# National Central Cooling Company PJSC

(DFM:TABREED)

## Investor Presentation

May 2019

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تبريد
tabreed
Sustainable Cooling

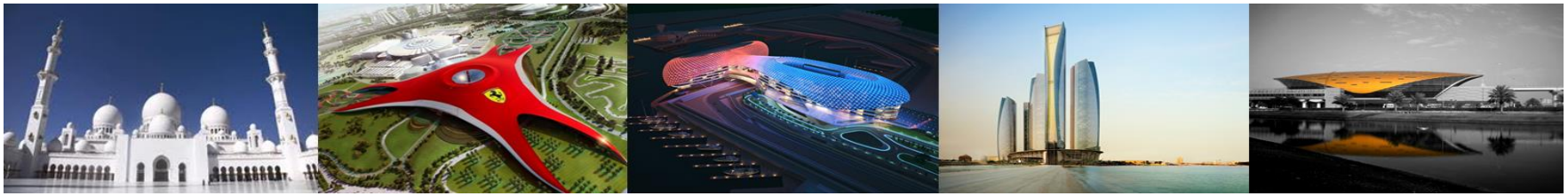
# 1. Overview of Tabreed

# A GCC Wide Environment Friendly Company Delivering Shareholder Returns

## Tabreed is …

- A provider of a part of GCC's critical infrastructure
- Delivering and operating district cooling solutions with high reliability
- Creating sustainable value for our shareholders
- Providing uninterrupted service to our customers and maintaining the comfort of the communities we serve

**We aim to be the partner of choice for Governments and Corporations across GCC in providing environmentally friendly cooling solutions**



### Efficient and environment friendly operations

We harness the most efficient technology and utilize our extensive experience to deliver reliable and energy efficient cooling solutions that are environmentally friendly

### Regional leader

As the region's preferred provider of cooling solutions, we focus on our customers' needs and deliver comfort, value and service to all the communities we serve

### Sustainable long-term shareholder returns

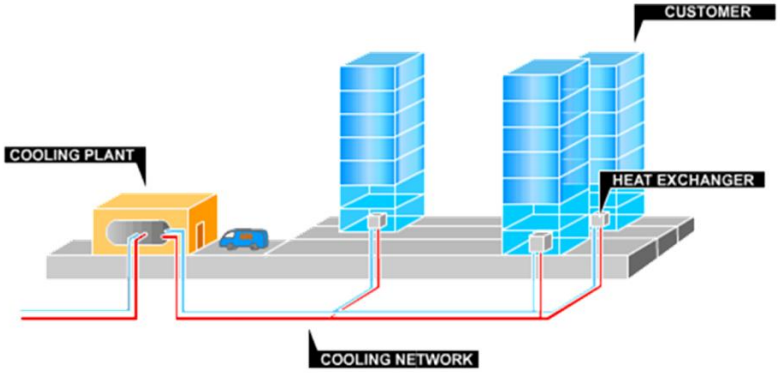
We generate sustainable long-term returns for our stakeholders on the back of the utility infrastructure business model

# What is District Cooling?

## District cooling vs. other in-building cooling solutions

### District Cooling

A cooling plant supplies chilled water via an underground piping network to more than one building in a service area (or district)



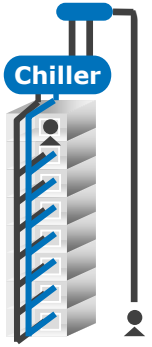

**VS.**

### Air Cooled Chillers

In-building air cooled chiller units are usually placed on the roof of a building and supply chilled water via an internal network

### Water Cooled Chillers

- In-building water cooled chiller units are usually utilized in large building and supply chilled water via an internal network
- Cooling Towers require additional space in or around the building



# With and Without District Cooling

## Past
Without District Cooling

Roof Top Chillers

Window A/C

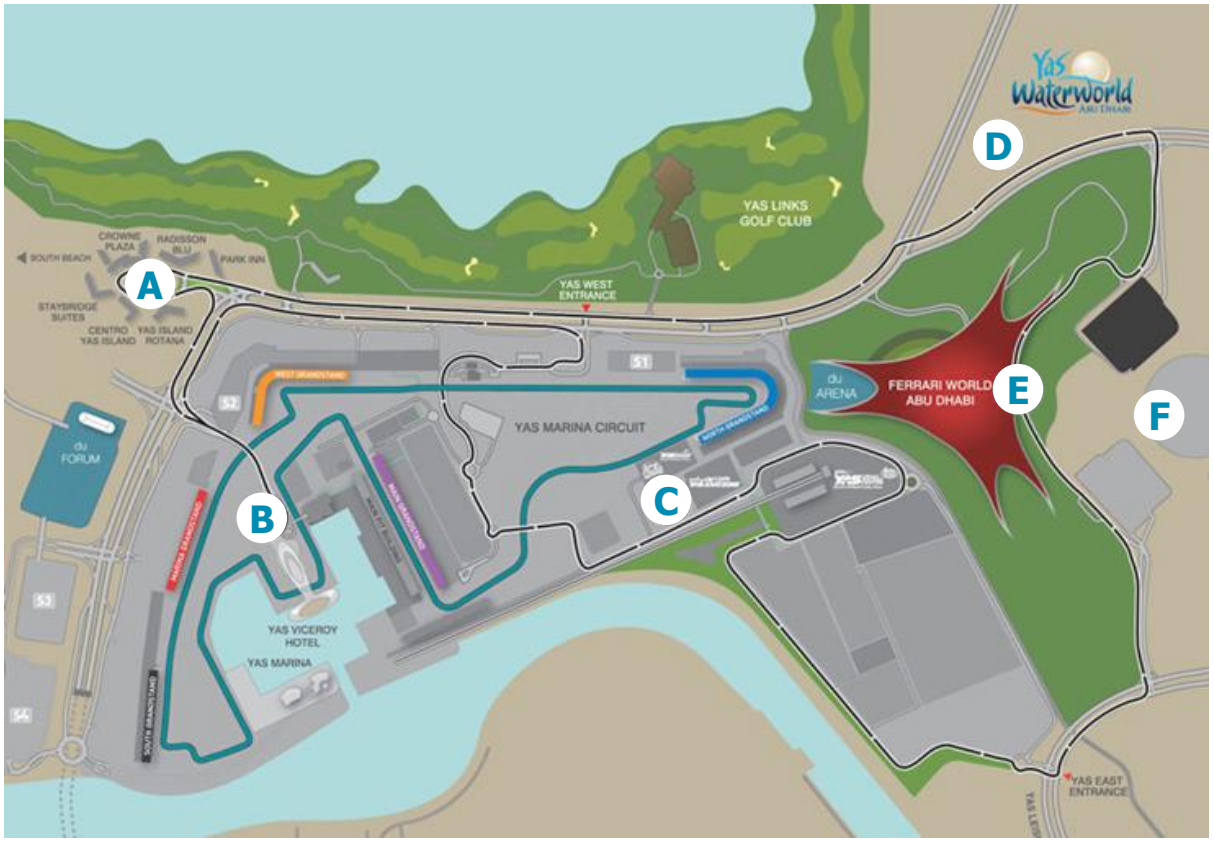
## Present
With District Cooling

Shangri-La

Rotana Hotel

# District Cooling in Action: Yas Island

1. Chilled water is produced at our plant on Yas Island West (adjacent to Skeikh Khalifa Highway)
2. The chilled water is then distributed to projects on the Island through an insulated underground pipe network
3. Air is then forced past the cold water tubing inside the buildings to produce an air conditioned environment
4. The warm water is then returned to the plant to be re-chilled and redistributed




