



REVIEW OF THE RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Directors of Umeme Limited are pleased to present the unaudited interim financial statements for the six months ended 30 June 2015.

SAFETY

During the period there were no fatalities attributed to network failure.

REVIEW OF FINANCIAL RESULTS

The Company has improved in performance over the six months in 2015, compared to the same period in 2014.

- ◆ **Revenue** has increased by 13.4% to Ushs 547.6 billion for the six months in 2015 compared to the same period in 2014. The revenue growth is driven by: reduction in energy losses and a 6.6% increase in power purchases (GWh).
 - **Energy losses** have reduced to 19.1% for the first six months in 2015 compared to 21.6% over the same period in 2014. The energy loss reduction was achieved through continued implementation of the loss reduction strategy covering technical and commercial losses.
 - **Customer numbers** have increased by 16% to 713,756 as of 30 June 2015 compared to 613,444 as of 30 June 2014. The additional 100,312 new customer connections over the last 12 months is the highest connection rate ever achieved. 31% of new customer connections were funded by the World Bank led Output Based Aid (OBA) project, through the Government of Uganda.
 - **Revenue collections** rate for the six months to 30 June 2015 was 100.4% compared to 96.6% achieved over the same period in 2014. The collections rate was driven by the rollout of pre-paid metering, as well as payments by Government of Uganda entities and industrial customers.
 - **Customers on Pre-paid metering** increased to 41% of the total customer base as of 30 June 2015 compared to 15% as of 30 June 2014.
- ◆ **Gross profit** increased by 30.6% to Ushs 200.5 billion in 2015 compared to Ushs 153.5 billion achieved over the six months in 2014. Cost of sales increased by 5.4%, mainly driven by the increase in electricity purchases (GWh). The growth in gross profits is mainly attributed to the increase in returns from 2014 capital investments, while substantially achieving regulatory targets for losses and collections.
- ◆ **Financing costs** increased by Ushs 13.8 billion due to increased borrowings from the long term financing facility.
- ◆ Umeme has recorded a net loss after tax of 4.5 billion for the six months period to 30 June 2015, compared to a profit after tax of Ushs 38.3 billion for the same period in 2014. This is solely due to the increased unrealised foreign exchange losses of Ushs 61.8 billion on borrowings compared to Ushs 7.6 billion for same

period 2014. The Uganda Shilling has depreciated by 19% against the US Dollar for the last six months, driven by country macro-economic factors and global strengthening of the US Dollar.

However, the Company will recover the unrealised foreign currency losses over the life of the concession through the quarterly tariff adjustment mechanism. Profits after Tax adjusted for unrealised foreign exchange losses increased by 25% to Ushs 57.4 billion compared to Ushs 45.9 billion for the same period in 2014.

Cash flows

- ◆ Net cash generated from operating activities was Ushs 81.9 billion for the six months to 30 June 2015 compared to Ushs 31 billion in 2014. Cash generation was driven by increase in collections, significant collection of government arrears, working capital management and cost management.
- ◆ Final dividends for the year ended 31 December 2014 of Ushs 31.7 billion were paid in July 2015.
- ◆ During the period, the Company drew US\$ 25m (Ushs 72.4 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.

CAPITAL INVESTMENTS

The company continued to implement its medium term investment strategy, with Ushs 103.2 billion (US\$ 34.6m) invested over the six months in network restoration, technical and commercial losses reduction, network expansion, new connections and rollout of prepaid metering.

Key projects under implementation include construction of 2 new substations and upgrade of 5 sub stations, rollout of prepayment metering to 80,000 customers, technical losses projects and refurbishment of some MV feeders.

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

REGULATORY ENVIRONMENT

In 2013 the Electricity Regulatory Authority (ERA) implemented Amendments 2 & 4 to the Supply Licence. As a consequence, for the six months to 30 June 2015, accrued revenue in accordance with IAS 18 was Ushs 13.96 billion (USD 4.37m). The Company shall utilise the contractual remedies available to it under the concession agreements, as discussed in Note 3 to the accounts in the Annual Report 2014 p68, in compensating the Company for any unrecovered costs incurred as a result of the amendments.

The Escrow Account is currently not funded. The Company is in consultation with the Ministry of Finance, Planning and Economic

Development on modalities of funding the account.

As part of the financing arrangements for the 183 MW Isimba hydropower project ("Isimba HEPP"), on 12th June 2015, the Company entered into a supplemental Power Sales Agreement with Uganda Electricity Transmission Company Limited (UETCL) and Uganda Electricity Distribution Company Limited ("Isimba PSA"), pursuant to which power generated from the Isimba HEPP is to be made available to the Company as part of the overall pool of electricity supplied by UETCL under the existing Power Sales Agreement between the Company and UETCL dated 17 May 2004 (the "Umeme PSA"). Accordingly, the terms and conditions governing the Company's purchase of electricity under the Isimba PSA are identical to the Company's existing rights and obligations related to global purchases of electricity from UETCL, as set out in the Umeme PSA.

The Company is currently reviewing similar arrangements with respect to the 600MW Karuma hydro Project.

DIVIDENDS

In accordance with the dividend policy of Umeme Limited, at its meeting held on 19th August 2015, the Board of Directors of the Company resolved to pay an interim dividend of Ushs 10.8 per share. The total interim dividend is Ushs 17.6 billion, based on the performance of the Company for the six months to 30 June 2015. The interim dividend will be paid out of retained earnings which stood at Ushs 179.5 billion as at 30 June 2015. The interim dividend, subject to withholding tax where applicable, shall be paid on or about 21 December 2015 to shareholders whose names appear on the Company's share register at close of business on 4 December 2015. The dividend will be paid into the shareholder bank accounts whose details are maintained by Securities Central Depository (SCD).

