National Central Cooling Company PJSC

Management Discussion & Analysis Report

Q1 2025 Results

May 2025

Table of Contents

Q1 2025 Key Highlights

Financial Highlights

Revenue

AED 466 m

Flat YoY

EBITDA

AED 283 m

+4% YoY

Net Profit

AED 115 m

+3% YoY

Net Debt / EBITDA (LTM)

3.55 x

▼ 0.14x YoY

Free Cash Flows

AED 966 m

Return on Equity (LTM)

9.6%

Steady growth, margin expansion and strong balance sheet

Total revenue of AED 466 million in Q1 2025, flat compared to Q1 2024, mainly due to soft consumption volumes. Fixed capacity charges continued to grow steadily and increased by 2% versus the same period last year.

EBITDA rose by 4% YoY to AED 283 million in Q1 2025 due to lower operating and general & administrative expenses.

Tabreed demonstrated strong profitability profile with **EBITDA margin** improving to 61% in Q1 2025, compared to 58% in Q1 2024.

Net Finance Cost reduced by 7% year-on-year because of effective debt management and lower net debt.

Profit before tax reached AED 133 million, an increase of 3% versus Q1 2024.

Net profit was AED 115 million in Q1 2025, an increase of 3% compared to AED 112 million in Q1 2024.

Cash flow generation remained solid with cash flows from operations of AED 207 million and free cash flows of AED 182 million in Q1 2025 and AED 966 million in the last 12 months.

Cash balance increased by 14% year-to-date. Net debt continued to decline with further reduction of 3% year-to-date, which is at the lowest level since 2019.

Tabreed's **financial position** strengthened further as it converted short-term debt maturities into longer-term maturities.

Net debt to LTM EBITDA improved to 3.55x by the end of first quarter of 2025 compared to 3.69x at the end of 2024.

The company continues to see an improved trend in its **return ratios** with return on capital employed at 7.1% and return on equity at 9.6% as of Q1 2025.

The company's shareholders approved a **cash dividend** per share of 15.5 fils for the year 2024, implying a dividend payout ratio of 77%.

Another important milestone for Tabreed was the issuance of its first Green Sukuk amounting to USD 700 million. This green issuance underlines Tabreed's commitment to finance or refinance eligible projects in line with its Green Financing Framework, which is assured by independent third-party opinion.

Business Highlights

Consumption Volumes

0.31 bn RTH

-7% YoY

# of Plants

92

Connected Capacity

1.329 m RT

New Connections

4.599 k RT

Energy Consumption Saved (LTM)

2.62 bn kWh

CO_2 Emissions Avoided (LTM)

1.56 m tons

Accelerating growth pipeline

Tabreed entered in a concession in partnership with Dubai Holding Investments to provide **250,000 refrigeration ton** (RT) of cooling to premier master development of Palm Jebel Ali in Dubai.

The company expanded **connected capacity** by 26,645 refrigeration tons (RT) in the last 12 months, driven by organic growth. Around 70% of this incremental capacity came from UAE, while Tabreed continues to selectively expand its international footprint.

Total **connected capacity** reached 1.329 million RT by the end of Q1 2025.

Consumption volumes decreased by 7% YoY to 0.31 billion refrigeration ton hours (RTH) primarily due to lower average temperatures in Q1 2025 compared to the same period last year. This was partially balanced by increase in connected load.

The company continued to invest in enhancing its installed cooling capacity with ongoing construction of two new **greenfield plants,** one in the UAE and one in Saudi Arabia. This was further supported by expansion of capacity in existing plants to meet growing customer demand.