A. Various hotels
B. Yas Viceroy Hotel
C. Yas Marina
D. Yas Water World
E. Ferrari World
F. Yas Mall

# District Cooling Benefits: The Big Picture

## The GCC's Energy Needs are Increasing

**Cooling represents 70% of peak energy consumption…**

**Population Growth**

+

**Economic Diversification**

+

**Continuing Industrialization**

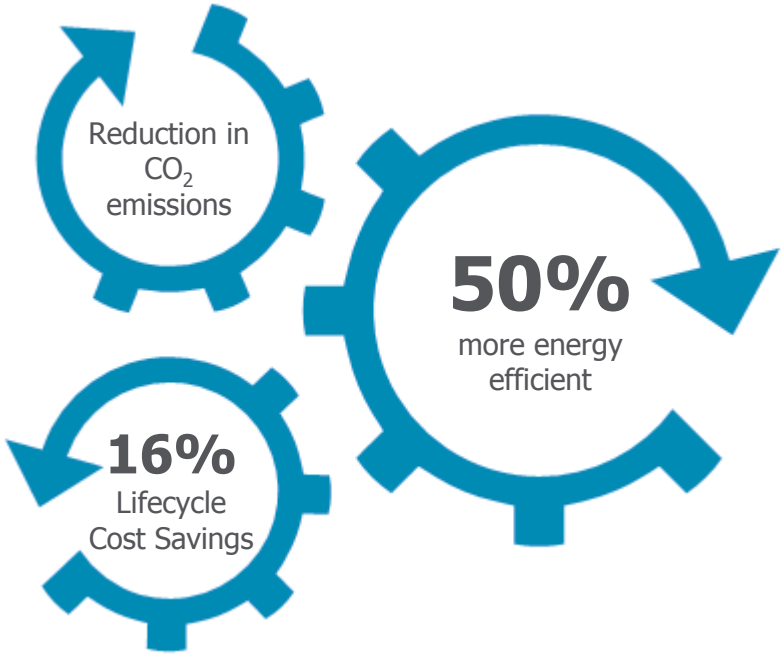
**Year-round Hot Climate**

+

**Increasing environmental consciousness**

## How District Cooling Fits Into it

**District cooling uses only half the energy of conventional cooling & does not present any major operational risk**




**Lead to tangible benefits to customers and the government alike**

# Increasing Importance of District Cooling in GCC

**Economic diversification initiatives**

**The economic diversification strategy in GCC countries is driving investments in high-density developments across several sectors**

87 million sq. m. of upcoming high density developments where DC is the likely choice

Almost all of the recent high density developments are district cooled

**Government policy**

**Government policy will increasingly promote DC**
as GCC governments have ambitious energy efficiency targets

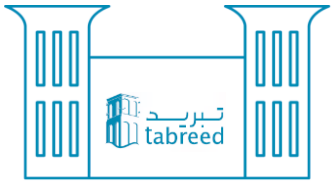
**Energy subsidies**

**Decreasing energy subsidies** in the GCC countries will **increase the attractiveness of DC** compared to conventional cooling as DC is more **energy efficient**

# Tabreed at a Glance

## One of the world's largest district cooling companies

**74**
plants in
5 countries




Over
**1.1m** RT
delivered to clients

Equivalent to cooling
**113**
towers the size of Burj Khalifa

## Environmentally responsible operations reducing green house gas emissions

**1.97 billion kWh**
annual reduction in energy consumption in the GCC through Tabreed's DC services in 2018

=

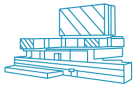
Enough energy to power
**112,000**
homes in the UAE every year

**986,000 tons**
annual elimination of $CO_2$ emissions

=

The equivalent of removing
**214,000**
cars from our streets every year

## Exclusive provider of DC services to several iconic projects


Cleveland Clinic Abu Dhabi

Dubai Parks and Resorts

Dubai Metro

Sheikh Zayed Grand Mosque

Etihad Towers

World Trade Center

The Pearl

Ferrari World

## Strong financials

2018 revenue:
**AED1,447m**

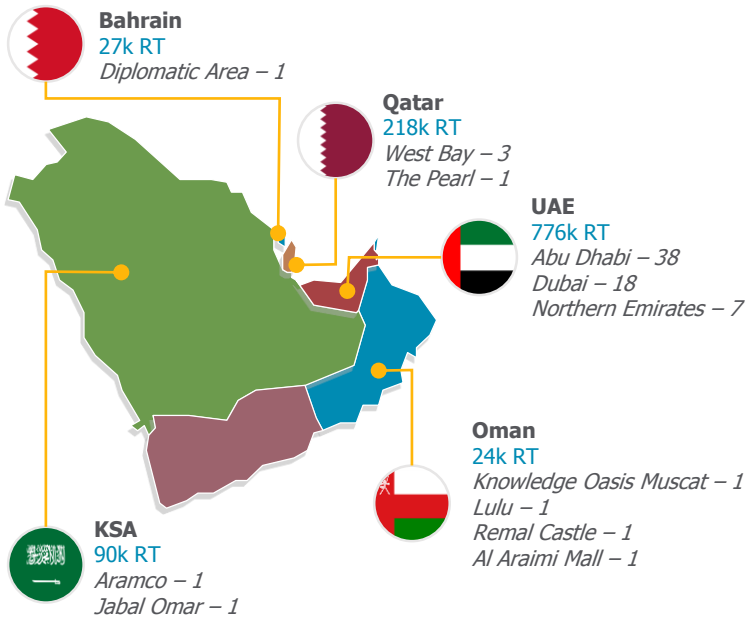
2018 EBITDA:
**AED694m**
*48% margin*

2018 net profit:
**AED428m**
*30% margin*

# Regional Presence

## The only publicly listed and regional district cooling company in the world

- 5 GCC countries | 74 plants | Over 1.1m tons of cooling
- Uniform utility infrastructure model implemented across GCC
- Long term contracts underpinning stability of earnings and returns for shareholders




### National Central Cooling Company and its UAE investments

- 55 consolidated plants, 8 held through associates and joint ventures
- Plants in 6 emirates of the UAE - Abu Dhabi, Dubai, Ajman, RAK, Sharjah and Fujairah
- 776k RT delivered to clients including some of UAE's most prominent landmarks

**Landmark Projects: Dubai Metro, Dubai Parks and Resorts, Sheikh Zayed Grand Mosque, Yas Island, Al Maryah Island**

### Qatar District Cooling Company (Tabreed 44%)

- Joint Venture with United Development Company
- Owns and operates the world's largest DC plant on The Pearl with connected capacity of 116k RT
- Also owns and operates 3 DC plants and a concession in Qatar's West Bay (102k RT)

**Landmark Projects: The Pearl – Qatar, West Bay**

### Saudi Tabreed District Cooling Company (Tabreed 20%)

- Partnership with ACWA Holding and others
- Owns and operates first significant DC plant in KSA – Saudi Aramco (32k RT)
- Also owns and operates a DC plant in the Holy City of Mecca for Jabal Omar Development Co. (58k RT)
- Operates the DC plant servicing the landmark King Abdulla Financial District (KAFD) development (50k RT)

**Landmark Projects: Saudi Aramco, Jabal Omar Development**

### Bahrain District Cooling Company (Tabreed 99.8%)

- Owns and operates 1 DC plant (27k RT)
- Plant runs using sea water to provide cooling to the most prestigious developments in Bahrain

**Landmark Projects: Reef Island, Financial Harbour, World Trade Centre**

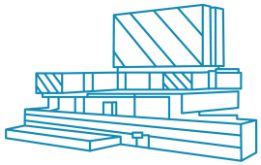
### Tabreed Oman (Tabreed 60%)

- A partnership between Tabreed and prominent Omani pension funds
- Owns and operates 4 plants serving Knowledge Oasis Muscat, Oman Avenues Mall, Remal Castle and Al Araimi Mall

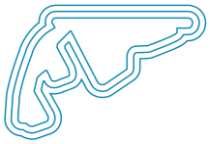
**Landmark Projects: Knowledge Oasis Muscat and Oman Avenues Mall**

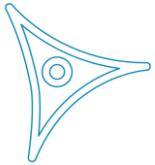
# Tabreed in the UAE

- 63 plants in Abu Dhabi, Dubai, Ajman, RAK, & Fujairah
- Critical infrastructure partner
- About 776k RT delivered to clients
- Exclusive district cooling provider to the UAE Armed Forces
- Cooling some of the UAE's most prominent landmarks, including:


