FitchRatings

Corporates
Utilities - Non US
Namibia

Namibia Power Corporation (Proprietary) Limited

Ratings

Foreign Currency

Long-Term IDR	BB-
Short-Term IDR	B

National

National Long-Term Rating	AA+
National Short-Term Rating	F1+

Outlooks

Long-Term Foreign-Currency IDR	Stable
National Long-Term Rating	Stable

Click here for the full list of ratings

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

NamPower's 'bbb-' Standalone Credit Profile (SCP) reflects its monopolistic position in energy trading and transmission in Namibia, with a strong financial profile. Fitch expects a weakening of NamPower's financial profile in the medium term, driven by high reliance on imports in the short term and a significant capex programme that will drive negative free cash flow (FCF) in the next few years. Materially negative FCF that depletes the net cash position is likely to result in a downward revision of the SCP.

Key Rating Drivers

Strong Shareholder Links: Fitch assesses the links between NamPower and Namibia as strong, considering the factors under the GRE criteria. This is due to the government's full ownership of the company through the Ministry of Mines and Energy and Ministry of Finance and Public Enterprises. The track record of support is 'Strong', reflecting the previous guaranteed debt by the government, our expectations that future debt could also be guaranteed by the government, and historical government grants for infrastructure and fuel.

Fitch considers 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.

PSL Caps Rating: Based on our PSL criteria (stronger subsidiary path), we assess the legal ring-fencing around NamPower and access and control as 'Open', so the company's rating is capped by the sovereign rating.

SCP Reflects Monopoly Position: NamPower's 'bbb-' SCP reflects the company's monopolistic market position in energy trading and transmission in Namibia and the cost-reflective tariff framework. The company has a strong capital structure of NAD7.7 billion of liquid investments compared with NAD531 million debt at 30 June 2022. However, we expect negative FCF for the next four years, which will deplete a major part of the short-term liquid investments.

Capex Affects FCF: Fitch forecasts total capex of NAD10.5 billion in 2023-2026, which will lead to a double-digit negative FCF margin (average -31%). The capex programme will be partially financed by internal cash, short-term investments and additional borrowings. Rising capex resulting in materially negative FCF would deplete the short-term investments and be likely to result in a downward revision of the SCP.

NamPower expects capital spending on new transmission to represent almost 57% of total capex for 2023-2026, new generation projects 38%, and other capex 5%. The capex plan is aggressive and entails execution risks.

High Reliance on Energy Import: The group is highly dependent on energy imports, which represented almost 72% of the total energy supplied in the financial year ending 30 June 2022 (FY22; 67.3% in FY21). NamPower has a capex plan to develop several generation projects with total capacity of 238 megawatts (MW), which along with the capacity to be developed by independent power producers (IPP) of 114 MW, should reduce reliance on imported electricity in the medium term.

NamPower expects imported electricity to represent almost 49% of total electricity supplied in FY26.

Applicable Criteria

Government-Related Entities Rating Criteria (September 2020)

Sector Navigators: Addendum to the Corporate Rating Criteria (October 2022)

Corporate Rating Criteria (October 2022)

National Scale Rating Criteria (December 2020)

Corporates Recovery Ratings and Instrument Ratings Criteria (April 2021)

Parent and Subsidiary Linkage Rating Criteria (December 2021)

Related Research

EMEA Utilities Outlook 2023 (November 2022)

Analysts

Jad Salem
+971 4 424 1245
jad.salem@fitchratings.com

Sagar Nadkarni
+44 20 3530 1289
sagar.nadkarni@fitchratings.com

Profitability Dependent on Ruacana: Ruacana hydro power plant represents about 37% of installed capacity available to NamPower (including imports) and its production varies depending upon the flow of river Kunene. This variation in production has a direct impact on NamPower's total cost of electricity supply. In FY22, the river flow was significantly slow, leading to a drop in the electricity generated from Ruacana to 781 GWh (load factor of 26%). NamPower increased imported electricity to bridge the gap, which led to a significant increase in the cost of supply.