Connected Capacity (k RT)	2024	Q1 2025
UAE	1,066	1,071
Bahrain	37	37
Oman	55	55
India	4	4
Egypt	4.5	4.5
Total Consolidated	**1,166**	**1,171**
UAE	33	33
KSA	126	126
Total Equity Accounted*	**159**	**159**
Total Capacity	**1,325**	**1,329**

* *Represents 100% share of equity accounted capacity, where Tabreed's share is 50% in UAE and 21.8% in KSA*

Sustainable and efficient cooling services

Tabreed's operations have resulted in substantial environmental benefits with saving of approximately 2.62 billion kWh **of energy consumption** in the last 12 months, enough to power ~150 thousand homes for a year, and equivalent to the annual prevention of ~1.56 million tons of **CO_2 emissions**.

Tabreed also increased the number of plants using nano-fluid particles to 4 in Dubai, which is expected to save energy consumption by 10% at plant level.

Income Statement Analysis

AED million	Q1 2025	Q1 2024	YoY %
Revenue	**466**	**468**	***0%***
Operating Cost	(231)	(230)	*0%*
Gross Profit	**235**	**238**	***-1%***
Gross Profit Margin	*50.5%*	*50.9%*	*0%*
Administrative & Other Expenses	(75)	(76)	*-2%*
Operating Profit	**161**	**162**	***-1%***
Net Finance Cost	(37)	(39)	*-7%*
Other Income / Losses	1	1	*-8%*
Share of Results of Associates/JVs	8	6	*29%*
Profit Before Tax	**133**	**129**	***3%***
Income Taxes	(11)	(10)	*11%*
Income attributable to Minority Interest	(6)	(7)	*-15%*
Net Profit	**115**	**112**	***3%***
Net Profit Margin	*24.8%*	*24.0%*	*1%*
Earnings Per Share (AED)	**0.041**	**0.039**	***3%***
Alternative Performance Measures			
EBITDA	**283**	**272**	***4%***
EBITDA Margin	*60.7%*	*58.1%*	*3%*
Normalized Net Profit	**115**	**112**	***3%***

Revenue

The Group achieved revenue of AED 466 million in Q1 2025, demonstrating steady performance year-over-year. Chilled water revenue was stable year-on-year as increase in fixed charges was offset by soft consumption revenue.

Growth in fixed revenue was largely organic, driven by the addition of 26.6k RT over the last 12 months and CPI Indexation. Starting 2025, CPI Indexation of 1.66% is applied as per 2024 inflation index published by the UAE. CPI applied for 2025 is broadly the same as last year's CPI of 1.63%.

Gross Profit

Q1 2025 Gross Profit demonstrated stability year-over-year, in alignment with revenue trend as direct operating costs (mostly variable) remained flat. This was due to a reduction in utility charges, in line with lower consumption levels. Additionally, other direct costs also experienced a decline, while the capitalization of assets resulted in an increase in depreciation & amortisation charges, reflecting strategic investments in the building district cooling assets.

Gross profit margin at 50.5% in Q1 2025 was consistent with Q1 2024.

EBITDA

Q1 2025 EBITDA increased by 4% to AED 283 million with EBITDA margin expanding to 61%.

Excluding depreciation and amortisation charges, cost overheads were lower than last year as management remained focused on optimisation of expenses.

Staff costs increased by 4% year-on-year to support the company's expansion in UAE and in international markets. This should benefit the company going forward as the new projects in new geographies come onstream and start contributing to revenues.

Net Profit

Q1 2025 net profit after corporate tax grew by 3% to AED 115 million versus AED 112 million in Q1 2024. There were no one-offs during the quarter.

Below operating profit, the company realized 7% savings in net finance costs following continued reduction in net debt. The company also saw sustained growth in the share of results from joint ventures and associates, mainly due to improvement in results of Saudi Tabreed and Tabreed Parks Investment.