Cleveland Clinic Abu Dhabi

Sheikh Zayed Grand Mosque

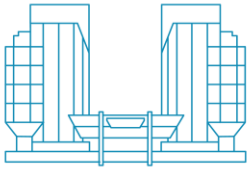

Yas Marina Circuit


Ferrari World

Dubai Metro

Dubai Parks and Resorts

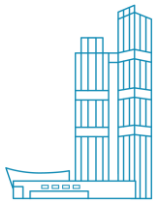
Rosewood Abu Dhabi


Abu Dhabi Global Market Square

Yas Mall

Yas Waterworld

Etihad Towers


Nation Towers

# Connected Capacity

- Previously announced capacity guidance of **65,000 RT** to be added in 2019 and 2020
- Added **2,950 RT** during Q1 2019 all at the consolidated level

| Consolidated | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | Q1 2019 |
|---|---|---|---|---|---|
| UAE | 702 | 702 | 702 | 702 | 705 |
| Bahrain | 26 | 26 | 26 | 27 | 27 |
| Oman | 17 | 18 | 18 | 24 | 24 |
| **Total Consolidated** | **745** | **746** | **746** | **752** | **755** |

| Equity Accounted | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | Q1 2019 |
|---|---|---|---|---|---|
| UAE | 71 | 71 | 71 | 71 | 71 |
| Qatar | 199 | 214 | 214 | 218 | 218 |
| KSA | 79 | 83 | 90 | 90 | 90 |
| **Total Equity Accounted** | **349** | **368** | **375** | **379** | **379** |

| Total | 1,094 | 1,114 | 1,121 | 1,131 | 1,134 |
|---|---|---|---|---|---|

# Utility Business Model

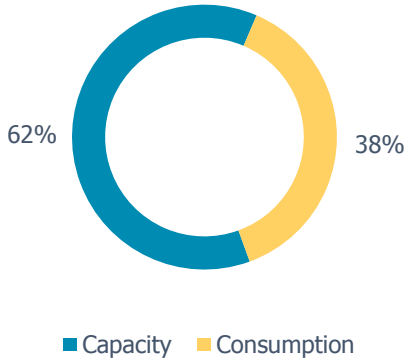
**25 year contract**

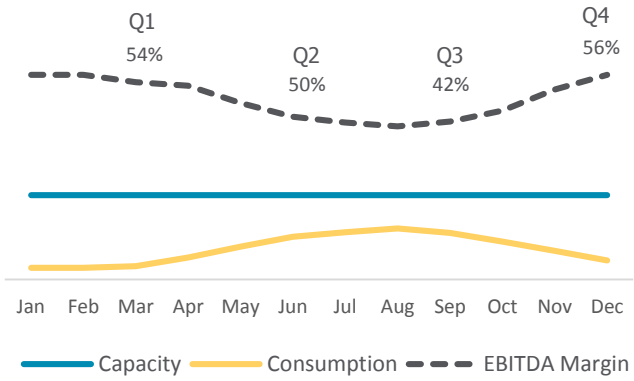
Contracted cooling load (RT)
**Fixed**

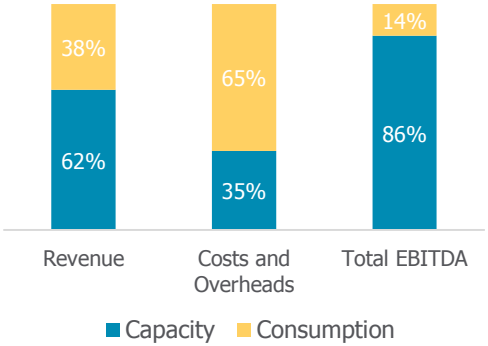
→ **Capacity Charges**

Cooling consumed (RTh)
**Variable (Metered)**

→ **Consumption Charges**




** Based on last 3 years average*

** Based on last 3 years average*

## Majority of revenue comes from capacity charges

- Capacity charges reflect the cooling capacity reserved for the customer
- Consumption charges recover the cost of cooling consumed and is billed based on metering

## Capacity revenue is fixed for the year while consumption revenue varies

- Consumption billing follows a bell curve in line with average temperatures in the region
- Capacity bills are a fixed amount every month
- Blended EBITDA margin is the highest in the winter months, average 50% for the year

## Consumption is a pass through and capacity provides returns

- Consumption revenue covers all variable costs of operation
- Capacity revenue covers fixed O&M, finance and corporate costs and provides return on capital

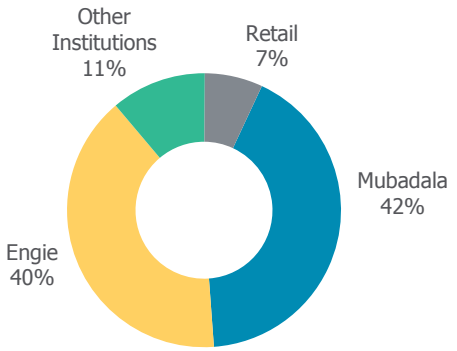
# Shareholder Overview

***Significant shareholder support from Mubadala, a major Abu Dhabi government entity and ENGIE, one of the world's largest international power and utility companies, that offer deep operating experience in the utilities sector and a platform for further growth***

Moody's[1]

*"Tabreed benefits from a supportive and complementary shareholder base. We view Mubadala and ENGIE as strong commercial and technical backers for Tabreed in the region. Both anchor shareholders also provide Tabreed with high standards for financial oversight and governance and in our view strengthen the commitment to the company's stated financial policies."*

## Shareholder composition*




**No shareholders other than ENGIE and Mubadala own more than 5%*
*[1]Moody's report number 1141584 published on October 8, 2018*

## Strategic shareholders

MUBADALA

Aa2 (M) / - (SP) / AA (F)

- **Abu Dhabi's leading strategic investment company** with **US$226bn of assets**
- **Active in 13 sectors** and more than **30 countries around the world**, creating lasting value for its shareholder, the Government of Abu Dhabi
- The Abu Dhabi Investment Council (ADIC) became a part of Mubadala Investment Company in March 2018 when the Government issued a restructuring law
- Mubadala invests in aerospace, ICT, semiconductors, metals and mining, renewable energy and utilities, and the management of diverse financial holdings
- Mubadala / Abu Dhabi government representatives **hold 4 of Tabreed's board seats**

ENGIE

A2 (M) / A- (SP) / A (F)

- Global energy provider spanning **70 countries in 5 continents**
- Total group assets of **~EUR150bn (US$184bn)**
- World leader in District Energy. First District Cooling plant in Europe in 1971 and now ~ 250K RT in Europe, US, and Asia
- ENGIE see Tabreed as their platform for District Cooling growth in the region
- ENGIE representatives hold **4 Tabreed board seats**

# Pursuing Growth Opportunities Across and Beyond GCC

- Selective growth strategy to build on the existing and solid cash generating base
- Criteria for pursuing a given growth opportunity include but are not limited to customer quality, strong/bankable contract structures, and IRR above hurdle rate
- Over 65k RT of fully contracted capacity to be connected over 2019 and 2020 (3% annual growth on existing base of 1,134 kRT)
    - Reflects the minimum growth expected as the 65kRT only includes fully sanctioned and contracted capacity

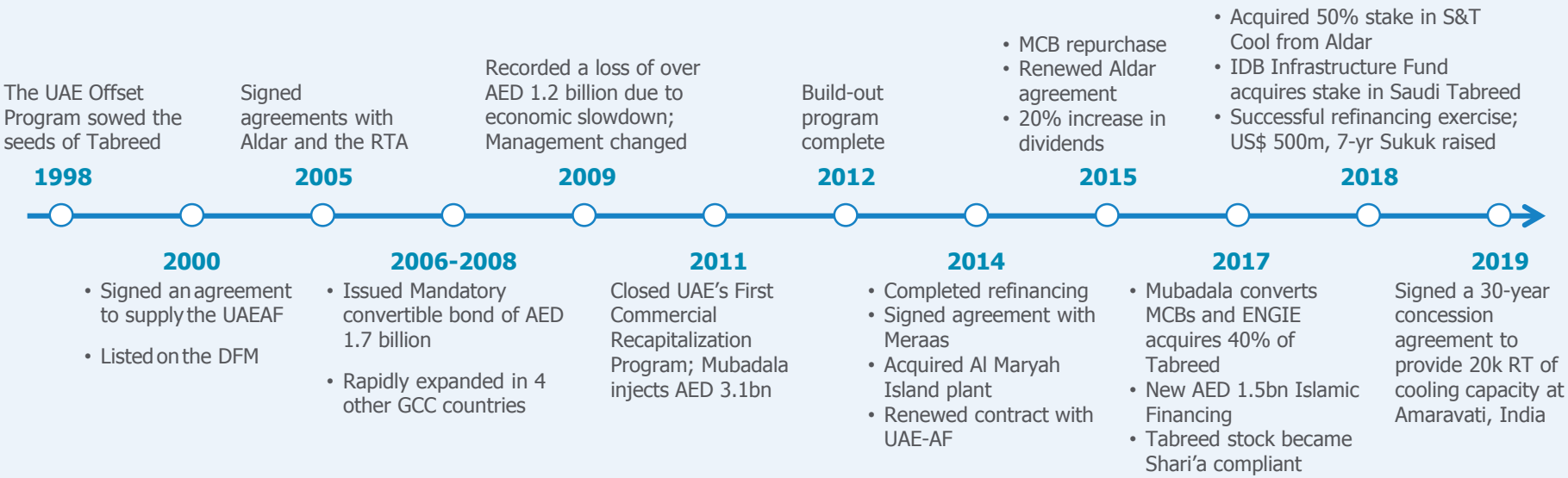
| Growth avenues | | Examples |
|---|---|---|
| **Concessions** | • Tabreed has sole right to provide cooling services in a certain district<br>• Any new buildings constructed in the district must connect to Tabreed<br>• Long-term, high return contracts with tariffs similar to other buildings in the concession<br>• Requires minimal capital outlay as infrastructure is already in place | • **UAE**: Yas Island, Maryah Island, Dubai Parks Phase I<br>• **Qatar**: Pearl Qatar<br>• **KSA**: Jabal Omar development<br>• **Bahrain**: Reef Island and Bahrain Financial Harbor |
| **New connections** | • New customers connecting to existing infrastructure<br>• Customers are not bound to use Tabreed (unlike concessions) however, using Tabreed will often be the most economic option<br>• Usually requires no additional fixed cost and provides higher margins | • Tabreed has added around 50kRT to existing plants since 2011<br>• ~5% incremental capacity is currently available for new connections (e.g. Raha Beach) |
| **New plants** | • When a new plant is agreed and built for a new development<br>• Driven by demand in the construction and real estate market | • In 2018 commissioned 2 new plants (over 25kRT)<br>• Currently have 3 plants under construction across the region |
| **Acquisitions** | • Acquisitions from developers who own a plant but would prefer to outsource to a 3rd party provide the cooling services<br>• Acquisitions of other independent cooling companies | • Acquisition of BDCI (Al Maryah Island Plant)<br>• Acquisition of ICT Nation towers plant<br>• Acquisition of S&T Cool plant |
| **New Geographies** | • Explore growth opportunities in select new geographies outside GCC (e.g. Egypt and India) | • Signed concession agreement for 20k RT of cooling at Amaravati in India |

