

# Namibia Power Corporation (Proprietary) Limited

The rating of Namibia Power Corporation (Pty) Ltd's (NamPower) is constrained by the Namibian sovereign (BB/Stable) under Fitch Ratings' *Government-Related Entities (GRE) Rating Criteria* and *Parent and Subsidiary Rating Linkage*.

NamPower's Standalone Credit Profile (SCP) is 'bbb-', reflecting the company's monopolistic position in transmission and energy trading in Namibia, with a cost-reflective tariff framework and a strong financial profile.

## Key Rating Drivers

**Strong GRE Links:** Fitch assesses the government's ownership and control of the company as 'Strong' under its GRE Criteria. This is due to the government's full ownership of the company through The Ministry of Mines and Energy (MME) and Ministry of Public Enterprises. The record and expectations of support is 'Strong', with the most significant elements of support including government-guaranteed debt (about 6% of total debt end-June 2018) and historical government grants for infrastructure and fuel.

Fitch deems the socio-political and financial implications of a default by NamPower as 'Strong', given the essential character of electricity supply and significant development needs for electricity infrastructure.

**Tax and Dividends to Government:** We expect NamPower to distribute dividends to the state in line with its dividend policy in FY19 and FY20. Fitch forecasts cash tax of about NAD500 million for FY19, about NAD350 million in FY20 and zero thereafter. We expect delays in capex for FY19 and FY20 to contribute to an increase in tax, and commencement of dividend payments. We also expect the implementation of the Public Procurement Act to contribute to delays in NamPower's capex, as projects above NAD35 million require the approval of the central procurement board.

**Negative Free Cash Flow Expected:** Fitch expects capex to lead to significant negative free cash flow (FCF) in FY21 and FY22, and therefore does not expect tax or dividend payments in FY21 and FY22. The negative FCF will largely be funded from existing cash resources and expected debt issuance. We forecast NamPower to keep a net cash position across the whole rating horizon to FY22.

**Expansionary Capex Planned:** Fitch understands from the management that NamPower has committed to three renewable, and one fossil fuel power generation projects, aimed at reducing its reliance on imported electricity. Once completed, these could improve its generation capacity to 639MW by FYE23-FYE24 from 489MW (including Van Eck of 120MW) at FYE18. The four projects will be funded by cash resources, cash-flow from operations, and debt. The projects will comprise solar photovoltaics, wind power, biomass, and fossil fuels.

**Reliant on Imported Electricity:** Fitch expects NamPower to remain reliant on imported electricity as opposed to its own generation for the next five years. The level of energy imports increased to 73% of total supply in FY18 from 63% in FY17, as its hydro power plant produced about 450 gigawatt hours (GWh) less electricity in FY18 compared with FY17, influenced by lower water flows from the Kunene River to Ruacana hydro-power station.

## Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BB	Stable	Affirmed 14 Nov 2019
National Long-Term Rating	AA- (zaf)	Stable	Affirmed 14 Nov 2019

[Click here for full list of ratings](#)

## Related Research and Applicable Criteria

- [Corporate Rating Criteria \(February 2019\)](#)
- [Government-Related Entities Rating Criteria \(November 2019\)](#)
- [National Scale Ratings Criteria \(July 2018\)](#)
- [Parent and Subsidiary Rating Linkage \(September 2019\)](#)
- [Corporates Notching and Recovery Ratings Criteria \(October 2019\)](#)

## Analysts

**Yeshvir Singh**  
+44 20 3530 1810  
[yeshvir.singh@fitchratings.com](mailto:yeshvir.singh@fitchratings.com)

**Carlos Baeta**  
+44 20 3530 2616  
[carlos.baeta@fitchratings.com](mailto:carlos.baeta@fitchratings.com)

**Import Reliance a Rating Constraint:** NamPower's reliance on imports of electricity from Eskom Holdings SOC Ltd (Eskom; BB-/Negative) is a constraint on the rating. Eskom supplied about 56% of total imported electricity in FY18. Zimbabwe Power Company (ZPC) and Zambia Electricity Supply Corporation (ZESCO) offer limited diversification, each supplying about 10% of total imported electricity in FY18.

