

The Board of Directors of Umeme Limited is pleased to present the audited financial results for the year ended 31 December 2022.

The year was characterized by negative changes in the macro-economic environment, increased demand for electricity supply following the lifting of Covid-19 restrictions, inflation, increase in interest rates, continued supply chain disruptions, and effects of global geopolitical conflicts. However, the electricity sector was resilient during the year, with an average growth in electricity demand of 9.7% across all customer categories.

During the year, the Electricity Act, 1999 Cap 145 was amended with the Electricity (Amendment Act, 2022) now providing for among others; (a) the removal of the transmission single buyer model; (b) increasing penalties for power theft and vandalism of electricity infrastructure; and (c) enhancing the regulatory oversight and removal of the rural electrification fees from the tariff. The Electricity Regulatory Authority (ERA) has advised that the changes will be operationalized through Regulations, without infringing on the economic fundamentals of existing contracts in the sector.

The Government of Uganda is rolling out the second generation of reforms in the electricity sector that include consolidating the varying electricity segments into one National Utility and changing the industry structure, with minimal private sector participation. As advised in our public notification on the 8th December 2022, the Government informed the Company of its decision not to renew the concession beyond its natural termination date of 30th March 2025. Umeme acknowledges these developments and notes the support received from the Government over the last 18 years of operations.

The Company is proud of the considerable achievements registered alongside its partners in Government and the electricity supply industry to improve efficiency, grid connections, service and in building technical capabilities across the distribution system.

## Operational Performance

In 2022, we improved our operational performance across key result areas;

- **Customer grid connections** increased by 7.4%, with an additional 121,132 connections during the year thereby increasing the customer base to 1.75 million. We recorded an increase in customer funded applications after reduction of connection capital costs by the Government.
- **Energy losses** reduced to 16.8% in the year from 17.8% in 2021. This is on account of the re-opening of the economy and the restarting of field activities. Field activities improved significantly after adoption of more decentralized operating procedures that allowed for community participation.
- **The revenue collection rate** for the year was 99.7%, up from 99.1% in 2021. Our customers in sectors previously impacted by Covid-19 restrictions settled their arrears. The rollout of Yaka pre-paid metering and an improved bill payment culture by commercial, industrial and Government Institutions was notable. This cash is utilized to financially sustain the entire electricity sector, enabling investments and service delivery.

- **We improved efficiency**, operating costs per KWh sold and per customer reduced by 7.6% and 5.6% respectively. We are pleased to report improvements in network stability, reduction in energy losses and general improvement in service with a positive customer Net Promoter Score of 21% in 2022.

- **Safety**: Regrettably, we recorded eleven (11) fatalities on the distribution network arising from network interference, power theft and illegal operations by unauthorized people. The public is urged to report unsafe networks, power theft, vandalism or unauthorized network operations through our multiple service channels for timely resolution. Umeme continues to inform and sensitize the public on responsible use of electricity and the risks associated with network interference through a wide range of communication channels and engagements.

## Financial Performance

**Revenue:** Revenue marginally increased to Ushs 1,887 billion in 2022 from Ushs 1,885 billion in 2021. The underlying drivers of the growth include increase in electricity demand, reduction in energy losses, increase in new connections, pricing, and revenues from electricity distribution construction services. Revenue from electricity sales increased by 7% on account of volume growth of 9.7% during the year and average tariff reduction of 2.6%.

**Cost of Sales:** Cost of sales increased by 0.9% to Ushs 1,255 billion during the year from Ushs 1,243 billion as reported in 2021. The increase in cost of sales was due to increase in generation levy from 0.3% to 0.7% in the second half of the year and bulk purchases.

**Gross Profit:** Gross profit for the year reduced by 1.5% to Ushs 633 billion from Ushs 642 billion of the previous year, 2021. The reduction in capital expenditure and performance on energy losses compared to the set tariff parameter also contributed to the gross profit results for 2022.

**Operating Costs:** Because of the inflationary pressures during the year, operating costs increased by 3% to Ushs 247 billion compared to Ushs 240 billion in 2021. The general restructuring, reconfiguration of our operating areas into zones and insourcing of network operation activities, anchored on our technology platforms improved the operating efficiencies.

### Earnings Before Interest Taxation Depreciation and Amortisation (EBITDA)

The EBITDA for year reduced to Ushs 385 billion compared to Ushs 402 billion in 2021 driven by performance on gross margin and operating costs as noted above.