Results of Operations by Segments

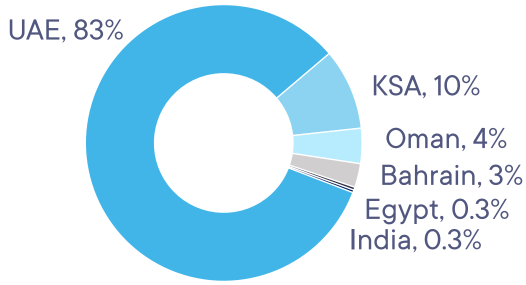
AED million	Q1 2025	Q1 2024	YoY %
Revenue	**466**	468	***0%***
Chilled Water	446	448	*-1%*
Value Chain Business[1]	20	20	*1%*
Gross Profit	**235**	**238**	***-1%***
Chilled Water	227	231	*-2%*
Value Chain Business[1]	8	8	*8%*
EBITDA	**283**	**272**	***4%***
Chilled Water	278	268	*4%*
Value Chain Business[1]	5	4	*19%*
Operating Profit	**161**	**162**	***-1%***
Chilled Water	157	159	*-1%*
Value Chain Business[1]	4	**3**	*38%*

1) Intercompany eliminations mostly relate to Value Chain Business and thus combined with results of Value Chain Business segment for analysis purpose

Chilled Water Business

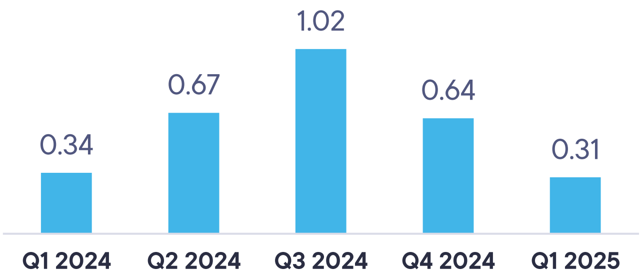
UAE remains the largest and core market for Tabreed, accounting for 83% of connected capacity. Tabreed also has presence in Saudi Arabia, Oman, Bahrain, India, and Egypt, which together account for remaining 17% of the connected capacity. Outside GCC, Tabreed has expanded in India and Egypt, but the contribution remains small for now.

Connected Capacity by Country (Q1 2025)



Q1 2025 saw 4,599 RT of new connections, mostly organic growth in UAE. Compared to the end of Q1 2024, the Company added 26,645 RT of new capacity. Most of this expansion was from organic increase in capacity key concessions in UAE such as Al Raha, Saadiyat Island, Downtown Dubai, Yas Island, Al Maryah Island, taking total addition of 18.8k RT from UAE. The Company also added 3.0k RT in India, 1.8k RT in Oman, 1.5k RT in Saudi Arabia and 1.5k RT in Egypt.

Consolidated Consumption Volumes (billion RTh)



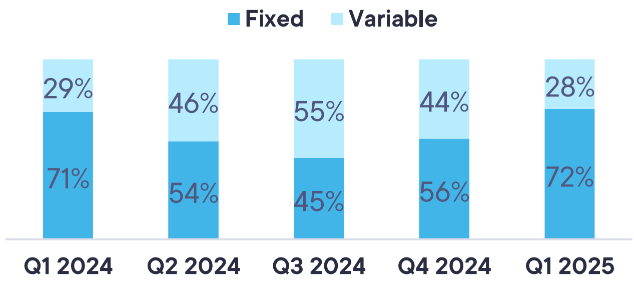
Consumption volumes decreased to 0.31 billion RTH, declining by 7% year-over-year. This was result of changes in weather conditions with relatively colder weather in Q1 of this year versus same period last year.

Chilled water revenues consist of fixed capacity charges and variable consumption charges. Chilled water revenue reached AED 446 million, driven by growth in fixed capacity charges, which was offset by lower consumption charges.

Fixed charges contribute most to our chilled water revenue. In Q1 2025, this contribution increased marginally to 72% with a growth of 2% in fixed revenue, underpinned by increased capacity and CPI Indexation of 1.66% applied for the year 2025.

