

UMEME LIMITED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023



The Directors of Umeme Limited present the audited financial results for the year ended 31 December 2023.

The results reflect our performance in delivering our mandate and strategy in creating value for our Customers, Government, Shareholders, and various stakeholders. Our core result areas include investment in the distribution system, operation and maintenance of the distribution infrastructure, provision of retail services to end users, technical capacity development, grid expansion and connectivity and driving distribution efficiencies. Ultimately, this supports the commercial viability of Uganda's Electricity Supply Industry and economic development.

REVIEW OF OPERATIONAL PERFORMANCE

The macro-operating environment was uncertain, coming off high inflation levels of 10.2% in December 2022, increasing interest rates from both global and local perspectives, constrained supply chains and constrained investments in the electricity distribution system due to the short remaining tenure of the Umeme distribution concession.

Electricity demand grew by 9.6% to 4,219 GWh compared to 3,849 GWh in 2022 driven by 10.9% growth in customer grid connections, improved electricity supply reliability, reduction in energy losses and general electricity demand. Electricity sales to domestic households, commercial, medium-industrial and large industrial customers increased by 10.8%, 11.7%, 9.2% and 8.8% respectively. When compared to 2020, electricity sales have increased by 31.8% from 3,201 GWh.

With the support from Government of Uganda through the Ministry of Energy and Mineral Development, Electricity Regulatory Authority and in partnership with French Development Agency and Uganda Development Bank that subsidised the last mile connection costs, we connected 191,874 new customers to the grid, achieving a 58% growth in comparison to 121,132 connections in 2022 thereby increasing the customer base to 1.95 million. The Company has commenced the implementation of the World Bank/Government of Uganda accelerated connections program targeting 1 million customers over the next 3 years.

The increasing electricity demand and grid connections

call for accelerated investments to expand and reinforce the distribution network. There is equal urgency to commission new generation and transmission projects so as to avert constrained electricity generation capacity in the medium term.

Energy losses reduced to 16.2% from 16.8% due to our enhanced field activities driven mainly by our insourcing strategy, new customer connections, improved supply reliability and our capital investments program. Energy losses reduction to 16.2% is the lowest level ever recorded compared to 38% at the start of the concession. This has contributed to tariff reduction and commercial viability of the Electricity Supply Industry.

Revenue collections averaged 99.0% in 2023 due to an improved bill payment culture and automation of the commercial cycle. We thank our customers for payment of their bills as this supports the operations and financing investments in the electricity sector.

Operating costs per KWh sold and operating cost per customer reduced by 3.4% and 4.6% respectively driven by efficient cost management and allocation towards the drivers of business value.

Capital Investments: We invested Ushs 136 billion (USD 36.5 million) (2022: Ushs 111 billion, USD 30 million) in capital projects including: new substation upgrades, integration lines with Uganda Electricity Transmission Company power stations and quality of supply improvements projects.

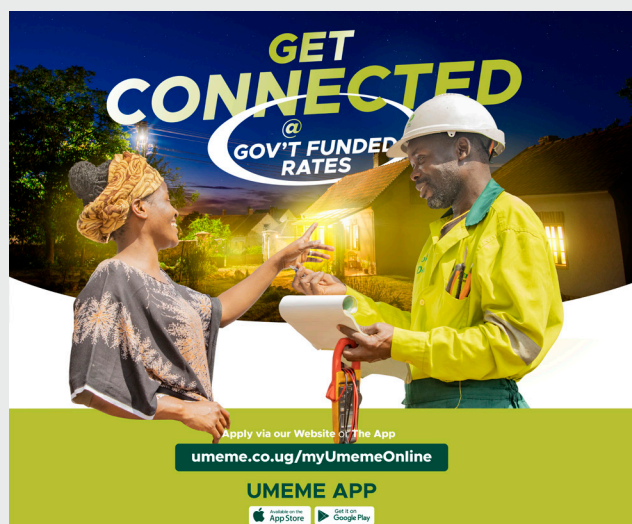
Safety: As our top priority, our commitment to safety extends to minimizing both occupational and network-related incidents. We have put in place safety measures,

policies and procedures and provided our teams with tools and equipment for operations. We have also provided our staff with continuous training on system operating practices and regulations, and risk assessment and management, training in safe driving and riding practices, and conduct regular independent safety audits.

