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NATIONAL CENTRAL COOLING COMPANY PJSC
(DFM: TABREED)

EARNINGS CONFERENCE CALL TRANSCRIPT
9M 2025

Tabreed Participants:

Adel Salem Al Wahedi, Chief Financial Officer

Salik Malik, Vice President – Finance

Yugesh Suneja, Head of Investor Relations

Presentation

Yugesh Suneja

Good afternoon, everyone, and thank you for joining us. On behalf of Tabreed's management team, I'm pleased to welcome you to our earnings call for the first nine months of 2025.

My name is Yugesh Suneja, and I am Head of Investor Relations at Tabreed. Our financial results are available on Tabreed's website, and the presentation we'll be discussing today will also be posted shortly after the call for your reference.

Before we proceed, I'd like to highlight the disclaimer on this slide. Some of the information shared today includes forward-looking statements regarding future performance. These statements reflect our current expectations and are subject to risks and uncertainties. Please review the details on this slide for further information.

With that, let's move on to today's agenda. Joining me today are Adel Al Wahedi, our Chief Financial Officer, and Salik Malik, Vice President of Finance. We'll start with the summary of financial and operational performance, including an update on the strong progress we've made on our growth plans. After that, we'll take a deeper look at our financial performance for the period. We'll then wrap up with an update on our guidance and outlook, followed by a Q&A session.

With that, I'll hand it over to Adel to begin the discussion on the results.

Adel Salem Al Wahedi

Good afternoon everyone and thank you for joining our earnings call. Over the past few years, Tabreed has consistently strengthened its market-leading position in district cooling sector. Our regional platform remains strong and scalable, and during the first nine months of this year, we delivered steady financial results while advancing our long-term growth strategy.

We achieved record organic capacity additions and completed two landmark transactions, reinforcing Tabreed's role as a trusted regional cooling partner and our commitment to creating sustainable value. Total connected capacity reached 1.38 million Refrigeration Tons, with 52.9 thousand RTs of organic additions, which were nearly double the capacity added in all of 2024. This growth was driven by commissioning 3 new greenfield plants, including 2 in the GCC. We continued our expansion in existing concessions with minimal Capex, thereby unlocking higher returns.

Consumption volumes increased marginally versus last year, supported by capacity growth but partially offset by milder weather in Q1 and Q3 of this year. Group revenue increased to AED 1.87 billion, up 1% year-on-year, driven by capacity additions in the UAE. EBITDA increased 5% to AED 975 million, with margins improving to 52%, reflecting scale benefits and disciplined cost control.

Beyond strong operational performance, we progressed on our growth agenda this year with the acquisition of PAL Cooling from Multiply Group and commencement of construction on our largest-ever greenfield project at Palm Jebel Ali, a 250,000 RT exclusive concession.

Overall, Tabreed's financial position remains robust, supported by investment-grade credit ratings from Moody's and Fitch. Free cash flow over the past 12 months, excluding advance deposited in escrow to acquire PAL Cooling, reached AED 955 million. This translates into Free Cash Flow yield of more than 10%. This ability to generate strong cash flows also enabled our shareholders to approve interim dividend of 6.5 fils per share for the first half of 2025. The increase in net debt to EBITDA to 4.5x at the end of 9M 2025 mainly reflects

advance for our share of equity contribution to acquire PAL Cooling and this transaction had achieved financial closure in October.

Turning now to the next slide...

This slide highlights the strength of Tabreed's existing platform and the foundation it provides for future growth. Our current capacity, combined with future site capacity, positions us for scalable growth in district cooling.

Our key strengths include:

- Market-leading position in most of the markets and diversified presence in the region
- Proven operational track record of delivering innovation and efficiency
- Derisked growth pipeline through secured concessions
- Long-term contracts with highly creditworthy customers, ensuring steady revenue and cash flow visibility

Building on this strong base, we are now expanding beyond our core through two strategic transactions:

First one, Palm Jebel Ali Concession

Executed in Partnership with Dubai holding - represents investment of AED 1.5 billion spread across multiple phases. It adds 250,000 RT of concession capacity, equivalent to nearly 20% of our current capacity. It also strengthens our market position in Dubai and enhances long-term revenue visibility.

Construction already started in Q3 this year and first cooling capacity expected to be delivered by end of 2027 thereby contributing to revenue from early 2028.