Weak Performance in 2022: The low production from Ruacana hydro plant in FY22 led to a significant increase in imported electricity, and an increase in the energy supply cost, which affected the company's cash flow from operations. NamPower was in breach of its loans' debt service coverage ratio (DSCR) covenant for 2022, which under the documentation constitutes an event of default, giving the optionality to lenders to demand an early repayment of the loans. Fitch understands that NamPower received a waiver from all its lenders, and none requested an early repayment of the loans.

MSB Neutral to SCP: The modified single buyer (MSB) model came into effect in Namibia in September 2019, and is in phase 1b (ending in 2026). Fitch does not expect the MSB model to negatively affect NamPower's SCP. The MSB model allows independent power producers to generate and sell electricity output directly to regional electricity distributors, large industrial and mining companies, including municipalities, compared with the single buyer model where electricity output could only be sold to NamPower.

These agreements are initially limited to 30% of customers' energy consumption. NamPower retains its monopolistic transmission position through the unbundling of the tariff structure, including reliability charge, and remains the supplier of last resort. Fitch estimates capacity under the MSB to come online in FY23 at around 95 MW, but this could vary due to project uncertainties and readiness.

Financial Summary

(NADm)	2020	2021	2022	2023F	2024F
Gross revenue	6,892.3	6,549.9	6,506.1	6,688.7	7,243.0
EBITDA (before income from associates)	1,353.9	790.3	-97.1	232.9	215.1
FCF margin (after net acquisitions) (%)	14.3	7.4	-18.4	-33.1	-44.5
FFO interest coverage	13.0	2.2	0.9	2.1	1.1
FFO-adjusted net leverage	-6.3	-45.5	-125.1	-14.3	-2.8

F = Forecast
Source: Fitch Ratings, Fitch Solutions, Namibia Power Corporation (Proprietary) Limited

Rating Derivation Relative to Peers

NamPower's ratings are the same as Namibia Water Corporation's (NamWater; BB-/Stable). The IDRs are constrained by the Namibian sovereign in accordance with Fitch's GRE and PSL Criteria. Their 'bbb-' SCPs benefit from monopoly positions and strong financial profiles.

Among its international peer group, which includes Eskom Holdings SOC Ltd (B/Stable), PGE Polska Grupa Energetyczna S.A. (BBB+/Stable) and Saudi Electricity Company (A/Stable), NamPower's financial profile is the strongest in terms of funds from operations (FFO) net leverage. NamPower's net cash position is mainly due to cash generated from operations and a large cash buffer due to historical delays in capex for new generation capacity. However, NamPower has a weaker business profile due to smaller scale, weaker market trends, volatile profitability and significant reliance on load factors at Ruacana and imported electricity.

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenue Visibility	Regulatory Environment	Market Position	Asset Base and Operations	Profitability and Cash Flow	Financial Structure	Financial Flexibility
Namibia Power Corporation (Proprietary) Limited	BB-/Sta	bb+	bb+	bb+	bb+	bb	bb+	bb+	a-	bbb
Eskom Holdings SOC Ltd.	B/Sta	bb	b+	b+	b	bb	b	ccc	ccc	ccc
PGE Polska Grupa Energetyczna S.A.	BBB+/Sta	a-	a-	bbb	bbb	bbb+	bb	bbb	a	bbb+
Saudi Electricity Company	A/Sta	bbb+	bbb	bbb-	bbb-	bbb	bbb-	bbb-	a-	bbb

Issuer		Business profile						Financial profile		
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenue Visibility	Regulatory Environment	Market Position	Asset Base and Operations	Profitability and Cash Flow	Financial Structure	Financial Flexibility
Namibia Power Corporation (Proprietary) Limited	BB-/Sta	2.0	2.0	2.0	2.0	1.0	2.0	2.0	6.0	4.0
Eskom Holdings SOC Ltd.	B/Sta	3.0	1.0	1.0	0.0	3.0	0.0	-3.0	-3.0	-3.0
PGE Polska Grupa Energetyczna S.A.	BBB+/Sta	1.0	1.0	-1.0	-1.0	0.0	-4.0	-1.0	2.0	0.0
Saudi Electricity Company	A/Sta	-2.0	-3.0	-4.0	-4.0	-3.0	-4.0	-4.0	-1.0	-3.0

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- Positive rating action on Namibia's sovereign ratings.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- Negative rating action on Namibia's sovereign ratings.

