MAY 15, 2026

NATIONAL CENTRAL COOLING COMPANY PJSC

(DFM: TABREED)

EARNINGS CONFERENCE CALL TRANSCRIPT

Q1 2026

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 welcome to Tabreed first quarter results call.

I am Yugesh, Head of Investor Relations at Tabreed. Today's call is intended to provide clarity and context around our performance. We will focus on what drove results this quarter and how conditions have evolved since last quarter end and how management is thinking about the outlook.

Our agenda for today is outlined on the next slide. We have with us today, Adel Al Wahedi, our Chief Financial Officer, and Salik Malik, VP Finance. We will begin with key business and financial highlights followed by a more detailed review of the financial results. Finally, we will discuss guidance and outlook before we open the lines for Q&A.

Before we begin, I would like to draw your attention to the forward-looking statements disclaimer which is presently on next slide. Parts of today's discussion will include forward-looking statements based on current expectations and assumptions. I encourage you to review it as parts of today's discussion will reflect our current expectations. With that, I would like to hand the call over to Salik who will walk you through the key highlights of the period.

Salik Malik
Thank you, Yugesh. Good afternoon, everyone and thank you for joining us today in our Q1 2026 earnings call. Let me start with key messages for this quarter.

First, our operations remained stable with no disruption to our plants or services. We continue to deliver high availability across our chilled water network. Our assets are long-term, backed by contracts with highly credit-worthy customers, and diversified, which helps us manage any uncertain environment. This was evident in our stable operating profit, better collections and strong cash generation during the quarter. Over the last 12 months, we have expanded our district cooling capacity by almost 245,000 RTs. This brings total connected capacity to 1.57 million refrigerator tons, which is an upside of 18% year over year. The main driver was the PAL acquisition completed in the last quarter of 2025. At the same time, we continue to focus on expanding the capacity organically. Our diversified and largely contracted portfolio continued to perform well, and cooling demand moved closer to normal weather patterns. As a result, consumption volumes also increased.

The group revenue increased to AED 486 million, which is an upside of 4% year over year, driven by the fixed capacity charges and consumption revenue. EBITDA at the same time increased by 1% to AED 285 million with a margin of 59%. Outstanding receivables returned to normalcy in Q1 2026 after recording record collections. This supported the strong cash conversion ratio. Also, the customer credit quality and the collection trend remained consistent with our long-term business model. Our underlying operations remained resilient and reported net profit reflects a period of high investments. These effects are temporary in nature with earnings expected to normalize progressively as the new capacity becomes fully operational and acquisition synergies are realized.

The net debt to EBITDA improved to 4.5x at the end of Q1 2026, supported by strong cash flows. This resulted in a cash balance increasing by 15% year to date as of Q1 2026, which also strengthened our business model, also reflected in our Moody's recent confirmation of investment grade credit rating.

Moving on to the next slide…

This slide shows the operating performance of our core business. Our operating assets continue to deliver consistent results. We have added around 55,000 RTs organically over the last 12 months. In addition, Q1 we were lower, but this is due to the phasing of our customer projects. Cooling demand in the quarter improved from higher humidity and temperature. This compares with a below average temperature seen in majority of the months in 2025. As a result, consumption volumes also increased year over year by 9% in this quarter.

Moving to the next slide…

I would like to give an update on the regional situation, which after assessing the possible direct and indirect impacts on our operations and the services.

On direct exposure, we do not see any material impact. Around 95% of our revenue is generated in the UAE under long-term customer contracts. And about 75% of our EBITDA comes from fixed capacity charges, around 70% of our UAE capacity is in Abu Dhabi, which is less impacted by any tourism influence. Our cooling load is well spread across residential, commercial, and government customers. Our contracts include the CPI escalation and indexation and also includes any utility costs pass through. And our plants continue to operate without any disruption. We have also put in place business continuity measures, including the war insurance coverage and the data recovery plans.

On liquidity, our cash balance has increased as you would have noticed, and we have no significant debt maturity over the next 12 months. In addition, we have an undrawn revolving credit facility of AED 1.2 billion, which enhances our liquidity position.

