

UMEME LIMITED

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023



Umeme Limited is pleased to present its unaudited interim condensed financial results for the six months period ended 30 June 2023



OPERATIONAL REVIEW

The economy continues to recover from the Covid-19 effects with growth projected at 5.3% in the 2023/24 fiscal year. The increased economic activity and new connections to the grid have translated into an 8.3% increase in electricity demand for the six months to 30 June 2023 compared to the same period in 2022.

Electricity sales to domestic households, commercial, medium industrial and large industrial customers, increased by 7%, 11%, 10% and 11% respectively.

In addition, the reduction of connection charges and the introduction of Uganda Development Bank's hybrid loan financing scheme has led to an increase in new customer applications and connections.

During the period an additional 72,411 customers were connected to the grid, compared to 56,547 in 2022 representing 28% growth, and increasing the customer base to 1.8 million.

The distribution efficiency for the period increased to 83%, compared to 81% achieved in 2022 on account of reduction in distribution losses to 16.7% from 17.1% for the same period in 2022 and a revenue collection rate of 98.9%.

During the period, we invested Ushs 41.9 billion in the distribution network for projects approved by the regulator aimed at improving customer experience. The projects are related to improving quality of electricity supply to our customers, enabling growth in demand, reduction in energy losses, network reconfiguration and digitization and continued roll out of prepaid metering.

Some of the projects being implemented include:

- Dedicated lines to improve supply reliability to Referral Hospitals
- Substations in Matugga, Hoima, Jinja, Kisugu, Mbarara and Mbale
- UETCL integration and evacuation lines in Kasana, Luzira, Hoima
- Various transformer injections across the country
- New prepaid connections and prepayment retrofits
- Geospatial Network Information System
- Reliability improvement projects across the country

From a safety perspective, regrettably, we recorded seven fatalities on the distribution network arising from network interference and illegal operations by unauthorized people. We continue to implement mass sensitisation and public awareness initiatives focused on responsible use and associated risks of electricity. We appeal to the public to report unsafe network conditions, power theft, vandalism, or unauthorized network operations through any of our multiple service channels.



FINANCIAL REVIEW

Performance comparisons are stated on a year-on-year basis comparing the six (6) months to 30th June 2023 with the similar period to 30th June 2022.

Revenues: Revenues increased by 19.9 % to Ushs 1,076 billion compared to Ushs 897 billion in 2022. The growth in revenues is attributable to an 8.3% growth in electricity sales, underlying pricing and provision of construction services.

Operating Costs: Reduced slightly by 2.6% to Ushs 112 billion compared to Ushs 115 billion in 2022. The reduction is attributed to operating efficiencies, technology uptake and optimised supply chains. The reduction in global and country inflation contained cost escalations during the period.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA): Increased by 49.7% to Ushs 244 billion due to the 28% increase in gross profit and 2.6% reduction in operating costs.

Amortization and Profit After Tax: As the natural term of the concession is coming to its end in March 2025, the International Financial Reporting Standards (IFRS) require alignment of the amortization to the shorter of the remaining contract duration or underlying useful life of the assets in generation of economic benefits to the Company. Consequently, the amortization charge for the period increased to Ushs 210 billion compared to Ushs 79 billion of 2022.

The resultant **profit for the period** reduced to Ushs 13.2 billion compared to Ushs 64.4 billion of 2022.

Cashflows: Net operating cashflow increased by 18% to Ushs 221 billion supported by cash collections, operating profits, optimized working capital and financing costs during the period. We invested Ushs 41.9 billion (US\$ 11 million) in the distribution network. The capital investment programme prioritized projects relating to strengthening the distribution network and improving power reliability to our customers.

Debt: Term loans as of 30th June 2023 reduced by 72% to Ushs 74 billion (US\$ 20.4 million) from Ushs 268 billion (US\$ 71.2 million) at 30th June 2022 following the scheduled repayment of the term loans over the period. The final scheduled repayment of term loans is in December 2023.