Secondly, Acquisition of PAL Cooling

With Enterprise value of AED 4.1 billion, executed in 50:50 partnership with CVC DIF. This secures exclusive rights to eight concessions with leading developers in Abu Dhabi. During the first nine months of this year, PAL Cooling expanded its capacity to 190k RT, thereby uplifting our proforma connected capacity by 14% to 1.57 million RT. It also adds a powerful growth engine with 410k RT yet to be connected mainly through additional 4 new plants. It allows us to maintain balance sheet strength.

Together, these transactions reinforce Tabreed's leadership, expand our footprint, and accelerate our growth trajectory while preserving financial discipline. The expansion of PAL and the ongoing construction of Palm Jebel Ali have progressed in line with our strategic business case throughout the first nine months. This consistent execution boosts our confidence in providing long-term value to shareholders as we advance our development plans.

Turning to next slide...

This slide illustrates Tabreed's strategic growth path. The acquisition of PAL Cooling and the Palm Jebel Ali concession constitute two of the most strategically important transactions in Tabreed's history. These landmark deals, combined with our existing secured concession capacity of 380,000 Refrigeration Tons (RT), increase our total site capacity to approximately 2.6 million RT. This scale strengthens Tabreed's district cooling leadership and supports capital-efficient and long-term growth with strong cash flow visibility. Notably, almost 95% of this secured capacity is based in the UAE, highlighting the country's key position within our expansion plans. Our efforts continue to centre on building a strong portfolio of new prospects, especially greenfield projects, to address growing demand as investment in real estate and infrastructure picks up pace. Looking ahead, the UAE and the broader GCC region continue

to offer compelling prospects, supported by population growth, capital inflows, and government initiatives aimed at achieving national energy efficiency targets.

Next slide...

Tabreed has consistently delivered attractive returns to its shareholders over the past five years, with dividends growing at an annualized rate of 8% corresponding to average Dividend payout ratio of 73%.

In line with our strong focus on shareholder value and supported by our solid financial position and healthy cash generation, Tabreed's shareholders approved an interim dividend of 6.5 fils per share for the first half of 2025. This marks a significant milestone as the first interim dividend in Tabreed's history, reflecting our confidence in the company's outlook and ability to deliver sustainable value. The payout ratio for this interim dividend, whether measured against net operating cash flows or net profit for the period, remains broadly consistent with our historical payout levels.

With that, I'll now hand over to Salik, who will take us through Tabreed's financial performance in more detail...

Salik Malik

Thank you, Adel. Good afternoon everyone. Let me walk you through Tabreed's financial performance for the first nine months and third quarter of 2025, focusing on our income statement, balance sheet, and cash flow figures.

In 2025, Tabreed's business model continues to demonstrate robustness and scalability. EBITDA has increased at an accelerated rate this year, supported by record capacity additions and rigorous cost management. The company maintains strong margins and healthy cash flows, enabling ongoing investment in future growth while upholding a prudent leverage profile and reaffirming our commitment to financial discipline.

Tabreed is well positioned to deliver reliable returns to shareholders by maintaining a balanced strategy that prioritizes both sustainable growth and regular dividend distributions.

Turning to the next slide...

I would like to provide a comprehensive update on our operational performance and expansion for the first nine months of 2025.

Since the conclusion of FY 2024, we have added approximately 52.9 thousand RTs of gross new capacity. Specifically, about 4.6 thousand RTs were commissioned in the first quarter, 37 thousand RTs in the second quarter, and the remaining 11.3 thousand RTs were brought online in the third quarter.

All new capacity was generated organically, primarily through the commissioning of new greenfield plants in the UAE and Saudi Arabia. Growth was further supported by additional connections within our key existing UAE concessions, including Downtown Dubai, Yas Island, Saadiyat Island, and Al Raha.

It is important to note that capacity additions are inherently non-linear, as they are contingent upon real estate development timelines. The slower pace of completions last year was

attributable to scheduling delays rather than a decrease in business momentum. This year has seen a significant acceleration in activity, with multiple greenfield sites commissioned and new loads secured. These timing variances do not affect our long-term growth trajectory, as we continue to maintain a robust project pipeline.

UAE remains our principal market, accounting for 82% of total connected capacity, with other regional markets comprising the remaining 18%.

As previously noted in the first quarter, chilled water volumes experienced a temporary decline due to warmer weather persisting into the third quarter, resulting in a 2% year-over-year reduction in consumption during this period. Nevertheless, overall volumes increased modestly over the nine-month timeframe.

Moving to the next slide....

I would now like to address our revenue performance for the period. Tabreed achieved AED 1.87 billion in revenue during the first nine months of 2025, marking a consistent 1% year-over-year increase. Revenue growth in the third quarter was moderated by weather patterns primarily affecting consumption revenue.