On indirect impacts, we are monitoring possible follow-on effects. This may include delays in customer construction schedules, which could push back new connections or small delays in commissioning due to supply chain or other contractor constraints. We are implementing contingency measures wherever required to mitigate impact of extended delivery timelines, which includes measures such as utilizing alternative shipping routes, faster procurement activities, or reprioritizing our projects, exposure to rising energy costs is mitigated through pass-through of any input utility costs, and also the indexation of CPI in other costs, which is largely managed through clauses in our contracts.

At this stage, as I said, we do not see any clear evidence of any material delays. However, we remain in close dialogue with our customers and contractors, and we will update the market as the visibility improves.

Let's move on to the next slide.

This slide shows the secured pipeline that will come online in the coming years and support our future revenues. The transactions we announced in 2025 are also included here, and they strengthen the visibility of our future growth. This chart shows that our growth is secured and supported by long-term partnerships, which gives us confidence in our outlook. Looking ahead, the UAE and the wider GCC continues to offer good opportunities. The population growth, government investments in infrastructure, net zero targets, and the ongoing real estate development supports demand for efficient cooling. With a proven model and a clear pipeline, Tabreed is well positioned to deliver steady and sustainable growth.

Now, I would like to take you through the next section, deep diving into the financial results.

The key takeaways from the Q1 results are that the operational core of our business continues to perform exactly as expected, which is stable, predictable, and resilient. The revenue grew by 4% year-over-year to AED 486 million, driven by both fixed capacity charges supported by

the organic capacity growth, as well as the CPI indexation, and the higher consumption volumes as cooling demand normalized.

Operating costs increased broadly in line with volume growth and planned maintenance activity. EBITDA reached AED 285 million, with a margin of 59% comfortably within our guidance range. This underscores the strength of our contracted and long-term duration of our revenue base.

Below the EBITDA line, the net profit was impacted by two discrete factors. First, following our debt refinancing based on the prevailing market rates in Q1 2025, and the debt-funded equity on PAL acquisition, and the other thing is the temporary reduction in the associated contributions as PAL JV ramps up. I want to emphasize that these are investment cycle effects and not operational. As the new capacity becomes fully operational and the synergies materialize, earnings will normalize progressively.

Let me take you through the details on the next few slides.

Group revenue rose by 4%. Our core chilled water segment, the core business, grew by 4% as well, to AED 464 million, while the value chain business contributed AED 21 million, which is up against the prior year period by 6%. Within this, chilled water fixed capacity revenue increased by 3.5%. This was supported by approximately 35,000 RTs of organic capacity additions at the consolidated level over the past 12 months, along with CPI indexation of 1.25%, which was effective from the start of 2026. This was partially offset by financial amortization and the lower CPI gains compared to last year. Consumption revenue, which typically represents around 30% to 40% of our chilled water in Q1, grew by 9% year-over-year, as weather pattern normalized following below average temperatures through most of 2025. This demonstrates the natural upside embedded in our variable revenue component. The seasonality chart on the bottom right illustrates that Q1 is our most fixed revenue of all quarters, at roughly around 71% fixed, versus the 29% variable, providing strong downside protection during the cooler months.

Now moving to the next slide, let me address the profitability.

Gross profit increased by 3% year-over-year to AED 242 million, with a margin of approximately 50%. The increase was driven by revenue growth, partially offset by higher utility charges in line with the increased cooling demand, and the maintenance costs from our proactive asset management program.

EBITDA reached AED 285 million in Q1, which is up by 1% year-over-year, which has a margin of 59%, comfortably within our guidance corridor of 50% to 53%. The year-on-year margin movement from 61% to 59% reflects a revenue mix shift towards consumption, which carries a lower margin than the fixed capacity charges, rather than any deterioration in the cost. While on the G&A, the increase of 8% year-over-year is a timing artefact. In 2025, a portion of the G&A was recognized as concentrated in Q4, whereas this year we anticipate a more uniform quarterly run rate. There is no change to our full year-to-year cost discipline, which remains anchored to the inflationary expectations. Moving on to the next slide, and continuing with the profitability, especially the net profit.