**Market Liberalisation in Prospect:** Fitch expects changes to the functioning of the generation and distribution sector, as MME and Electricity Control Board (ECB, the regulatory authority for Namibia) aim to implement the modified single buyer market model (MSB). This should develop competition in the generation and supply sector, to improve operational efficiency and reduce costs. The MSB could be the first step towards establishing a wholesale market in Namibia, allowing privately owned generation companies access to NamPower's transmission network.

**Modified Single-Buyer Market Model:** Fitch does not expect the introduction of MSB to negatively affect NamPower's SCP, although our view may change as further details emerge. MSB will allow independent power producers (IPPs) to generate and sell electricity output directly to regional electricity distributors, large industrial and mining companies, including municipalities, compared with the current single-buyer model where electricity output can only be sold to NamPower.

These agreements were implemented on 1 September 2019 and will initially be limited to 30% of customers' energy consumption. Nevertheless, we expect NamPower to retain its monopolistic transmission position through the introduction of an unbundled tariff, including reliability charge, and remain the supplier of last resort.

## Financial Summary

(NADm)	Jun 2017	Jun 2018	Jun 2019F	Jun 2020F
Gross Revenue	5,921	6,595	6,554	6,503
Operating EBITDAR Margin (%)	29.2	30.1	13.5	11.2
FFO Margin (%)	33.1	33.8	16.9	12.7
FFO Fixed-Charge Coverage (x)	10.4	13.3	2.3	2.7
FFO Adjusted Net Leverage (x)	-2.5	-3.3	-15.5	-15.9

Source: Fitch Ratings, Fitch Solutions

## Rating Derivation Relative to Peers

NamPower's ratings are the same as Namibia Water Corporation's (NamWater; BB/Stable). The Issuer Default Ratings are constrained by the Namibian sovereign in accordance with Fitch's GRE Criteria and both have a SCP of 'bbb-'. For the rating of Telecom Namibia Ltd (TN; BB-/Stable), we apply a top-down minus one-notch approach under our GRE Criteria.

NamPower's financial profile is the strongest in terms of FFO adjusted net leverage in the international peer group, which includes Eskom, PGE Polska Grupa Energetyczna S.A. (BBB+/Stable) and Saudi Electricity Company (A-/Stable). This is mainly due to cash generated from operations supported by cost-reflective tariffs and delays in capex for new generation capacity. However, NamPower has a weaker business profile due to market liberalisation trends, lower regulatory maturity and significant reliance on imported electricity.

## Rating Sensitivities

### Developments that May, Individually or Collectively, Lead to Positive Rating Action

- Positive rating action on Namibia's sovereign ratings.

### Developments that May, Individually or Collectively, Lead to Negative Rating Action

- Negative rating action on Namibia's sovereign ratings.

For the sovereign rating of Namibia, Fitch outlined the following sensitives in its Rating Action Commentary dated 1 October 2019.

### Developments that, Individually or Collectively, Could Lead to Positive Rating Action:

- Stabilisation of the government debt/GDP trajectory supported by implementation of fiscal reforms
- Stronger medium-term growth, for example resulting from improved prospects for the mining sector

**Developments that, Individually or Collectively, Could Lead to Negative Rating Action:**

- Marked increase in the government debt-to-GDP trajectory
- Significant widening of external deficits or emergence of external funding pressures

**Liquidity and Debt Structure**

**Robust Liquidity:** NamPower had NAD2.3 billion in cash at FY18, supported by a liquid investment portfolio of about NAD5.5 billion, which can be accessed at short notice to bolster its liquidity position and for investment needs. This compares with NAD207 million of short-term debt and Fitch’s expectation of positive FCF for FY19.

**Liquidity and Debt Maturity Scenario with No Refinancing**

Available Liquidity (NADm)	2019F	2020F
Beginning Cash Balance	7,764	8,470
Rating Case FCF after Acquisitions and Divestitures	913	-179
<b>Total Available Liquidity (A)</b>	<b>8,677</b>	<b>8,291</b>
<b>Liquidity Uses</b>		
Debt Maturities	-207	-882
<b>Total Liquidity Uses (B)</b>	<b>-207</b>	<b>-882</b>
<b>Liquidity Calculation</b>		
Ending Cash Balance (A+B)	8,470	7,409
Revolver Availability	0	0
<b>Ending Liquidity</b>	<b>8,470</b>	<b>7,409</b>
<b>Liquidity Score</b>	<b>41.8</b>	<b>9.4</b>