In our core Chilled Water segment, fixed revenue increased by 3.4% year-over-year. This growth reflects the addition of nearly 59 thousand RTs of new capacity over the past twelve months, including 53 thousand RTs added this year and alongside CPI indexation. These capacity enhancements also helped mitigate the impact of weather-related factors on consumption revenue, which saw a marginal increase over the nine-month period.

The Value Chain business saw reduced revenue due to expiration of 3rd Party O&M contract on maturity. This secondary side network maintenance business segment, due to its low margins and non-strategic role for Tabreed, remains volatile each quarter.

Next slide...

Moving on to profitability highlights. Gross profit increased proportionally with revenue, reflecting a corresponding rise in operating costs necessary to meet cooling demand. Additionally, continued investment in cooling infrastructure led to higher depreciation expenses, resulting in modest movement in gross profit margins compared to the prior year. EBITDA rose by 5% to AED 975 million, with margin expansion to 52%. When excluding depreciation and amortization, overhead costs were lower than previous year, thereby supporting the improvement in EBITDA margin.

Next slide please...

Profit Before Tax and Net Profit declined by 1% in the first nine months of 2025 compared to the same period last year, primarily as a result of increased net finance costs. After completing refinancing at the end of Q1, a term loan was settled through the issuance of a green sukuk. The higher market interest rates for new issuances this year, compared to bank debt secured during the low-rate environment in 2020, resulted in elevated net finance expenses. This effect became more pronounced in Q3 due to greater finance cost savings realized from Q3 2024 onwards following the sukuk buyback.

Other income in Q3 included one-off losses that negatively impacted our bottom line. In the first half of 2025, we recorded a net one-off gain of AED 2.8 million, primarily from selling a minority stake in one of our associates. In contrast, Q3 featured a net one-off loss of about AED 7.6 million, mainly resulting from write-off upon replacement and refurbishment of certain plant equipment. Overall, this led to a net one-off loss of AED 4.8 million over the nine-month period.

The share of results from joint ventures and associates was also lower than the previous year, as 2024 included a one-off gain from divestment of our minority stake in one of our associates. Excluding this exceptional item, performance across associates and joint ventures remained stable.

In the absence of these one-off items in other income and the impact of higher finance costs, Net Profit would have grown in line with underlying operating profit. This demonstrates the resilient nature of Tabreed's business and its ability to sustain consistent profit growth.

Let us now move to the balance sheet on the next slide...

Total assets and liabilities increased 6% YTD 2025.

Key movements in assets:

- Fixed assets and intangibles declined marginally due to periodic depreciation and amortization charges, partially compensated by new capex incurred.
- Investment in associates and JVs was largely unchanged, as profits earned were balanced by dividend payouts, the disposal of a minority stake in one of the associates, and fair value adjustments on derivatives held by associates.
- Receivables and other assets increased, driven by seasonally higher consumption revenue during summer months, resulting in higher trade receivables. There was also addition of AED 1.2 billion related to advance deposited in escrow account as Tabreed's share of equity investment to acquire PAL Cooling.

Movements in equity and liabilities:

- Equity and reserves reflect the payment of the 2024 dividend, accrual of H1 2025 interim dividend and a slight decrease in derivative fair values, partially offset by profits generated during the period.
- Payables and other liabilities rose mainly due to higher utility cost payables linked to seasonally higher consumption volumes, which will be settled as per agreed terms. In addition, payables also reflect H1 2025 interim dividend payment of AED 184.9 million, which was distributed on 7 October 2025.

Debt profile: Gross debt increased after drawdown of AED 900 million under our Green Revolving Credit Facility. Proceeds from RCF along with cash in the balance sheet were utilized to fund equity investment for PAL Cooling acquisition. For 2025, the outstanding sukuk obligation of AED 973 million due in October and utilized RCF were settled following the close of quarter using the new AED 1.8 billion dual tranche financing raised from local banks. With this, there are no significant near-term debt maturities on Tabreed's balance sheet.

Leverage: Net debt to EBITDA increased to 4.5x during the period mainly due to funding Tabreed's equity investment for PAL Cooling acquisition using mix of debt and cash. Despite increased leverage, the Company maintained strong credit fundamentals as evidenced by investment grade credit rating. Strength of our high-margin, cash-generative business underscores this resilience.

Turning to the next slide for cash flow movements...

Tabreed's operations continue to deliver stable and robust cash flows, allowing us to strategically allocate surplus funds to facilitate growth and enhance shareholder value.