Tabreed is well placed to benefit from growth opportunities in and beyond GCC region through a mix of existing concessions, new connections, new plants and acquisitions / inorganic growth

# 2. Business Overview

# A Successful Turnaround Story

- Tabreed was incorporated in 1998 and was listed on the DFM upon its formation
- Key customers agreements were signed in the first seven years with UAE Armed Forces, Aldar and the RTA
- The 2008 financial crisis led to recapitalization in 2011 and since then Tabreed has:
  - Adopted a new utility business model focusing on chilled water segment
  - Signed firm off-take contracts with credit-worthy and quality customers and expanded its geographical footprint
- Tabreed of today employees over 780 staff and has 74 plants in 5 GCC countries providing the infrastructure for the region's sustainable development while providing sustainable returns to its shareholders




| Connected Capacity (RT) | 2000 | 2005 | 2010 | 2015 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Group Capacity | 2,000 | 97,000 | 597,000 | 974,400 | 1,131,400 | 1,134,300 |
| UAE Capacity | 2,000 | 97,000 | 477,000 | 690,000 | 773,300 | 776,300 |

# Long Term Contracts with Creditworthy Customers

## Owned and Consolidated Plants

**UAE Armed Forces**

- UAE Armed Forces was the first customer of the Company and continues to be an important partner
- Tabreed cools multiple military and training facilities
- Cooling agreement was renewed in 2014 for another 20 years

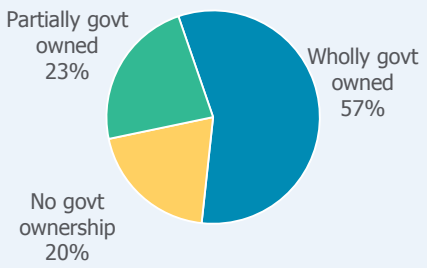
- Roads and Transport Authority of Dubai (RTA) is responsible for transport, roads & traffic in the Emirate of Dubai
- Tabreed has been providing cooling to all metro stations of the iconic Dubai Metro project since 2009
- Long term 27 year contract

- Aldar Properties PJSC is the leading real estate developer in Abu Dhabi and listed on ADX
- Tabreed and Aldar have been in partnership since Aldar's incorporation in 2005
- Providing cooling to Aldar's developments on Yas Island, Al Raha Beach, Reem Island and Abu Dhabi Island
- Cooling agreement was renewed in 2015 for another 30 years

- DXB Entertainments is the owner of Dubai Parks and Resorts, the region's largest integrated theme park destination, and also manages six Dubai-based mid-way attractions
- Plant developed under a BOOT contract with a concession structure which expires in 2046

**The top 4 customers accounted for 60% of chilled water revenues in 2018**

**Major proportion of contracts with government entities and large developers: Limited counterparty risk**




## Joint Ventures and Associates

Tabreed's UAE joint ventures and associates have long term contracts with key Government clients such as Mubadala, Cleveland Clinic Abu Dhabi, Abu Dhabi Global Market Square and ZonesCorp while also serving reputable private customers such as Aldar and Al Hilal Bank

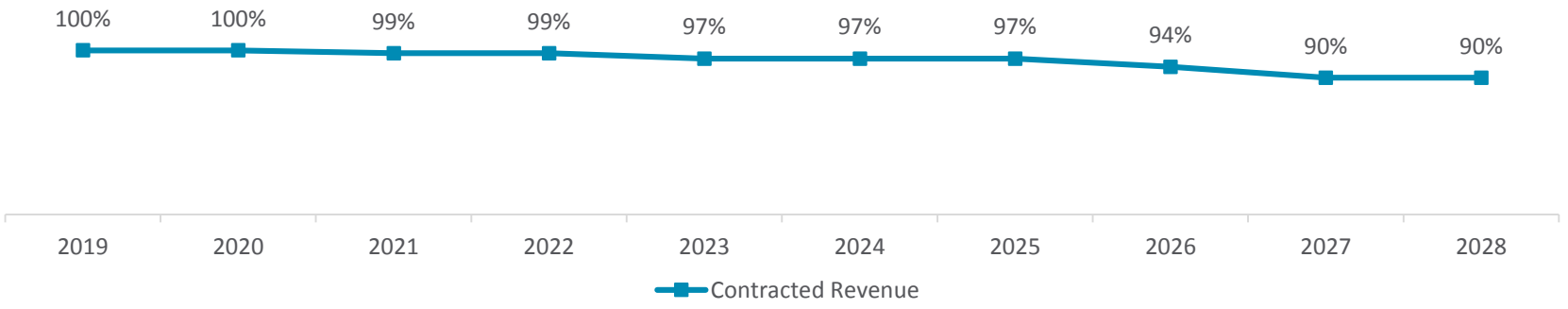
Our joint ventures and associates also provide cooling to key Government clients such as Saudi Aramco, King Abdullah Financial District and King Khalid International Airport. Also serve reputable private customers such as United Development Company in Qatar and Lulu in Oman

# Guaranteed and Price Certain Contracts Provide Stability of Future Earnings

## Long-term contracts underpin business model

- **Long term contracts** of typically 25+ years
- **Limited contract renewal risk**
  - Less than 1% of the company's contracted capacity maturing within five years
  - Less than 10% maturing within ten years
- **Only construct plants on guaranteed offtake contracts** with take-or-pay structures
- **Low contract termination risk** – once a customer is connected to DC, it is not economical to switch to alternative cooling infrastructure
- Factors that support contract renewal at or before expiry include:
  - Useful life of plant, equipment and network is expected to exceed contract terms
  - Currently, no viable or economical alternative is available for customers whose developments have been designed for DC
  - Tabreed's network of pipes and existing infrastructure put Tabreed in a favourable position for contracts to be renewed
- The Group has recently extended two of its material BOOT contracts

## 90%+ of capacity revenue is locked in over next 10 years



# 20 Years Experience of Building, Operating and Maintaining Plants

Tabreed's in-house team has been successful in designing, building, operating and maintaining some of the biggest District Cooling systems across the region for over 20 years

## O&M STRATEGY

Safely operate and maintain the plants and facilities to provide reliable service efficiently while preserving the value and extending the life of the assets

### Proven operations track record

- In-house operation of all plants since 1998
- Less than 0.01% scheduled and unscheduled downtime and no major outage or supply interruption in 20 years of operations
- Strong operating track record underpinned by comprehensive maintenance plans and critical equipment redundancy
- Recognized as a regional leader and contracted by 3rd parties to manage their plants and facilities