Namibia's Sovereign Rating Sensitivities (09 December 2022):

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

Public Finances: Failure to reduce fiscal deficits leading to a rapid increase in government debt-to-GDP in the medium term and/or a deterioration in domestic and external borrowing conditions.

Macro: Further weakening of trend growth or a sustained shock that further undermines fiscal consolidation efforts.

External Finances: Increased external vulnerabilities, such as a sustained decline in international reserves, potentially driven by a significant widening of the current account deficit, that could create risks for sustainability of the long-standing currency peg.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

Public Finances: Sustainable progress on fiscal consolidation that leads to a reduction in government debt-to-GDP over the medium term.

Macro: Stronger medium-term growth prospects that support fiscal consolidation efforts

Liquidity and Debt Structure

Strong Liquidity: At end-FY22, NamPower had about NAD1.75 billion in cash and cash equivalents and around NAD5.3 billion in short-term readily available investments. This compares favourably with short-term debt of NAD90 million and Fitch's expectation of negative FCF of NAD2.2 billion at FYE23.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Climate Vulnerability Considerations

We are in consultation with our stakeholders on a proposal to support consistency and transparency in the way Fitch Ratings identifies and addresses potentially credit-relevant climate risks in its credit rating process. This would include adding the section below to all Rating Reports. To learn more about the approach, and provide feedback, please see Climate Vulnerability in Corporate Ratings – Discussion Paper or contact climate.vsfeedback@fitchratings.com. For further information on how Fitch perceives climate-related risks in the Utilities sector, see Utilities-Long Term Climate.VS at www.fitchratings.com.

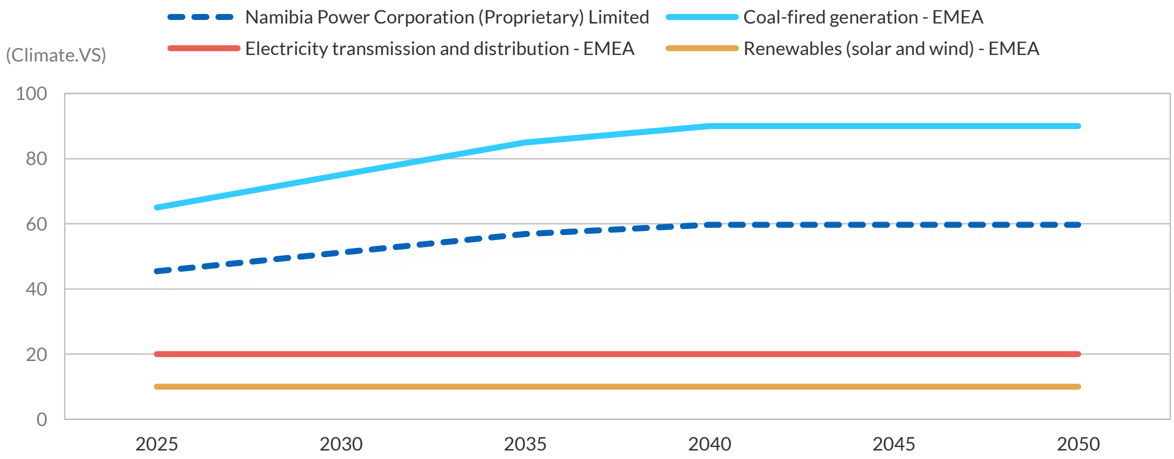
The FY22 revenue-weighted Climate Vulnerability Score (Climate. VS) for Nampower in 2035 is 57 out of 100, which is largely due to its exposure to imported electricity generated from various sources including coal-fired power plants. Nampower is highly dependent on the energy imports that represented almost 72% of total energy supplied in FY22 (37.3% in 2021).