Source: Fitch Ratings, Fitch Solutions, NamPower

Scheduled Debt Maturities	Original
Statement Date	30 June 2008
2019	207
2020	882
2021	132
2022	169
2023	89
Thereafter	553
<b>Total</b>	<b>2,032</b>

Source: Fitch Ratings, Fitch Solutions, NamPower

## Key Rating Issues

### Government-Related Entities (GRE) Table

Factors		Score
Strength of linkage	Status, ownership and control	Strong -5
	Support record and expectations	Strong -5
Incentive to support	Socio-political implications of GRE's default	Strong -10
	Financial implications of GRE's default	Strong -10
TOTAL SCORE		30
Namibia's rating		BB
NamPower's SCP		bbb-
Rating approach		Capped

Source: Fitch Ratings, Fitch Solutions

### Existing and Planned Capacity at end-June 2019

	Existing MW	Planned MW	Projection date
NamPower			
Ruacana	347		
Van Eck	120		Not fully utilised
Anixas	22.5		
Paratus			
Wind		40	2023-24
Solar		20	2021
Biomass		40	2023-24
Fossil Fuel		50	TBC
NamPower total	489	150	
Namibia IPP generation			
Solar	54.5	72	REFIT plus others
Wind	5	44	Diaz
IPP total	59.5	116	
Total	548.5	266	

Source: Fitch Ratings, Fitch Solutions, NamPower

## Key Assumptions

### Fitch's Key Assumptions Within Our Rating Case for the Issuer

- Electricity sales volumes expected to decrease by about 3% in FY19, followed by an average increase of about 0.7% a year in FY20, and FY21
- Introduction of MSB to lead to a lower electricity sales volume by about 1.5% in FY22
- Cash tax of about NAD500 million in FY19, and about NAD350 million in FY20, and zero thereafter
- Dividend distribution in line with dividend policy

Financial Data

(NADm)	Historical			Forecast		
	Jun 2016	Jun 2017	Jun 2018	Jun 2019F	Jun 2020F	Jun 2021F
<b>Summary Income Statement</b>						
Gross Revenue	5,006	5,921	6,595	6,554	6,503	6,937
Revenue Growth (%)	11.7	18.3	11.4	-0.6	-0.8	6.7
Operating EBITDA (Before Income from Associates)	602	1,731	1,986	882	729	641
Operating EBITDA Margin (%)	12.0	29.2	30.1	13.5	11.2	9.2
Operating EBITDAR	602	1,731	1,986	882	729	641
Operating EBITDAR Margin (%)	12.0	29.2	30.1	13.5	11.2	9.2
Operating EBIT	-135	940	1,110	59	-215	-416
Operating EBIT Margin (%)	-2.7	15.9	16.8	0.9	-3.3	-6.0
Gross Interest Expense	-233	-215	-193	-177	-149	-117
Pretax Income (Including Associate Income/Loss)	-526	1,497	1,735	764	213	-89
<b>Summary Balance Sheet</b>						
Readily Available Cash and Equivalents	5,846	6,272	7,764	8,066	7,284	5,658
Total Debt with Equity Credit	2,622	2,259	2,032	1,833	951	1,319
Total Adjusted Debt with Equity Credit	2,622	2,259	2,032	1,833	951	1,319
Net Debt	-3,223	-4,013	-5,732	-6,233	-6,333	-4,339
<b>Summary Cash Flow Statement</b>						
Operating EBITDA	602	1,731	1,986	882	729	641
Cash Interest Paid	-150	-154	-132	-177	-149	-117
Cash Tax	0	-363	-647	-499	-350	0
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	6	0	0	0	0	0
Other Items Before FFO	342	225	413	19	18	15
Funds Flow from Operations	1,227	1,961	2,231	1,106	825	984
FFO Margin (%)	24.5	33.1	33.8	16.9	12.7	14.2
Change in Working Capital	-514	-359	-470	245	307	164
Cash Flow from Operations (Fitch Defined)	713	1,602	1,761	1,351	1,132	1,148
Total Non-Operating/Non-Recurring Cash Flow	0	0	0			
Capital Expenditure	-504	-753	-663			
Capital Intensity (Capex/Revenue) (%)	10.1	12.7	10.1			
Common Dividends	0	0	0			
Free Cash Flow	209	849	1,098			
Net Acquisitions and Divestitures	1	6	1			
Other Investing and Financing Cash Flow Items	-551	-523	-564	-412	279	-69
Net Debt Proceeds	218	-170	-95	-199	-882	368
Net Equity Proceeds	0	0	0	0	0	0
Total Change in Cash	-123	162	441	302	-782	-1,626