Growth in fixed revenue was effectively balanced by the impact of reduced consumption revenue, which experienced an 8% decline in Q1 2025 compared to Q1 2024. However, this had a limited impact on our profitability as Q1 has the lowest consumption across four quarters.

Chilled Water Revenue Breakdown



Chilled water EBITDA increased by 4% compared to the last year driven by cost optimization efforts. Chilled water operating profit declined marginally due to increase in depreciation and amortisation charges.

Value Chain Business

Value chain business supports core Chilled Water business by providing manufactured products (pre-insulated pipes) and services (water treatment, customer billing, energy efficiency consultancy for customers).

Value chain revenue reached AED 20 million, reporting steady growth of 1% versus last year.

This was driven by increase in revenue from metering, billing and payment collection services undertaken through our subsidiary Tasleem and water treatment services offered through our subsidiary Cooltech.

EBITDA and operating profit of value chain business showed strong growth, reflecting savings in operating costs.

Balance Sheet and Capital Structure

AED million	Q1 2025	FY 2024	YTD %
Fixed Assets (incl. finance lease recv.)	7,744	7,792	-1%
Intangibles	3,954	3,981	-1%
Associates & JVs	626	622	1%
Receivables & Others	675	699	-3%
Cash & Short-term Deposits	1,168	1,023	14%
Total Assets	**14,168**	**14,118**	**0%**
Equity & Reserves	6,591	6,962	-5%
Total Debt (incl. Lease Liabilities)	5,650	5,648	0%
Payables & Others	1,570	1,147	37%
Deferred Tax Liability	357[1]	361[1]	-1%
Total Liabilities & Equity	**14,168**	**14,118**	**0%**

1) Deferred tax liability is shown net of deferred tax asset

Assets

Total assets remained stable at AED 14.2 billion as of Q1 2025. Marginal increase in total assets was mainly driven by higher cash balance.

The changes in fixed assets and intangibles were primarily driven by depreciation and amortization charges for the Q1 2025, complemented by capital expenditure during the period.

Investments in associates and joint ventures experienced a modest increase, reflecting the profits generated during the period, which were only slightly tempered by a minor adjustment in the fair value of derivatives held by the associates.

Receivables and other assets experienced a reduction due to the successful closure of a hedge position, coinciding with the full repayment of bank debt. Additionally, overall customer collections demonstrated consistent improvement, while the cash balance strengthened, supported by robust cash generation from operations.

Liabilities

Equity and reserves reflect a modest reduction, primarily driven by the allocation of the 2024 dividend amount to current payables and a slight decrease in the fair value of derivatives. This adjustment was partially balanced by the profit generated during the period.

The increase in payables and other liabilities primarily reflects the allocation of the 2024 dividend amount designated for shareholders, which was successfully distributed in Q2 2025.

Debt & Leverage Ratios (AED million)	Q1 2025	FY 2024	YTD %
Interest Bearing Loans & Borrowings	147	2,045	*-93%*
Islamic Financing Arrangements	0	641	*nm*
Non-convertible Sukuks	3,495	946	*269%*
Non-convertible Bonds	1,825	1,824	*0%*
Debt	**5,468**	**5,456**	**0%**
Finance Lease Liabilities	182	192	*-5%*
Total Debt	**5,650**	**5,648**	**0%**
Cash & Short-term Deposits	1,168	1,023	*14%*
Net Debt	**4,482**	**4,625**	**-3%**
EBITDA - LTM	1,262	1,252	*1%*
Net Debt / EBITDA (x)	**3.55**	**3.69**	***-14%***

Gross debt remained stable as the bank borrowings were successfully refinanced through the proceeds of Tabreed's inaugural Green Sukuk, amounting to USD 700 million. This refinancing has enabled most of the debt to shift into longer-term maturities. For 2025, the only outstanding sukuk obligation amounts to ~AED 970 million, due in October 2025. With robust cash balance and anticipated cash generation, Tabreed is well-positioned to comfortably address this liability through cash reserves or refinance with new debt, should the need arise.

