Adjusted EBITDA for the quarter | $31.1 | $25.8 | $13.3 | $10.3 | $15.0 | $12.5 | $2.3 | $3.7 | $4.6 | $4.2 |
| Adjusted EBITDA for the year to date | $87.4 | $58.6 | $37.0 | $27.7 | $43.4 | $27.9 | $6.9 | $7.7 | $11.6 | $6.5 |
| Adjusted EBITDA Margin for the quarter | 35.5% | 32.2% | 36.9% | 33.4% | 42.6% | 38.6% | 37.1% | 50.0% | 45.1% | 43.8% |

## Tenancy

| | Q3 16 US$m | Q4 16 US$m | Q1 17 US$m | Q2 17 US$m | Q3 17 US$m |
|---|---|---|---|---|---|
| **Standard Colocations as previously reported** | 5,262 | 5,798 | 5,876 | 5,966 | 5,736 |
| **Amendment Colocations** | | | | | |
| Ghana | 113 | 113 | 113 | 113 | 113 |
| Tanzania | 121 | 121 | 121 | 121 | 184 |
| | 234 | 234 | 234 | 234 | 297 |
| **Total Colocations** | 5,496 | 6,032 | 6,110 | 6,200 | 6,033 |

### Tenancy reporting

HT increases the revenue generated from each site through colocation, i.e. by allowing multiple tenants to lease different spaces available on each site to install their respective telecommunications equipment. A Standard Colocation Tenant is defined as a customer occupying tower space under a standard tenancy lease rate and configuration, with defined limits in terms of the vertical space occupied, the wind load (effective plate area) and power consumption. HT also earns revenues from amendments to existing leases when tenants add or modify equipment, taking up additional space, wind load capacity and/or power consumption under an existing lease agreement. In order to present a metric which will allow investors to understand the impact of these revenues, HT calculates an "Amendment Colocation Tenant" on a weighted basis as compared to the market average lease rate for a standard tenancy lease in the month the amendment is added.

## QUARTER-ON-QUARTER COMPARISON

### Tenancy (continued)

Amendment revenue was first recognised in July 2016 and the historical colocation KPIs have been updated in the table opposite.

Total Colocations going forward is equal to Standard Colocations plus Amendment Colocations.

| | Group | | Tanzania | | DRC | | Congo Brazzaville | | Ghana | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Sites at beginning of the quarter | 6,501 | 5,512 | 3,475 | 3,496 | 1,836 | 835 | 384 | 393 | 806 | 788 |
| Sites at quarter end | 6,540 | 6,495 | 3,502 | 3,508 | 1,835 | 1,807 | 384 | 393 | 819 | 787 |
| Tenancies at beginning of the quarter | 12,701 | 10,239 | 7,210 | 6,554 | 3,280 | 1,686 | 524 | 510 | 1,687 | 1,489 |
| Tenancies at quarter end | 12,573 | 11,991 | 7,047 | 6,732 | 3,285 | 3,112 | 523 | 525 | 1,718 | 1,622 |

### Revenue

Revenue increased by 9% to US$88 million in the quarter ended 30 September 2017 from US$80 million in the quarter ended 30 September 2016. The increase in revenue was largely driven by the increase in total sites and tenancies, which were primarily attributable to the portfolio acquisition made from subsidiaries of Airtel in DRC of 967 towers, which initially closed in July 2016.

Increased revenue in Tanzania was primarily attributable to the increase in overall tenancies from 6,732 to 7,047 as of 30 September 2016 to 30 September 2017, an increasing number of colocations, and a decrease in gross liquidated damages of US$1.3 million for the year to date.

Increased revenue in DRC resulted primarily from additional rent and power charges for equipment from the additional sites acquired from subsidiaries of Airtel in DRC.

Revenue improved in Ghana as a result of an increase in total tenancies from 1,622 as of 30 September 2016 to 1,718 as of 30 September 2017 and an increased tenancy ratio from 2.06x as of 30 September 2016 to 2.10x as of 30 September 2017. Revenue decreased in Congo Brazzaville as a result of enhanced fees for SLA revenues in the quarter ended 30 September 2016.

# QUARTER-ON-QUARTER COMPARISON

## Cost of sales

| | 9 months ended 30 September | | | | 3 months ended 30 September | | | |
|---|---|---|---|---|---|---|---|---|
| | US$'000 | | % of revenue | | US$'000 | | % of revenue | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Diesel costs | 48,559 | 36,295 | 18.9% | 18.2% | 16,754 | 15,902 | 19.1% | 19.8% |
| Electricity costs | 24,286 | 20,891 | 9.5% | 10.4% | 7,208 | 7,734 | 8.2% | 9.6% |
| Maintenance and security costs | 34,494 | 30,863 | 13.5% | 15.5% | 11,189 | 11,915 | 12.9% | 14.9% |
| Ground lease rental costs | 16,221 | 13,478 | 6.3% | 6.7% | 5,460 | 5,221 | 6.2% | 6.5% |
| Insurance costs | 626 | 571 | 0.2% | 0.3% | 210 | 232 | 0.2% | 0.3% |
| Site depreciation | 79,748 | 61,700 | 31.0% | 30.8% | 26,460 | 25,450 | 30.0% | 31.7% |
| Other costs | 8,815 | 4,826 | 3.4% | 2.4% | 3,937 | 2,354 | 4.5% | 2.9% |
| **Total cost of sales** | 212,749 | 168,624 | 82.8% | 84.3% | 71,218 | 68,808 | 81.1% | 85.7% |

The table below shows an analysis of the cost of sales on a country-by-country basis for the nine month period ended 30 September 2017 and 2016.

| | Tanzania | | DRC | | Congo Brazzaville | | Ghana | |
|---|---|---|---|---|---|---|---|---|
| | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 |
| Diesel costs | 14,171 | 13,269 | 30,071 | 17,692 | 2,188 | 2,356 | 2,128 | 2,978 |
| Electricity costs | 13,541 | 11,055 | 2,637 | 1,740 | 117 | 166 | 7,991 | 7,929 |
| Maintenance and security costs | 16,108 | 17,209 | 12,916 | 7,500 | 3,403 | 3,539 | 2,070 | 2,617 |
| Ground lease rental costs | 9,457 | 8,841 | 5,084 | 3,325 | 469 | 323 | 1,210 | 988 |
| Insurance costs | 256 | 264 | 225 | 150 | 37 | 41 | 107 | 116 |
| Site depreciation | 35,060 | 29,575 | 32,246 | 21,718 | 7,816 | 6,478 | 4,626 | 3,929 |
| Other costs | 3,975 | 1,013 | 2,684 | 1,934 | 1,083 | 1,064 | 1,073 | 814 |
| **Total cost of sales** | 92,568 | 81,226 | 85,863 | 54,059 | 15,113 | 13,967 | 19,205 | 19,371 |

The table below shows an analysis of the cost of sales on a country-by-country basis for the quarters ended 30 September 2017 and 2016.

| | Tanzania | | DRC | | Congo Brazzaville | | Ghana | |
|---|---|---|---|---|---|---|---|---|
| | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 |
| Diesel costs | 4,410 | 4,367 | 10,626 | 9,682 | 1,071 | 944 | 646 | 909 |
| Electricity costs | 3,992 | 4,079 | 738 | 793 | (3) | 50 | 2,483 | 2,812 |
| Maintenance and security costs | 5,473 | 5,656 | 3,829 | 4,322 | 1,200 | 1,221 | 685 | 717 |
| Ground lease rental costs | 3,063 | 3,205 | 1,812 | 1,597 | 154 | 103 | 431 | 316 |
| Insurance costs | 90 | 105 | 71 | 76 | 13 | 13 | 36 | 37 |
| Site depreciation | 11,500 | 9,821 | 10,655 | 12,017 | 2,576 | 2,204 | 1,564 | 1,408 |
| Other costs | 2,312 | 698 | 693 | 1,038 | 562 | 429 | 370 | 190 |
| **Total cost of sales** | 30,840 | 27,931 | 28,424 | 29,525 | 5,573 | 4,964 | 6,215 | 6,389 |

## QUARTER-ON-QUARTER COMPARISON

### Cost of sales (continued)

Cost of sales increased by 26% from the 9 months ended 30 September 2016 to 30 September 2017. Quarter-on-quarter the increase was 3% to US$71.2 million in the quarter ended 30 September 2017 from US$68.8 million in the quarter ended 30 September 2016. Gross margin for the quarter ended 30 September 2016 was 15.7%, compared to the quarter ended 30 September 2017 of 17.1%. The overall increase in cost of sales was primarily due to a larger portfolio of towers, most prominently an increase in diesel usage and increased cost related to depreciation of our sites, mainly in DRC. Site depreciation increased by 3% for the Group, between quarters, as a result of a higher asset base.

