

The Directors of Umeme Limited present the audited financial results for the year ended 31 December 2024. This is the 20th year of the Company's Electricity Distribution concession in Uganda. The concession reached the end of its natural term in March 2025.

OPERATIONAL REVIEW

The major activities during the year were focused on the concession transition processes around people, ICT systems, distribution assets, continuity of services and securing the Buyout Amount. The effects of the concession end, transition processes and outcomes have had a significant adverse impact on the overall performance of the Company. The effects were notably in the form of lower staff productivity levels, increased operating costs and the significant provisions in relation to financial assets pending final determination and recovery of the Company's outstanding claims from the Government of Uganda. This is discussed in more detail in this document after the summary of operation performance for the year.

Outside of the concession end and transition process, the macro-operating environment during the year was also challenging, especially the regulatory environment, constrained supply chains, increased financing costs and general inflation.

OPERATIONAL MATTERS

Safety: As our top priority during the term of the concession, our commitment to safety extended to minimizing both occupational and network-related incidents. We put in place safety measures, policies and procedures and, provided our teams with tools and equipment to ensure safe network operations. During the year, we trained staff in system operating regulations and risk assessments, safe driving and riding practices.

In 2024, we regrettably registered 18 fatal accidents attributed mainly to unauthorized power usage, poor internal domestic wiring and network interference evidenced by distribution lines wayleaves violations and vandalism of the distribution network.

Electricity demand grew by 10.8% to 4,674 GWh compared to 4,219 GWh in 2023 driven by 14.5% growth in customer grid connections, improved electricity supply reliability, reduction in energy losses and general electricity demand driven by economic activities. Electricity sales to domestic households, commercial, medium-industrial and large industrial customers increased by 14.3%, 10.1%, 11.6% and 9.4% respectively.

Grid Connections: The Company continued with implementation of the accelerated connections program funded by the Government of Uganda through the Ministry of Energy and Mineral Development. We connected 219,656 customers to the grid, achieving 14.5% growth in comparison to 191,874 connections in 2023. The total customers as at the end of the year were 2.2 million.

Energy losses: During the year, energy losses reduced to 16.0% from 16.2% achieved in 2023. This is the lowest level of energy losses achieved over the concession duration, having commenced operations in 2005, with losses of 38%. The reduction has positively contributed to the improvement in the financial performance in the electricity industry.

Cost Efficiency: Operating costs per KWh sold and operating cost per customer increased by 18.2% and 17.7% driven by end of concession activities and growth in business operations. Costs were primarily allocated to the value enhancing pillars that drive demand, reduce energy losses and improve supply reliability.

Investments: During the year, the Company continued to implement the capital investments plan aimed mainly at ensuring continued supply reliability during the concession end and retransfer period, network expansion due to growth in demand and quality of supply and technical losses.

We completed several projects, including;

- Upgrade of Hoima Substation to 20MVA capacity.

- Construction of Matugga Switching Station to support additional industrial loads.

- Owen Falls Substation upgrade of Circuit Breakers (new technology) for reliability of supply around Jinja industrial zone.
- Dedicated lines with Ring Main Units (RMU) to Regional Referral Hospitals for reliability of supply.

- Installation of Air Break Switches for supply reliability on many feeders across the country.

- Transformer zone upgrades across the country to improve quality of supply.

Over the concession period, the Company had invested US\$ 860 million as at 31 December 2024.

Customer Service: During the year, we achieved a net promoter score of 41 compared to 25 achieved in 2023. The customer service index also improved to 75% compared to 73% registered in 2023. These customer survey results reflect the outcomes of our deliberate service strategy through improving supply reliability, providing a responsive service, automation of service processes, provision of information and awareness around our services. During the year, we completed the upgrade of Yaka Meters to STS2 to comply with global metering standards and enable continued electricity supply to customers.

To streamline, integrate and upgrade the various technology and billing solutions, we rolled out the new Yaka Management System. This system, commissioned in December 2024, integrates the customer management systems, pre-paid system, postpaid system, meter management systems and customer relationship management, including self service portals. The system further enhances the customer experience, revenue protection and staff productivity. It shall anchor electricity distribution operations over the years.

REVIEW OF FINANCIAL RESULTS/CONCESSION TRANSFER PROCESS

The financial results were negatively impacted by financial provisions arising out of prudent accounting practices required by the IFRS Accounting Standards as issued by International Accounting Standards Board in relation to the concession end. The 3 major provisions are; costs related to the end of concession activities, revaluation of assets on the balance sheet to net realizable values, and treatment of the pending disputed Buyout Amount claim as a contingent asset. The final treatment of the contingent asset is subject to the outcome of the Arbitration process on the Buyout Amount claims. Without prejudice to the ongoing dispute resolution process, the directors consider that the terms of the Concession Agreements entitle the Company to the amounts being claimed in the dispute resolution process. The Company will pursue payment of these sums by the Government of Uganda to the fullest extent possible.