**Financing Costs and income:** Finance costs increased from Ushs 39 billion in 2021 to Ushs 45 billion in 2022, primarily due to increases in interest rates and other financing costs. Consequently, foreign exchange gains during the year amounted to Ushs 14 billion in 2022 compared to foreign exchange loss of Ushs 24 billion in 2021.

**Income taxes:** Income tax charge for the year amounted to Ushs 67 billion, reflecting an effective average tax rate of

31.0%, compared to Ushs 55 billion in 2021.

**Profit after tax:** Profit after tax increased to Ushs 148 billion from Ushs 139 billion in 2021.

**The Earnings per Share (EPS)** increased to Ushs 91.3 compared to Ushs 85.7 in 2021.

**Balance Sheet Analysis:** Total assets as of 31 December 2022 were Ushs 2,571 billion compared to Ushs 2,507 billion in 2021, representing a marginal increase. The increase in assets is mainly attributed to additional investments in the electricity distribution system.

Shareholder equity increased by 13.1%, from Ushs 893 billion in 2021 to Ushs 1,010 billion in 2022, partly due to the profit after tax for the year net of dividends paid during the year.

Outstanding interest-bearing term debt reduced significantly to Ushs 176.6 billion in 2022 from Ushs 336.6 billion reported last year. This is attributed to debt repayments of Ushs 180 billion made during the year (2021: Ushs 171 billion). The Company remained compliant with all its loan covenants. The term facility is due to be fully repaid in December 2023.

**Cash flow analysis:** The net operating cashflow for the year was Ushs 350 billion (2021: Ushs 315 billion), on account of increased profitability, cash collections and optimisation of working capital. The operating cashflows were used to finance the capital investment program and settle financing obligations due.

Capital investments implemented in the year was Ushs 110.7 billion (2021: Ushs 122.5 billion).

**Dividend:** The Board of Directors recommends a final dividend of Ushs 63.9 per ordinary share be paid for the year ended 31 December 2022 (2021: Ushs 54.1), subject to the approval of shareholders at the Annual General Meeting scheduled for 18th May 2023.

The dividend, which is subject to withholding tax, will be paid on or about 20th July 2023 to shareholders registered in the books of the Company at the close of business on 30th June 2023. In line with the Uganda Securities Exchange Trading Rules 2021, an investor that purchases Umeme Limited shares on or before 27th June 2023 shall be entitled to the dividend.

## Outlook

We remain committed to executing our mandate of electricity distribution through to the end of the Concession. We hereby extend our re-assurance to the Government, stakeholders and our shareholders of our commitment to a smooth transition process back to Government operation of the distribution system, while continuing to meet our contractual obligations, and expectations of our shareholders.

We extend our gratitude to all stakeholders, business partners and shareholders for the continued support to Umeme. We count on this continued support to further deliver shared value to customers, the Government, staff, and the communities we serve.

# EXTRACT OF AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2022

## STATEMENT OF PROFIT OR LOSS

	2022 (Ushs million)	2021 (Ushs million)
Revenue from contracts with customers	1,887,326	1,885,018
Cost of sales	(1,254,580)	1,242,786)
<b>GROSS PROFIT</b>	<b>632,746</b>	<b>642,232</b>
Repair and maintenance expenses	(34,161)	(50,366)
Administration expenses	(213,305)	(189,521)
Foreign exchange gains/(losses)	14,108	(23,854)
Increase in expected credit losses	(488)	-
<b>PROFIT BEFORE AMORTISATION, IMPAIRMENT, INTEREST AND TAX</b>	<b>398,900</b>	<b>378,491</b>
Amortisation and write off of intangible assets	(160,095)	(164,975)
<b>OPERATING PROFIT</b>	<b>238,805</b>	<b>213,516</b>
Finance income	21,457	19,474
Finance costs	(45,389)	(39,013)
<b>PROFIT BEFORE TAX</b>	<b>214,873</b>	<b>193,977</b>
Income tax charge	(66,658)	(54,836)
<b>PROFIT FOR THE YEAR</b>	<b>148,215</b>	<b>139,141</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	<b>Ushs 91.3</b>	<b>Ushs 85.7</b>

## STATEMENT OF COMPREHENSIVE INCOME

	2022 (Ushs million)	2021 (Ushs million)
<b>Profit for the year</b>	<b>148,215</b>	<b>139,141</b>
<b>Other comprehensive income</b> <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	56,493	(29,382)
<b>Total comprehensive income for the year, net of tax</b>	<b>204,708</b>	<b>109,759</b>