During the first nine months of 2025, the company generated AED 986 million in operating cash flows, driven by strong profitability margins. The working capital requirement reflects seasonally elevated revenues, resulting in higher trade receivables. Notably, our Days Sales Outstanding (DSO) have improved substantially over recent years, highlighting both the effectiveness of our B2B billing model and the high creditworthiness of our customer base.

We invested AED 169 million to expand capacity within existing concessions and to progress new greenfield developments.

Following the advance deposit into an escrow account for our equity contribution towards the PAL Cooling acquisition, free cash flows were negative during the period. However, excluding this investment advance, our recurring FCF profile over the last twelve months amounts to a healthy AED 955 million.

Our financing strategy remains prudent. Proceeds from the Green Sukuk were utilized to settle maturing bank debt in Q1, further strengthening our liquidity position. Growth investments were funded through a combination of debt and available cash resources. Additionally, we distributed the FY 2024 dividend of AED 441 million in Q2, underscoring our ongoing commitment to delivering consistent returns to our shareholders.

With this, I conclude the summary of our financial results presentation. I will now hand it back to Adel to take you through the rest of the proceedings.

Adel Salem Al Wahedi

Thank you, Salik.

As of the third quarter of 2025, we have achieved a 4.5% year-over-year increase in connected capacity, fully consistent with our stated guidance. Our medium-term guidance is unchanged, with capacity expected to grow between 3% to 5% annually through 2027. Tabreed has a strong pipeline, long-term concessions, and an expanding geographic footprint to support and sustain growth into 2025 and beyond. PAL Cooling's future capacity growth is not yet included in the guidance and will be announced along with full-year results.

Following the PAL Acquisition after the end of Q3, the PAL investment will shift from advances to equity on the balance sheet. There is no impact on debt or cash, as these were already reflected as of 30 September 2025. From Q4, finance costs related to acquisition debt and our share of results from PAL Cooling assets will be reflected in our P&L.

To facilitate organic capacity growth, we project annual capex between AED 200 to 300 million. During the first nine months, we invested AED 169 million; this amount is expected to increase as construction advances on current expansion projects and new facilities enter the build phase.

EBITDA margin increased by 1.7 percentage points during the first nine months of 2025 compared to last year, reaching a last 12-month margin of 52.7%. This figure is close to the top end of our guidance range of 50% to 53%, and we are confident that our margins will stay within this range.

Our Net Debt to EBITDA ratio stands at 4.5x as of September 30, 2025, comfortably within the investment-grade thresholds. This already reflects our investment in PAL Cooling acquisition. Given our resilient business model, top-tier B2B customers, and strong backing from strategic anchor shareholders, we are confident that temporary increase in leverage from capital investments will normalize quickly as cash flows and EBITDA growth materializes. We have already demonstrated this financial discipline in the past and have proven track record of optimising our balance sheet.

Moving to the concluding slide...

We continue to see favorable economic trends across our key markets, supporting strong long-term growth for the district cooling industry. Economic activity is expected to accelerate over the next five years, driven by population growth, urban development, and supportive government policies. Major investments in mega-city projects and global events such as Expo and the World Cup will further boost demand for high-density developments that rely on centralized cooling solutions like district cooling. Additionally, national energy efficiency goals and Net Zero Carbon targets will drive greater adoption of district cooling. These trends point to a growing need for energy-efficient and cost-effective cooling solutions, and Tabreed, with its diversified presence and proven expertise, is well-positioned to capitalize on these opportunities.

With that, we conclude the presentation and will now open the floor for Q&A.

Questions & Answers

Moderator

Thank you very much. We'll now move to the Q&A part of the call. If you'd like to ask a question, please press star 2 on your phone. That is star 2 if you're connected from the phone. And if you're connected from the web, you can type your question in the box provided or request to ask a voice question. We'll wait a few moments for the questions to come in. Okay. So, our first question is from Jean-Pierre from Kepler Cheuvreux. Your line is now open. Please go ahead.

Jean-Pierre (Kepler):

Q. Good afternoon, everyone. Two quick questions regarding the bridge between EBITDA and net profit. In Q3, you reported a net other loss of AED 4.1 million under other items. Could you please clarify whether this figure includes any non-recurring elements, particularly write-offs? And if so, could you quantify them roughly? And secondly, looking ahead, I understand that the acquisition of PAL may generate some costs related to transaction fees for advisors, lawyers, and so forth. Can you confirm that these costs will be booked in Q4? And if so, could you give us a rough indication of their magnitude? Are we talking about AED 5 million, AED 10 million, or more? Thank you?

