



UMEME
Powering Uganda

Review of the Results for the Six Months Ended 30 June 2018

The Directors of Umeme Limited are pleased to present the unaudited interim financial statements for the six months period ended 30 June 2018 which were also reviewed by KPMG, our independent auditors



Electricity Supply Industry

The Electricity Supply Industry continues to register growth in the generation, transmission and distribution segments. During the period, the installed generation capacity increased to 949 MW following the commissioning of the Nyamwamba HPP (9.2MW). The construction status of Isimba and Karuma HPPs is estimated at 87% and 80% respectively.

Electricity demand during the period increased as peak demand reached 596 MW, an increase of 5.9% from the first half of 2017.

Electricity sales in GWh grew by 8.6% compared to the same period last year. This growth was largely driven by industrial demand which grew by 11.3%, supported by the addition of 46 new industrial customers to our customer base and increased capacity utilization within existing industries.



Operational Review

Customer Connections

Umeme continues to increase customer grid connections. During the period, 82,373 customers were added to the grid, increasing our total customers to a record 1,207,664. Customers on prepaid metering increased to 76.3% of the customer base. Prepaid revenue from these customers represents 24% of total revenue.

As directed by the Ministry of Finance, Planning and Economic Development, in a move to enhance efficiency and fiscal discipline in Government Ministries, Departments and Agencies, the Company intends to convert all government installations to pre-paid metering by December 2018.

As at 30 June 2018, 327 out of 469 Government installation accounts were on pre-paid metering.

During the period, the company signed implementation agreements totaling US\$ 10 million with the Government, through the Rural Electrification Agency, to implement 63,000 customer connections under the Output Based Aid programme. By 30 June 2018, 10,896 customers were connected, with the remaining 52,104 to be connected by 31 December 2018.

Energy Losses

We continue to register progress in energy loss reduction. Energy losses for the six months reduced to 16.7% compared to 17.5% for the same period in 2017. We focused our H1 2018 loss-reduction efforts on commercial losses and are in dialogue with the Electricity Regulatory Authority on specific approvals required for technical loss reduction investments.

Revenue Collections

Efficiency in revenue collection is critical for the financial sustainability of the electricity supply industry, given the removal of Government subsidies from the sector in 2012. The company has maintained an average collection rate of 99.2% over the last 5 years, to help generation, transmission and distribution companies meet their operating costs and investment requirements.

The collection rate for the 6 months to 30 June 2018 was 102.8%. This is attributed to the rollout of pre-paid metering, recoveries of past unpaid bills, timely payments by industrial customers, government agencies and provision of payment systems available 24 hours per day.

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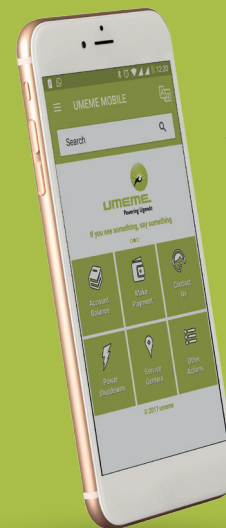
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The Directors of Umeme Ltd. are pleased to present the
**Unaudited Condensed Interim Financial Results for the
six months period ended 30 June 2018**

Condensed Income Statement

	Unaudited 6 months ended 30 June 2018 Ushs Million	Unaudited 6 months ended 30 June 2017 Ushs Million
Revenue from customers with contracts	735,834	704,421
Cost of sales	(474,359)	(486,444)
GROSS PROFIT	261,475	217,977
Other operating income	5,003	4,529
	266,478	222,506
Repair and maintenance expenses	(21,678)	(12,250)
Administrative expenses	(83,914)	(81,091)
Effects of Amendment 5	-	(115,236)
Foreign exchange losses	(2,297)	(1,173)
OPERATING PROFIT BEFORE AMORTISATION	158,589	12,756
Amortisation of intangible assets	(46,848)	(41,828)
OPERATING PROFIT/(LOSS)	111,741	(29,072)
Finance income	21,252	16,274
Finance costs	(45,652)	(43,854)
PROFIT/(LOSS) BEFORE TAX	87,341	(56,652)
Income tax (expense)/credit	(26,296)	9,128
PROFIT/(LOSS) FOR THE PERIOD	61,045	(47,524)
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE	38	(29)