OUTLOOK

The Company continues to implement its priority investment programmes to improve the customer experience and grow the electricity distribution sector. The Company acknowledges the Government's direct efforts and guidance in ensuring increased power generation to cope with the increasing demand for power, including implementation of the 183 MW Isimba Hydro Project and the 600MW Karuma Hydro Project that will provide additional capacity. In this regard, the Company is examining required investments in the distribution network necessary to accommodate the new power from the Isimba and Karuma projects.

In collaboration with the Rural Electrification Agency, Umeme Limited shall continue to implement investment programmes aimed at increasing customer connections and electricity penetration.

The Directors take this opportunity to thank our customers, Government of Uganda, staff, shareholders and other stakeholders for their support of Umeme and the Uganda electricity sector.

By Order of the Board

Board Chairman

INTERIM FINANCIAL STATEMENTS (UN AUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Directors are pleased to announce the unaudited financial results of the Company for the six months ended 30 June 2015.

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 30-Jun-15 Ushs million	Unaudited 30-Jun-14 Ushs million
Revenue	547,646	482,880
Cost of sales	(347,119)	(329,350)
GROSS PROFIT	200,527	153,530
Other operating income	3,549	3,865
Finance income	10,602	8,248
	214,678	165,643
Repair and maintenance expenses	(9,144)	(13,493)
Administration expenses	(82,155)	(60,597)
Foreign exchange losses	(72,872)	(6,975)
OPERATING PROFIT BEFORE AMORTISATION	50,507	84,578
Impairment of assets	(1,860)	(998)
Amortisation of intangible assets	(20,464)	(16,367)
OPERATING PROFIT	28,183	67,213
Finance costs	(25,842)	(12,077)
PROFIT BEFORE TAX	2,341	55,136
Income tax expense	(6,812)	(16,865)
(LOSS)/PROFIT FOR THE YEAR	(4,471)	38,271
	Unaudited 30-Jun-15 Ushs	Unaudited 30-Jun-14 Ushs
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE	(2.75)	23.56

STATEMENT OF CASHFLOWS

	Unaudited 30-Jun-15 Ushs million	Unaudited 30-Jun-14 Ushs million
Net cash flows from operating activities	81,995	31,003
INVESTING ACTIVITIES		
Purchase of intangible assets	(103,179)	(118,027)
Proceeds from sale of motor vehicles	-	36
Net cash flows used in investing activities	(103,179)	(117,991)
FINANCING ACTIVITIES		
Proceeds from borrowings (net)	72,410	86,971
Net cash flows from financing activities	72,410	86,971
Net Increase/(decrease) in cash and cash equivalents	51,226	(17)
Cash and cash equivalents at 1 January	(2,575)	14,208
Cash and cash equivalents at 30 June	48,651	14,191

STATEMENT OF FINANCIAL POSITION

	Unaudited 30-Jun-15 Ushs million	Audited 31-Dec-14 Ushs million
ASSETS		
NON CURRENT ASSETS		
Intangible assets	699,831	618,976
Concession arrangement financial asset: Non-current portion	133,363	107,489
	833,194	726,465
CURRENT ASSETS		
Concession arrangement financial asset: Current portion	161,408	131,650
Inventories	52,468	37,250
Amount recoverable from customer capital contributions	6,971	3,488
Trade and other receivables	278,867	283,712
Bank balances	66,475	29,374
	566,189	485,474
TOTAL ASSETS	1,399,383	1,211,939
EQUITY AND LIABILITIES		
EQUITY		
Issued capital	27,748	27,748
Share premium	70,292	70,292
Retained earnings	179,535	215,672
	277,575	313,712
NON-CURRENT LIABILITIES		
Borrowings: Non-current portion	399,494	265,484
Concession obligation: Non-current portion	133,363	107,489
Deferred income tax liability	19,390	50,356
Provisions	11,449	5,431
	563,696	428,760
CURRENT LIABILITIES		
Borrowings: Current portion	-	41
Concession obligation: Current portion	161,408	131,650
Customer security deposits	9,799	3,576
Deferred income	22,624	16,701
Trade and other payables	334,686	286,134
Current income tax payable	21,570	2,992
Bank overdraft	8,025	28,373
	558,112	469,467
TOTAL EQUITY AND LIABILITIES	1,399,383	1,211,939

STATEMENT OF CHANGES IN EQUITY

	Issued capital Ushs million	Share Premium Ushs million	Retained earnings Ushs million	Total Equity Ushs million
At 1 January 2014	27,748	70,292	187,725	285,765
Profit for the period	-	-	38,271	38,271
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income, net of tax	-	-	38,271	38,271
Dividends paid	-	-	(27,281)	(27,281)
At 30 June 2014	27,748	70,292	198,715	296,755
At 1 January 2015	27,748	70,292	187,725	285,765
Profit for the year	-	-	70,493	70,493
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income, net of tax	-	-	70,493	70,493
Dividends paid (Note 12)	-	-	(42,546)	(42,546)
At 31 December 2014	27,748	70,292	215,672	313,712
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 (loss)/income, net of tax	-	-	(4,471)	(4,471)
Dividend Payable	-	-	(31,666)	(31,666)
At 30 June 2015	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.

By the Order of the Board

Chairman

Managing Director



For customer service inquiries call **0800 185185, 0800 285285** (Toll free), **0312 185185** or **0752 185185** or email **info@umeme.co.ug** website: **www.umeme.co.ug**

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