Our diesel costs for the Group increased by 3% between quarters. The increase in diesel costs primarily consisted of a US$0.9 million increase in DRC. The increased diesel costs in DRC were attributable to increased consumption largely as a result of the expansion of the site portfolio after the Airtel acquisition after July 2016 and decreased reliance on the electric grid.

Maintenance and security costs increased by 12% between quarters as a result of increases in DRC. Tanzania, Congo Brazzaville and Ghana are relatively flat. Our improvements in maintenance costs in Tanzania are a result of the efforts of our new management team put in place during the third quarter of 2015 to centralise and embed our maintenance contractors closer to local management in each country to ensure each region has dedicated support. Increase in DRC is due to the effect of asset acquisition.

Our ground lease rental costs increased by 5% between quarters, and 20% and year on year despite the higher proportionate increase in the number of sites, primarily as a result of overall tower lease rates. Other costs during the period ended 30 September 2016 include approximately US$1.9 million of liquidated damages recouped from suppliers mainly due to significant downtime in Tanzania with respect to our service level agreements related to service outages, compared to US$0.6 million of liquidated damages recouped in Tanzania during the period ended 30 September, 2017. The reduction in overall liquidated damages is attributable to improvements in service performance resulting from our new management team's continued implementation of our Operational Excellence Programme to improve our performance, especially the adoption of the zonal structure in Tanzania.

## QUARTER-ON-QUARTER COMPARISON

### Administrative expenses

Administrative expenses decreased by 18.4% to US$18.3 million in the quarter ended 30 September 2017 from US$22.5 million in the quarter ended 30 September 2016. The decrease in administrative expenses is primarily due to an US$7.1 million decrease in amortisation, in relation to the right of first refusal and non-compete agreements executed with Airtel effective from July 2016 with the right of first refusal fully amortised by July 2017, offset by higher other admin costs.

For the quarter ended 30 September

| | 2017 US$'000 | 2016 US$'000 | 2017 % of revenue | 2016 % of revenue |
|---|---|---|---|---|
| Staff costs | 4,442 | 4,503 | 5.0% | 5.7% |
| Other depreciation and amortisation | 2,776 | 9,891 | 3.2% | 12.3% |
| Office costs | 1,887 | 1,780 | 2.2% | 2.2% |
| Deal costs associated with aborted investments | – | 60 | 0.0% | 0.1% |
| Other administrative expense | 9,242 | 6,253 | 10.5% | 7.7% |
| **Total administrative expense** | 18,347 | 22,487 | 20.9% | 28.0% |

For the nine month period ended 30 September

| | 2017 US$'000 | 2016 US$'000 | 2017 % of revenue | 2016 % of revenue |
|---|---|---|---|---|
| Staff costs | 13,397 | 12,499 | 5.2% | 6.2% |
| Other depreciation and amortisation | 21,335 | 11,398 | 8.3% | 5.7% |
| Office costs | 4,358 | 3,937 | 1.7% | 2.0% |
| Deal costs associated with aborted investments | 3,306 | 409 | 1.3% | 0.2% |
| Other administrative expense | 24,218 | 22,513 | 9.5% | 11.3% |
| **Total administrative expense** | 66,614 | 50,756 | 26.0% | 25.4% |

### Profit on disposal of property, plant and equipment

Loss on disposal of property, plant and equipment was US$0.8 million in the quarter ended 30 September 2017, compared to a profit of US$0.1 million during the quarter ended 30 September 2016. This decrease in profit on disposal was primarily a result of sale of parts and equipment in Tanzania creating a profit for the prior year, and write-off of assets in the current year.

### Finance costs

Finance costs of US$10.5 million for the quarter ended 30 September 2017, mainly comprise of interest for the US$600 million 9.125% bond, accruing from March 2017, partly offset by a gain on derivative revaluation and FX difference movements during the quarter.

For the period ended 30 September

| | **9 months ended 30 September** | | **3 months ended 30 September** | |
|---|---|---|---|---|
| | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 |
| Foreign exchange differences | 6,002 | 3,654 | (2,970) | (471) |
| Interest costs | 53,246 | 31,668 | 18,437 | 13,164 |
| Net interest (income)/cost on derivative financial instruments | (5,440) | 1,755 | (4,952) | 200 |
| Deferred loan cost amortisation | 13,454 | 3,170 | – | 1,134 |
| **Total finance costs** | 67,262 | 40,247 | 10,515 | 14,027 |

## QUARTER-ON-QUARTER COMPARISON

### Tax expense

Our tax expense was US$0.6 million in the quarter ended 30 September 2017 as compared to US$0.4 million in the quarter ended 30 September 2016. Our tax expense is primarily due to an additional tax levied against certain entities in Tanzania and DRC as stipulated by law in these jurisdictions.

### Adjusted EBITDA

Adjusted EBITDA was US$31.1 million in the quarter ended 30 September 2017 compared to US$25.8 million in the quarter ended 30 September 2016. For the 9 month period ended 30 September 2017 Adjusted EBITDA was US$87.4 million, compared to US$58.6 million for the same period in 2016. The increase in Adjusted EBITDA between periods is primarily attributable to the changes in revenue, cost of sales and administrative expenses, as discussed above. See note 4 for more details.

### Consolidated Statements of cash flow data

For the period ended 30 September

| | 9 months ended 30 September | | 3 months ended 30 September | |
|---|---|---|---|---|
| | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 |
| **Cash flows from Operating Activities** | | | | |
| Loss for the period | (90,439) | (59,228) | (13,189) | (24,907) |
| Net cash generated from operating activities | 32,346 | 14,437 | 11,774 | 16,075 |
| Net cash (used in) investing activities | (101,254) | (274,788) | (41,796) | (201,525) |
| Net cash generated from/(used in) financing activities | 170,658 | 313,676 | (2,400) | 102,126 |
| Net increase/(decrease) in cash and cash equivalents | 101.750 | 53,325 | (32,422) | (83,324) |
| Cash and cash equivalents, beginning of period | 133,737 | 88,290 | 267,695 | 224,607 |
| Foreign exchange translation | 107 | (382) | 321 | (50) |
| **Cash and cash equivalents, end of period** | 235,594 | 141,233 | 235,594 | 141,233 |

As at 30 September 2017 we had US$235.6 million of cash and cash equivalents.

Net cash generated from operating activities increased from US$14.4 million during the period ended 30 September 2016 to US$32.3 million during the period ended 30 September 2017. The increase in net cash generated from operating activities between periods was primarily driven by an improvement in revenues and working capital management.

Net cash used in investing activities decreased from US$201.5 million during the quarter ended 30 September 2016 to US$41.8 million during the quarter ended 30 September 2017. The decrease in net cash used in investing activities between quarters was mainly the result of acquisition of property plant and equipment in the prior year quarter.

Net cash generated from/(used in) financing activities decreased from US$102.1 million generated during the quarter ended 30 September 2016 to US$2.4 million used in financing activities during the quarter ended 30 September 2017. The decrease in net cash generated by financing activities between quarters was primarily the result of refinancing the Group.

