FITCH AFFIRMS NAMPOWER AT 'BBB-'; OUTLOOK STABLE

Fitch Ratings-London/Johannesburg-27 March 2009: Fitch Ratings has today affirmed Namibia Power Corporation (Pty) Ltd's (NamPower) ratings at Long-term foreign currency Issuer Default (IDR) 'BBB-' (BBB minus), Short-term IDR 'F3', National Long-term 'A-(minus)(zaf)' and National Short-term 'F2(zaf)'. Both the Long-term ratings have a Stable Outlook.

NamPower's ratings are aligned with those of the sovereign, based on Fitch's assessment of the company's legal, operational and strategic ties with the state as per the agency's criteria (see "Parent and Subsidiary Linkage", dated 19 June 2007 on www.fitchratings.com). Factors underlining the strong linkage include evidence of financial support and flexibility regarding payment of dividends. Recent examples of tangible support include a NAD1bn equity injection, of which NAD250m was paid in the year ended June 2007 (FY07) and NAD250m in FY08 (the remainder is to be paid in FY09). The government also approved fuel grants of NAD120m annually between FY08-FY10 to mitigate the negative effect of the utilisation of expensive stand-by capacity to support security of supply. A large portion of NamPower's debt is state-guaranteed and the company is important to the development of the Namibian economy.

The ratings also reflect NamPower's position as the monopoly electricity generation and transmission company in Namibia. While the expected entry of independent power producers (IPPs) may eventually introduce some competition to the market, Fitch believes that NamPower will remain the largest electricity producer in the country over the long-term.

Fitch will monitor NamPower's progress in dealing with key challenges, including supply shortages and reliance on imported electricity, which continued to account for more than half of electricity usage in FY08. To address these issues, it is rolling out a NAD13.9bn investment programme until FY13 aimed at increasing generation capacity, and expanding and upgrading the transmission network. NamPower is making good progress with the Caprivi Link Interconnector project, linking Namibia, Zambia and Zimbabwe, which is scheduled for completion in FY10. NamPower recently decided to proceed with the installation of a fourth unit at the Ruacana hydro plant, which supplied 88% of locally generated electricity in FY08. In the coming months management plans to decide on additional generation options. While the global economic slowdown has started to affect domestic demand in Namibia, Fitch anticipates that this trend will reverse in the near-to medium term, among other aspects supported by the upcoming launch of a number of uranium mining projects on the West Coast.

Implementation of the investment programme will put pressure on the financial profile, which is currently strong with large net balances of cash and short-term investments. NamPower anticipates increasing its gross debt from a moderate FYE08 level of NAD1.5bn through a combination of sources, including issuance under its NAD3bn medium-term note programme, development agency funding, project finance and equity contributions. In December 2008 it successfully sourced NAD1.3bn of funding from development banks for the Caprivi Link Interconnector project.

Fitch expects that a combination of tariff increases and improved access to cost-effective electricity will ensure that the minimum debt service coverage target ratio level of 1.5x continues to be met. The Electricity Control Board remains committed to achieve cost-reflective tariffs by 2011, as underlined by an 18% approved increase in July 2008. NamPower's ratings could come under pressure if it were unable to maintain a sustainable financial profile and/or should there be a weakening of government support. Near-term debt maturities are limited and amply covered by available liquidity.

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Note to Editors: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(zaf)' for National ratings in South Africa. Specific letter grades are not therefore internationally comparable.