### 24/7 manned operations

- Operators present at plants at all times
- Regular operational and HSE training and development programs for operators
- Integrated control and monitoring of all major equipment in plants using SCADA
- Dedicated centralized performance management team monitoring plant performance and enhancing power efficiencies

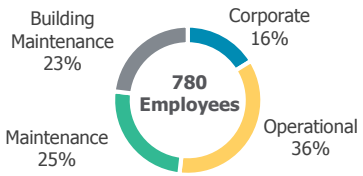
### Centralized maintenance

- Experienced in-house maintenance teams to serve all plants
- Rigorous predictive and preventive maintenance schedule with a lifecycle view
- Stand-by team on hand to address any maintenance needs
- Emergency and recovery plans in place to deal with any outages
- In house building maintenance team to support certain customer side cooling infrastructure

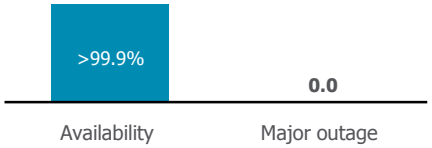
### Project design and delivery

- Joint venture with SNC Lavalin to provide EPC expertise. JV has so far constructed more than 60 plants for Tabreed and third parties
- Experienced in-house project management team to manage delivery of projects
- Designed complex systems specific to customer needs such as Dubai Metro, Yas Island, Dubai Parks and others

**Headcount**




**Plant Performance**



# Focus on Health, Safety and Environment

Health, safety and environment is a key priority for Tabreed and is an integral part of business planning and strategic goal setting

## HSE Policy

- Conduct business in socially responsible manner
- HSE is a key consideration in business planning and decisions
- Comply with all regulations and industry best practices
- Ensure all employees are trained and motivated to adopt and develop HSE culture
- Seek continuous improvement in HSE performance

## Leadership & Commitment

- Senior management is fully committed to HSE with direct reporting line to the CEO
- Reporting HSE performance to the Board of Directors on monthly basis
- HSE steering committee comprises COO, HSE, Operations and Internal Audit heads
- Multiple plant and site visits performed each year by CEO and senior management

## Certifications

- Recipient of International Organization for Standardization and British Standard Institute certifications
  - ISO 9001 for quality management systems
  - ISO 14001 for environment management systems
  - OHSAS 18001 for occupational health and safety management systems

## Implementation

- Integrating HSE into plant operations and processes
- Development of Tabreed's HSE manual
- Regular HSE training and awareness programs to enhance HSE readiness
- Regular internal and external HSE audits to ensure compliance with UAE regulations and international standards
- Automated HSEQ incident reporting and tracking systems accessible to all Tabreed employees
- Mandatory HSE induction, training for Tabreed employees and contractors as well

| | 2016 | 2017 | 2018 |
|---|---|---|---|
| Total Recorded Incident Rate | 0.80 | 0.51 | 0 |
| Lost Time Injury Frequency Rate | 0 | 0 | 0 |

# 3. Board of Directors and Senior Management

# Board of Directors

**Khaled Abdulla Al Qubaisi**
**Chairman**

Khaled Al Qubaisi is the Chief Executive Officer, Aerospace, Renewables and Information Communications Technology (ICT) at Mubadala.

**Other Board Positions**
Mr. Al Qubaisi is also the Chairman of the Board of Injazat Data Systems (Injazat) and Board Member of Abu Dhabi Future Energy Company (Masdar), Emirates Global Aluminium (EGA) and Global Foundries.

**Paulo Almirante**
**Vice Chairman**

Paulo Almirante is currently Executive Vice President of global energy leader ENGIE.

**Other Board Positions**
Mr. Almirante is a board member of numerous ENGIE group companies. He is also a member of ENGIE's Executive Committee in charge of Brazil; Middle East, South and Central Asia and Turkey; North, South and Eastern Europe and Generation Europe.

**Frédérique Dufresnoy**

**Deputy Director of Decentralized Solutions for Cities at global energy leader ENGIE**

Prior to that, she was the Director of Finance, Risks and International Development at ENGIE and CFO of the company's European operations

**Mohammed Al Huraimel Al Shamsi**

**Director of Utilities Investments in Mubadala**

Board Member of Jiangsu Suyadi Tancai Company and SMN Power Holding in Oman

**H.E. Dr. Ahmad Belhoul Al Falasi Member**

**Minister of State for Higher Education and Advanced Skills**

Board member of Masdar

**Mohamed Jameel Al Ramahi**

**Chief Executive Officer of Abu Dhabi Future Energy Company (Masdar)**

Board Member of Dudgeon Offshore Wind Farm in the UK, the Masdar Solar Wind Cooperative, Masdar Investment Committee, and Torresol Energy

**Frédéric Claux**

**Head of Acquisitions, Investments and Financial Advisory for global energy leader ENGIE**

Mr Claux also serves as a non-executive Board member of Les Eoliennes en Mer (offshore wind)

**Sébastien Arbola**

**CEO of the Middle East, South and Central Asia and Turkey region for global energy leader ENGIE**

Prior to that, he was the CFO and Senior Vice President of the company's Asian environmental operations as M&A Group Director

**Saeed Ali Khalfan Al Dhaheri**

**Director of Investments at Ali & Sons Holding LLC**

# Senior Management

**Bader Al Lamki**
Chief Executive Officer

Appointed as Tabreed's Chief Executive Officer in April 2019.

Prior to joining Tabreed, he was responsible for steering the Masdar Clean Energy business growth activities and played a key role in building the company's renewable energy portfolio across 25 countries.

Prior to that, Bader worked at ADMA-OPCO successfully leading a strategic development initiative to increase the company's daily oil production reflecting on the overall revenue of the company.

Earlier in his career, he also worked for a number of renowned organizations, such as French oil major, Total, advising the company on oil and gas projects in Africa.

**Stephen Ridlington**
Chief Financial Officer

Appointed as Tabreed's Chief Financial Officer in February 2015, a position he previously held between 2009 – 2011.

In his first tenure with Tabreed, Steve led the company through its AED 3 billion recapitalization, and designed a new financial strategy to ensure the Company's long-term profitability.

Before re-joining Tabreed, he was the CFO for London-based Buried Hill.

Steve's international experience spans many countries and nearly three decades, including five years spent with Russian-based TNK-BP, and 17 years with BP.

**Hamish Jooste**
Chief Legal Counsel

Hamish joined Tabreed in 2012 and in addition to serving as Chief Legal Counsel, he acts as Secretary to the Board of Directors of Tabreed.

He is a lawyer with over 18 years of experience in corporate law, M&A, banking and utilities.

Prior to joining Tabreed, he has practiced law in four countries across three different continents at large international law firms including Herbert Smith LLP where he worked on many landmark deals in the region.

**Jean-Francois Chartrain**
Chief Operating Officer

Jean-Francois has over 18 years of experience in the fields of Business Development, Engineering and Construction. He has diverse experience in different businesses such as utilities, energy and renewables, and environment industries across various geographies.

In his previous role as Technical Director with ENGIE ITALIA, he headed 3 separate departments; design, maintenance engineering, and energy efficiency. He was also responsible for leading the private development of the district heating scheme.

Previously, he also worked with GDF SUEZ Energie Services, CLIMESPACE and INGEVALOR.