Condensed Statement of Comprehensive Income

	Unaudited 6 months ended 30 June 2018 Ushs million	Unaudited 6 months ended 30 June 2017 Ushs million
Profit/(Loss) for the period	61,045	(47,524)
Other comprehensive income/(Loss)		
Foreign currency translation differences	42,673	(35,540)
Total comprehensive income/(loss) for the period, net of tax	103,718	(83,064)

Condensed Statement of Changes In Equity

	Issued Capital Ushs million	Share Premium Ushs million	Translation Reserve Ushs million	Retained Earnings Ushs million	Total Equity Ushs million
At 1 January 2017	27,748	70,292	179,405	314,607	592,052
Loss for the period	-	-	-	(47,524)	(47,524)
Other comprehensive loss, net of tax	-	-	(35,540)	-	(35,540)
Dividend declared	-	-	-	(12,745)	(12,745)
At 30 June 2017 - unaudited	27,748	70,292	143,865	254,338	496,243
At 1 January 2018	27,748	70,292	149,971	369,658	617,669
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	(3,161)	(3,161)
Adjusted balance at 1 January 2018	27,748	70,292	149,971	366,497	614,508
Profit for the period	-	-	-	61,045	61,045
Other comprehensive loss, net of tax	-	-	42,673	-	42,673
Dividend declared	-	-	-	(12,270)	(12,270)
At 30 June 2018 - unaudited	27,748	70,292	192,644	415,272	705,956

Condensed Statement of Financial Position

	Unaudited 30 June 2018 Ushs Million	Audited 31 December 2017 Ushs Million
ASSETS		
Non-current Assets		
Intangible assets	1,064,801	1,023,798
Other financial asset	634,174	499,770
Concession arrangement : financial asset	437,792	394,985
	2,136,767	1,918,553
Current Assets		
Inventories	70,135	58,490
Amount recoverable from customer capital contributions	3,776	12,461
Tax recoverable	-	8,123
Trade and other receivables	303,540	329,762
Bank balances	15,025	22,044
	392,476	430,880
TOTAL ASSETS	2,529,243	2,349,433
EQUITY AND LIABILITIES		
Equity		
Issued capital	27,748	27,748
Share premium	70,292	70,292
Retained earnings	415,272	369,658
Translation reserve	192,644	149,971
	705,956	617,669
Non-Current liabilities		
Borrowings	425,802	460,960
Concession obligation	437,792	394,985
Deferred income tax liability	172,160	160,859
Long term incentive plan	-	-
	1,035,754	1,016,804
Current Liabilities		
Borrowings: Current portion	194,459	198,656
Customer security deposits	372	615
Deferred income	64,101	37,768
Provisions	36,408	32,986
Trade and other payables	413,482	401,266
Current income tax payable	7,898	-
Short term borrowing	70,813	43,669
	787,533	714,960
TOTAL EQUITY AND LIABILITIES	2,529,243	2,349,433

Condensed Statement of Cash Flows

	Unaudited 6 months ended 30 June 2018 Ushs million	Unaudited 6 months ended 30 June 2017 Ushs million
Cash generated from operating activities	200,766	120,180
Interest received from banks	228	265
Current income tax paid	(11,000)	(3,735)
Interest paid on borrowings	(22,979)	(22,699)
Commitment fees on borrowings	(1,460)	(2,246)
Net cash flows from operating activities	165,555	91,765
Investing activities		
Purchase of intangible assets	(113,297)	(99,125)
Net cash flows used in investing activities	(113,297)	(99,125)
Financing activities		
Repayment of borrowings	(140,928)	(62,008)
Net proceeds from borrowings	54,750	71,920
Net cash flows (used in)/ from financing activities	(86,178)	9,912
Net decrease in cash and cash equivalents	(33,920)	2,552
Cash and cash equivalents at 1 January	(22,240)	(24,955)
Cash and cash equivalents at 30 June	(56,160)	(22,403)
Cash and cash equivalents:		
Bank balances	15,025	17,397
Short term borrowing (Bank overdraft)	(70,813)	(39,577)
Bank balances not available for use	(372)	(223)
	(56,160)	(22,403)

