



National Central Cooling Company PJSC

Introduction

Since 2011, Tabreed has delivered year-on-year improvements in its financial and operational performance, transforming itself into a successful utility infrastructure business. During this period, the company has recorded annual double-digit profit growth driven by sustainable, recurring revenue streams and operational efficiencies, and has significantly strengthened its balance sheet.

With this stronger financial position, Tabreed was able to resume dividends distribution in fiscal year 2012, and by 2014 the company was returning over **50% of its annual profits to shareholders**.

At the end of 2014, Tabreed successfully completed the refinancing of its AED 2.6 billion debt facilities, which is expected to **reduce interest costs by approximately AED 9 million annually**. The conditions, margins, and tenor offered to Tabreed in the new refinancing reflect Tabreed's established position as a leading utility infrastructure business, and more importantly, were an endorsement by the financial community of the company's strength and its promising outlook.

As part of this refinancing, Tabreed's banks also agreed in principle to an additional AED 1 billion loan which Tabreed can utilize to buy back some of the mandatory convertible bonds (MCB) it issued to Mubadala Development Company (Mubadala) as part of the 2011 recapitalization.

The Proposal: MCB Buyback

With its stronger credit profile and the availability of attractive financing, Tabreed has decided to further strengthen its financial position by presenting a proposal for shareholders' approval for the buyback of **28% of the MCB (which equates to 854 million bonds)** at a purchase price of AED 1 billion.

The buyback will be financed through new debt which Tabreed secured at a lower cost of financing than the MCB (which receive a 4% coupon per annum till 2019 and are also eligible for dividends).

This buyback will therefore replace MCB with more cost-effective bank financing that the company is now in a position to access, leading to an **annual saving to Tabreed of over AED 30 million**. Combined with the savings from the refinancing at the end of 2014, this brings the total savings for Tabreed to over AED 40 million.

If shareholders approve the proposal at the Ordinary General Assembly (OGA), the MCB that have been repurchased will be retired (i.e., they will cease to exist).

In pursuing this proposal, Tabreed has ensured the safeguarding of shareholders rights through several important measures:

- 1)** Tabreed has engaged HSBC Bank Middle East Limited (HSBC) to provide a fairness opinion letter to the Board of Directors of Tabreed which states that (based upon, and subject to the terms of that letter) it is HSBC's view that the proposed purchase price for the Buyback is fair from a financial point of view to the Company.
- 2)** Only members of Tabreed's Board of Directors who are not connected with Mubadala voted on the proposal at the company's Board meeting.
- 3)** As the bondholder, Mubadala will not vote on the proposal at the OGA. It will be for the remaining shareholders to vote on whether or not to accept this proposal.

Next Steps: Shareholders Vote at OGA



Tabreed will convene an OGA on **June 7 at 5:30 PM at the Beach Rotana Hotel in Abu Dhabi** to present this proposal to shareholders, who will have the opportunity to discuss it with the company's senior executive team and board members, and then vote on whether to accept it or not.

If shareholders approve the proposal, the repurchased bonds will then be retired (i.e., they will cease to exist).

1) When will the OGA take place?

The OGA is scheduled for 7 June at 5:30PM at the Beach Rotana Hotel in Abu Dhabi.

In the event a quorum for the first meeting is not achieved, the OGA will be adjourned until 14 June 2015 at the same time and place.

2) What will happen to these MCB after the buyback?

The MCB will be retired (i.e., they will cease to exist). They will NOT be converted into common shares.

3) How does this bonds buyback benefit shareholders?

The buyback is good for Tabreed's shareholders as it will increase earnings per share from 9.4 fils to 12 fils per share (on a pro-forma basis using 2014 net income), save the company AED 30 million annually, as well as begin to address future dilution.

4) Will this buyback prevent Tabreed from paying a dividend next year?

Tabreed does not provide forward-looking projections on dividend payments, but makes a proposal at the end of the year based on the company's performance, subject always to shareholder approval.

However, the company appreciates the importance of providing a sustainable return to shareholders and believes that this buyback will not prevent its ability to do so in the future.

5) Will Tabreed repurchase more MCB in the future?

Tabreed will continue to look for opportunities to refinance the business to create value for shareholders as opportunity arise. However we will need to balance those opportunities with other uses for cash, for example, to provide shareholder dividends and to fund our growth plans.

Contact Details

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