These risks do not have a material influence on the rating for Nampower, given its capex plans to develop new power generation projects, which, along with the independent power plant (IPPs) being developed should reduce the reliance on imported electricity generated from coal-fired power plants. The capex plan will also gradually develop its transmission network to improve reliability, efficiency and to connect the newly developed plants to the grid.

Nampower’s capex plan of around NAD 13.8 billion in 2023-2027 include the development of several renewable power plants (NAR 4.5Bn), transmission projects (NAD 8.7 billion) and other projects (NAD 570 million). We expect a gradual increase in the IPPs and further development of the Modified Single Buyer Model to further assist in the gradual reduction in the imported electricity generated from coal-fired power plants. We expect imported electricity to represent almost 33% of the total generation mix by 2030. Fitch notes that the capex plan entails execution risk and possible delays.

Climate.VS can range from 0 (lowest risk) to 100 (highest risk). For further information on how Fitch perceives climate-related risks in the Utilities sector, see Utilities - Long-Term Climate Vulnerability Scores Update

Climate.VS Evolution
(as of 31 Dec 2022)



Source: Fitch Ratings

Liquidity and Debt Maturities

(NADm)	2023F	2024F
Available liquidity		
Beginning cash balance	7,097	4,792
Rating case FCF after acquisitions and divestitures	-2,216	-3,226
Total available liquidity (A)	**4,881**	**1,566**
Liquidity uses		
Debt maturities	-90	-91
Total liquidity uses (B)	**-90**	**-91**
Liquidity calculation		
Ending cash balance (A+B)	4,792	1,475
Revolver availability	0	0
Ending liquidity	**4,792**	**1,475**
Liquidity score (x)	54	17

F – Forecast
Source: Fitch Ratings, Fitch Solutions, Namibia Power Corporation (Proprietary) Limited

Scheduled debt maturities	2022
(NADm)	
2023	90
2024	91
2025	84
2026	84
Thereafter	170
Total	**518***

*Based on the face value
Source: Fitch Ratings, Fitch Solutions, Namibia Power Corporation (Proprietary) Limited

Key Assumptions

Fitch's Key Assumptions within Our Rating Case for the Issuer

- National energy demand to increase by an average of 3% a year in FY23-FY26
- MSB sales all behind the meter contributing low-single-digit percentage of total demand
- Average system loss factor and distribution loss factor of around 12%
- Revenue to increase by 7% on average in FY23-FY26
- Average Ruacana load factor of 35%
- Imports around 58% of total demand on average
- Average EBITDA margin of 5.7%
- Total capex of NAD10.5 billion over 2023-2026
- Additional borrowings of NAD4.7 billion in FY23-FY26