## QUARTER-ON-QUARTER COMPARISON

### Capital expenditures

For the 9 month period ended 30 September

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | US$'000 | % of Total Capex | US$'000 | % of Total Capex |
| Acquisition capital expenditures | 10.4 | 9.9% | 142.6 | 61.7% |
| Build-to-suit capital expenditures | 16.8 | 16.0% | 28.5 | 12.3% |
| Upgrade capital expenditures | 59.1 | 56.5% | 34.6 | 14.9% |
| Maintenance capital expenditures | 16.2 | 15.5% | 23.8 | 10.3% |
| Corporate capital expenditures | 2.2 | 2.1% | 1.8 | 0.8% |
| **Total** | 104.7 | 100.0% | 231.3 | 100.0% |

Following the announcement of the Zantel acquisition in August we have closed 101 sites which has driven acquisition capital expenditure during 2017. Prior year acquisition capital expenditure was principally due to the DRC Airtel acquisition. Upgrade capital expenditure has increased in 2017 due to the roll out of the opex savings initiatives in Tanzania and DRC, tower strengthening and upgrade program and the continued roll out of colocation tenants. Maintenance capital expenditure has decreased in during 2017 however we continue to carry out periodic refurbishments and replace parts and equipment to keep our site in service.

**Off-Balance Sheet arrangements**

We do not have any off-balance sheet arrangements, other than operating lease commitments disclosed in note 15.

**Indebtedness**

As of 30 September 2017 and 31 December 2016 the HT Group's outstanding loans and borrowings were US$586.5 million (net of issue costs) and US$401.1 million respectively. For more details, see note 12 to the condensed consolidated interim financial statements for the period ended 30 September 2017.

On 8 March 2017, HTA Group Limited, a wholly owned subsidiary of HTA Ltd, issued US$600 million of 9.125% bonds due 2022 which are listed on the Irish Stock Exchange. Interest is payable semi-annually beginning on 8 September 2017. Third party loans were settled from the bond proceeds on 8 March 2017.

# Condensed Interim Financial Statements

# CONDENSED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the 9 months ended 30 September 2017

| | | Unaudited 9 months ended 30 September | | Unaudited 3 months ended 30 September | |
|---|---|---|---|---|---|
| | Note | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 |
| Revenue | | 256,596 | 200,037 | 87,600 | 80,249 |
| Cost of sales | | (212,749) | (168,624) | (71,218) | (68,808) |
| **Gross profit** | | 43,847 | 31,413 | 16,382 | 11,441 |
| Administrative expenses | | (66,614) | (50,756) | (18,347) | (22,487) |
| (Loss)/profit on disposal of property, plant and equipment | | (637) | 183 | (843) | 73 |
| **Operating loss** | | (23,404) | (19,160) | (2,808) | (10,973) |
| Investment income | | 227 | 179 | 134 | 93 |
| Finance costs | 5 | (67,262) | (40,247) | (10,515) | (14,027) |
| **Loss before tax** | | (90,439) | (59,228) | (13,189) | (24,907) |
| Income tax expense | 6 | (1,659) | (1,052) | (597) | (403) |
| Loss for the period | | (92,098) | (60,280) | (13,786) | (25,310) |
| | | | | | |
| **Other comprehensive loss:** | | | | | |
| Items that may be reclassified subsequently to profit and loss: | | | | | |
| Exchange differences on translation of foreign operations | | 3,379 | (222) | (560) | 138 |
| **Total comprehensive loss for the period** | | (88,719) | (60,502) | (14,346) | (25,172) |
| | | | | | |
| **Loss attributable to:** | | | | | |
| Owners of the Company | | (78,623) | (47,617) | (10,865) | (21,318) |
| Non-controlling interests | | (13,475) | (12,663) | (2,921) | (3,992) |
| **Loss for the period** | | (92,098) | (60,280) | (13,786) | (25,310) |
| | | | | | |
| **Total comprehensive loss attributable to:** | | | | | |
| Owners of the Company | | (76,018) | (47,918) | (11,342) | (21,042) |
| Non-controlling interests | | (12,701) | (12,584) | (3,004) | (4,130) |
| **Total comprehensive loss for the period** | | (88,719) | (60,502) | (14,346) | (25,172) |

The notes on pages 27 to 39 form part of these financial statements

# CONDENSED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Financial Position

As at 30 September 2017

| | Notes | Unaudited 30 September, 2017 US$'000 | Audited 31 December, 2016 US$'000 |
|---|---|---|---|
| **Non current assets** | | | |
| Intangible assets | 7 | 18,824 | 35,556 |
| Property, plant and equipment | 8 | 667,575 | 655,140 |
| Investments in subsidiaries | | 132 | 132 |
| Derivative financial assets | 9 | 7,560 | 1,393 |
| | | 694,091 | 692,221 |
| **Current assets** | | | |
| Inventories | | 8,759 | 19,504 |
| Trade and other receivables | 10 | 107,479 | 126,929 |
| Prepayments | | 40,871 | 34,752 |
| Cash and bank balances | | 235,594 | 133,737 |
| | | 392,703 | 314,922 |
| **Total assets** | | 1,086,794 | 1,007,143 |
| **Equity** | | | |
| **Issued capital and reserves** | | | |
| Share capital | 11 | 909,134 | 909,134 |
| Share premium | | 186,795 | 186,795 |
| **Stated capital** | | 1,095,929 | 1,095,929 |
| Other reserves | | (11,693) | (11,693) |
| Minority interest buy-out reserve | | (55,003) | (54,429) |
| Translation reserve | | (77,107) | (79,712) |
| Accumulated losses | | (610,988) | (532,365) |
| **Equity attributable to owners** | | 341,138 | 417,730 |
| **Non controlling interest** | | (48,490) | (36,322) |
| **Total equity** | | 292,648 | 381,408 |
| **Non current liabilities** | | | |
| Loans | 12 | 583,541 | 340,633 |
| | | 583,541 | 340,633 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 149,214 | 166,700 |
| Loans | 12 | 2,931 | 60,516 |
| Minority interest buy-out liability | 14 | 58,460 | 57,886 |
| | | 210,605 | 285,102 |
| **Total liabilities** | | 794,146 | 625,735 |
| **Total equity and liabilities** | | 1,086,794 | 1,007,143 |

The notes on pages 27 to 39 form part of these financial statements

## CONDENSED FINANCIAL STATEMENTS

# Condensed Consolidated Statement of Changes in Equity

For the 9 months ended 30 September 2017

| Unaudited | Share capital US$'000 | Share premium US$'000 | Other reserves US$'000 | Minority interest buy-out reserves US$'000 | Translation reserves US$'000 | Accum-ulated losses US$'000 | Available to the owners of the parent US$'000 | Non-controlling interest US$'000 | Total Equity US$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January, 2016** | 750,394 | 131,239 | (11,283) | (54,063) | (77,102) | (437,283) | 301,902 | (18,906) | 282,996 |
| Loss for the period | – | – | – | – | – | (47,617) | (47,617) | (12,663) | (60,280) |
| Other comprehensive loss | – | – | – | – | (301) | – | (301) | 79 | (222) |
| Total comprehensive loss for the period | – | – | – | – | (301) | (47,617) | (47,918) | (12.584) | (60,502) |
| **Balance at 30 September, 2016** | 750,394 | 131,239 | (11,283) | (54,063) | (77,403) | (484,900) | 253,984 | (31,490) | 222,494 |
| Issue of share capital | 158,740 | 55,556 | – | – | – | – | 214,296 | – | 214,296 |
| Capital from NCI | – | – | – | – | – | – | – | 340 | 340 |
| Share issue costs | – | – | (410) | – | – | – | (410) | – | (410) |
| Minority buy-out liability | – | – | – | (366) | – | – | (366) | – | (366) |
| Loss for the period | – | – | – | – | – | (47,465) | (47,465) | (2,863) | (50,328) |
| Other comprehensive loss | – | – | – | – | (2,309) | – | (2,309) | (2,309) | (4,618) |
| Total comprehensive loss for the period | – | – | – | – | (2,309) | (47,465) | (49,774) | (5,172) | (54,946) |
| **Balance at 31 December, 2016** | 909,134 | 186,795 | (11,693) | (54,429) | (79,712) | (532,365) | 417,730 | (36,322) | 381,408 |
| Capital from NCI | – | – | – | – | – | – | – | 533 | 533 |
| Minority buy-out liability | – | – | – | (574) | – | – | (574) | – | (574) |
| Loss for the period | – | – | – | – | – | (78,623) | (78,623) | (13,475) | (92,098) |
| Other comprehensive loss | – | – | – | – | 2,605 | – | 2,605 | 774 | 3,379 |
| Total comprehensive loss for the period | – | – | – | – | 2,605 | (78,623) | (76,018) | (12,701) | (88,719) |
| **Balance at 30 September, 2017** | 909,134 | 186,795 | (11,693) | (55,003) | (77,107) | (610,988) | 341,138 | (48,490) | 292,648 |