**François Xavier Boul**
Chief Development Officer

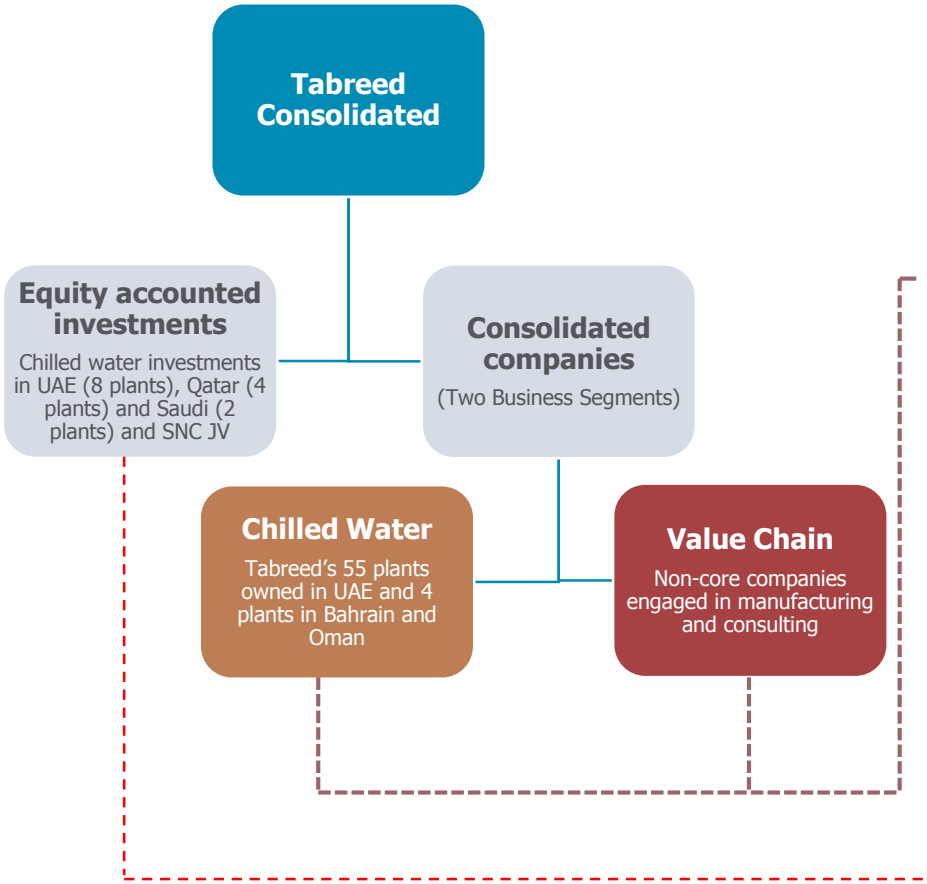
François-Xavier ("FX") has over 15 years of experience in the fields of Business Development, Acquisitions, Project and Structured Finance. He has a diverse experience in different businesses such as construction, banking, financial services, utilities, and oil and energy industries across various geographies.

His last assignment was with ENGIE Group (in UAE) as Senior Vice President – Business Development wherein, he was responsible for leading the business development, structuring and negotiation of projects, and equity investments.

Prior to this, he worked for ACWA Power (Dubai), ABC Bank (Bahrain), Ambac (London) and Natixis (Paris).

# 4. Financial Overview

# Tabreed's Financial Statements



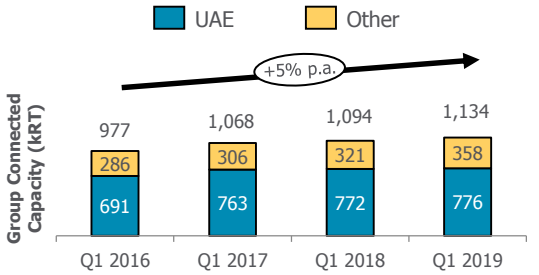

| Consolidated Income Statement (AEDm) | 2018 |
|---|---|
| Revenue | 1,447 |
| Operating cost | (784) |
| **Gross Profit** | **663** |
| Administrative and other expenses | (204) |
| **Profit from Operations** | **459** |
| Net finance costs | (161) |
| Other gains and losses | 43 |
| Share of results of associates and joint ventures | 90 |
| Income attributable to non-controlling interests | (4) |
| **Net Profit** | **428** |

Chilled water contributes ~95% of total revenues and Gross Profit, and 98% of EBITDA; While value chain businesses are profitable, they contribute about 5% to Tabreed's Revenue and Gross Profit

# Headline Performance

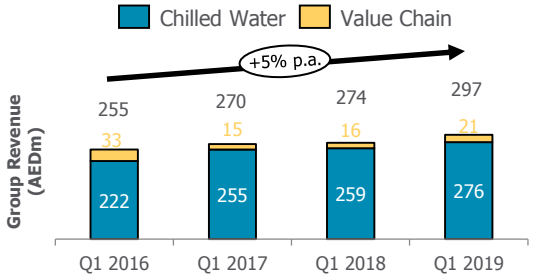
## Long-term contracts with credit worthy customers

- Providing over 1.1m RT of cooling across GCC – growing 5% annually since 2016
- Long term contracts (~25 years) mean over 90% of contracted capacity locked in for at least the next 10 years
- About 70% of revenues from wholly government owned and partially government owned entities



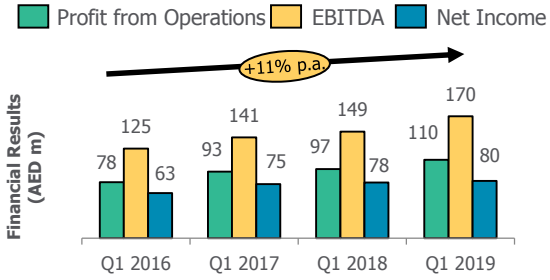

## Revenue growth from existing and new business

- Group revenue growing at a 5% CAGR since 2016 driven by Chilled Water revenue growth of 8%
- Utility business model leads to steady increases in revenue and profitability from existing customers
- Signed the first concession agreement in India



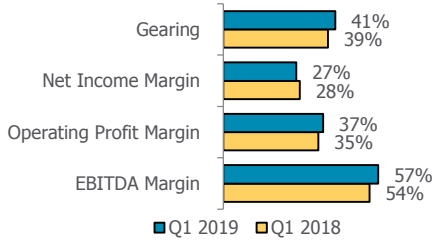

## Solid financial performance

- Predictability in earnings driven by capacity charge
- Net income has grown 8% and EBITDA 11% annually since 2016




## Value to shareholders

- EBITDA margin of 57%
- Strong balance sheet
- Stable cash flow generation
- Dividend of 9.5 fils, up from 8.0 fils in 2018



# Q1 2019 Income Statement

| Consolidated Financials (AED m) | Q1 2019 | Q1 2018 | *Variance* | *%* |
|---|---|---|---|---|
| Revenue | 297 | 274 | *22* | *8%* |
| *Chilled water revenue (93%)* | 276 | 259 | *17* | *7%* |
| *Value chain businesses (7%)* | 21 | 16 | *5* | *31%* |
| Operating cost | (135) | (129) | *(6)* | *5%* |
| **Gross Profit** | **162** | **146** | ***16*** | ***11%*** |
| *Gross profit margin* | *54%* | *53%* | | |
| Administrative and other expenses | (52) | (49) | *(3)* | *6%* |
| **Profit from Operations** | **110** | **97** | ***13*** | ***14%*** |
| *Operating profit margin* | 37% | 35% | | |
| Net finance costs | (45) | (41) | *(4)* | *10%* |
| Other gains and losses | 0 | 0 | *(0)* | - |
| Share of results of associates and joint ventures | 16 | 22 | *(6)* | *-29%* |
| Income attributable to non-controlling interests | (1) | (0) | *(1)* | *87%* |
| **Net Income** | **80** | **78** | ***2*** | ***3%*** |
| *Net Income margin* | *27%* | *28%* | | |
| **EBITDA** | **170** | **149** | ***21*** | ***15%*** |
| *EBITDA margin* | *57%* | *54%* | | |

**Key Observations**

- Increase in revenue mainly driven by consolidation of S&T and chilled water CPI adjustment for 2018
- Share of results of associates and joint ventures declined compared to prior year mainly due to lower contributions from Saudi Tabreed, Qatar Cool and S&T
- Finance cost higher due to IFRS 16

# Q1 2019 Financial Position

| Consolidated Financials (AED m) | Mar 31, 2019 | Dec 31, 2018 | *Variance* | *%* |
|---|---|---|---|---|
| Fixed Assets | 7,374 | 7,026 | *348* | *5%* |
| Associates and Joint Ventures | 586 | 579 | *7* | *1%* |
| Accounts Receivable | 470 | 568 | *(98)* | *-17%* |
| Cash and Short Term Deposits | 434 | 249 | *185* | *74%* |
| Other Assets | 61 | 61 | *(0)* | *-1%* |
| **Total Assets** | **8,924** | **8,484** | ***440*** | ***5%*** |
| Equity and Reserves | 4,637 | 4,737 | *(100)* | *-2%* |
| Non Convertible Sukuk | 1,829 | 1,829 | *0* | - |
| Other Corporate Debt | 1,451 | 1,160 | *291* | *25%* |
| Other Liabilities | 1,007 | 758 | *249* | *33%* |
| **Total Liabilities and Equity** | **8,924** | **8,484** | ***440*** | ***5%*** |

**Key Observations**

- Increase in fixed assets primarily due to the implementation of IFRS 16
- Decrease in accounts receivables compared to December 2018 reflects better collections
- Movement in Equity & Reserves due to 2018 dividend offset by impact of IFRS 16
- Increase in Other Corporate Debt reflects the implementation of IFRS 16
- Increase in Other Liabilities on account of 2018 Dividend which was subsequently paid on 2-April-2019