**Calculations for Forecast Publication**

Capex, Dividends, Acquisitions and Other Items Before FCF	-503	-747	-662	-438	-1,311	-3,073
Free Cash Flow After Acquisitions and Divestitures	210	855	1,100	913	-179	-1,925
Free Cash Flow Margin (After Net Acquisitions) (%)	4.2	14.4	16.7	13.9	-2.8	-27.8

**Coverage Ratios**

FFO Interest Coverage (x)	6.3	10.4	13.3	2.3	2.7	5.6
FFO Fixed-Charge Coverage (x)	6.3	10.4	13.3	2.3	2.7	5.6
Operating EBITDAR/Interest Paid + Rents (x)	4.1	11.3	15.1	5.0	4.9	5.5
Operating EBITDA/Interest Paid (x)	4.1	11.3	15.1	5.0	4.9	5.5

**Leverage Ratios**

Total Adjusted Debt/Operating EBITDAR (x)	4.3	1.3	1.0	2.1	1.3	2.1
Total Adjusted Net Debt/Operating EBITDAR (x)	-5.3	-2.3	-2.9	-7.1	-8.7	-6.8
Total Debt with Equity Credit/Operating EBITDA (x)	4.3	1.3	1.0	2.1	1.3	2.1
FFO Adjusted Leverage (x)	2.8	1.4	1.2	4.6	2.4	2.0
FFO Adjusted Net Leverage (x)	-3.4	-2.5	-3.3	-15.5	-15.9	-6.6

Source: Fitch Ratings, Fitch Solutions

**How to Interpret the Forecast Presented**

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.



## Ratings Navigator

FitchRatings

### Namibia Power Corporation

ESG Relevance:



Corporates Ratings Navigator  
EMEA Utilities

Factor Levels	Business Profile										Issuer Default Rating
	Sector Risk Profile	Operating Environment	Management and Corporate Governance	Position and Cash Flow Profile	Regulation	Market Trends and Risks	Asset Base and Operations	Profitability and Cash Flow	Financial Structure	Financial Flexibility	
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+											A+
a											A
a-											A-
bbb+											BBB+
bbb											BBB
bbb-											BBB-
bb+											BB+
bb											BB
bb-											BB-
b+											B+
b											B
b-											B-
ccc+											CCC+
ccc											CCC
ccc-											CCC-
cc											CC
c											C
d or rd											D or RD

### Operating Environment

bbb-	Economic Environment	bb	Below-average combination of countries where economic value is created and where assets are located.
bb+	Financial Access	a	Strong combination of issuer-specific funding characteristics and the strength of the relevant local financial market.
	Systemic Governance	bbb	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'bbb'.
b-			
ccc+			

### Position and Cash Flow Profile

a-	Market Presence and Integration	a	Top-tier position in more than one market. Vertically integrated (typically including generation, transmission, distribution and supply).
bbb+	Earnings from Regulated Network Assets	a	40%-75% of EBITDA comes from high-quality regulated network assets.
bbb	Quasi-Regulated Earnings	b	Small amounts of income from quasi-regulated assets or long-term contracts.
bbb-			
bb+			

### Market Trends and Risks

bbb-	Fundamental Market Trends	bb	Markets with structural challenges.
bb+	Generation and Supply Positioning	bb	Weak position in the merit order; limited hedging. Own generation not in balance with marginal position in supply and services.
bb	Customer Base and Counterparty Risk	bb	Structurally challenged economy in area served; high counterparty risk; supply operations with high doubtful debt levels.
bb-			
b+			