## STATEMENT OF CHANGES IN EQUITY

	ISSUED CAPITAL (Ushsmillion)	SHARE PREMIUM (Ushsmillion)	RETAINED EARNINGS (Ushsmillion)	TRANSLATION RESERVE (Ushs million)	TOTAL EQUITY (Ushs million)
<b>At 1 January 2021</b>	<b>27,748</b>	<b>70,292</b>	<b>521,980</b>	<b>183,186</b>	<b>803,206</b>
Profit for the year	-	-	139,141	-	139,141
Other comprehensive income, net of tax	-	-	-	(29,382)	(29,382)
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>139,141</b>	<b>(29,382)</b>	<b>109,759</b>
Dividend paid - 2020 final dividend	-	-	(19,811)	-	(19,811)
<b>At 31 December 2021</b>	<b>27,748</b>	<b>70,292</b>	<b>641,310</b>	<b>153,804</b>	<b>893,154</b>
<b>At 1 January 2022</b>	<b>27,748</b>	<b>70,292</b>	<b>641,310</b>	<b>153,804</b>	<b>893,154</b>
Profit for the year	-	-	148,215	-	148,215
Other comprehensive income, net of tax	-	-	-	56,493	56,493
<b>Total other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>148,215</b>	<b>56,493</b>	<b>204,708</b>
Dividend paid - 2021 final dividend	-	-	(87,814)	-	(87,814)
<b>At 31 December 2022</b>	<b>27,748</b>	<b>70,292</b>	<b>701,711</b>	<b>210,297</b>	<b>1,010,048</b>

## STATEMENT OF FINANCIAL POSITION

	2022 (Ushs million)	2021 (Ushs million)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	771,996	640,858
Other financial asset	1,008,916	1,088,155
Concession financial asset	340,121	322,734
	<b>2,121,033</b>	<b>2,051,747</b>
<b>Current assets</b>		
Inventories	66,157	100,303
Contract assets	42,210	38,556
Current income tax recoverable	-	13,942
Trade and other receivables	279,344	238,421
Prepayments	16,224	14,091
Bank balances	46,098	50,236
	<b>450,033</b>	<b>455,549</b>
<b>TOTAL ASSETS</b>	<b>2,571,066</b>	<b>2,507,296</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Issued capital	27,748	27,748
Share premium	70,292	70,292
Retained earnings	701,711	641,310
Translation reserve	210,297	153,804
	<b>1,010,048</b>	<b>893,154</b>
<b>Non-current liabilities</b>		
Borrowings: non-current portion	-	165,831
Concession financial obligation	340,121	322,734
Deferred tax liability	239,450	236,925
	<b>579,571</b>	<b>725,490</b>
<b>Current liabilities</b>		
Borrowings: current portion	176,631	170,774
Customer security deposits	11	7
Contract liabilities	91,788	56,651
Current Income tax payable	34,950	-
Accrued expenses	17,165	22,645
Provisions	881	841
Trade and other payables	532,160	542,620
Bank overdrafts	127,861	95,114
	<b>981,447</b>	<b>888,652</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,571,066</b>	<b>2,507,296</b>

## STATEMENT OF CASH FLOWS

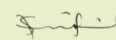
	2022 (Ushs million)	2021 (Ushs million)
<b>Net cash flows from operating activities</b>	<b>350,013</b>	<b>315,043</b>
<b>Investing activities</b>		
Investment in the distribution network	(110,656)	(122,502)
Proceeds from sale of intangible assets	-	61
<b>Net cash flows used in investing activities</b>	<b>(110,656)</b>	<b>(122,441)</b>
<b>Financing activities</b>		
Dividend Paid	(87,814)	(19,811)
Repayment of principal on long term borrowing facilities	(179,890)	(170,934)
<b>Net cash flows used in financing activities</b>	<b>(267,704)</b>	<b>(190,745)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(28,347)</b>	<b>1,857</b>
Cash and cash equivalents at 1 January	(44,885)	(52,489)
Net foreign exchange differences	(8,542)	5,747
<b>Cash and cash equivalents at 31 December</b>	<b>(81,774)</b>	<b>(44,885)</b>

### Message from the Directors

The above financial statements are extracts from the Company's financial statements which were audited by Ernst & Young Certified Public Accountants, who issued an unqualified opinion. A copy of the full financial statements can be obtained at the Umeme Limited Head Office at Rwenzori House, Plot 1 Lumumba Avenue, Kampala, Uganda, and from our website: [www.umeme.ug](http://www.umeme.ug). The financial statements were approved by the Board of Directors on 24th March 2023 and were signed on its behalf by:



Chairman



Managing Director