In 2023, we regrettably registered 22 fatal accidents attributed mainly to unauthorized power usage, poor internal domestic wiring and network interference including distribution lines wayleaves violations and vandalism of the distribution network. We urge the public to be on the lookout for leaning or broken poles, sagging or broken wires, sparking transformers, grown vegetation interfering with network lines, open transformer and meter installations, tampered installations, and any instances of power theft, and vandalism of network assets. Should any of these practices be identified by a member of the public they should proactively report such incidents through any of our multiple 24/7 communication channels.

Technology and our people: We continue to invest in technology to enhance customer experience. During the year we commenced implementation of; upgrade of contact centre systems, upgrade of core ICT infrastructures, commercial and customer relationship management (CRM) systems.

Over the last two years, we have increased our staff capacity from 1,564 to 2,510 to deliver the increasing operations. We invest in our people to enhance their technical capacity to deliver specialised electricity distribution services.



Infrastructure: We upgraded Substations and built new Switching stations to improve quality of supply to meet the ever-growing electricity demand.

KEY HIGHLIGHTS

Grid connections up by 11% to **1.95 million customers**

Energy losses **reduced to 16.2%** from 16.8%

Electricity sales **increased by 10%** to 4,219 GWh from 3,849 GWh

Investments increased to **Ushs 136 billion** from Ushs 111 billion in 2022

FINANCIAL PERFORMANCE

Revenue: Revenue increased by 16.4% to Ushs 2,196 billion in 2023 compared to Ushs 1,887 billion in 2022 on account of an increase in electricity demand by 9.6%, increase in average tariff as determined by ERA of 5%, and revenues from the provision of electricity distribution construction services.

Cost of Sales: Cost of sales increased by 15.5% to Ushs 1,450 billion from Ushs 1,255 billion in 2022. The main drivers were the increase in the cost of electricity purchased with 8.8% growth in volume and 4.4% increase in the bulk supply price. The cost of sales related to construction services increased to Ushs 122 billion compared to Ushs 89 billion in 2022.

Gross Profit: Gross profit increased to Ushs 747 billion from Ushs 632 billion in 2022 on account of an improved distribution margin and operational efficiencies. The reduction in energy losses, new connections and supply reliability to customers are key drivers in gross margins.

Operating Costs: Operating costs increased by 5.8% to Ushs 262 billion in 2023 (2022: Ushs 247 billion), on account of general inflation and increased business operations.

Earnings Before Interest Taxation Depreciation and Amortisation (EBITDA): The EBITDA for the year increased to Ushs 483 billion compared to Ushs 385 billion in 2022 driven by the improved performance on gross margin and operating costs.

Amortisation: 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 of underlying fixed assets to the shorter of the remaining contract duration or the underlying useful life of the assets that generate economic benefits to the Company. Consequently, the amortization and impairment charge for the year increased significantly to Ushs 442 billion compared to Ushs 160 billion in 2022.

Financing Costs: Financing costs reduced by 1.3% to Ushs 45 billion primarily due to term loan principal repayment of Ushs 180 billion during the year despite an increase in blended interest rates from 6.62% to 10.40%.

Income taxes: The income tax charge for the year amounted to Ushs 3.9 billion due to reduction in profit before tax, resulting into an effective average tax rate of 25.4% compared to Ushs 67 billion with an effective average tax rate of 31.02% in 2022. During the year, we paid Ushs 80 billion as current income taxes to Uganda Revenue Authority.

Profit after Tax: Profit after Tax reduced to Ushs 11.5 billion from Ushs 148 billion in 2022. The significant decline was driven by accelerated amortisation of intangible assets as reported above.

The Earnings per Share (EPS) was Ushs 7.1 compared to Ushs 91.3 of 2022.

Balance Sheet Analysis: Total assets as of 31 December 2023 were Ushs 2,347 billion compared to Ushs 2,571 billion in 2022. The decrease in assets is mainly due to the higher amortisation of intangible assets.