Financial Data

Namibia Power Corporation (Proprietary) Limited

	Historical			Forecast		
(NADm)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Summary income statement						
Gross revenue	6,892.3	6,549.9	6,506.1	6,688.7	7,243.0	7,849.3
Revenue growth (%)	4.8	-5.0	-0.7	2.8	8.3	8.4
EBITDA (before income from associates)	1,353.9	790.3	-97.1	232.9	215.1	627.5
EBITDA margin (%)	19.6	12.1	-1.5	3.5	3.0	8.0
EBITDAR	1,353.9	790.3	-97.1	232.9	215.1	627.5
EBITDAR margin (%)	19.6	12.1	-1.5	3.5	3.0	8.0
EBIT	533.2	-95.4	-1,487.2	-1,119.6	-1,407.4	-1,228.6
EBIT margin (%)	7.7	-1.5	-22.9	-16.7	-19.4	-15.7
Gross interest expense	-141.4	-83.1	-48.3	-122.3	-226.0	-377.6
Pre-tax income (including associate income/loss)	354.7	1,644.0	-1,802.5	-722.9	-1,262.2	-1,368.4
Summary balance sheet						
Readily available cash and equivalents	8,856.8	9,148.6	7,097.4	5,037.5	3,171.1	1,902.4
Debt	1,428.6	760.8	530.5	1,340.8	2,490.1	3,968.5
Lease-adjusted debt	1,428.6	760.8	530.5	1,340.8	2,490.1	3,968.5
Net debt	-7,428.2	-8,387.8	-6,566.9	-3,696.7	-681.0	2,066.1
Summary cash flow statement						
EBITDA	1,353.9	790.3	-97.1	232.9	215.1	627.5
Cash interest paid	-91.3	-83.1	-55.3	-122.3	-226.0	-377.6
Cash tax	-334.3	-287.3	—	0.0	0.0	0.0
Dividends received less dividends paid to minorities (inflow/(out)flow)	—	0.9	0.1	0.0	0.0	0.0
Other items before funds from operations (FFO)	165.4	-319.6	149.5	24.9	26.1	27.2
FFO	1,710.3	701.8	404.9	665.5	450.4	520.9
FFO margin (%)	24.8	10.7	6.2	10.0	6.2	6.6
Change in working capital	-331.8	458.6	-402.6	-405.6	-58.4	-139.5
Cash flow from operations (Fitch-defined)	1,378.5	1,160.4	2.3	260.0	391.9	381.4
Total non-operating/non-recurring cash flow	—	—	—	—	—	—
Capex	-310.7	-679.0	-1,199.8	—	—	—
Capital intensity (capex/revenue) (%)	4.5	10.4	18.4	—	—	—
Common dividends	-82.6	—	—	—	—	—
Free cash flow (FCF)	985.2	481.4	-1,197.5	—	—	—
Net acquisitions and divestitures	1.7	5.1	2.9	—	—	—
Other investing and financing cash flow items	-110.8	1,070.1	1,386.0	—	—	—
Net debt proceeds	-508.7	-633.5	-212.1	810.3	1,149.3	1,478.4
Net equity proceeds	—	—	—	0.0	0.0	0.0
Total change in cash	367.4	923.1	-20.7	-2,059.9	-1,866.4	-1,268.7
Leverage ratios (x)						
EBITDA leverage	1.1	1.0	-5.5	5.8	11.6	6.3
EBITDA net leverage	-5.5	-10.6	67.7	-15.9	-3.2	3.3
EBITDAR leverage	1.1	1.0	-5.5	5.8	11.6	6.3
EBITDAR net leverage	-5.5	-10.6	67.7	-15.9	-3.2	3.3
FFO-adjusted leverage	1.2	4.1	10.1	5.2	10.3	6.1
FFO-adjusted net leverage	-6.3	-45.5	-125.1	-14.3	-2.8	3.2
FFO leverage	1.2	4.1	10.1	5.2	10.3	6.1
FFO net leverage	-6.3	-45.5	-125.1	-14.3	-2.8	3.2
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-391.6	-673.9	-1,196.9	-2,475.8	-3,617.6	-3,257.3
FCF after acquisitions and divestitures	986.9	486.5	-1,194.6	-2,215.9	-3,225.6	-2,875.9
FCF margin (after net acquisitions) (%)	14.3	7.4	-18.4	-33.1	-44.5	-36.6

