

UMEME LIMITED

UNAUDITED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2024



The Board of Directors of Umeme Limited is pleased to present the unaudited interim financial results for the six months ended 30th June 2024. These results reflect the operational performance, regulatory determinations and capital management decisions, as the Company prepares to re-transfer the assets back to Government at the end of the 20-year Concession due to terminate naturally on 30th March 2025.



OPERATIONAL PERFORMANCE REVIEW

Electricity sales volume grew by 11.7% to 2,269 GWh for the period from 2,031 GWh in 2023. All customer tariff categories recorded sales growth, with sales to domestic households, commercial, medium industrial and large industrial customers, increasing by 17.1%, 14.3%, 9.8% and 9.5% respectively. The sales growth was driven by new customer connections, improved grid stability, operational efficiencies and the general growth in the economy.

We connected 139,196 new customers on the grid bringing the total customer base to 2.1 million, reflecting a 14% growth compared to June 2023. The connections were financed through a variety of schemes including customer self-funding, customer loan scheme by Uganda Development Bank and from Government of Uganda with support of development partners.

Energy losses reduced to 16.1% during the six months from 16.7% in 2023, as we continue to implement and improve a range of effective loss reduction strategies thereby reducing commercial and technical losses.

Revenue collection rate for the period was 98.3% compared to 98.9% in 2023. We are engaging Government Ministries, Departments and Agencies to recover outstanding arrears that have increased over the last 12 months.

To address supply reliability, growth in demand, quality of supply and technical losses, the Company is implementing its 2024 capital investment plan at the level approved by the regulator. In the last six months, we have completed a number of

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.
- The implementation of new contact center management system for improved customer service.

From a safety perspective, regrettably we recorded 10 fatalities on the distribution network arising from network interferences and illegal operations by unauthorized people.

We continue to appeal to the public to report promptly unsafe network conditions, power theft, vandalism or unauthorized network operations through any of our multiple service channels.

We are continuing with our public awareness initiatives and programs aimed at responsible use of electricity and on how to mitigate related risks.



REVIEW OF FINANCIAL RESULTS

Revenues from contracts with customers increased by 7.1% to Ushs 1,152 billion from Ushs 1,076 billion in 2023. The growth in revenues was due to increased electricity sales volume, underlying tariffs and provision of construction services.

Operating costs increased to Ushs 146 billion from Ushs 112 billion in 2023 due to increased network repairs and maintenance costs, growth in business operations and increased cost of imported materials.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) increased by 7.6% to Ushs 263 billion due to a 15.1% increase in gross profit and slightly lower operating costs. As the Concession is coming to the end of its natural term in 2025, the International Financial Reporting Standards (IFRS) require alignment of asset amortization to the remaining period of the contract term.

Consequently, the amortization charge for the period increased to Ushs 238 billion compared to Ushs 210 billion for 2023.

Finance costs reduced by 36.2% to Ushs 16 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 increased to Ushs 11 billion compared to Ushs 3.5 billion in 2023. The increase is due to performance on profit before tax for the period.

Profit After Tax (PAT) remained at the same level as 2023 at Ushs 13 billion. The PAT was impacted by accelerated amortisation of intangible assets as explained above.

Balance Sheet: Total assets as of 30 June 2024 were Ushs 2,243 billion compared to Ushs 2,347 billion at 31 December 2023. The decrease in

total assets is mainly due to increased amortisation of intangible assets and reduction in capital investments during the period.

Shareholder Equity reduced by 14.4%, to Ushs 803 billion as at 30 June 2024, due to low profit after tax for the period, and dividends paid or declared in the period.

Cash flows: Net Operating cashflow reduced to Ushs 112 billion compared to Ushs 221 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

As the concession nears its natural termination date, and based on currently available cashflows and our prudent cash flow forecast, the directors recommend an interim dividend of Ushs 26.0 per share payable on or about 31st October 2024. The book closure date for entitlement to the dividend shall be 10th October 2024.

Outlook

We are currently in the last 3 quarters of the Concession. Umeme and the Government are engaged for a smooth re-transfer of distribution assets at the end of the Concession in 2025. The Company remains committed to a seamless assets retransfer process, as detailed in the Concession Agreements, while protecting the interests of customers, staff and shareholders.

We extend our sincere gratitude to Government, our shareholders, customers, employees, and stakeholders for their continued support to Umeme Limited in the execution of its electricity distribution mandate.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

	UNAUDITED 6 MONTHS ENDED 30 JUNE 2024 (Ushs million)	UNAUDITED 6 MONTHS ENDED 30 JUNE 2023 (Ushs million)
Revenue from contracts with customers	1,151,821	1,075,690
Cost of sales	(742,131)	(719,797)
Gross Profit	409,690	355,893
Repair and maintenance expenses	(34,609)	(10,882)
Administration expenses	(111,313)	(100,986)
Foreign exchange gains/(losses)	5,785	(495)
Increase in expected credit losses	(1,084)	-
Operating Profit Before Amortisation, Impairment, Interest and Tax	268,469	243,530
Amortisation and write-off of intangible assets	(238,314)	(210,197)
Operating Profit	30,155	33,333
Finance income	9,774	8,953
Finance costs	(16,352)	(25,619)
Profit Before Tax	23,577	16,667
Income tax charge	(10,590)	(3,477)
Profit for the period	12,987	13,190
Basic and diluted earnings per share	Ushs 8.0	Ushs 8.1