The notes on pages 27 to 39 form part of these financial statements

## CONDENSED FINANCIAL STATEMENTS

# Condensed Consolidated Statements of Cash Flows

For the 9 months ended 30 September 2017

| | 9 months ended 30 September | | 3 months ended 30 September | |
|---|---|---|---|---|
| | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 |
| **Cash flows (used in) operating activities** | | | | |
| Loss for the period before taxation | (90,439) | (59,228) | (13,189) | (24,907) |
| **Adjustments for:** | | | | |
| Finance costs | 67,262 | 40,247 | 10,515 | 14,027 |
| Investment income | (227) | (179) | (134) | (93) |
| Depreciation and amortisation | 101,083 | 73,884 | 29,236 | 36,621 |
| Loss/(profit) on disposal | 637 | (183) | 843 | (73) |
| Movement in working capital: | | | | |
| (Decrease)/increase in inventories | (2,064) | (2,052) | 635 | (1,228) |
| Decrease/(increase) in trade and other receivables | 16,416 | (31,951) | 9,737 | (28,112) |
| Decrease/(increase) in prepayments | 3,510 | (7,375) | 2,646 | (3,277) |
| (Decrease)/increase in trade and other payables | (24,985) | 19,136 | (899) | 29,610 |
| **Cash generated from operations** | 71,193 | 32,299 | 39,390 | 22,568 |
| Interest paid | (37,532) | (17,057) | (27,346) | (6,274) |
| Tax paid | (1,315) | (805) | (270) | (219) |
| **Net cash generated from operating activities** | 32,346 | 14,437 | 11,774 | 16,075 |
| Cash flows from investing activities | | | | |
| Payments to acquire property, plant and equipment | (98,773) | (253,852) | (40,870) | (181,774) |
| Payment to acquire intangible assets | (2,957) | (21,289) | (1,105) | (19,911) |
| Proceeds on disposal on assets | 249 | 177 | 44 | 69 |
| Interest received | 227 | 176 | 135 | 91 |
| **Net cash (used in) investing activities** | (101,254) | (274,788) | (41,796) | (201,525) |
| Cash flows from financing activities | | | | |
| Gross proceeds from issue of equity share capital | – | 184,297 | – | 9,988 |
| Equity issuance costs | – | (410) | – | (410) |
| Borrowing drawdowns | 600,000 | 152,066 | – | 105,000 |
| Borrowing drawdown costs | (24,079) | (6,857) | – | (6,857) |
| Borrowing repayments | (405,263) | (15,420) | (2,400) | (5,595) |
| **Net cash generated from/(used in) financing activities** | 170,658 | 313,676 | (2,400) | 102,126 |
| Foreign exchange on translation movement | 107 | (382) | 321 | (50) |
| Net increase/(decrease) in cash and cash equivalents | 101,750 | 53,325 | (32,422) | (83,324) |
| Cash and cash equivalents at the beginning of period | 133,737 | 88,290 | 267,695 | 224,607 |
| **Cash and cash equivalents at end of period** | 235,594 | 141,233 | 235,594 | 141,233 |

The notes on pages 27 to 39 form part of these financial statements

# Notes to the Condensed Interim Financial Statements

## 1. Authorisation of financial statements and statement of compliance with IFRS

Helios Towers Africa, Ltd trading as Helios Towers is a limited company incorporated and domiciled in the Republic of Mauritius. Helios Towers Africa, Ltd and its subsidiaries (collectively referred to as "the Group") condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The principal accounting policies adopted by the Group are set out in note 2.

## 2. Accounting Policies

### Basis of preparation

The unaudited condensed set of financial statements included in the quarterly financial report has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRSs").

Accounting policies are consistent with those adopted in the last statutory financial statements and the audit opinion was unmodified.

The condensed set of financial statements included in the quarterly financial report has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The information as of 31 December 2016 has been extracted from the audited financial statements for the year ended 31 December 2016.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

These financial statements do not constitute statutory financial statements under the Companies Act.

### Going concern

The Directors believe that Helios Towers Africa, Ltd and its subsidiaries (collectively referred to as "the Group") is well placed to manage its business risks successfully, despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

The Directors have looked at forecast compliance with covenants attached to the drawn loan facilities and have concluded that the Group should be able to operate within the level of its current committed facilities.

As part of their regular assessment of Group's working capital and financing position, the directors have prepared a detailed trading and cash flow forecast for a period which covers at least 12 months after the date of approval of the interim financial statements. In assessing the forecast, the directors have considered:

- trading risks presented by the current economic conditions in the operating markets;
- the impact of macroeconomic factors, particularly interest rates and foreign exchange rates;
- the status of the Group's financial arrangements;
- progress made in developing and implementing cost reduction programmes and operational improvements; and
- mitigating actions available should business activities fall behind current expectations, including the deferral of discretionary overheads and restricting cash outflows.

The directors have acknowledged the latest guidance on going concern. Management have considered the latest forecasts available to them and additional sensitivity analysis has been prepared to consider any reduction in anticipated levels of Adjusted EBITDA.

## 3. Segmental reporting

The following segmental information is presented in a consistent format with management information considered by the Board of Directors. Operating segments are determined based on geographical location. All operating segments have the same business of operating and maintaining telecoms towers and generating revenue from services provided utilising the tower infrastructure. Accounting policies are applied consistently for all operating segments. Segment operating result used by chief operating decision makers is Adjusted EBITDA which is defined on page 6.

9 months ended 30 September 2017

| | Ghana US$'000 | Tanzania US$'000 | DRC US$'000 | Congo Brazzaville US$'000 | Total operating companies US$'000 | Corporate US$'000 | Group Total US$'000 |
|---|---|---|---|---|---|---|---|
| Revenue | 29,968 | 103,920 | 105,311 | 17,397 | 256,596 | – | 256,596 |
| Adjusted EBITDA | 11,591 | 37,001 | 43,353 | 6,872 | 98,817 | (11,400) | 87,417 |
| Operating profit / (loss) | 5,586 | (2,570) | 2,611 | (2,212) | 3,415 | (26,819) | (23,404) |
| **Financing costs** | | | | | | | |
| Interest costs | (2,683) | (43,176) | (37,434) | (8,361) | (91,654) | 24,954 | (66,700) |
| Foreign exchange differences | (1,630) | (9,955) | (259) | 5,608 | (5,718) | (284) | (6,002) |
| Derivative financial instruments | – | (9) | (1,476) | – | (1,485) | 6,925 | 5,440 |
| | (4,313) | (53,140) | (39,169) | (2,753) | (98,857) | 31,595 | (67,262) |
| Investment income | | | | | | | 227 |
| **Loss before tax** | | | | | | | (90,439) |