Dividends: Based on the performance during the period, the directors recommend an interim dividend of Ushs 24.0 per share payable on or about 29th February 2024. The book closure date for entitlement to the dividend shall be 9th February 2024.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

	UNAUDITED 6 MONTHS ENDED 30 JUNE 2023 (Ushs million)	UNAUDITED 6 MONTHS ENDED 30 JUNE 2022 (Ushs million)
Revenue from contracts with customers	1,075,690	896,999
Cost of sales	(719,797)	(618,571)
Gross Profit	355,893	278,428
Repair and maintenance expenses	(10,882)	(16,343)
Administration expenses	(100,986)	(98,766)
Foreign exchange (loss)/gain	(495)	15,612
Decrease in expected credit losses	-	(475)
Operating Profit Before Amortisation, Impairment, Interest And Tax	243,530	178,456
Amortisation and impairment of intangible assets	(210,197)	(78,518)
Operating Profit	33,333	99,938
Finance income	8,953	10,467
Finance costs	(25,619)	(17,626)
Profit Before Tax	16,667	92,779
Income tax charge	(3,477)	(28,403)
Profit for the period	13,190	64,376
Basic and diluted earnings per share	Ushs 8.1	Ushs 39.6

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED 6 MONTHS ENDED 30 JUNE 2023 (Ushs million)	UNAUDITED 6 MONTHS ENDED 30 JUNE 2022 (Ushs million)
Profit for the period	13,190	64,376
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation from functional currency	(15,887)	71,755
Total comprehensive (loss)/income for the period, net of tax	(2,697)	136,131

INTERIM CONDENSED SUMMARY STATEMENT OF CASH FLOWS

	UNAUDITED 6 MONTHS ENDED 30 JUNE 2023 (Ushs million)	UNAUDITED 6 MONTHS ENDED 30 JUNE 2022 (Ushs million)
Net cash flows from operating activities	221,275	187,439
Investing activities		
Purchase of intangible assets	(41,862)	(55,903)
Net cash flows used in investing activities	(41,862)	(55,903)
Financing activities		
Repayment of principal on term loans	(101,547)	(90,384)
Net cash flows used in financing activities	(101,547)	(90,384)
Net increase in cash and cash equivalents	77,866	41,152
Cash and cash equivalents at 1 January	(81,774)	(44,885)
Translation differences	2,601	(11,652)
Cash and cash equivalents at 30 June	(1,307)	(15,385)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	UNAUDITED 30 JUNE 2023 (Ushs million)	AUDITED 31 DECEMBER 2022 (Ushs million)
ASSETS		
Non-current assets		
Intangible assets	679,150	771,996
Other financial asset: Buy out amount	921,437	1,008,916
Concession financial asset	336,569	340,121
	1,937,156	2,121,033
Current assets		
Inventories	76,527	66,157
Contract assets	40,459	42,210
Trade and other receivables	283,837	279,344
Prepayments	31,455	16,224
Bank balances	42,347	46,098
	474,625	450,033
Total Assets	2,411,781	2,571,066
Equity And Liabilities		
Equity		
Issued capital	27,748	27,748
Share premium	70,292	70,292
Retained earnings	611,135	701,711
Translation reserve	194,410	210,297
	903,585	1,010,048
Non-current liabilities		
Concession financial obligation	336,569	340,121
Deferred tax liability	201,416	239,450
	537,985	579,571
Current liabilities		
Borrowings: current portion	74,286	176,631
Customer security deposits	11	11
Contract liabilities	106,250	91,788
Accrued expenses	12,834	17,165
Provisions	870	881
Trade and other payables	690,857	532,160
Current Income tax payable	41,460	34,950
Bank overdrafts	43,643	127,861
	970,211	981,447
Total equity and liabilities	2,411,781	2,571,066

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 2022	27,748	70,292	641,310	153,804	893,154
Profit for the period	-	-	64,376	-	64,376
Other comprehensive income, net of tax	-	-	-	71,755	71,755
Total other comprehensive - income, net of tax	-	-	64,376	71,755	136,131
Dividend declared	-	-	(87,814)	-	(87,814)
At 30 June 2022 - unaudited	27,748	70,292	617,872	225,559	941,471
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 loss, net of tax	-	-	-	(15,887)	(15,887)
Total other comprehensive income/(loss), 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

REVIEW AND APPROVAL

The unaudited interim condensed financial statements for the period ended 30th June 2023 were reviewed by Ernst & Young, Certified Public Accountants of Uganda. The financial statements were approved by the Board of Directors on 18th August 2023, and were signed on its behalf by:



Chairman
Patrick Bitature



Managing Director
Selestino Babungi