

REVIEW OF THE RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016



The Directors of Umeme Limited are pleased to present the interim unaudited financial results for the six months period ended 30 June 2016.

OPERATIONAL PERFORMANCE

SAFETY

The Company continued to record improvements in safety of staff and the public over the period with no attributable fatality recorded during the period under review.

CAPITAL INVESTMENTS

Umeme continues to implement its medium term investment strategy, with Ushs 110 billion (US\$ 32.6 million) invested over the period focused on network expansion and restoration, new connections and rollout of pre-paid metering. The total network investment since the start of the concession is US\$ 440m.

The key projects under implementation include Moniko substation, Namugongo integration lines, GetFit mini hydro project integration lines, upgrade of Lugogo to Kibuli lines, Refurbishment of lines in Kabale, Mukono and Palisa, Roll out of pre-paid metering, upgrading Namanve Industrial Park, conversion of Government of Uganda accounts to prepaid metering and the upgrade of power transformers.

The Company is pleased to note the positive impact of investments in the distribution network through improved electricity supply, reduction in network outages, grid connections and improved customer satisfaction.

OPERATIONAL RESULTS

- Energy losses** during the period were 19.2% compared to 19.1% achieved during 2015. The Company is updating its technical losses reduction strategy and conducting public campaigns geared at lowering commercial losses.
- Customer numbers** have increased by 20.6% to 860,563 as of 30 June 2016 compared to 713,756 as of 30 June 2015. The additional 146,809 new customer connections were driven by grid extensions, new customers funded by the World Bank led Output Based Aid (OBA) project through the Government of Uganda and improvements in the connection process.

- Customers on Pre-paid Metering** increased to 59.0% of the total customer base as at 30 June 2016 compared to 52.2% as at 31 December 2015.
- Revenue Collections** rate for the six months to 30 June 2016 was 98.4% compared to 100.4% achieved in 2015. The strong collections rate was driven by the rollout of pre-paid metering, customer payments convenience through multiple options as well as payments by Government of Uganda entities and industrial customers.

FINANCIAL PERFORMANCE

The performance during the six months to 30 June 2016 is compared to the conformed unaudited accounts for the similar period last year, on the basis of the US Dollar functional currency. The currency underlying the economic performance of the Company is US Dollars while the presentation currency remains Uganda Shillings. The US Dollar functional currency figures are converted using average and period-ending exchange rates to derive the Income Statement and Statement of Financial Position respectively.

The Ushs financial performance summarized below was mainly due to currency adjustments in the tariff. The average exchange rate for the period depreciated by 13.5% compared with the same period in 2015.

- Revenue** grew by 20.3% to Ushs 658.7 billion for the six months in 2016 compared to the same period in 2015. The additional revenue growth is attributed to investments in the network and a 3.3% increase in power sales (GWh).
- Gross profit** increased by 5.9% to Ushs 212.4 billion compared with the same period last year. Cost of Sales increased by 28.6% driven by the 3.8% increase in electricity purchases (GWh) and power purchase costs.
- EBITDA** in Ushs grew by 17.2% to Ushs 132.7 billion compared to the same period last year. However, in US Dollars, EBITDA was flat at US\$39.2m as a result of pending

investments not currently included in the tariff. Performance against regulatory targets i.e. losses, collections and operating expenses was broadly neutral.

Financing costs increased by Ushs 6.6 billion due to increased borrowings from the long term financing facility.

Net Profit during the period was Ushs 54.5 billion compared to Ushs 67.6 billion at 30 June 2015. The decline is attributed to increased financing costs and a normalized tax rate. The effective tax rate at 30 June 2016 was 32.0% compared to 9.1% in the June 2015 conformed accounts. The low tax rate in the June 2015 conformed accounts is explained by the reversal of unrealized foreign currency losses.

CASH FLOWS

Net cash generated from operating activities was Ushs 39.9 billion for the six months to 30 June 2016 compared to Ushs 114.4 billion in the same period last year. Cash generation during the period was lower than 2015 due to working capital movements due to increase in inventory for capital projects and reductions in amounts due to suppliers and staff rewards.

Final dividends for the year ended 31 December 2015 of Ushs 39.6 billion were paid in July 2016.

During the period, the Company drew US\$ 25m (Ushs 83.7 billion) from the US\$170m term facility with International Finance Corporation, Stanbic Bank Uganda Limited and Standard Chartered Bank (the "Capex Credit Facilities"), to fund its capital investment projects for the period. The drawdown was the last tranche of the US\$ 170m term facility. The Company plans to increase the facility by a further US\$ 50m to fund the capital investment plan.