9 months ended 30 September 2016

| | Ghana US$'000 | Tanzania US$'000 | DRC US$'000 | Congo Brazzaville US$'000 | Total operating companies US$'000 | Corporate US$'000 | Group Total US$'000 |
|---|---|---|---|---|---|---|---|
| Revenue | 24,993 | 89,728 | 67,237 | 18,079 | 200,037 | – | 200,037 |
| Adjusted EBITDA | 6,500 | 27,733 | 27,925 | 7,722 | 69,880 | (11,328) | 58,552 |
| Operating (loss)/profit | 1,883 | (7,111) | 2,750 | 589 | (1,889) | (17,271) | (19,160) |
| **Financing costs** | | | | | | | |
| Interest costs | (1,106) | (43,043) | (11,800) | (3,772) | (59,721) | 24,883 | (34,838) |
| Foreign exchange differences | (955) | (2,157) | (818) | 1,280 | (2,650) | (1,004) | (3,654) |
| Derivative financial instruments | 37 | (456) | (1,336) | – | (1,755) | – | (1,755) |
| | (2,024) | (45,656) | (13,954) | (2,492) | (64,126) | 23,879 | (40,247) |
| Other gains and losses | | | | | | | – |
| Investment income | | | | | | | 179 |
| **Loss before tax** | | | | | | | (59,228) |

## 3. Segmental reporting (continued)

### 3 months ended 30 September 2017

| | Ghana US$'000 | Tanzania US$'000 | DRC US$'000 | Congo Brazzaville US$'000 | Total operating companies US$'000 | Corporate US$'000 | Group Total US$'000 |
|---|---|---|---|---|---|---|---|
| Revenue | 10,221 | 35,972 | 35,187 | 6,220 | 87,600 | – | 87,600 |
| Adjusted EBITDA | 4,606 | 13,307 | 14,964 | 2,259 | 35,136 | (4,018) | 31,118 |
| Operating profit/(loss) | 2,239 | (406) | 3,004 | (1,482) | 3,355 | (6,163) | (2,808) |
| **Financing costs** | | | | | | | |
| Interest costs | (868) | (12,482) | (9,874) | (2,002) | (25,226) | 6,789 | (18,437) |
| Foreign exchange differences | (166) | 852 | 520 | 1,948 | 3,154 | (184) | 2,970 |
| Derivative financial instruments | – | – | – | – | – | 4,952 | 4,952 |
| | (1,034) | (11,630) | (9,354) | (54) | (22,072) | 11,557 | (10,515) |
| Investment income | | | | | | | 134 |
| **Loss before tax** | | | | | | | (13,189) |

### 3 months ended 30 September 2016

| | Ghana US$'000 | Tanzania US$'000 | DRC US$'000 | Congo Brazzaville US$'000 | Total operating companies US$'000 | Corporate US$'000 | Group Total US$'000 |
|---|---|---|---|---|---|---|---|
| Revenue | 9,649 | 30,819 | 32,421 | 7,360 | 80,249 | – | 80,249 |
| Adjusted EBITDA | 4,164 | 10,251 | 12,495 | 3,694 | 30,604 | (4,767) | 25,837 |
| Operating profit/(loss) | 2,083 | (3,011) | (2,850) | 1,189 | (2,589) | (8,384) | (10,973) |
| **Financing costs** | | | | | | | |
| Interest costs | (371) | (15,386) | (5,560) | (1,410) | (22,727) | 8,429 | (14,298) |
| Foreign exchange differences | (537) | 1,472 | (566) | 336 | 705 | (234) | 471 |
| Derivative financial instruments | – | 321 | (521) | – | (200) | – | (200) |
| | (908) | (13,593) | (6,647) | (1,074) | (22,222) | 8,195 | (14,027) |
| Other gains and losses | | | | | | | – |
| Investment income | | | | | | | 93 |
| **Loss before tax** | | | | | | | (24,907) |

### Capital Additions, Depreciation and Amortisation

| | **9 months ended 30 September 2017** | | **3 months ended 30 September 2017** | | **Year ended 31 December 2016** | |
|---|---|---|---|---|---|---|
| | Capital additions US$'000 | Depreciation and Amortisation US$'000 | Capital additions US$'000 | Depreciation and Amortisation US$'000 | Capital additions US$'000 | Depreciation and Amortisation US$'000 |
| Ghana | 7,727 | 5,368 | 2,916 | 1,795 | 6,905 | 6,503 |
| Tanzania | 43,930 | 36,783 | 16,646 | 12,354 | 63,043 | 45,047 |
| Democratic Republic of Congo | 41,753 | 36,890 | 14,422 | 11,498 | 224,942 | 40,109 |
| Congo Brazzaville | 11,214 | 9,658 | 7,888 | 4,293 | 8,343 | 10,238 |
| Total operating company | 104,624 | 88,699 | 41,872 | 29,940 | 303,233 | 101,897 |
| Corporate | 52 | 12,384 | 12 | 189 | 30,000 | 16,996 |
| **Total** | 104,676 | 101,083 | 41,884 | 30,129 | 333,233 | 118,893 |

## 4. Adjusted EBITDA

The segment operating result used by chief operating decision makers is Adjusted EBITDA.

Management define Adjusted EBITDA as loss for the period, adjusted for loss for the period from discontinued operations, additional tax, income tax, finance costs, other gains and losses, investment income, loss on disposal of property, plant and equipment, amortisation and impairment of intangible assets, depreciation and impairment of property, plant and equipment, deal costs relating to unsuccessful tower acquisition transactions or successful tower acquisition transactions that cannot be capitalised, and exceptional items. Exceptional items are items that are considered exceptional in nature by management by virtue of their incidence, and in some cases their size. Adjusted EBITDA is reconciled to loss before tax as follows:

| | 9 months ended 30 September | | 3 months ended 30 September | |
|---|---|---|---|---|
| | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 |
| Adjusted EBITDA | 87,417 | 58,552 | 31,118 | 25,837 |
| *Adjustments applied in arriving at Adjusted EBITDA* | | | | |
| Exceptional items: | | | | |
| Tanzanian IPO[1] | (1,481) | – | (119) | – |
| Restructuring and litigation costs[2] | (3,423) | (3,711) | (3,423) | (1,276) |
| (Loss)/profit on disposals of assets | (637) | 183 | (843) | 73 |
| Deal costs | (3,306) | (300) | – | – |
| Recharged depreciation | (891) | (791) | (306) | (267) |
| Depreciation of property, plant and equipment | (81,143) | (62,904) | (26,927) | (25,900) |
| Amortisation of intangibles | (19,940) | (10,189) | (2,308) | (9,440) |
| Investment income | 227 | 179 | 134 | 93 |
| Finance costs | (67,262) | (40,247) | (10,515) | (14,027) |
| Loss before tax | (90,439) | (59,228) | (13,189) | (24,907) |

1 Advisory and other costs relating to the Group's preparation for the IPO of its Tanzania Subsidiary.

2 Relates to various restructuring projects across the Group, including headcount reduction and the departing Executive Chairman. It also includes legal costs incurred in connection with a previously terminated equity transaction.

## 5. Finance costs

| | 9 months ended 30 September | | 3 months ended 30 September | |
|---|---|---|---|---|
| | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 |
| Foreign exchange difference | 6,002 | 3,654 | (2,970) | (471) |
| Interest costs | 53,246 | 31,668 | 18,437 | 13,164 |
| Net interest (income)/cost on derivative financial instruments | (5,440) | 1,755 | (4,952) | 200 |
| Deferred loan cost amortisation | 13,454 | 3,170 | – | 1,134 |
| | 67,262 | 40,247 | 10,515 | 14,027 |

## 6. Tax expense

| | 9 months ended 30 September | | 3 months ended 30 September | |
|---|---|---|---|---|
| | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 |
| Additional taxes | 1,659 | 1,052 | 597 | 403 |

Though entities in Congo B, Tanzania and DRC have continued to be loss making, minimum income tax has been levied based on revenue as stipulated by law in these jurisdictions.

The Company was a Category 2 – Global Business Licence Company (C2-GBLC) during the current and preceding financial periods. C2-GBLC is not subject to any income tax in Mauritius.

The applicable tax rates for the Company's subsidiaries range from 20% to 40%.