### Profitability and Cash Flow

bbb	Free Cashflow	bbb	Structurally neutral to negative FCF across the investment cycle.
bbb-	Volatility of Profitability	bb	Lower stability and predictability of profits than utility peers.
bb+			
bb			
bb-			

### Financial Flexibility

a-	Financial Discipline	bbb	Financial policies less conservative than peers but generally applied consistently.
bbb+	Liquidity	a	Very comfortable liquidity. Well-spread debt maturity schedule. Diversified sources of funding.
bbb	FFO Fixed Charge Cover	bb	3.5x
bbb-	FX Exposure	aa	No material FX mismatch.
bb+			

**How to Read This Page:** The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

### Management and Corporate Governance

bbb	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
bbb-	Governance Structure	bbb	Good governance track record but board effectiveness/independence less obvious. No evidence of abuse of power even with ownership concentration.
bb+	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bb	Financial Transparency	bb	Financial reporting appropriate but with some failings (eg lack of interim or segment analysis).
bb-			

### Regulation

bbb	Regulatory Framework and Policy Risk	bb	Opaque or overly demanding frameworks with limited track record, short-term tariffs; significant political risk.
bbb-	Cost Recovery and Risk Exposure	bbb	Tariff setting that may limit efficiently incurred cost and investment recovery, with moderate regulatory lag, price and volume risk.
bb+			
bb			
bb-			

### Asset Base and Operations

bbb	Asset Quality	bbb	Mid-range asset quality not likely to affect opex and capex requirements compared with peers.
bbb-	Asset Diversity	bb	Limited diversification by geography, generation source, supplied product.
bb+	Carbon Exposure	a	Energy production mostly from clean sources and low carbon exposure (< 300gCO2/kWh).
bb			
bb-			

### Financial Structure

a+	Lease Adjusted FFO Gross Leverage	bbb	5.0x
a	Lease Adjusted FFO Net Leverage	a	3.0x
a-			
bbb+			
bbb			

### Credit-Relevant ESG Derivation

				Overall ESG
Namibia Power Corporation (Proprietary) Limited has 12 ESG potential rating drivers				
key driver	0	issues	5	
driver	0	issues	4	
potential driver	12	issues	3	
not a rating driver	2	issues	2	
	0	issues	1	

Showing top 6 issues  
For further details on Credit-Relevant ESG scoring, see page 3.

### Credit-Relevant ESG Derivation

Namibia Power Corporation (Proprietary) Limited has 12 ESG potential rating drivers

- Namibia Power Corporation (Proprietary) Limited has exposure to emissions regulatory risk but this has very low impact on the rating.
- Namibia Power Corporation (Proprietary) Limited has exposure to energy productivity risk but this has very low impact on the rating.
- Namibia Power Corporation (Proprietary) Limited has exposure to waste & impact management risk but this has very low impact on the rating.
- Namibia Power Corporation (Proprietary) Limited has exposure to extreme weather events but this has very low impact on the rating.
- Namibia Power Corporation (Proprietary) Limited has exposure to access/affordability risk but this has very low impact on the rating.
- Namibia Power Corporation (Proprietary) Limited has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

				Overall ESG Scale
key driver	0	issues	5	
driver	0	issues	4	
potential driver	12	issues	3	
	2	issues	2	
not a rating driver	0	issues	1	

### Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Profitability and Cash Flow
Energy Management	3	Fuel use to generate energy	Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow
Water & Wastewater Management	2	Water used by hydro plants or by other generation plants; effluent management	Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Profitability and Cash Flow
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Profitability and Cash Flow



#### How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

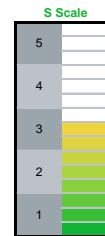
The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The left-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

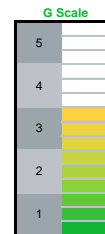
### Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability and Cash Flow; Regulation
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability and Cash Flow
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability and Cash Flow; Financial Structure; Financial Flexibility
Employee Wellbeing	2	Worker safety and accident prevention	Profitability and Cash Flow; Financial Structure; Financial Flexibility
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Profitability and Cash Flow