# Q1 2019 Cash Flow Statement

| Consolidated Financials (AED m) | Q1 2019 | Q1 2018 | Variance | % |
|---|---|---|---|---|
| **Profit from Operations** | **110** | **97** | ***13*** | *14%* |
| Finance lease amortization | 14 | 17 | *(2)* | *-13%* |
| Depreciation | 46 | 35 | *11* | *30%* |
| Working Capital and other adjustments | 68 | 23 | *45* | *201%* |
| **Net cash flows from Operating Activities** | **238** | **171** | ***67*** | ***39%*** |
| Capital expenditure incurred | (17) | (25) | *9* | *-34%* |
| Acquisition of additional share in a subsidiary | - | (5) | *5* | - |
| Dividends and interest income received | 1 | 13 | *(12)* | *-94%* |
| Acquisition of S&T | - | 15 | *(15)* | - |
| **Net cash flows from Investing Activities** | **(16)** | **(3)** | ***(13)*** | ***-*** |
| Debt servicing | (37) | (39) | *2* | *-6%* |
| Others | (1) | - | *(1)* | - |
| **Net cash flows from Financing Activities** | **(38)** | **(39)** | ***2*** | ***-4%*** |
| **Net Movement in Cash and Cash Equivalents** | **185** | **129** | ***56*** | *43%* |
| Cash and Cash Equivalents at the start of the period | 249 | 418 | *(169)* | *-40%* |
| **Cash and Cash Equivalents at the end of the period** | **434** | **548** | ***(114)*** | ***-21%*** |

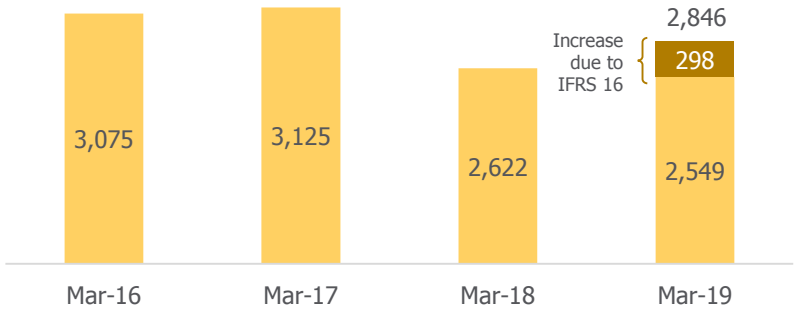
**Key Observations**

- Strong operating cash flows driven by higher profitability and improved working capital cycle
- Movement in dividend received due to timing difference

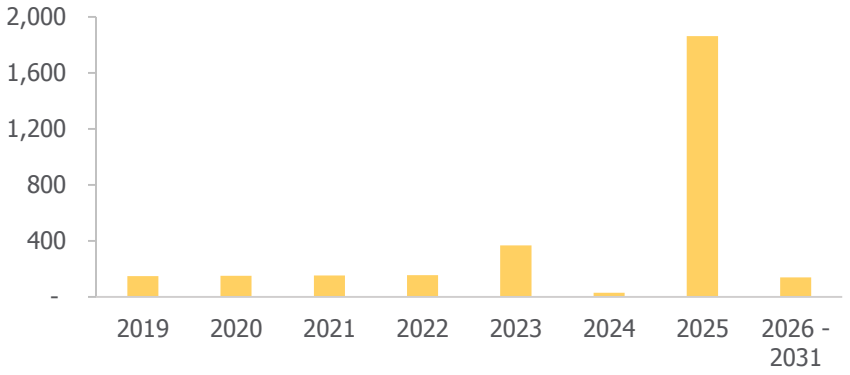
# Q1 2019 Debt Portfolio and Return Ratios

- Current gearing of 41% (vs. 39% in Dec 2018 and 42% in Mar 2018); Increase in debt in Q1 2019 due to implementation of IFRS 16
- No significant debt repayments until the Sukuk matures in 2025
- Strong improvement in Net Debt to EBITDA ratio as EBITDA continues to grow and debt declines
- Consistent improvement in return ratios

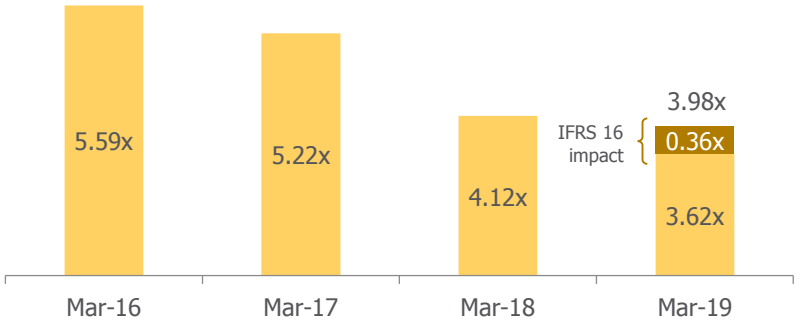
## Net Debt Profile (AED m)



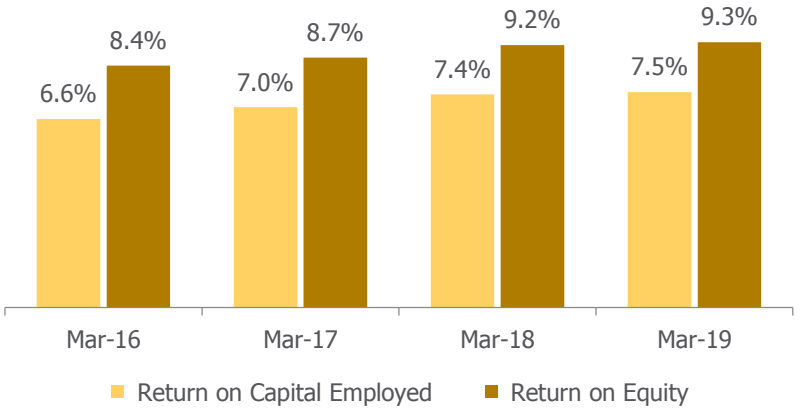

## Debt Maturity Profile (AED m)




## Net Debt to LTM EBITDA




## Return on Capital Employed and Return on Equity



# 5. Conclusion

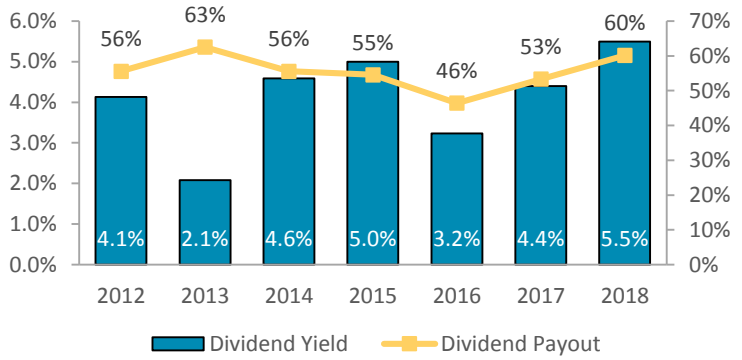
# Unique GCC-wide Infrastructure Assets Company

| | |
|---|---|
| **Why District Cooling?** | • District Cooling is a critical part of the growing GCC infrastructure<br>• District Cooling is 50% more energy efficient than conventional cooling and 16% cheaper for the customer |
| **Why Tabreed?** | • One of the largest district cooling companies in the world with experienced management team<br>• Over 20 years of excellent operational performance, on-time delivery of projects and expertise in financing DC assets<br>• Relationships with Government and key real estate developers across the region<br>• A strong shareholder base with Mubadala and ENGIE providing support to operations and growth<br>• Investment grade credit ratings from Moody's (Baa3, Stable) and Fitch (BBB, Stable)<br>• Sukuk issue and refinance of the current debt delivers improved balance sheet efficiency and longer term maturity |
| **Robust Financial Results** | • Sustainable, stable and predictable results, low operating risk business model with strong margins<br>• Net income has grown 8% and EBITDA 11% annually since 2016, driven by capacity additions and CPI pass through<br>• Stable utility infrastructure business model enables consistent performance |
| **Seeking and investing in opportunities across GCC** | • Focus on stable Chilled Water leading to enhanced value from existing plants and increasing operational efficiencies<br>• Seeking and investing in organic and inorganic projects across the GCC and selectively outside of GCC<br>• De-risking projects by using "take or pay" fixed date contracts and ring-fenced project financing<br>• Entry into India with a 30 year concession agreement to provide district cooling at the new Capital City, Amaravati |
| **Track record of delivering capacity growth** | • 157k RT capacity added since 2016<br>• 65k RT of signed up capacity additions expected by the end of 2020, 3k RT delivered in Q1 2019<br>• Regional footprint allows access to varied growth opportunities<br>• Operational track record, customer relationships and financial strength to benefit from growth in the region |