## 7. Intangible assets

| The Group | Exclusivity right US$'000 | Non-compete agreement US$'000 | Computer software and licences US$'000 | Total US$'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2017 | 35,000 | 30,000 | 11,403 | 76,403 |
| Additions during the period | – | – | 2,957 | 2,957 |
| Foreign exchange | – | – | (129) | (129) |
| **At 30 September 2017** | 35,000 | 30,000 | 14,231 | 79,231 |
| | | | | |
| **Amortisation** | | | | |
| At 1 January 2017 | (17,500) | (16,894) | (6,453) | (40,847) |
| Charge for period | (3,750) | (13,106) | (3,084) | (19,940) |
| Foreign exchange | – | – | 380 | 380 |
| **At 30 September 2017** | (21,250) | (30,000) | (9,157) | (60,407) |
| | | | | |
| Net book value | | | | |
| **At 30 September 2017** | 13,750 | – | 5,074 | 18,824 |
| | | | | |
| **At 31 December 2016** | 17,500 | 13,106 | 4,950 | 35,556 |

## 8. Property, plant and equipment

| The Group | IT equipment US$'000 | Fixtures and fittings US$'000 | Motor vehicles US$'000 | Site assets US$'000 | Land US$'000 | Leasehold improvements US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2017 | 3,882 | 817 | 4,741 | 911,548 | 5,808 | 891 | 927,687 |
| Additions during the period | 1,170 | 116 | 554 | 99,733 | – | 146 | 101,719 |
| Disposals during the period | – | – | (623) | (1,144) | – | – | (1,767) |
| Reclassifications | – | – | – | 848 | (848) | – | – |
| Foreign exchange | 17 | 11 | (80) | (10,044) | 96 | (5) | (10,005) |
| At 30 September 2017 | 5,069 | 944 | 4,592 | 1,000,941 | 5,056 | 1,032 | 1,017,634 |
| | | | | | | | |
| **Depreciation** | | | | | | | |
| At 1 January 2017 | (1,912) | (480) | (2,725) | (267,189) | – | (241) | (272,547) |
| Charge for period | (757) | (161) | (545) | (79,556) | – | (123) | (81,142) |
| Disposals during the period | – | – | 568 | 562 | – | – | 1,130 |
| Foreign exchange | (134) | (7) | 49 | 2,591 | – | 1 | 2,500 |
| **At 30 September 2017** | (2,803) | (648) | (2,653) | (343,592) | – | (363) | (350,059) |
| | | | | | | | |
| Net book value | | | | | | | |
| **At 30 September 2017** | 2,266 | 296 | 1,939 | 657,349 | 5,056 | 669 | 667,575 |
| | | | | | | | |
| **At 31 December 2016** | 1,970 | 337 | 2,016 | 644,359 | 5,808 | 650 | 655,140 |

## 9. Derivative financial instruments

The amounts recognised in the statement of financial position are as follows:

| | 30 September, 2017 US$'000 | 31 December, 2016 US$'000 |
|---|---|---|
| Put and call options on listed bond | 7,560 | – |
| Interest rate swaps | – | 1,393 |

The derivatives represent the fair value of the put and call options embedded within the terms of the Notes. The call options give the Group the right to redeem the bond instruments at a date prior to the maturity date (8 March 2022), 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 Notes before their redemption date in the event of a change in control (as defined in the terms of the Notes, which also includes a major asset sale), and at a premium over the initial notional amount. The options are fair valued using an option pricing model that is commonly used by market participants to value such options and makes the maximum use of market inputs, relying as little as possible on the entity's specific inputs and making reference to the fair value of similar instruments in the market. Thus, it is considered a level 2 financial instrument in the fair value hierarchy of IFRS 13.

The key assumptions in determining the fair value are, the initial fair value of the bond (assumed to be priced at 100% on issue date), the credit spread (derived using Bloomberg analytics at issuance and based on credit market data thereafter), the yield curve and the probabilities of a change in control (0% assumed) and a major asset sale (0% assumed). The probabilities relating to change of control and major asset sale represent a reasonable expectation of those events occurring that would be held by a market participant.

As at reporting date, the call option had a fair value of US$7.56 million (asset) while the put option had a fair value of US$0 million (liability). During the period ended 30 September 2017, a US$5.2 million fair value adjustment was recognised through profit and loss.

Interest rate swaps derivatives held as at 31 December 2016 were fully settled during the first quarter of 2017.

## 10. Trade and other receivables

| | 30 September, 2017 US$'000 | 31 December, 2016 US$'000 |
|---|---|---|
| Trade receivables | 67,155 | 57,586 |
| Allowance for doubtful debts | (13,469) | (1,289) |
| | 53,686 | 56,297 |
| Trade receivable from related parties | 15,516 | 17,769 |
| Trade receivable from non-controlling interests | 15,563 | 26,015 |
| | 84,765 | 100,081 |
| Other receivables | 16,826 | 15,404 |
| VAT & Withholding tax receivable | 5,888 | 11,444 |
| | 107,479 | 126,929 |

Trade receivables (as per the ageing analysis) represents the amounts which the Group does not consider as impaired as at reporting date as there has not been a significant change in credit quality and the amounts are still considered as recoverable. Allowance for impairment losses are recognised on a case-to-case basis for each trade receivables. As at reporting date, the allowance for impairment losses are not significant to the Group and will not affect the recoverability of the trade receivables amounts (as per the ageing analysis). Interest can be charged on past due debtors. The normal credit period of services is 30 days.

Trade and other receivables are classified as loans and receivables. These are initially recognised at fair value and subsequently at amortised cost.

Of the trade receivables balance at 30 September 2017: 61% (31 December 2016: 66%) is due from four of the Group's largest customers. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty. The average trade receivables collection period is 40 days (31 December 2016: 54 days).

Ageing analysis of trade receivables not impaired:

| | 30 September, 2017 US$'000 | 31 December, 2016 US$'000 |
|---|---|---|
| Not yet due | 47,309 | 58,027 |
| 1-30 days | 14,106 | 11,426 |
| 30-60 days | 4,908 | 7,654 |
| 60-90 days | 6,340 | 8,982 |
| 90+ days | 12,102 | 13,992 |
| | 84,765 | 100,081 |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

## 11. Share capital

The share capital as of 30 September, 2017 was as follows:

| | Group and Company | | | |
|---|---|---|---|---|
| | 30 September, 2017 | | 31 December, 2016 | |
| | Number of shares | US$'000 | Number of shares | US$'000 |
| **Authorised, issued and fully paid** | | | | |
| Ordinary share capital class A of US$1 per share | 390,410,138 | 390,410 | 390,410,138 | 390,410 |
| Ordinary share capital class C of US$100 per share | 100 | 10 | 100 | 10 |
| Ordinary share capital class D of US$1 per share | 100 | – | 100 | – |
| Ordinary share capital class G of US$1 per share | 518,714,176 | 518,714 | 518,714,176 | 518,714 |
| | 909,124,514 | 909,134 | 909,124,514 | 909,134 |

There were no share issuances during the period ended 30 September 2017.