Shareholder Equity reduced by 7%, from Ushs 1,010 billion in 2022 to Ushs 937 billion in 2023, due to the lower profit after tax for the year and net dividends paid in the year.

The Company fully repaid the term interest-bearing debt in 2023 compared to the Ushs 177 billion that was outstanding as at the end of 2022. The Company complied with all borrowing covenants during the year.

Cash flow analysis: During the year under review, the Company generated Ushs 461 billion (2022: Ushs 350 billion) from operating activities. This improvement from the prior year was driven by improved sales, cash collections and recoveries of regulatory income.

The cash flow from operating activities was used to fund the 2023 capital investments program and the Company's financing obligations.

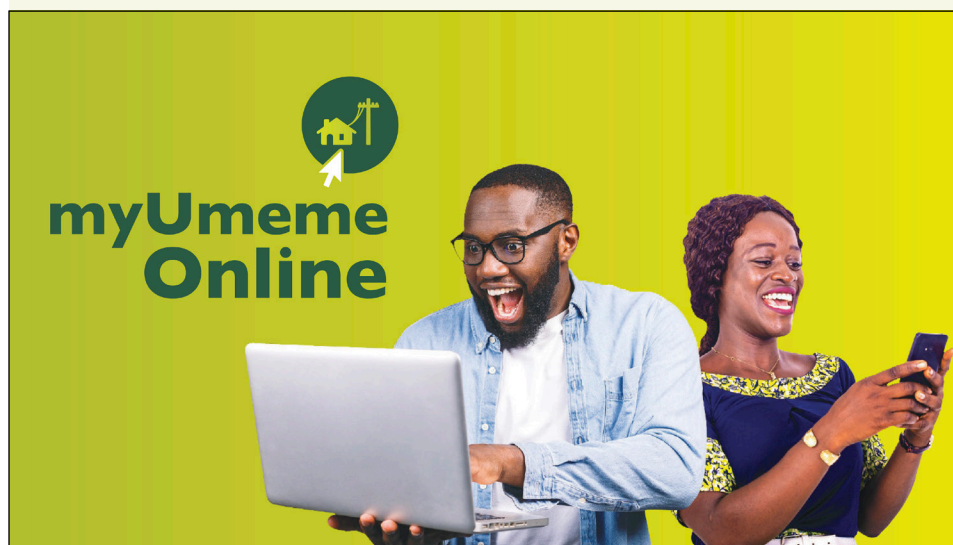
Dividends: Subject to the approval of the shareholders, the directors recommend to the members that a final dividend of Ushs 54.2 per ordinary share be paid for the year ended 31 December 2023 subject to deduction of withholding tax where applicable to the shareholders registered in the books of the Company at close of business on 28 June 2024. If approved, the outstanding dividend will be paid on or about 19 July 2024. Therefore, the total dividend for the year is Ushs 78.2 per ordinary share (2022: Ushs 63.9) inclusive of an interim dividend of Ushs 24.0 per ordinary share that was paid in February 2024.

Outlook: As we are in the 20th year of the Distribution Concession, the key priorities are to ensure continuity of service to our customers, business performance and investment in the distribution system while ensuring a seamless asset retransfer to Government per the Concession Agreement terms.

We are committed to, and continue to, work with Government and relevant stakeholders in preparation for a smooth assets retransfer and settlement by Government of the buyout amount when the concession naturally terminates in March 2025.

We extend our sincere gratitude to Government, our shareholders, customers, employees, and stakeholders for their continued support and trust in Umeme Limited. Together, over the last 19 years, we have rebased Uganda's electricity sector into an operationally efficient and commercially viable industry, attracting both private and public investments to meet the country's electricity needs.

We believe the Government and other sector players shall build on this foundation to further propel the country in achieving its national electrification goals outlined in the Third National Development Plan.