Despite the steady growth in operating profit, reported net profit is behind by 32% to AED 78 million, and the normalized net profit, which excludes any one-off items, was reported at AED 79 million. I want to provide full transparency on two factors. First, the increase in net finance

costs, year-over-year, represents two elements, which is increase in average debt following the PAL Cooling acquisition in the last quarter, and reset of our funding cost following the Green sukuk refinancing of borrowings at the end of Q1, which were raised in 2020 at exceptionally low rates. The second is the share of results from the JVs, which is mainly due to the PAL cooling JV. This is expected and temporary, because the JV is performing in line with our investment case, and the contributions will improve as our operational capacity ramps up.

Moving on to the next slide, which we talk about the balance sheet.

As you know, our balance sheet remains healthy, reflecting an investment-grade credit profile.

The total assets stood at AED 14.5 billion, broadly stable quarter-over-quarter. The main movement within the assets was a reduction in the receivables, reflecting improved cash collections after timing-related delays at the year-end, offset by corresponding increase in cash and short-term deposits.

On the liability side, total debt decreased marginally to AED 6.4 billion on a scheduled repayment. Payables increased primarily due to the accrual of proposed dividend, which got paid in April. Our net debt to EBITDA improved to 4.5 times at the end of Q1 this year, better from the year-end of 4.6 times. This is well within our investment-grade thresholds, and Moody's has recently reaffirmed our credit rating. Importantly, we have no significant debt maturity in the next 12 months, only the scheduled amortization of our Islamic financing raised late last year. The debt maturity profile chart on the bottom right shows the majority of our maturities, approximately AED 4 billion, fall in the 2029 to 2035 window, providing substantial runway from now.

Moving on to the next slide.

This slide talks about the cash flow generation and the capital allocation for the quarter. We have generated AED 284 million in operating cash flow before the working capital changes, reflecting the continued strength of our core operations. Working capital was a positive contributor of around AED 68 million, driven by the collections of the year-end receivables. This highlights both the high credit quality of our customer base and also our disciplined cash management. Net operating cash flow reached AED 352 million, an upside of 70% year-over-year, a particularly strong result.

While for capital expenditure, we have invested AED 71 million towards the greenfield expansion and network capacity within the existing concessions. This is well aligned with our annual organic CapEx guidance of AED 200 to 300 million. After CapEx, free cash flows were AED 271 million. This represents a cash conversion of 124% of EBITDA, up compared to Q1 2025 by 74%.
After meeting all the debt service obligations and our investment outflows, including the acquisition of non-controlling stake in Tabreed Asia, our cash balance still increased by 15% year-to-date. This underscores the highly cash-generative nature of our business model.

Moving on to next slide…

Turning to the capital allocation and shareholder's returns, our dividend policy reflects the board's confidence in the strength and visibility of our cash flows. For 2025, the shareholders approved a total dividend of 13.0 fills per share, comprising of 6.5 fields interim dividend paid in October last year, and the remaining 6.5 fields as final dividend, which got paid in April 2026. This represents a payout ratio of close to 80% of our reported net profit and 71% of our

normalized net profit. Despite the significant investments made during the year, including the PAL Cooling acquisition, we maintained our dividend commitment, which underscores the strength of our cash generation. Looking back at the five-year trajectory, dividends have grown at an annual compounded growth rate of 3%, while the payout as a percentage of net operating cash flows has remained within the disciplined range of 25% to 37%. This demonstrates that our growth investments and shareholder returns are not competing priorities. Both are funded comfortably from our operating cash flows.

With that, I will move to the next section of today's program.

As of Q1 2026, our connected capacity increased by 4.1% year over year on organic expansion, fully in line with our ambitions and growth targets and guidance that we have provided earlier. New capacity additions in the first quarter were relatively modest, reflecting the phasing of customer construction schedules, which remains consistent with the non-uniform nature of project constructions across various quarters. We continue to monitor the impact of evolving geopolitical situation and are actively engaged with customers to assess any potential implications on project timelines. At this stage, taking a conservative view may result in some timing shifts of the connections with capacity growth trending towards the lower end of our guidance for 2026. Importantly, these are largely timing-related by a few months and do not affect the underlying demand or the project pipeline that we have. We remain confident in our medium-term outlook and reconfirm our guidance of 3% to 5% annual capacity growth throughout 2028, with a gradual increase in additions expected starting from 2027 onwards.