## 12. Borrowings

| | 30 September, 2017 US$'000 | 31 December, 2016 US$'000 |
|---|---|---|
| **Term loans** | | |
| US$ 600 million 9.125% senior notes 2022 | 583,541 | – |
| US$ 77 million (LIBOR + 6.00%) | – | 74,977 |
| TZS 57.363 billion (TIBOR + 5.00%) | – | 25,582 |
| US$ 60 million (LIBOR + 6.00%) | – | 58,423 |
| TZS 9.625 billion (TIBOR + 5.00%) | – | 4,292 |
| TZS 22.727 billion (TIBOR + 5.00%) | – | 10,136 |
| US$ 23.8 million (LIBOR + 5.00%) | – | 23,038 |
| US$ 15.0 million (LIBOR + 5.00%) | – | 14,520 |
| US$ 40.0 million (LIBOR + 5.00%) | – | 38,720 |
| US$ 15.0 million (LIBOR + 5.00%) | – | 14,520 |
| US$ 70.0 million (LIBOR + 5.00%) | – | 67,760 |
| US$ 5.0 million (LIBOR + 5.00%) | – | 4,840 |
| US$ 8.146 million (LIBOR + 5.00%) | – | 7,189 |
| US$ 10.0 million (LIBOR + 5.00%) | – | 8,825 |
| XAF 5.222 billion (LIBOR + 5.00%) | – | 7,423 |
| | 583,541 | 360,245 |
| **Shareholder loans** | | |
| HTT Infraco Limited | 2,931 | 32,850 |
| HTG Managed Services Limited | – | 2,414 |
| HT DRC Infraco S.A.R.L | – | 5,640 |
| | 2,931 | 40,904 |
| **Total borrowings** | 586,472 | 401,149 |
| | | |
| Current | 2,931 | 60,516 |
| Non-current | 583,541 | 340,633 |
| | 586,472 | 401,149 |

On 8 March 2017, HTA Group Limited, a wholly-owned subsidiary of HTA Ltd, issued US$600 million of 9.125% bonds due 2022 which are listed on the Irish Stock Exchange. Interest is payable semi-annually beginning on 8 September 2017. The bonds are guaranteed on a senior basis by the company, and certain of the HTA Ltd subsidiaries. The proceeds of the issuance were used, among other things, to refinance existing indebtedness of the company's subsidiaries (HTT Infraco Limited, HT DRC Infraco S.A.R.L and HT Congo Brazzaville Holding Limited).

Loans are classified as financial liabilities and measured at amortised cost.

The shareholder loans carry an interest rate ranging from 8% to 15% (2016: 5% to 15%).

## 13. Trade and other payables

| | 30 September, 2017 US$'000 | 31 December, 2016 US$'000 |
|---|---|---|
| Trade payables | 17,007 | 15,691 |
| Amounts payable to related parties | 52 | 922 |
| Payable to non-controlling interest | 61 | 1,349 |
| Deferred income | 42,067 | 60,386 |
| Deferred consideration | 8,161 | 13,453 |
| Other payables and accruals | 68,703 | 74,899 |
| VAT & Withholding tax payable | 13,163 | – |
| | 149,214 | 166,700 |

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 25 days (2016: 45 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Amounts payable to related parties are unsecured, interest free and repayable on demand.

## 14. Minority interest buy-out liability

| The Group | 30 September, 2017 US$'000 | 31 December, 2016 US$'000 |
|---|---|---|
| Balance at start of the period | 57,886 | 50,839 |
| Options granted during the period | 574 | 365 |
| | 58,460 | 51,204 |
| Fair value movement in the period | – | 6,682 |
| **Balance at end of the period** | 58,460 | 57,886 |

Vodacom Tanzania Ltd, a minority interest holder in Helios Towers Tanzania Ltd ("HTT") has a right to exchange its shares in HTT from 19 February 2014 to 31 December 2017 for shares in the Group. The exercise price is based on the fair market value of HTT shares at the time the option is exercised, either by independent valuation, or if the Group is being sold through an Initial Public Offering at the value agreed with the buyer, and then exchanged for shares accordingly in Helios Towers Africa, Ltd.

The put option granted to Vodacom results in an obligation for the Group to purchase through a share exchange the minority interest in the future and therefore represents a contract that contains an obligation for the Group to purchase its own equity instruments. The Group is required to recognise a financial liability for the present value of the redemption amount. At 30 September 2017, the Group recognised an aggregate financial liability of US$58.5 million (31 December 2016: US$57.9 million) being the present value of the contractual obligation which is deemed to be the market value of the minority interest at that date. The movement in the period of US$0.6 million represents options granted in the period.

In the statement of financial position, US$58.5 million has been categorised within Current Liabilities.

The value attributed to the liability to purchase the minority interest has been calculated as a percentage of the fair value of the minority interest holding in HTT at 30 September 2017. The fair value has been determined by using a recent valuation undertaken by the Group and agreed upon in principle with Vodacom.

In February 2017, Vodacom Tanzania, HTA Holdings, Ltd and Helios Towers Tanzania entered into an agreement pursuant to which HTA Holdings, Ltd acquired a portion of the shareholder loans advanced by Vodacom Tanzania for US$30 million in cash. Under the same agreement, HTA Holdings, Ltd received an option up to and including March 31, 2018 to acquire Vodacom Tanzania's shares in Helios Towers Tanzania for approximately US$58.5 million in cash and the remaining outstanding shareholder loans and accrued interest thereon advanced by Vodacom Tanzania for US$2.7 million in cash. The acquisition of such shares and the outstanding loan amounts was completed in October 2017 after customary closing conditions, including, among other things, relevant government approvals.

## 15. Operating lease commitments

The Group's lease commitments as a lessee are as follows:

| | 30 September 2017 US$'000 | 31 December 2016 US$'000 |
|---|---|---|
| Within one year | 20,579 | 21,524 |
| After one year but not more than five years | 67,507 | 66,797 |
| More than five years | 224,285 | 226,173 |
| | 312,371 | 314,494 |

| | 9 months ended 30 September | | 3 months ended 30 September | |
|---|---|---|---|---|
| | 2017 US$'000 | 2016 US$'000 | 2017 US$'000 | 2016 US$'000 |
| Minimum lease payments recognised as an expense in the period | 17,460 | 14,911 | 5,894 | 5,703 |

## 16. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the period, the Group companies entered into the following commercial transactions with related parties:

| | **9 months ended 30 September 2017** | | 9 months ended 30 September 2016 | |
|---|---|---|---|---|
| | Income from leased towers US$'000 | Purchase of goods US$'000 | Income from leased towers US$'000 | Purchase of goods US$'000 |
| Millicom Holding B.V. and subsidiaries | 43,196 | 263 | 57,975 | 725 |
| Vodacom Group Limited and subsidiaries | 66,153 | 104 | 52,148 | 11 |

The following amounts were outstanding at the reporting date:

| | **As at 30 September 2017** | | As at 31 December 2016 | |
|---|---|---|---|---|
| | Amount owed by US$'000 | Amount owed to US$'000 | Amount owed by US$'000 | Amount owed to US$'000 |
| Millicom Holding B.V. and subsidiaries | 12,161 | 52 | 14,165 | 3,334 |
| Vodacom Group Limited and subsidiaries | 15,563 | 2,992 | 26,015 | 34,201 |
| Helios Towers Africa LLP | 3,355 | – | 3,604 | – |

Vodacom Tanzania is the non-controlling interest holder in Helios Towers Tanzania Ltd and Millicom Holding B.V. is a shareholder of Helios Towers Africa Ltd.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

During the period, the Group received advisory services from Helios Towers Africa LLP, an entity in which the Group has no economic benefits but which exerts significant influence over the Group by means of its service contract, for which fees of US$3.9m (2016: US$5.1m) were incurred.

At the period end, there was a receivable of US$3.4m (2016: US$3.6m) from Helios Towers Africa LLP for management fees. Amounts outstanding to related parties carry an interest charge ranging from 0% to 15%.

Amounts receivable from the related parties related to other group companies are short term and carry interest varying from 0% to 15% per annum charged on the outstanding trade and other receivable balances (note 10).

## 17. Contingencies

In the year ended 31 December 2015, the Democratic Republic of Congo's National Tax Services issued an assessment against The Group for the financial years ended 31 December 2014 and 31 December 2015 of approximately US$3.4 million including interest and penalties. Also, in the year ended 31 December 2016, the Ghana Revenue Authority issued an assessment against the Company for the financial years ended 31 December 2010 to 31 December 2012 of approximately US$4.9 million for unpaid direct and indirect taxes.

The Directors have appealed against these assessments and together with their advisors are in discussion with the tax authorities to bring the matter to conclusion based on the facts.

The Directors, having taken advice as appropriate, believe that there is no merit to these assessments and accordingly will defend their position vigorously and do not believe there will be a material impact to the Group.

The Group did not make a provision in respect of these matters for the period ended 30 September 2017 or the year ended 31 December 2016.