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STATEMENT OF PROFIT OR LOSS

	2023 (Ushs million)	2022 (Ushs million)
Revenue from contracts with customers	2,196,363	1,887,326
Cost of sales	(1,449,641)	(1,254,580)
Gross Profit	746,722	632,746
Repair and maintenance expenses	(51,296)	(34,161)
Administration expenses	(210,609)	(213,305)
Foreign exchange gain	1,108	14,108
Decrease in expected credit losses	(1,597)	(488)
Operating Profit Before Amortisation, Impairment, Interest and Tax	484,328	398,900
Amortisation and impairment of intangible assets	(442,122)	(160,095)
Operating Profit	42,206	238,805
Finance income	17,959	21,457
Finance costs	(44,781)	(45,389)
Profit Before Tax	15,384	214,873
Income tax expense	(3,914)	(66,658)
Profit for the year	11,470	148,215
Basic and diluted earnings per share	Ushs 7.1	Ushs 91.3

STATEMENT OF COMPREHENSIVE INCOME

	2023 (Ushs million)	2022 (Ushs million)
Profit for the year	11,470	148,215
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):		
Differences on translation from functional currency to presentation currency	19,614	56,493
Total comprehensive income for the year, net of tax	31,084	204,708

STATEMENT OF CASH FLOWS

	2023 (Ushs million)	2022 (Ushs million)
Net cash flows from operating activities	460,941	350,013
Investing activities		
Investment in the distribution network	(136,213)	(110,656)
Proceeds from sale of intangible assets	15	-
Net cash flows used in investing activities	(136,198)	(110,656)
Financing activities		
Dividend paid	(103,751)	(87,814)
Repayment of principal for long term borrowing facilities	(179,546)	(179,890)
Net cash flows used in financing activities	(283,297)	(267,704)
Net increase/(decrease) in cash and cash equivalents	41,446	(28,347)
Cash and cash equivalents at 1 January	(81,774)	(44,885)
Net foreign exchange differences	(8,057)	(8,542)
Cash and cash equivalents at 31 December	(48,385)	(81,774)

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 on our website: www.umeme.ug.

The financial statements were approved by the Board of Directors on 22 March 2024 and were signed on its behalf by:


CHAIRMAN
Board of Directors


MANAGING DIRECTOR

STATEMENT OF FINANCIAL POSITION

	2023 (Ushs million)	2022 (Ushs million)
ASSETS		
Non-current assets		
Intangible assets	445,174	771,996
Other financial asset	1,074,678	1,008,916
Concession financial asset	-	340,121
	1,519,852	2,121,033
Current assets		
Concession financial asset: Current portion	347,639	-
Inventories	73,294	66,157
Contract assets	42,678	42,210
Trade and other receivables	307,574	279,344
Prepayments	13,380	16,224
Bank balances	42,818	46,098
	827,383	450,033
Total Assets	2,347,235	2,571,066
Equity And Liabilities Equity		
Issued capital	27,748	27,748
Share premium	70,292	70,292
Retained earnings	609,430	701,711
Translation reserve	229,911	210,297
	937,381	1,010,048
Non-current liabilities		
Concession financial obligation	-	340,121
Deferred tax liability	173,708	239,450
Long term incentive plan	11,456	-
	185,164	579,571
Current liabilities		
Borrowings: current portion	-	176,631
Concession obligation: Current portion	347,639	-
Customer security deposits	11	11
Contract liabilities	86,163	91,788
Current income tax payable	19,811	34,950
Accrued expenses	14,335	17,165
Provisions	1,913	881
Trade and other payables	663,626	532,160
Bank overdrafts	91,192	127,861
	1,224,690	981,447
Total equity and liabilities	2,347,235	2,571,066

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 year	-	-	148,215	-	148,215
Other comprehensive income, net of tax	-	-	-	56,493	56,493
Total comprehensive income, net of tax	-	-	148,215	56,493	204,708
Dividend paid-2021 final	-	-	(87,814)	-	(87,814)
At 31 December 2022	27,748	70,292	701,711	210,297	1,010,048
At 1 January 2023	27,748	70,292	701,711	210,297	1,010,048
Profit for the year	-	-	11,470	-	11,470
Other comprehensive income, net of tax	-	-	-	19,614	19,614
Total comprehensive income, net of tax	-	-	11,470	19,614	31,084
Dividend paid-2022 final	-	-	(103,751)	-	(103,751)
At 31 December 2023	27,748	70,292	609,430	229,911	937,381