On CapEx, we invested AED 71 million during this quarter, which is closely aligned with our targeted organic capacity CapEx range of AED 200 to 300 million per year. Our CapEx guidance remains consistent, and we will proactively update the market should any new projects or opportunities arise. Additionally, we are finalizing plans for new greenfield developments and expanding our interconnection network, which will allow us to unlock surplus capacity across plants and better serve increasing customer demand, all while optimizing our capital allocation for maximum impact.

Our EBITDA margin of 51% over the last 12 months remains stable and comfortably within our guidance range between 50% to 53%, reflecting the resilience and efficiency of our core operating model. We remain confident in our ability to sustain this robust margin in the future.

As of Q1 2026, our net debt to EBITDA improved to 4.5 times, positioning us well within the investment grade thresholds, supported by a highly visible revenue base, strong customer credit quality, and continued backing from our strategic shareholders, we remain well positioned for sustained performance. While leverage temporarily increased last year in line with our growth investments, this is expected to normalize as incremental EBITDA and cash flows are realized. Our track record of disciplined financial management and balance sheet optimization underpins our confidence in delivering sustainable long-term value for our shareholders.

Moving to the next slide on conclusion…

Let me restate our confidence in the future potential of Tabreed. We continue to see significant opportunities in the DC sector. Our core business remains stable and highly dependable, with a well-established platform for continued expansion. Recent strategic developments, including the Palm Jabal Ali concession and the acquisition of Pal Cooling assets, further strengthen our long-term growth outlook. We remain strong at financial position and firmly committed to preserving our IG credit profile. Looking ahead, we are well-placed to deliver sustained capacity-driven growth, supported by a visible and expanding pipeline, positioning us strongly

for the years ahead. With that, we conclude our presentation, and thank you for your continued trust and support whilst we open the floor for Q&A.

Questions & Answers

Moderator
Thank you. We will now move to the questions and answers section. If you would like to ask a question, please press *2 on your phone and wait to be prompted. If you are dialed in by the web, you can type your question in the box provided or request to ask a voice question. We will just wait a moment or two for the questions to come in. Once again, if you are connected via the phone and you would like to ask a voice question, please press *2 on your phone keypad and wait for your name to be prompted. If you are connected via the web, you can also request to ask a voice question or send your question as a text. Okay, we have our first voice question coming from Prateek from Jeffries. Please go ahead. Your line is now open.

Prateek Bhatnagar (Jefferies):
Q. Hi. Thanks a lot for taking my questions. I have two. The first question is on the PAL Cooling. So, you have said that the profitability of that asset will increase once the plants ramp up. So, my question is that in PAL cooling, there is one plant under construction. If you just construct that plant and do not go ahead with the three plants which are in the planning phase, what will be the contribution to the net income? That's number one. Number two is, could you help me explain the drivers behind your 4% revenue growth? You've said that the connected capacity on an organic basis grew 4%, and your consumption grew by 9%. So, could you help me bridge that into your revenue growth numbers of 4%? Thanks

Salik Malik:
A. Thank you, Prateek. So, on your first question about PAL, this was acquired at a concession level of almost 600,000 tons, as we mentioned in our previous call at the time of acquisition as well. Apart from the one plant which is under construction, there are three other plants which are going to come, which are in the planning stage currently. All of these put together are valued at the time of acquisition, which is what we have paid for. And today, when you look at below the EBITDA line, the depreciation and amortization charges are coming because of this future value that we have paid and the debt that comes as project finance. So, as and when these synergies, as well as those new connections ramp up, this P&L net income will improve. And that is what I meant when I gave my comments.