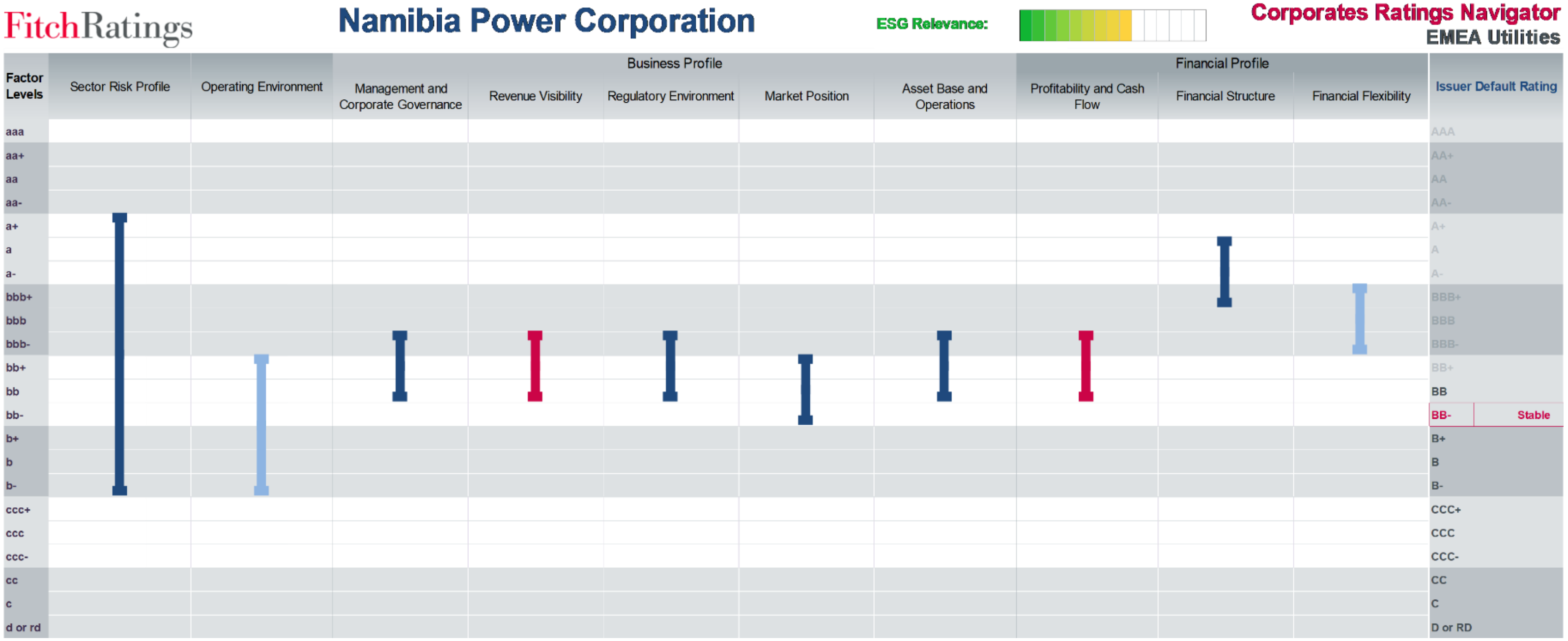
	Historical			Forecast		
(NADm)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Coverage ratios (x)						
FFO interest coverage	13.0	2.2	0.9	2.1	1.1	1.7
FFO fixed-charge coverage	13.0	2.2	0.9	2.1	1.1	1.7
EBITDAR fixed-charge coverage	14.8	9.5	-1.8	1.9	1.0	1.7
EBITDA interest coverage	14.8	9.5	-1.8	1.9	1.0	1.7
Additional metrics						
CFO-capex/debt (%)	74.7	63.3	-225.7	-165.3	-129.5	-72.5
CFO-capex/net debt (%)	-14.4	-5.7	18.2	59.9	473.7	-139.2
CFO/capex (%)	443.7	170.9	0.2	10.5	10.8	11.7

Source: Fitch Ratings, Fitch Solutions, Namibia Power Corporation (Proprietary) Limited

How to Interpret the Forecast Presented

The forecast presented above 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



Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
Higher Importance	⇩ Negative
Average Importance	⇳ Evolving
Lower Importance	□ Stable

FitchRatings

Namibia Power Corporation

Corporates Ratings Navigator
EMEA Utilities

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+			

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-			

Revenue Visibility

bbb	Size 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	bb	Less than 25% of EBITDA comes from high-quality regulated network assets.
bb+	Quasi-Regulated Earnings	b	Small amounts of income from quasi-regulated assets or long-term contracts.
bb			
bb-			

Regulatory Environment

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-			

Market Position

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+			

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-			

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 Structure

a+	FFO Leverage	bbb	5.0x
a	FFO Net Leverage	a	3.0x
a-			
bbb+			
bbb			

Financial Flexibility

a-	Financial Discipline	bbb	Financial policies less conservative than peers but generally applied consistently.
bbb+	Liquidity		Very comfortable liquidity; no need to use external funding in the next 24 months even under a severe stress scenario. Well-spread debt maturity. Diversified sources of funding.
bbb	FFO Interest Coverage	bb	3.5x
bbb-	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging.
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.