Dividends

In accordance with the dividend policy of Umeme Limited, at its meeting held on 16 August 2018, the Board of Directors of the Company resolved to pay an interim dividend of **Ushs 12.7 per share**.

The interim dividend, subject to withholding tax where applicable, will be paid on or about 11th January 2019 to shareholders whose names appear on the Company's share register at close of business on 20th December 2018.

Message from the Directors

These interim unaudited financial results are extracts from the books of the Company. A copy of the Interim 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 2018, and were signed on its behalf by:

Chairman

Managing Director

Highlights

Ushs **768.3bn**
SECTOR REVENUE
BY AN INCREASE OF 10.3%

↑8.6%
ENERGY SALES
INCREASED TO
GWh 1,460.7

Ushs **261.5bn**
GROSS PROFIT
INCREASE BY OVER 20%

Ushs **165.6bn**
CASH GENERATED
FROM OPERATIONS

Ushs **61.0bn**
NET PROFIT

Ushs **165bn**
INCREASE IN EBITDA
BY 28.1%

Ushs **20.6bn**
INTERIM DIVIDEND
DECLARED



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Growth in Electricity Demand

Electricity demand increased by 8.6% compared to the same period in 2017. The large industrial tariff category in particular registered the strongest demand growth of 12.9% on account of increased economic activity.

Review of Financial Results

The Company registered a materially improved performance for the six months to 30 June 2018 compared to the same period in 2017.

Sector Revenue has increased by 10.3% to US\$ 768.3 billion for the six months in 2018 driven by a reduction in energy losses, improved supply availability, reliability and increased power purchases stemming from additional customers and higher industrial capacity utilization.

Gross Profit increased by 20% to US\$ 261.5 billion compared to US\$ 217.9 billion. Cost of sales reduced by 2.5% on account of reductions in the Bulk Supply Tariff.

Operating Costs increased by 13.1% to US\$ 105.6 billion in 2018. We accelerated expenditure on repairs and maintenance to improve distribution network safety and supply reliability especially in view of a much wetter rainy season than normal. Repair and maintenance costs were up 77% year-on-year.

EBITDA closed at US\$ 165 billion, up 28.1% from the comparable figure adjusted for the non-recurring effects of Amendment 5 on EBITDA in HI 2017.

Financing Costs increased by 1.6% to US\$ 29.6 billion.

Profit after Tax for the period was US\$ 61.0 billion, compared to US\$ 41.0 billion (adjusted for the non-recurring effects of Amendment 5).

Cash Flows

Cash generated from operating activities was US\$ 165.6 billion for the first six months of 2018 compared to US\$ 91.8 billion for the previous period ended 30 June 2017. The recovery of the US\$ 103.7 billion lifeline tariff revenues for the 2016 and 2017 financial years started in the second quarter of the year and was the main driver for the increased operating cash flow.