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED 6 MONTHS ENDED 30 JUNE 2024 (Ushs million)	UNAUDITED 6 MONTHS ENDED 30 JUNE 2023 (Ushs million)
Profit for the period	12,987	13,190
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation from functional currency	(20,733)	(15,887)
Total comprehensive income for the period, net of tax	(7,746)	(2,697)

INTERIM CONDENSED SUMMARY STATEMENT OF CASH FLOWS

	UNAUDITED 6 MONTHS ENDED 30 JUNE 2024 (Ushs million)	UNAUDITED 6 MONTHS ENDED 30 JUNE 2023 (Ushs million)
Cash flows before working capital changes	269,392	243,526
Changes in working capital items:		
Increase in inventories	(25,012)	(10,370)
(Increase)/decrease in contract assets	(50,506)	1,751
Increase in trade and other receivables	(6,047)	(4,493)
Increase in prepayments	(15,541)	(15,231)
Increase in contract liabilities	29,679	14,462
Increase in long term incentive plan	6,491	-
Decrease in accrued expenses	(3,594)	(4,331)
(Decrease)/Increase in trade and other payables	(39,857)	54,931
Cash generated from operating activities	165,005	280,245
Interest received from banks	153	138
Long and short-term borrowings interest paid	-	(7,873)
Other financing costs paid	(16,038)	(16,234)
Current income tax paid	(37,046)	(35,001)
Net cash flows from operating activities	112,074	221,275
Investing activities		
Purchase of intangible assets	(66,240)	(41,862)
Proceeds from sale of assets	161	-
Net cash flows used in investing activities	(66,079)	(41,862)
Financing activities		
Dividends paid	(38,973)	-
Repayment of principal on long-term borrowing facilities	-	(101,547)
Net cash flows used in financing activities	(38,973)	(101,547)
Net increase in cash and cash equivalents	7,022	77,866
Cash and cash equivalents at 1 January	(48,385)	(81,774)
Translation differences	4,593	2,601
Cash and cash equivalents at end of period	(36,770)	(1,307)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	UNAUDITED 30 JUNE 2024 (Ushs million)	AUDITED 31 DECEMBER 2023 (Ushs million)
ASSETS		
Current assets		
Intangible assets	437,948	445,174
Other financial asset	893,779	1,074,678
Concession financial asset	341,006	347,639
Inventories	98,306	73,294
Contract assets	93,184	42,678
Trade and other receivables	312,537	307,574
Prepayments	28,921	13,380
Bank balances	37,726	42,818
Total Assets	2,243,407	2,347,235
Equity And Liabilities		
Equity		
Issued capital	27,748	27,748
Share premium	70,292	70,292
Retained earnings	495,430	609,430
Translation reserve	209,178	229,911
	802,648	937,381
Liabilities		
Current liabilities		
Deferred tax liability	138,140	173,708
Long term incentive plan	17,947	11,456
Concession obligation	341,006	347,639
Customer security deposits	4	11
Contract liabilities	115,842	86,163
Accrued expenses	10,741	14,335
Provisions	1,874	1,913
Trade and other payables	711,790	663,626
Current income tax payable	28,923	19,811
Bank overdrafts	74,492	91,192
	1,440,759	1,409,854
Total equity and liabilities	2,243,407	2,347,235

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

	ISSUED CAPITAL (Ushs million)	SHARE PREMIUM (Ushs million)	RETAINED EARNINGS (Ushs million)	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 period	-	-	13,190	-	13,190
Other comprehensive income, net of tax	-	-	-	(15,887)	(15,887)
Total other comprehensive income, net of tax	-	-	13,190	(15,887)	(2,697)
Dividend declared	-	-	(103,766)	-	(103,766)
At 30 June 2023 - unaudited	27,748	70,292	611,135	194,410	903,585
At 1 January 2024	27,748	70,292	609,430	229,911	937,381
Profit for the period	-	-	12,987	-	12,987
Other comprehensive loss, net of tax	-	-	-	(20,733)	(20,733)
Total other comprehensive income, net of tax	-	-	12,987	(20,733)	(7,746)
Dividend declared	-	-	(126,987)	-	(126,987)
At 30 June 2024 - unaudited	27,748	70,292	495,430	209,178	802,648

MESSAGE FROM THE DIRECTORS

The interim condensed unaudited financial statements are extracts from the books of the Company. A copy of the interim condensed unaudited financial statements can be obtained at the Umeme Limited Head Office at Rwenzori House, Plot 1 Lumumba Avenue, Kampala Uganda and on www.umeme.co.ug.

The financial statements were approved by the Board of Directors on 16th August 2024, and were signed on its behalf by:


Chairman

Managing Director