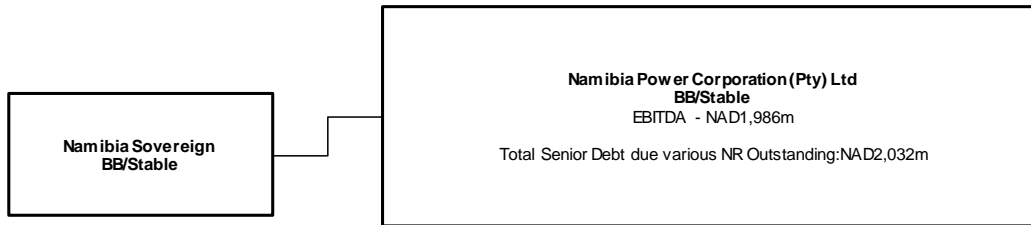
### Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

## Simplified Group Structure Diagram



Source: Fitch Ratings, Fitch Solutions, NamPower, as at June 2018

Peer Financial Summary

Company	IDR	Financial Statement Date	Gross Revenue (USDm)	Operating EBITDAR Margin (%)	FFO Margin (%)	FFO Fixed-Charge Coverage (x)	FFO Adjusted Net Leverage (x)
Namibia Power Corporation (Proprietary) Limited	BB						
		2018	500	30.1	33.8	13.3	-3.3
		2017	432	29.2	33.1	10.4	-2.5
		2016	347	12.0	24.5	6.3	-3.4
Eskom Holdings SOC Ltd.	BB <sup>-1</sup>						
		2019	13,064	17.0	-2.5	0.8	14.7
		2018	13,670	25.8	6.0	1.2	9.4
		2017	12,598	21.9	12.7	1.6	7.2
Saudi Electricity Company	A-						
		2018	17,084	35.7	39.9	7.5	3.7
		2017	13,497	38.9	51.9	9.1	3.4
		2016	13,296	40.4	50.5	13.4	3.3
PGE Polska Grupa Energetyczna S.A.	BBB+						
		2018	7,181	24.8	20.5	16.3	1.7
		2017	6,156	33.0	28.6	21.0	1.1
		2016	7,124	24.0	23.6	30.4	0.8
Namibia Water Corporation	BB						
		2017	91	16.6	19.2	11.2	-2.1
		2016	82	21.4	25.4	13.4	-2.2
Telecom Namibia Limited	BB-						
		2017	113	25.5	18.6	3.3	1.6
		2016	104	22.1	15.3	2.8	2.6
		2015	119	22.1	8.3	1.6	3.7

<sup>1</sup>Local-Currency Long-Term IDR

Source: Fitch Ratings, Fitch Solutions

## Reconciliation of Key Financial Metrics

(NAD Millions, As reported)	30 Jun 2018
<b>Income Statement Summary</b>	
Operating EBITDA	1,986
+ Recurring Dividends Paid to Non-controlling Interest	0
+ Recurring Dividends Received from Associates	0
+ Additional Analyst Adjustment for Recurring I/S Minorities and Associates	0
<b>= Operating EBITDA After Associates and Minorities (k)</b>	<b>1,986</b>
+ Operating Lease Expense Treated as Capitalised (h)	0
<b>= Operating EBITDAR after Associates and Minorities (j)</b>	<b>1,986</b>
<b>Debt &amp; Cash Summary</b>	
Total Debt with Equity Credit (l)	2,032
+ Lease-Equivalent Debt	0
+ Other Off-Balance-Sheet Debt	0
<b>= Total Adjusted Debt with Equity Credit (a)</b>	<b>2,032</b>
Readily Available Cash [Fitch-Defined]	2,310
+ Readily Available Marketable Securities [Fitch-Defined]	5,454
<b>= Readily Available Cash &amp; Equivalents (o)</b>	<b>7,764</b>
<b>Total Adjusted Net Debt (b)</b>	<b>-5,732</b>
<b>Cash-Flow Summary</b>	
Preferred Dividends (Paid) (f)	0
Interest Received	611
+ Interest (Paid) (d)	-132
<b>= Net Finance Charge (e)</b>	<b>480</b>
Funds From Operations [FFO] (c)	2,231
+ Change in Working Capital [Fitch-Defined]	-470
<b>= Cash Flow from Operations [CFO] (n)</b>	<b>1,761</b>
Capital Expenditures (m)	-663
Multiple applied to Capitalised Leases	6.0
<b>Gross Leverage</b>	
Total Adjusted Debt / Op. EBITDAR* [x] (a/j)	1.0
FFO Adjusted Gross Leverage [x] (a/(c-e+h-f))	1.2
<i>Total Adjusted Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)</i>	
Total Debt With Equity Credit / Op. EBITDA* [x] (l/k)	1.0
<b>Net Leverage</b>	
Total Adjusted Net Debt / Op. EBITDAR* [x] (b/j)	-2.9
FFO Adjusted Net Leverage [x] (b/(c-e+h-f))	-3.3
<i>Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)</i>	
Total Net Debt / (CFO - Capex) [x] ((l-o)/(n+m))	-5.2
<b>Coverage</b>	
Op. EBITDAR / (Interest Paid + Lease Expense)* [x] (j/-d+h)	15.1
Op. EBITDA / Interest Paid* [x] (k/(-d))	15.1
FFO Fixed Charge Cover [x] ((c+e+h-f)/(-d+h-f))	13.3
<i>(FFO + Net Finance Charge + Capit. Leases - Pref. Div Paid) / (Gross Int. Paid + Capit. Leases - Pref. Div. Paid)</i>	
FFO Gross Interest Coverage [x] ((c+e-f)/(-d-f))	13.3
<i>(FFO + Net Finance Charge - Pref. Div Paid) / (Gross Int. Paid - Pref. Div. Paid)</i>	