REGULATORY ENVIRONMENT

The Electricity Regulatory Authority (ERA) has embarked on a process to modify Umeme's Electricity Supply Licence No.048 to incorporate the terms agreed upon in the Consent Judgment

that the Company entered into with the Authority, on 18 May 2016, with respect to Licence Amendments No 2 & 4 of 2012.

The Escrow Account remains unfunded. The Company continues to engage with the Ministry of Finance, Planning and Economic Development and ERA on a process for replenishing the Escrow account.

UGX DIVIDENDS

In accordance with the dividend policy of Umeme Limited, at its meeting held on 1 September 2016, the Board of Directors of the Company resolved to pay an interim dividend of Ushs 11.0 per share.

The interim dividend, subject to withholding tax where applicable, shall be paid on or about 19 December 2016 to shareholders whose names appear on the Company's share register at close of business on 2 December 2016. The dividend will be paid into the shareholder bank accounts or mobile money accounts whose details are maintained by the Securities Central Depository (SCD).

OUTLOOK

The Board and Management are focused on acceleration of regulatory approvals for investments and reducing energy losses over the second half of the year. Our next investment cycle of 2017 – 2021 prioritizes network growth related capital investments on the back of the expected increase in power supply and the country's industrialization drive.

The Board has approved the implementation of new performance-based incentive schemes designed to reinforce corporate strategy, encourage employee retention and encourage share ownership. We thank our customers, staff, Government of Uganda, shareholders and other stakeholders for their support of Umeme.

By Order of the Board

Board Chairman
1 September 2016

INTERIM UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

The Directors are pleased to present the interim unaudited financial results of the Company for the six months period ended 30 June 2016. For the purpose of comparison, the 2015 conformed and unaudited financial statements have been included on the basis of the US Dollar functional currency for the period.

INCOME STATEMENT			
	Unaudited 30-Jun-16 Ushs million	Unaudited 30-Jun-15 Ushs million (Conformed)	Unaudited 30-Jun-15 Ushs million (As previously reported)
Revenue	658,700	547,646	547,646
Cost of sales	(446,327)	(347,119)	(347,119)
GROSS PROFIT	212,373	200,527	200,527
Other operating income	3,482	3,549	3,549
Finance income	13,127	10,602	10,602
	228,982	214,678	214,678
Repair and maintenance expenses	(8,177)	(9,144)	(9,144)
Administration expenses	(75,297)	(82,155)	(82,155)
Foreign exchange losses	(909)	(742)	(72,872)
OPERATING PROFIT BEFORE AMORTISATION	144,599	122,637	50,507
Impairment of assets	-	(1,860)	(1,860)
Amortisation of intangible assets	(31,927)	(20,464)	(20,464)
OPERATING PROFIT	112,672	100,313	28,183
Finance costs	(32,476)	(25,842)	(25,842)
PROFIT BEFORE TAX	80,196	74,471	2,341
Income tax expense	(25,699)	(6,812)	(6,812)
PROFIT/(LOSS) FOR THE PERIOD	54,497	67,659	(4,471)
BASIC AND DILUTED EARNINGS PER SHARE	33.6	41.7	(2.8)
	Unaudited 30-Jun-16 Ushs million	Unaudited 30-Jun-15 Ushs million (Conformed)	Unaudited 30-Jun-15 Ushs million (As previously reported)
Profit/(Loss) for the period	54,497	67,659	(4,471)
Other comprehensive income			
Foreign currency translation differences	4,545	52,739	-
Total comprehensive income/(loss) for the period, net of tax	59,042	120,398	(4,471)

STATEMENT OF CASHFLOWS		
	Unaudited 30-Jun-16 Ushs million	Unaudited 30-Jun-15 Ushs million
Cash flows before working capital movements	128,882	100,867
Increase in inventories	(12,640)	(15,218)
Increase in amount recoverable from customer capital contributions	(2,153)	(3,483)
Decrease in trade and other receivables	2,694	4,845
Increase in interest rate SWAP	(14)	-
Decrease in deferred income	(5,198)	5,923
Decrease in long term incentive plan	(10,518)	6,018
Decrease in trade and other payables	(32,638)	45,019
Cash generated from operating activities	68,415	143,971
Interest received from banks	270	415
Current income tax paid	(11,936)	(19,203)
Interest paid on loan A and B	(16,479)	(9,561)
Commitment fees on loan A and B	(373)	(1,243)
Net cash flows from operating activities	39,897	114,381
Investing activities		
Purchase of intangible assets	(110,014)	(103,899)
Net cash flows used in investing activities	(110,014)	(103,899)
Financing activities		
Net proceeds from borrowings	83,700	72,410
Dividends declared	(39,603)	(31,666)
Net cash flows from financing activities	44,097	40,744
Net (decrease)/increase in cash and cash equivalents	(26,020)	51,226
Cash and cash equivalents at 1 January	(3,766)	(2,575)
Cash and cash equivalents at 30 June	(29,786)	48,651