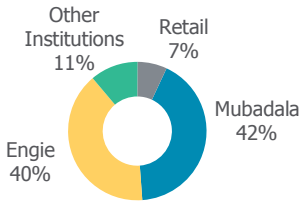
# Shareholder Returns

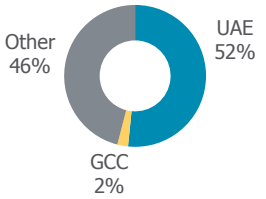
### 2016 to date – Market price of Tabreed vs. DFM

### Cash dividend yield (% of 31 Dec share price) and Dividend Payout




### Shareholder Composition and Geographical Spread




**Solid performance vs DFM index**

- Seven consecutive years of dividend distribution beginning in 2012; 2018 dividend of 9.5 fils/share
- Share price beating DFM index since 2016
- A strong shareholder base with Mubadala and ENGIE providing support and operations growth

# Contact Us

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# IFRS 16 Leases – First Time Adoption and Impact

## Background

- IFRS 16 became effective 1 Jan 2019
- IFRS 16 impacts both Operating and Finance Lease accounting

**Summary of Balance Sheet Impact (31 March, 2019)**

| Assets | AED m |
|---|---|
| Increase in operating lease assets | 223 |
| Increase in finance lease receivables | 172 |
| | **395** |
| **Liabilities** | **AED m** |
| Increase in operating lease liabilities | 308 |
| Increase in retained earnings | 87 |
| | **395** |

## Operating Leases

- IFRS 16 requires operating leases to be recorded as right-of-use assets
- Previously the leased assets were not capitalised. IFRS 16 results in recognition of an asset and a broadly matching liability on the balance sheet
- Previously the payment related to these assets were charged as an operating expense. After IFRS 16 implementation, the asset will be depreciated on a straight line basis over the life of the lease and the liability will unwind as per the amortisation schedule (finance cost and lease repayment)
- In Q1 2019, the above resulted in reclassification of operating expenses (AED 11.8m) into Depreciation (AED 6.9m) and Finance Costs (AED 4.2m)
- Both Depreciation and Finance Costs do not form part of the EBITDA resulting in higher EBITDA in Q1 2019

## Finance Leases

- IFRS16 requires a technical change in how finance leases are calculated
- It requires inclusion of contractual CPI in the finance lease models which was previously excluded
- Finance lease models are revised annually to reflect the applicable CPI for that year

# 2018 Income Statement

| Consolidated Financials (AED m) | 2018 | 2017 | Variance | % |
|---|---|---|---|---|
| Revenue | 1,447 | 1,399 | *47* | *3%* |
| *Chilled water revenue (94%)* | 1,361 | 1,317 | *44* | *3%* |
| *Value chain businesses (6%)* | 86 | 82 | *3* | *4%* |
| Operating cost | (784) | (772) | *(12)* | *2%* |
| **Gross Profit** | **663** | **628** | ***35*** | ***6%*** |
| *Gross profit margin* | *46%* | *45%* | | |
| Administrative and other expenses | (204) | (196) | *(8)* | *4%* |
| **Profit from Operations** | **459** | **432** | ***27*** | ***6%*** |
| *Operating profit margin* | *32%* | *31%* | | |
| Net finance costs | (161) | (161) | *0* | *0%* |
| Other gains and losses | 43 | 2 | *41* | - |
| Share of results of associates and joint ventures | 90 | 129 | *(39)* | *-30%* |
| Income attributable to non-controlling interests | (4) | (2) | *(2)* | - |
| **Net Income** | **428** | **400** | ***27*** | ***7%*** |
| *Net Income margin* | *30%* | *29%* | | |
| **EBITDA** | **694** | **628** | ***66*** | ***10%*** |
| *EBITDA margin* | *48%* | *45%* | | |

**Key Observations**

- Increase in revenue mainly driven by consolidation of S&T, capacity additions in Oman and Bahrain and chilled water CPI adjustment for 2018
- Share of results of associates and joint ventures declined compared to prior year mainly due to the impact of new accounting standard (IFRS 15), consolidation of S&T and dilution of stake in Saudi Tabreed
- Finance cost unchanged at AED 161m

Stable utility business model with EBITDA margins of ~48%

# 2018 Financial Position

| Consolidated Financials (AED m) | Dec 31, 2018 | Dec 31, 2017 | *Variance* | *%* |
|---|---|---|---|---|
| Fixed Assets | 7,026 | 6,874 | *152* | *2%* |
| Associates and Joint Ventures | 579 | 826 | *(247)* | *-30%* |
| Accounts Receivable | 568 | 517 | *52* | *10%* |
| Cash and Short Term Deposits | 249 | 418 | *(169)* | *-40%* |
| Other Assets | 61 | 60 | *1* | *2%* |
| **Total Assets** | **8,484** | **8,696** | ***(211)*** | ***-2%*** |
| Equity and Reserves | 4,737 | 4,797 | *(60)* | *-1%* |
| Non Convertible Sukuk | 1,829 | - | *1,829* | - |
| Islamic Financing | - | 1,155 | *(1,155)* | *-100%* |
| Other Corporate Debt | 1,160 | 2,013 | *(853)* | *-42%* |
| Other Liabilities | 758 | 730 | *28* | *4%* |
| **Total Liabilities and Equity** | **8,484** | **8,696** | ***(211)*** | ***-2%*** |

**Key Observations**

- Increase in fixed assets primarily reflects consolidation of S&T
- Decrease in Associates and Joint Ventures reflects dividend received, IFRS 15 adjustment for Qatar Cool, transfer of S&T to consolidated subsidiary and 5% dilution of stake in Saudi Tabreed
- Increase in accounts receivables primarily due to consolidation of S&T and impact of VAT
- Movement in debt reflects refinancing activity in Q4 2018 and strong operating cash flows enabling reduction in debt

Robust balance sheet optimally positions Tabreed to capitalize on future growth opportunities

# 2018 Cash Flow Statement

| Consolidated Financials (AED m) | 2018 | 2017 | Variance | % |
|---|---|---|---|---|
| **Profit from Operations** | **459** | **432** | ***27*** | *6%* |
| Finance lease amortization | 85 | 56 | *30* | *53%* |
| Depreciation | 150 | 140 | *9* | *7%* |
| Working Capital and other adjustments | (32) | (73) | *41* | *56%* |
| **Net cash flows from Operating Activities** | **662** | **555** | ***107*** | ***19%*** |
| Capital expenditure incurred | (100) | (198) | *98* | *-50%* |
| Acquisition of additional share in a subsidiary | (5) | - | *(5)* | - |
| Dividends and interest income received | 75 | 123 | *(48)* | *-39%* |
| Proceeds from sale of stake in Saudi Tabreed | 40 | - | *40* | - |
| Acquisition of S&T | (252) | - | *(252)* | - |
| **Net cash flows from Investing Activities** | **(241)** | **(74)** | ***(167)*** | ***-225%*** |
| Loans drawn down and principal repayments (net) | (2,051) | (67) | *(1,984)* | - |
| Sukuk received | 1,829 | - | *1,829* | - |
| Interest payments | (130) | (144) | *14* | *-10%* |
| MCB cash coupon paid | - | (43) | *43* | - |
| Others | (238) | (199) | *(39)* | *-20%* |
| **Net cash flows from Financing Activities** | **(590)** | **(453)** | ***(138)*** | ***-30%*** |
| **Net Movement in Cash and Cash Equivalents** | **(169)** | **28** | ***(198)*** | - |
| Cash and Cash Equivalents at the start of the period | 418 | 390 | *28* | *7%* |
| **Cash and Cash Equivalents at the end of the period** | **249** | **418** | ***(169)*** | ***-40%*** |

**Key Observations**

- Strong operating cash flows driven by higher profitability and improved working capital cycle
- Investing cash flows primarily reflect acquisition of S&T
- Financing cash flows mainly include dividend payment; scheduled debt repayment and refinancing in 4Q 2018

Strong cash flow generation from long term price certain contracts