\* EBITDA/R after Dividends to Associates and Minorities

Source: Fitch Ratings, Fitch Solutions, NamPower

## Fitch Adjustment Reconciliation

	Reported Values 30 Jun 18	Sum of Fitch Adjustments	Preferred Dividends, Associates and Minorities Cash Adjustments	Cash Adjustment	Other Adjustment	Adjusted Values
<b>Income Statement Summary</b>						
Revenue	6,595	0				6,595
Operating EBITDAR	2,044	-59			-59	1,986
Operating EBITDAR after Associates and Minorities	2,044	-59	0		-59	1,986
Operating Lease Expense	0	0				0
Operating EBITDA	2,044	-59			-59	1,986
Operating EBITDA after Associates and Minorities	2,044	-59	0		-59	1,986
Operating EBIT	1,169	-59			-59	1,110
<b>Debt &amp; Cash Summary</b>						
Total Debt With Equity Credit	2,032	0				2,032
Total Adjusted Debt With Equity Credit	2,032	0				2,032
Lease-Equivalent Debt	0	0				0
Other Off-Balance Sheet Debt	0	0				0
Readily Available Cash & Equivalents	7,766	-2		-4	2	7,764
Not Readily Available Cash & Equivalents	0	0				0
<b>Cash-Flow Summary</b>						
Preferred Dividends (Paid)	0	0				0
Interest Received	611	0				611
Interest (Paid)	-132	0				-132
Funds From Operations [FFO]	2,231	0	0			2,231
Change in Working Capital [Fitch-Defined]	-470	0				-470
Cash Flow from Operations [CFO]	1,761	0	0			1,761
Non-Operating/Non-Recurring Cash Flow	0	0				0
Capital (Expenditures)	-663	0				-663
Common Dividends (Paid)	0	0				0
Free Cash Flow [FCF]	1,098	0	0			1,098
<b>Gross Leverage</b>						
Total Adjusted Debt / Op. EBITDAR* [x]	1.0					1.0
FFO Adjusted Leverage [x]	1.2					1.2
Total Debt With Equity Credit / Op. EBITDA* [x]	1.0					1.0
<b>Net Leverage</b>						
Total Adjusted Net Debt / Op. EBITDAR* [x]	-2.8					-2.9
FFO Adjusted Net Leverage [x]	-3.3					-3.3
Total Net Debt / (CFO - Capex) [x]	-5.2					-5.2
<b>Coverage</b>						
Op. EBITDAR / (Interest Paid + Lease Expense)* [x]	15.5					15.1
Op. EBITDA / Interest Paid* [x]	15.5					15.1
FFO Fixed Charge Coverage [x]	13.3					13.3
FFO Interest Coverage [x]	13.3					13.3

\*EBITDA/R after Dividends to Associates and Minorities  
Source: Fitch Ratings, Fitch Solutions, NamPower

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