STATEMENT OF FINANCIAL POSITION		
	Unaudited 30-Jun-16 Ushs million	Audited 31-Dec-15 Ushs million
NON CURRENT ASSETS		
Intangible assets	1,084,206	1,044,595
Concession arrangement financial asset	329,464	313,960
Financial Asset – buyout amount	49,956	-
	1,463,626	1,358,555
CURRENT ASSETS		
Inventories	56,038	43,398
Amount recoverable from customer capital contributions	8,787	6,634
Trade and other receivables	335,074	337,768
Interest Rate Swap	14	-
Bank balances	18,837	28,514
	418,750	416,314
TOTAL ASSETS	1,882,376	1,774,869
EQUITY AND LIABILITIES		
EQUITY		
Issued capital	27,748	27,748
Share premium	70,292	70,292
Retained earnings	287,219	272,325
Reserves	137,955	133,410
	523,214	503,775
NON-CURRENT LIABILITIES		
Borrowings: Non-current portion	475,395	477,160
Concession obligation	329,464	313,960
Deferred income tax liability	80,097	69,448
	884,956	860,568
CURRENT LIABILITIES		
Borrowings: Current portion	93,222	1,237
Customer security deposits	638	998
Deferred income	7,239	12,437
Long term incentive plan	3,972	14,490
Trade and other payables	312,194	344,832
Current income tax payable	8,956	5,250
Short term borrowings	47,985	31,282
	474,206	410,526
TOTAL EQUITY AND LIABILITIES	1,882,376	1,774,869

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 2015	27,748	70,292	-	215,672	313,712
Profit for the year	-	-	-	105,857	105,857
Other comprehensive income, net of tax	-	-	133,410	-	133,410
Total comprehensive income, net of tax	-	-	133,410	105,857	239,267
Dividend paid	-	-	-	(49,204)	(49,204)
At 31 December 2015	27,748	70,292	133,410	272,325	503,775
At 1 January 2016	27,748	70,292	133,410	272,325	503,775
Profit for the period	-	-	-	54,497	54,497
Other comprehensive income, net of tax	-	-	4,545	-	4,545
Total comprehensive income, net of tax	-	-	4,545	54,497	59,042
Dividend paid	-	-	-	(39,603)	(39,603)
At 30 June 2016	27,748	70,292	137,955	287,219	523,214
At 1 January 2015	27,748	70,292	-	215,672	313,712
Profit for the period	-	-	-	67,659	67,659
Other comprehensive income, net of tax	-	-	52,739	-	52,739
Total comprehensive income, net of tax	-	-	52,739	67,659	120,398
Dividend paid	-	-	-	(31,666)	(31,666)
At 30 June 2015 (Conformed)	27,748	70,292	52,739	251,665	402,444
At 1 January 2015	27,748	70,292	-	215,672	313,712
Loss for the period	-	-	-	(4,471)	(4,471)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income, net of tax	-	-	-	(4,471)	(4,471)
Dividend paid	-	-	-	(31,666)	(31,666)
At 30 June 2015 (As previously reported)	27,748	70,292	-	179,535	277,575

MESSAGE FROM THE DIRECTORS

These Interim Financial Statements are extracts from the books of the Company. A copy of the interim financial statements can be obtained at the Umeme Ltd, Head Office, Rwenzori House, Plot 1 Lumumba Avenue, Kampala Uganda. The financial statements were approved by the Board of Directors on 1 September 2016, and were signed on its behalf by:

Chairman
 Managing Director

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UGX BILLION
INVESTED IN NETWORK
EXPANSION
& restoration, new connections
and rollout of pre-paid metering

146,809
TOTAL NEW CUSTOMERS
20.6% Increase from June 2015
driven by grid extensions.
860,563 Total Customers

59.0%
CUSTOMERS ON PRE-PAID
METERING (YAKA)
Compared to 52.2% as at
31 December 2015

98.4%
REVENUE COLLECTIONS
Compared to 100.4% achieved
in 2015.

+20.3%
REVENUE GROWTH
658.7 billion for the
six months in 2016
compared to the same
period in 2015.

11.0/-
PER SHARE
INTERIM DIVIDEND
Shall be paid on or about
19 December 2016 to
shareholders