Capital Investments

Umeme invested US\$ 113.3 billion (\$30.6 million) for the period under review, in network expansion and energy loss reduction projects and additional customer connections. Examples of major projects implemented include the following, among others:

- Kampala Industrial Business Park/ Namanve 33kV Industrial ring
- GET -FIT Switching Station in Kasese
- Government of Uganda Time Of Use Installations
- New connections
- Siti II inter-connection line to evacuate power from the 16.5MW Siti II HPP
- Kawanda - Kapeeka load transfer project
- Upgrade of Gulu sub-station
- Nyakese Sub-station in Tororo to support growing industrial demand

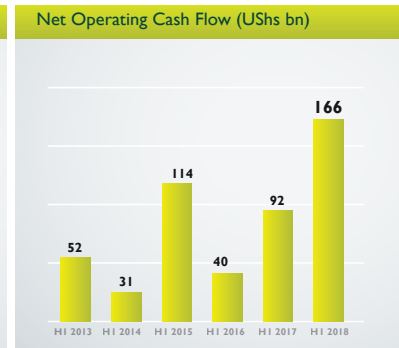
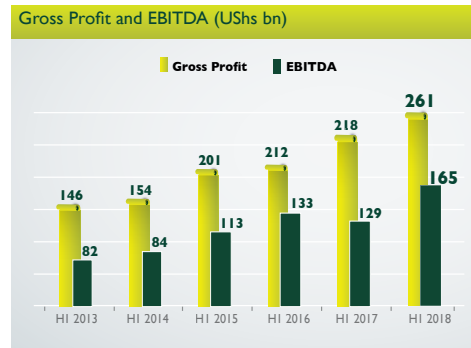
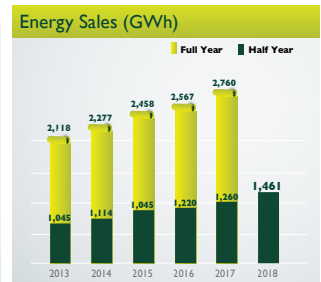
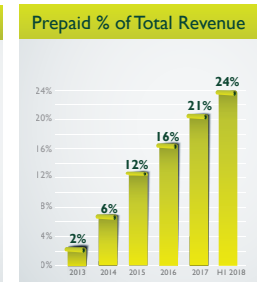
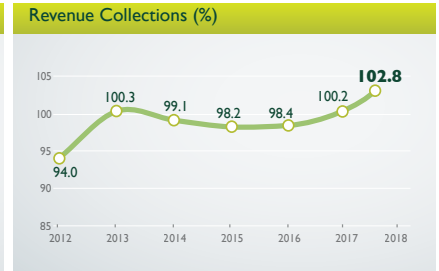
Given the anticipated increase in generation capacity of at least 783 MW from Isimba and Karuma Hydro Power Stations, it is critical for the sector to significantly increase investment in the distribution and transmission infrastructure. Subject to regulatory approvals, the bulk of Umeme's current and planned investments relate directly to expansions to the distribution network required in order to evacuate this new generation capacity.

Concession Update

As communicated at the Annual General Meeting of the Company held in May 2018, the Company, with its strategic financial advisor Stanbic Bank continues to refine its long term strategic options to anticipate the significant changes in scale and complexity of the electricity sector.

Our principal goal in this is to meet the Government's medium and long term objectives of energy demand growth, increased household access and sustainable tariffs. This review includes potentially extending the tenor of the current concession, and sourcing flexible and cost effective funding to support the resulting, significant and capital expenditure requirements.

Operational and Financial Highlights



Customer Category	HI 2018	HI 2017	Growth (y/y)	2017 Growth
Domestic	317.5	312.4	1.6%	6.9%
Commercial	178.3	165.3	7.9%	5.7%
Street Lighting	0.5	0.8	(32.9)%	(0.7)%
Industrial - Medium	224.3	211.1	6.3%	3.0%
Industrial - Large	740.0	655.6	12.9%	9.8%
Sub-total	1,460.6	1,345.2	8.6%	4.4%

Customer Category	HI 2018	HI 2017	Growth (y/y)	% Share
Domestic	206.8	189.6	9.0%	26.9%
Commercial	116.9	104.8	11.6%	15.2%
Street Lighting	0.4	0.6	(36.0)%	0.0%
Industrial - Medium	148.4	139.4	6.5%	19.3%
Industrial - Large	296.5	262.3	13.0%	38.6%
Sub-total	769.0	696.7	10.4%	100.0%