Credit-Relevant ESG Derivation

Namibia Power Corporation has 12 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security

Showing top 6 issues

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

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

Namibia Power Corporation

Corporates Ratings Navigator
EMEA Utilities

Credit-Relevant ESG Derivation

Namibia Power Corporation has 12 ESG potential rating drivers

- Namibia Power Corporation has exposure to emissions regulatory risk but this has very low impact on the rating.
- Namibia Power Corporation has exposure to energy productivity risk but this has very low impact on the rating.
- Namibia Power Corporation has exposure to waste & impact management risk but this has very low impact on the rating.
- Namibia Power Corporation has exposure to extreme weather events but this has very low impact on the rating.
- Namibia Power Corporation has exposure to access/affordability risk but this has very low impact on the rating.
- Namibia Power Corporation 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
not a rating driver	2	issues	2
	0	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Profitability and Cash Flow	5
Energy Management	3	Fuel use to generate energy	Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow	4
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	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Profitability and Cash Flow	2
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Profitability and Cash Flow	1

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 right-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 some of the main 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 ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability and Cash Flow; Regulation	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability and Cash Flow	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability and Cash Flow; Financial Structure; Financial Flexibility	3
Employee Wellbeing	2	Worker safety and accident prevention	Profitability and Cash Flow; Financial Structure; Financial Flexibility	2
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	1

Governance (G)

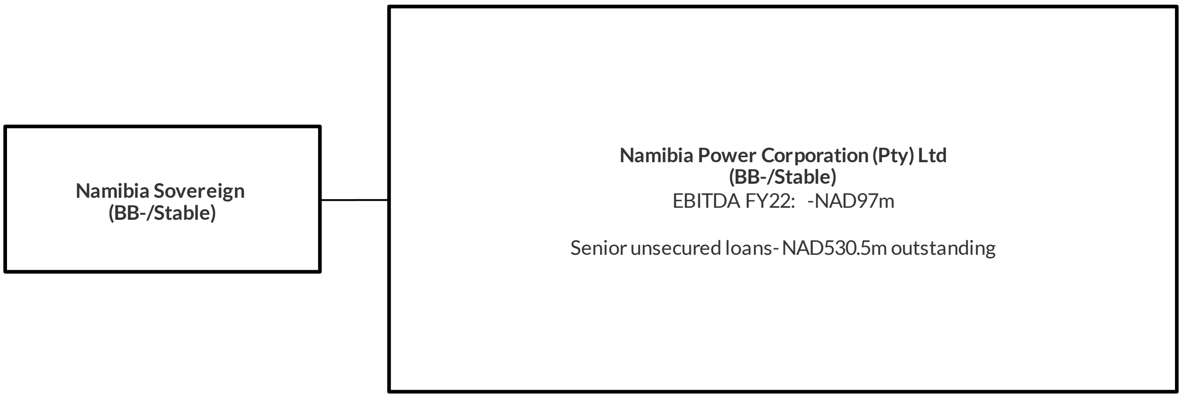
General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

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, Namibia Power Corporation (Proprietary) Limited, as at June 2022