Net Debt witnessed a further reduction to AED 4.5 billion by the end of the first quarter, marking its lowest point in more than five years, driven by robust cash generation. In tandem, the Net Debt to EBITDA ratio improved significantly to 3.55x, further underscoring the strength of the Company's credit fundamentals.

Tabreed's financial position is notably robust, demonstrated by a Gearing ratio of 37%. The stability provided by long-term contracts ensures excellent visibility of future cashflows, offering a prudent buffer to adjust the gearing ratio if required and to support potential funding needs for growth opportunities.

Debt maturity profile (AED million)

Cash Flows Generation

AED million	Q1 2025	Q1 2024	YoY %	Q1 2025	Q4 2024	QoQ %
Cash Flows from Operations	284	274	*4%*	284	318	*-11%*
Changes in Working Capital	(76)	(30)	*155%*	(76)	102	*nm*
Net Cash Flows from Operations	**207**	**244**	***-15%***	**207**	**419**	***-51%***
Net Cash Flows from Investing	**(14)**	**(37)**	***-62%***	**(14)**	**(35)**	***-61%***
Net Cash Flows from Financing	**(48)**	**(84)**	***-43%***	**(48)**	**(109)**	***-56%***
Free Cash Flows	**182**	**187**	***-3%***	**182**	**376**	***-52%***
Cash conversion	**73%**	**90%**	***-16%***	**73%**	**132%**	***-58%***

Tabreed's operations consistently generate substantial cash, enabling the strategic allocation of surplus funds toward business expansion, effective management of debt obligations, and rewarding shareholders with attractive dividend returns.

Net operating cash flows amounted to AED 207 million in Q1 2025, supported by consistently strong profitability margins. The robustness of cash collection is highlighted by the significant improvement in our Days Sales Outstanding in the last few years. Tabreed's B2B billing structure and the exceptional creditworthiness of our customers serve as vital strengths, enhancing our credit profile and ensuring minimal counterparty risk.

Tabreed invested AED 25 million in Q1 2025 to support the expansion of capacity within existing concessions and to advance the development of new greenfield plants. Capital expenditure is expected to accelerate as ongoing greenfield projects move closer to completion, aligning with the anticipated growth in customer demand.

During Q1 2025, Tabreed achieved free cash flows totalling AED 182 million and an impressive AED 966 million over the past 12 months.

Tabreed's financing approach has exemplified strategic foresight and disciplined management. The proceeds from the issuance of Green Sukuk were efficiently channelised to reduce bank debt, ensuring financial resilience and continuity in servicing financial obligations.