With regard to your second question on the revenue increase of 4%, ~3% comes from organic additions to our consolidated network, the connections. And then 1.25% CPI Index, which is applied on 60% of our capacity. So, overall, it is about 4%, that's the result of this increase. Plus, the increase of 9% on remaining 40% of our consumption revenue. All of these three factors put together, the revenue has increased by 4%.

Moderator
Thank you very much. Once again, if you would like to ask a voice question, please press *2 on your phone keypad and wait for your name to be prompted. Our web participants can also request to ask a voice question or send their question as a text using the box provided. I'll just give a moment or so for any additional questions to come in. Okay. Looks like Prateek has a follow-up question. Please go ahead. Your line is now open.

Prateek Bhatnagar (Jefferies):
Q. Thanks for taking the follow-up as well. Again, two questions. The first is, could you give your exposure to the industries which might be at risk. So, your exposure to the tourism and hospitality industry, that's question number one. And secondly, in the previous conference call, you said that your TSE water availability in Dubai had not increased very much. Could you

help us with what's the status right now? And also, where is your negotiation with the Supreme Council regarding the tariff increase because of the higher costs of the sewage charges? Yeah, these are the two questions. Thank you

Salik Malik:
A. With regards to the first question on the impact of tourism and hospitality and real estate, please note that our revenue model is B2B. And our majority of the contracts are contracted with B2B, which means the fixed capacity charges are completely insulated against any impact because of tourism or hospitality. Second, majority of our presence is in Abu Dhabi, which has less impact because of tourism and hospitality. All of this puts us in a better position, especially during this current geopolitical situation. With regard to the TSE, we have noticed especially during the first quarter of this year that the availability of TSE has improved, both the volume as well as the quality. As a result, we have noticed efficiency improvements and the cost benefits during the first quarter of this year. And with regard to a sub-question on the sewage charge pass-through, the discussions, as you know, are still ongoing. The RSB had mentioned that they will be looking into it at the end of this year with a probability of a pass-through starting from the start of the year.

Moderator
Okay. Thank you. So, once again, if you would like to ask a voice question to your connected telephone, please press *2 on your phone keypad and wait for your name to be prompted. If you are connected via the web, you can also request to ask a voice question or send your question as a text using the box provided. I will just give a moment or so for any additional questions to come in. Thank you. Okay. We have another voice question from Jean-Pierre Kepler Cheuvreux. Please go ahead. Your line is now open

Jean Pierre (Kepler):
Q. Good afternoon, everyone. If we set aside PAL Cooling and focus on consolidated businesses, it seems that there was no new capacity addition in Q1. And it seems that there is no guidance for capacity addition for this year. So, I guess the question here is, could you share with us what visibility you have at this stage on potential capacity growth in 2026? Could you let us know more specifically if you have any new big-ticket projects expected to start up soon? Or do you anticipate additional connections within your existing concessions to materialize? And in the end, should we expect any expansion materializing in Q2 or rather towards the end of this year? Thank you

Salik Malik:
A. Hi, Jean. Good afternoon to you. Thanks for your question. With regards to the additions during Q1 this year, yeah, the growth was very modest, as you would have noticed, and rightly so. But we are quite confident from the guidance perspective for the year, to be at least meet the lower end of our guidance, which is 3%. And I mentioned that in my guidance and concluding remarks. So, we do expect to reach from that angle, which includes the concessions that we currently have and we are operating. This does not include any other inorganic growth that we may be chasing. Again, that we will come to the market at the right time and that's as far as the disclosure and transparency policy is concerned.

Moderator
Okay, thank you. Thank you very much. Once again, if you would like to ask a voice question and you are connected to the phone, press *2 on your phone keypad and wait for your name to be prompted. If you are connected via the web and you would like to ask a voice question, you can also do so using the interface or use the box provided to send your question as a text. I'll just give a few moments for any additional questions to come in. Okay, it looks that we have

no further questions from the audience. So, let me pass the line back to the company for their concluding remarks.

Yugesh Suneja:
Thank you. With this, we conclude our call today and we appreciate your interest in Tabreed and thanks again for joining the call. If you have any follow-up questions, we are available. You can reach out to IR team. You may now disconnect the call. Thank you very much.

Note: This transcript has been edited to improve readability.

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