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Revenue (USDm)	EBITDA (USDm)	FCF margin (%)	FFO interest coverage (x)	FFO net leverage (x)
Namibia Power Corporation (Proprietary) Limited	BB-						
	BB	2022	400	-6	-18.4	0.9	-125.1
	BB	2021	458	55	7.4	2.2	-45.5
	BB	2020	398	78	14.3	13.0	-6.3
Eskom Holdings SOC Ltd.	B						
	B	2021	13,808	2,109	-14.3	1.2	9.3
	B-	2020	11,149	2,177	-13.5	1.0	12.4
	B+	2019	12,418	2,019	-19.9	0.8	15.1
PGE Polska Grupa Energetyczna S.A.	BBB+						
	BBB+	2021	12,877	1,951	4.5	24.5	0.4
	BBB+	2020	12,396	1,638	8.5	16.5	1.2
	BBB+	2019	9,895	1,718	-1.3	19.0	1.7
Saudi Electricity Company	A						
	A-	2021	18,490	10,281	19.5	11.0	2.6
	A-	2020	18,322	7,093	-1.1	5.6	4.3
	A-	2019	17,344	6,724	-1.7	6.8	3.6

Source: Fitch Ratings, Fitch Solutions, Namibia Power Corporation (Proprietary) Limited

Fitch Adjusted Financials

(NADm)	Notes and formulas	Reported values	Sum of adjustments	Cash adjustment	Other adjustments	Adjusted values
30 Jun 22						
Income statement summary						
Revenue		6,506				6,506
EBITDAR		-927	830		830	-97
EBITDAR after associates and minorities	(a)	-927	830		830	-97
Lease expense	(b)	0				0
EBITDA	(c)	-927	830		830	-97
EBITDA after associates and minorities	(d) = (a-b)	-927	830		830	-97
EBIT	(e)	-2,317	830		830	-1,487
Debt and cash summary						
Other off balance sheet debt	(f)	0				0
Debt[b]	(g)	531				531
Lease-equivalent debt	(h)	0				0
Lease-adjusted debt	(i) = (g+h)	531				531
Readily available cash and equivalents	(j)	7,099	-1	-3	1	7,097
Not readily available cash and equivalents		0				0
Cash flow summary						
EBITDA after associates and minorities	(d) = (a-b)	-927	830		830	-97
Preferred dividends (paid)	(k)	0				0
Interest received	(l)	408				408
Interest (paid)	(m)	-55				-55
Cash tax (paid)		0				0
Other items before funds from operations (FFO)		980	-830		-830	150
FFO	(n)	405				405
Change in working capital (Fitch-defined)		-403				-403
Cash flow from operations (CFO)	(o)	2				2
Non-operating/non-recurring cash flow		0				0
Capital (expenditures)	(p)	-1,200				-1,200
Common dividends (paid)		0				0
Free cash flow (FCF)		-1,198				-1,198
Gross leverage (x)						
EBITDAR leverage[a]	(i/a)	-0.6				-5.5
FFO-adjusted leverage	(i/(n-m-l-k+b))	10.1				10.1
FFO leverage	(i-h)/(n-m-l-k)	10.1				10.1
EBITDA leverage[a]	(i-h)/d	-0.6				-5.5
(CFO-capex)/debt (%)	(o+p)/(i-h)	-225.7%				-225.7%
Net leverage (x)						
EBITDAR net leverage[a]	(i-j)/a	7.1				67.7
FFO-adjusted net leverage	(i-j)/(n-m-l-k+b)	-125.1				-125.1
FFO net leverage	(i-h-j)/(n-m-l-k)	-125.1				-125.1
EBITDA net leverage[a]	(i-h-j)/d	7.1				67.7
(CFO-capex)/net debt (%)	(o+p)/(i-h-j)	18.2%				18.2%
Coverage (x)						
EBITDAR fixed-charge coverage[a]	a/(-m+b)	-16.8				-1.8
EBITDA interest coverage[a]	d/(-m)	-16.8				-1.8
FFO fixed-charge coverage	(n-l-m-k+b)/(-m-k+b)	0.9				0.9
FFO interest coverage	(n-l-m-k)/(-m-k)	0.9				0.9

[a] EBITDA/R after dividends to associates and minorities
[b] Includes other off balance sheet debt
Source: Fitch Ratings, Fitch Solutions, Namibia Power Corporation (Proprietary (Limited)

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

DISCLAIMER & DISCLOSURES