Salik:

A. Good afternoon, Jean. Salik here. I'd like to answer the first one in this order. One of the items that you are referring to is the refurbishment that we made to one of our plant equipment, costing approx. AED 8 million, which is a non-recurring in nature based on timing i.e. as and when the replacement is required. It's not on annual basis or not the usual planned maintenance related stuff. So, that is what has been recorded as a one-off. And that's why you see those negative movements of AED 8 million, which is recorded in Q3. The second question, which is regarding the transaction cost. Typically, in any M&A transaction, as you would notice, the transaction cost ranges between 1% to 2%. And we are going through that finalization process, and this will be reported as part of our Q4 results.

Jean-Pierre (Kepler):

Q. Just when you say 1% to 2%, what is the total amount? Are we talking about 1% to 2% of the 1.2 billion dirhams, or can you clarify.

Yugesh Suneja:

A. At this stage, we are not providing any specific number or data. So, this is just for your reference, the typical benchmarks in the market between 1% to 2% of the deal value.

Tomas Laymuns (Barings Asset Management)

Q. How do you expect the net leverage to evolve in the coming quarters? Is the company still committed to current ratings? And he also asks, do you expect to tap the international bond markets again soon?

Salik Malik:

A. Thank you, Tomas. Let me clarify this. Post third quarter closing, we already settled the Sukuk, which was measuring in Oct. 2025, issued in 2018, the \$500 million through the new AED 1.8 billion term loan. The proceeds of new loan are used for outstanding Sukuk settlement as well as our equity contribution for PAL acquisition. The next maturity is due only in 2027. Having said that, our cash generating ability and the balance sheet allows us to comfortably meet any repayments that may come up. But as I said in my speaking remarks, there are no short-term maturities that requires any kind of refinancing. On your next follow-up question about the current ratings, yes, we are committed, including the board and strategic shareholders, to retain the investment grade status for the company. There is no change in that approach. I hope I answered your questions, Tomas.

Ambereen Jiwani (Ajeej Capital)

Q. Can you help us understand the reasons for lower consumption? Was it just the temperature or anything else? What is the update on tariff adjustment driven by the new water drainage charges? How is the receivable collection? Any slowdown?

Salik Malik:

A. Thanks for your questions. So, let me break down your questions. The first is on the lower consumption. It was purely due to the milder weather that we had witnessed in Q3. Q2 had warmer weather, so volumes increased. So, it's nothing beyond that. About tariff adjustment on the sewage water, we are in talks with the RSB in Dubai. This is mainly applicable in Dubai. So, we have not seen any kind of limitations so far in passing on this tariff adjustment. And regarding your last question, which is related to the receivable collection, we haven't seen any slowdown in the receivables. The increase in receivables is more seasonal, and cyclical based on the summer.

Moderator:

I'd just like to give a reminder that if you'd like to ask a question, it's star 2. If you're connected from the phone, star 2. And if you're connected from the web, you can ask a voice or text question.

Malak Hatem (EFG Hermes)

Q. Finance costs have stayed elevated for two quarters after the Green Sukuk issuance and the PAL acquisition. How do you see financing expenses evolving from here? And is a return to lower levels expected?

Salik Malik:

A. The current rates of refinancing are market-linked and likely to stay near these levels in the future. The low rates we had before on previous debt were purely based on the market dislocations due to COVID in 2020. But otherwise, the financing cost for us is in the range of high 4% or low 5%. In a nutshell, the financing cost will evolve in line with the net debt movement at current funding cost.

Moderator:

Thank you. We'll give it few more moments for any new questions. Press star 2 if you're connected from the phone. And if you're connected from the web, you can send a text or voice question. Okay, it looks like we have no further questions. I'll now hand it back to the Tabreed team for the conclusion.

Yugesh Suneja:

Thank you all for joining us today and for your continued interest in Tabreed. As you have seen throughout this presentation, we remain focused on delivering sustainable growth, maintaining financial discipline, and creating long-term value for our shareholders. With a robust pipeline, strong liquidity, and strategic initiatives, Tabreed is well-positioned to capitalize on favorable market trends and drive continued success.

We appreciate your support and confidence in our journey. If you have further follow-up questions or need any clarifications, please feel free to reach out to us. Our contact details are mentioned at the end of this presentation. With that, we conclude today's call. Thank you for your time and participation. Have a good day and excellent weekend.

Note: This transcript has been edited to improve readability.

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