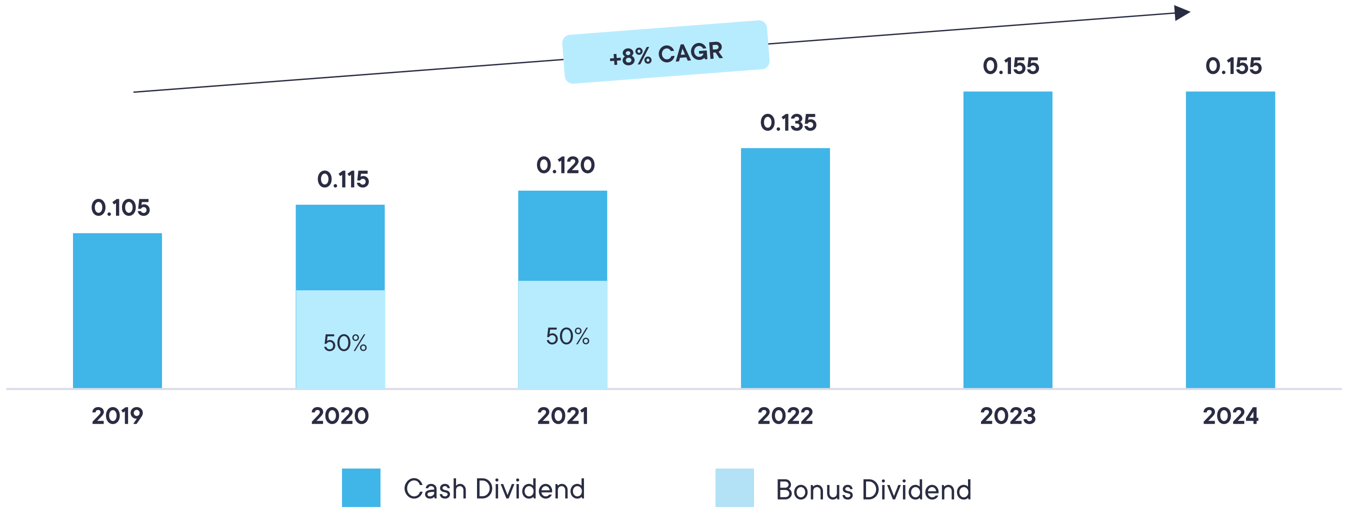
By the close of the first quarter, the Company achieved a notable 14% growth in cash balance, which reached AED 1.2 billion. Additionally, the availability of an undrawn AED 600 million green revolving facility underscores strong liquidity position, providing the flexibility to seamlessly implement well-defined capital allocation strategy.

Dividends

During Annual General Assembly meeting in March 2025, shareholders approved a dividend of 15.5 fils per share for the year 2024, which was subsequently paid in April. In the last five years, dividends have increased at annualized rate of 8%.

Board of Directors have adopted progressive approach in distributing dividends as evident by consistent increase in payout ratio over the last five years. This trend is expected to continue going forward. Disciplined capital allocation and prudent financial management has been at the centre of Tabreed's value creation strategy. Strong business fundamentals and visibility of future cash flows allow to sustain attractive cash returns for shareholders, while maintaining investment grade credit rating.

Historical Dividend Payment (AED per share)



Guidance and Outlook

The Company provided a capacity growth guidance of 3% to 5% per year until 2027. As of Q1 2025, capacity grew by 2% year-on-year. Capacity additions in the business are interconnected with project timelines and customer demand trends, resulting in variations across quarters. As a result, the Q1 run rate serves as a starting point rather than a definitive representation of the robust growth anticipated over the full year. And looking at post quarter trends, a strong uptick in capacity additions is expected in the next few quarters. Other than new connections in Tabreed's concession areas, two new greenfield plants are anticipated to be completed this year. We are therefore confident in delivering on capacity growth guidance this year and going forward.

To meet this anticipated growth, the Company expects to incur organic capital expenditure of AED 200 to 300 million per year. Capex run rate is likely to increase over the coming quarters as new plants are completed and new load in concession areas is connected.

Tabreed saw EBITDA margin expansion of almost 2.5% in Q1 2025 versus Q1 2024. EBITDA margin of 52% was delivered on the last 12 months basis, which is closer to a higher end of EBITDA margin guidance of 50% to 53% in the medium term.

Tabreed's leverage target, which mainly refers to Net Debt to EBITDA ratio, is aligned to its approach of keeping a fine balance that meets the requirements of various stakeholders. However, it is expected that the upper limit would be capped to maintain an investment grade credit rating. The current leverage ratio stands at 3.55x, well below the threshold required to maintain investment grade credit rating.

2025-2027 Medium Term Guidance	
Capacity Growth	3% to 5% p.a.
Organic Capital Expenditure	AED 200 million to 300 million p.a.
EBITDA Margin	50% to 53%
Leverage	Maintain Investment Grade Credit Rating

Outlook

Tabreed has already secured a significant pipeline of about 370 k RT, which will take its capacity to 1.7 m RT once fully connected. And this figure does not yet include 250k RTs from Palm Jebel Ali concession, which will further uplift this secured capacity and future visibility.