Revenues from contracts with customers increased by 5.4% to Ushs 2,315 billion from Ushs 2,196 billion in 2023. The growth in revenues was due to increased electricity sales volume by 10.8%, reduced tariffs by 5.6% and the provision of construction services. As a result, gross profit increased by 10.1% to Ushs 822 billion driven by efficient network operations whilst adequately serving customers.

Operating costs increased by 31% to Ushs 343 billion from Ushs 262 billion in 2023 due to increased network repairs and maintenance costs, growth in business operations and end of concession activities.

Expected credit losses increased to Ushs 361 billion (2023: Ushs 1.6 billion) mainly due to accounting provision on other financial assets of Ushs 329 billion because of a highly conservative decision taken by the Company in accordance with IFRS Accounting Standards as issued by International

Accounting Standards Board to provide for the unadmitted and disputed component of the Buyout Amount, as noted above. The Company resolved to recover this amount through the arbitration process to be conducted in London, United Kingdom.

As the concession was coming to the end of its natural term on 31 March 2025, the IFRS Accounting Standards as issued by International Accounting Standards Board require alignment of asset amortization to the remaining period of the contract term. Consequently, the amortization charge for the period increased to Ushs 699 billion compared to Ushs 442 billion for 2023.

Finance costs reduced by 35 % to Ushs 29 billion following repayment of all term loans in December 2023, and our prudent management of working capital during the period. Income tax charge for the period was a credit of Ushs 92 billion compared to a charge of Ushs 3.9 billion in 2023. The credit in 2024 was due to the loss incurred by the Company due to the provisions noted above.

Loss after Tax for the year amounted to Ushs 511 billion compared to Profit of Ushs 11 billion for 2023. The performance was impacted by the provision for other financial asset and accelerated amortisation of intangible assets as explained above.

Balance Sheet: Total assets as of 31 December 2024 were Ushs 1,389 billion compared to Ushs 2,347 billion at 31 December 2023. The decrease in total assets is mainly attributed to increased amortisation of intangible assets during the period and the impairment provision for other financial asset under dispute with the Government of Uganda as noted above.

Total liabilities reduced to Ushs 1,147 billion compared to Ushs 1,410 billion in 2023.

Cashflows: Net Operating cashflow reduced to Ushs 292 billion compared to Ushs 461 billion in 2023 due to reduction in payables and lag in receipt of amounts due from Government. Operating cashflows were used to finance capital investments in the distribution system and shareholder distributions.

DIVIDENDS

The Directors do not recommend to the members a final dividend for the year ended 31 December 2024 (final 2023: Ushs 54.2 per share).

OUTLOOK

On 31 March 2025, Umeme was compelled to handover and did ensure a seamless assets retransfer to Uganda Electricity Distribution Company Limited in line with the Concession Agreements. The said retransfer was effected without prejudice to Umeme's rights. This involved dedicated activities that ensured continuity of reliable electricity supply during the transition period.

The concession agreements provide that the Retransfer Transition Period ends when the Buyout Amount is paid in full. As communicated in the public notice of 2nd June 2025, the Company is seeking to recover the balance of the outstanding Buyout Amount payable to it in the sum of US\$ 292 million (Ushs 1,051 billion) plus contractual interest, through the international arbitration route. The Board and Management are committed and fully focused on this recovery process to ensure the preservation and protection of the interests of the Company and its shareholders.

We extend our sincere gratitude to HE the President of the Republic of Uganda, the Government of Uganda, our shareholders, customers, employees, and stakeholders for the support accorded to Umeme Limited in the execution of its electricity distribution mandate during the last 20 years.

EXTRACT OF AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2024

STATEMENT OF PROFIT OR LOSS

	2024 (Ushs million)	2023 (Ushs million)
Revenue from contracts with customers	2,314,768	2,196,363
Cost of sales	(1,492,892)	(1,449,641)
GROSS PROFIT	821,876	746,722
Repair and maintenance expenses	(63,287)	(51,296)
Administration expenses	(279,827)	(210,609)
Net foreign exchange gains	2,344	1,108
Increase in expected credit losses	(360,908)	(1,597)
PROFIT BEFORE AMORTISATION, IMPAIRMENT, INTEREST AND TAX	120,198	484,328
Amortisation, impairment and write off of intangible assets	(699,148)	(442,122)
OPERATING (LOSS)/PROFIT	(578,950)	42,206
Finance income	5,396	17,959
Finance costs	(29,218)	(44,781)
(LOSS)/PROFIT BEFORE TAX	(602,772)	15,384
Income tax credit/(charge)	92,204	(3,914)
(LOSS)/PROFIT FOR THE YEAR	(510,568)	11,470
BASIC AND DILUTED EARNINGS PER SHARE	Ushs (314.4)	Ushs 7.1