## 18. Subsequent events

In October 2017, HTA Holdings, Ltd completed the acquisition of Vodacom Tanzania's shares in Helios Towers Tanzania for US$58.5 million in cash and the remaining outstanding shareholder loans and accrued interest thereon advanced by Vodacom Tanzania for US$2.7 million in cash after customary closing conditions, including, among other things, relevant government approvals.

The interim financial statements for the period ended 30 September 2017 has been authorised by the board of Directors on 26 November 2017.

Kashyap Pushpkant Pandya

Simon Hillard Poole

# CERTAIN DEFINED TERMS AND CONVENTIONS

**We have prepared the quarterly report using a number of conventions, which you should consider when reading information contained herein as follows:**

All references to “we”, “us”, “our”, “HT Group”, “our Group” and “the Group” are references to the Company and its subsidiaries taken as a whole.

**“2G”** means the second-generation cellular telecommunications network commercially launched on the GSM and CDMA standards.

**“3G”** means the third generation cellular telecommunications networks that allow simultaneous use of voice and data services, and provide high-speed data access using a range of technologies.

**“4G” or “4G LTE”** means the fourth generation cellular telecommunications networks that allow simultaneous use of voice and data services, and provide high-speed data access using a range of technologies (these speeds exceed those available for 3G).

**“5G”** means the forthcoming fifth generation cellular telecommunications networks, not expected to become commercially available until approximately 2020 or beyond. 5G does not currently have a publicly agreed upon standard; however, it is expected to provide high-speed data access using a range of technologies that exceed those available for 4G.

**“Airtel”** means Bharti Airtel International.

**“AIU”** means the annualised number of colocation tenancies added to our portfolio in a defined period of time divided by the average number of total sites for the same period of time, excluding colocations acquired as part of site acquisitions reported as of a certain date.

**“Amendment Colocation Tenant”** is calculated on a weighted basis as compared to the market average lease rate for a standard tenancy lease in the month the amendment is added.

**“Amendment Revenue”** means revenue from amendments to existing leases when tenants add or modify equipment under an existing lease agreement.

**“anchor tenant”** means the primary customer occupying each tower.

**“ARPU”** means average revenue per user.

**“average remaining life”** of certain agreements means the average of the periods through the expiration of the term under all such agreements.

**“build-to-suit”** means sites constructed by our Group on order by an MNO.

**“CAGR”** means compound annual growth rate.

**“CDMA”** means code division multiple access.

**“colocation tenant”** means each additional tenant on a tower in addition to the primary anchor tenant.

**“Company”** means Helios Towers Africa, Ltd trading as Helios Towers and any references to Helios Towers or HT shall mean the Company.

**“Congo Brazzaville”** means the Republic of Congo, Congo Brazzaville or Congo.

**“contracted revenue”** means revenue contracted under our site agreements under all total tenancies, assuming no escalation of maintenance fees and no renewal upon the expiration of the current term.

**“CPI”** means Consumer Price Index.

**“DRC”** means Democratic Republic of Congo.

**“EUR” or “€”** means the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to Article 123 of the treaty establishing the European Community, as amended.

**“G7 countries”** means each of the United States, Canada, France, Germany, Italy, Japan and the United Kingdom.

**“Ghana”** means the Republic of Ghana.

**“gsm”** means Global System for Mobile Communication, a standard for digital mobile communications.

**“guarantors”** means the Company, HTA Holdings, Ltd., HT Congo Brazzaville Holdco Limited, Helios Towers DRC S.A.R.L., Helios Towers Tanzania Limited, Helios Towers Congo Brazzaville SASU, HT DRC Infraco S.A.R.L., HTT Infraco Limited, Towers NL Coöperatief U.A., McTam International 1 B.V., Helios Towers Ghana Limited, HTG Managed Services Limited and McRory Investment B.V.

**“Helios towers DRC”** means Helios Towers DRC S.A.R.L.

**“Helios towers ghana”** means Helios Towers Ghana Limited.

**“Helios towers tanzania”** means Helios Towers Tanzania Limited.

**“HSE”** means Health, Safety and Environment.

**“HT Congo Brazzaville”** means HT Congo Brazzaville Holdco Limited.

**“IBS”** means in-building cellular enhancement.

**“ICAO”** means the International Civil Aviation Organization.

**“IFRS”** means International Financial Reporting Standards.

**“indenture”** means the indenture to be dated on the Issue Date between the Issuer, the Guarantors, the Security Agent and the Trustee.

**“independent tower company”** means a tower company that is not affiliated with a telecommunications operator.

**“ISA”** means individual site agreement.

# CERTAIN DEFINED TERMS AND CONVENTIONS

**"LTE"** means Long-Term Evolution, designed to increase the capacity and speed of mobile telephone networks according to the standard developed by the 3GPP consortium, frequently referred to as "4G" or "4th generation". Some of the key assumptions of the system are: (i) data transmission at speeds faster than 3G; (ii) ready for new service types; (iii) architecture simplified in comparison to 3G; and (iv) provisions for open interfaces.
**"maintained sites"** refers to sites that are maintained by the Company on behalf of a telecommunications operator but which are not marketed by the Company to other telecommunications operators for colocation (and in respect of which the Company has no right to market).
**"managed sites"** refers to sites that the Company currently manages but does not own due to either: (i) certain conditions for transfer under the relevant acquisition documentation, ground lease and/or law not yet being satisfied; or (ii) the site being subject to an agreement with the relevant MNO under which the MNO retains ownership and outsources management and marketing to the Company.
**"Mauritius"** means the Republic of Mauritius.
"Millicom" means Millicom International Cellular SA.
**"mobile penetration"** means the measure of the amount of active mobile phone subscriptions compared to the total market for active mobile phones.
**"MOU"** means minutes of use.
**"MLA"** means master lease agreement.
**"MNO"** means mobile network operator.
**"MTN"** means MTN Group Ltd.
**"near investment grade"** means one notch below investment grade.
**"Orange"** means Orange S.A.
**"performance against SLA"** means, with respect to a given customer, the uptime achieved for a given period divided by the maximum required contractual downtime in such customer's SLA, as applicable.
**"PoS"** means point of service.
**"site acquisition"** means a combination of MLAs, which provide the commercial terms governing the provision of tower space, and individual ISA, which act as an appendix to the relevant MLA, and include site-specific terms for each site.
**"site agreement"** means the MLA and ISA executed by us with our customers, which act as an appendix to the relevant MLA and includes certain site-specific information (for example, location and any grandfathered equipment).
**"SLA"** means service-level agreement.
**"Standard Colocation Tenant"** means a customer occupying tower space under a standard tenancy lease rate and configuration, with defined limits in terms of vertical space occupied, wind load (effective plate area) and power consumption.
**"Tanzania"** means the United Republic of Tanzania.
**"telecommunications operator"** means a company licenced by the government to provide voice and data communications services in the countries in which we operate.
**"tenancy"** means a space leased for installation of a base transmission site and associated antennas.
**"tenancy ratio"** means the total number of tenancies divided by the total number of our towers as of a given date and represents the average number of tenants per site within a portfolio.
**"Tigo"** refers to one or more subsidiaries of Millicom that operate under the commercial brand "Tigo".
**"total sites"** means total live towers, IBS sites or sites with customer equipment installed on third-party infrastructure that are owned and/or managed by the Company with each reported site having at least one active customer tenancy as of a given date.
**"total tenancies"** means the individual tower occupancies by each customer as of a given date.
**"tower cash flow"** means gross profit plus site depreciation.
**"tower sites"** means ground-based towers and rooftop towers and installations constructed and owned by us on real property (including a rooftop) that is generally owned or leased by us.
**"trustee"** means Citibank, N.A., London Branch.
**"U.S. dollars" or "$"** refers to the lawful currency of the United States of America.
**"United states" or "U.S."** means the United States of America.
**"Vodacom"** means Vodacom Group Limited.
**"Vodacom Tanzania"** means Vodacom Tanzania Ltd.
**"Zantel"** means Zantel Tanzania.

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David Karol Wassong
Kashyap Pushpkant Pandya
Nelson Rui Oliveira
Richard Joseph Byrne
Simon David Pitcher
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