This secured growth will be materialized as per construction progress in the master developments. Almost 80% of this secured capacity is in the UAE, which remains at the centre of growth strategy. This contracted capacity is in the form of either concession agreements for certain master developments, where any new project will be connected to Tabreed or in the form of signed master agreements with the developers. This expansion offers steady and secure organic growth at minimal incremental capex and therefore will drive improvement in returns going forward.

The Company is also focusing on developing a new pipeline of opportunities in the form of both organic and inorganic growth. Management is targeting new greenfield opportunities to meet demand from increasing investments in real estate and infrastructure projects. UAE will continue to offer strong prospects considering inflow of population and capital as well as strong push from government to meet national energy efficiency targets. The district cooling sector also offers significant untapped potential, presenting substantial opportunities for growth and development in underserved markets. Management also anticipates further opportunities in the form of mergers and acquisitions. In UAE, developers still own captive assets which can be monetized at the right time. Similarly, Tabreed is actively exploring other opportunities in the international markets.

Tabreed's extensive expertise in the district cooling industry positions it to capitalize on these opportunities, while its robust financial framework ensures sustainable value creation for shareholders.

Appendix

EBITDA Reconciliation

AED million	Q1 2025	Q1 2024
Profit from Operations	**161**	**162**
Add: Depreciation of PPE & Right of Use Assets	65	57
Add: Amortization of Intangible Assets	27	26
Add: Finance Lease Amortization[1]	30	27
EBITDA	**283**	**272**

1) Finance lease amortization is calculated as lease rentals received less finance lease income and can be found in Cash Flows Statement

Glossary

Performance Measure or Term Used	Definition
Refrigeration Ton (RT)	A unit of measurement for the cooling capacity of a refrigeration plant. Fixed charges are billed per RT of connected capacity
Refrigeration Ton Hours (RTH)	A unit used to measure consumption of cooling. Variable charges are billed per RTH of consumption volumes
Finance Lease Amortization	Lease rentals received less finance lease income recognised in relation to finance lease receivables
EBITDA	Earnings before interest, tax, depreciation and amortisation calculated as Operating profit plus Depreciation and Amortization plus Finance Lease Amortization
EBIT	Earnings before interest and tax calculated as group profit for the period plus income tax plus finance cost
Normalized Net Profit Before Tax	Profit before tax adjusted for non-recurring items and net of share of profit attributable to non-controlling interest. It is calculated as Profit before tax less Other one-off income plus Other one-off losses less share of profit before tax attributable to non-controlling interest
Normalized Net Profit	Net Profit attributable to parent adjusted for non-recurring items. It is calculated as Net Profit to parent less Other one-off income plus Other one-off losses plus share of parent's one-off Deferred tax liability (if applicable)

Total Debt	Interest bearing loans and borrowings plus Islamic financing arrangements plus non-convertible bonds and sukuks plus lease liabilities
Net Debt	Total debt less cash & short-term deposits
Net Debt to EBITDA	Net debt as of the end of period divided by EBITDA for the last twelve months ended on the last day of the period
Gross Debt to Capital	Total debt divided by total equity capital plus total debt
Capital Employed	Total equity capital plus total debt
Return on Capital Employed	EBIT for the last twelve months ended on the last day of the period divided by capital employed as of the end of period
Return on Equity	Net profit attributable to parent for the last twelve months ended on the last day of the period divided by equity attributable to parent as of the end of period
Normalized Return on Equity	Normalized Net profit for the last twelve months ended on the last day of the period divided by equity attributable to parent as of the end of period
Free Cash Flows	Net cash flows from operating activities less capital expenditure including mergers and acquisitions plus proceeds from asset disposal/sale plus proceeds from sale of associate/JV/subsidiary plus dividends from associates/JVs less investment in associates/JVs
Cash Conversion Ratio	Net cash flows from operating activities divided by EBITDA

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Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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