STATEMENT OF COMPREHENSIVE INCOME

	2024 (Ushs million)	2023 (Ushs million)
(Loss)/Profit for the year	(510,568)	11,470
Other comprehensive income <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Differences on translation from functional currency to presentation currency	(16,123)	19,614
Total comprehensive (loss)/income for the year, net of tax	(526,691)	31,084

STATEMENT OF CHANGES IN EQUITY

	ISSUED CAPITAL (Ushsmillion)	SHARE PREMIUM (Ushsmillion)	RETAINED EARNINGS (Ushsmillion)	TRANSLATION RESERVE (Ushs million)	TOTAL EQUITY (Ushs million)
At 1 January 2023	27,748	70,292	701,711	210,297	1,010,048
Profit for the year	-	-	11,470	-	11,470
Other comprehensive income, net of tax	-	-	-	19,614	19,614
Total comprehensive income for the year, net of tax	-	-	11,470	19,614	31,084
Dividend paid – 2022 final dividend	-	-	(103,751)	-	(103,751)
At 31 December 2023	27,748	70,292	609,430	229,911	937,381
At 1 January 2024	27,748	70,292	609,430	229,911	937,381
Loss for the year	-	-	(510,568)	-	(510,568)
Other comprehensive loss, net of tax	-	-	-	(16,123)	(16,123)
Total comprehensive loss for the year, net of tax	-	-	(510,568)	(16,123)	(526,691)
Dividend paid: interim and final for 2023 and interim for 2024	-	-	(169,208)	-	(169,208)
At 31 December 2024	27,748	70,292	(70,346)	213,788	241,482

STATEMENT OF FINANCIAL POSITION

	2024 (Ushs million)	2023 (Ushs million)
ASSETS		
Non-current assets		
Intangible assets	-	445,174
Other financial asset	-	1,074,678
Deferred tax asset	3,033	-
	3,033	1,519,852
Current assets		
Intangible assets	145,300	-
Other financial asset	434,847	-
Concession financial asset	337,757	347,639
Inventories	69,535	73,294
Contract assets	60,616	42,678
Trade and other receivables	296,304	307,574
Prepayments	8,354	13,380
Bank balances	32,973	42,818
	1,385,686	827,383
TOTAL ASSETS	1,388,719	2,347,235
EQUITY AND LIABILITIES		
Equity		
Issued capital	27,748	27,748
Share premium	70,292	70,292
Accumulated (losses)/profit	(70,346)	609,430
Translation reserve	213,788	229,911
	241,482	937,381
Non-current liabilities		
Deferred tax liability	-	173,708
Employee incentive plan liabilities	-	11,456
	-	185,164
Current liabilities		
Concession financial obligation	337,757	347,639
Employee incentive plan liabilities	44,011	-
Customer security deposits	-	11
Contract liabilities	46,401	86,163
Accrued expenses	33,515	14,335
Provisions	1,213	1,913
Trade and other payables	625,505	663,626
Current income tax payable	593	19,811
Bank overdrafts	58,242	91,192
	1,147,237	1,224,690
TOTAL EQUITY AND LIABILITIES	1,388,719	2,347,235

STATEMENT OF CASH FLOWS

	2024 (Ushs million)	2023 (Ushs million)
Cash generated from operating activities	424,064	582,009
Interest received from banks	282	336
Other financing costs paid	(28,815)	(29,994)
Current income tax paid	(103,755)	(80,000)
Long- term borrowings interest paid	-	(11,410)
Net cash flows from operating activities	291,776	460,941
Investing activities		
Investment in the distribution network	(107,047)	(136,213)
Proceeds from sale of intangible assets	158	15
Net cash flows used in investing activities	(106,889)	(136,198)
Financing activities		
Dividend paid	(169,208)	(103,751)
Repayment of principal on long term borrowing facilities	-	(179,546)
Net cash flows used in financing activities	(169,208)	(283,297)
Net increase in cash and cash equivalents	15,679	41,446
Cash and cash equivalents at 1 January	(48,385)	(81,774)
Net foreign exchange differences	7,437	(8,057)
Cash and cash equivalents at 31 December	(25,269)	(48,385)

Message from the Directors

The financial statements are extracts from the books of the Company. A copy of the financial statements audited by Ernst & Young Certified Public Accountants of Uganda, who issued a clean audit opinion, can be obtained at the Umeme Limited Head Office at Rwenzori House, Plot 1 Lumumba Avenue, Kampala Uganda and on the Company's website: www.umeme.co.ug. The financial statements were approved by the Board of Directors on 13th June, 2025, and were signed on its behalf by:


Chairman


Managing Director