Salik Company PJSC Achieves H2 2022 Net Profit of AED 529 million and Proposes 6.5521 fils per share Cash Dividend

- *Rise in toll road usage drives c. 12% YoY increase in Salik's revenue to c. AED 1.9 billion in 2022; traffic levels in Q4 2022 recover to pre-pandemic levels of Q4 2019*
- *Robust profitability, with an H2 2022 EBITDA margin of 67.5%, underscores Salik's streamlined business model and the concession's attractive framework*
- *Salik achieves net profit of 529 million in H2 2022 from the start of its concession agreement with the RTA*
- *Strong profitability and attractive working capital dynamics drive best-in-class cash generation, with a free cash flow margin of 72.6% in H2 2022*
- *Considering the strong set of results, the Board of Directors proposes to distribute 100% of H2 2022 net profit after deducting AED 37.5 million statutory reserve (c. AED 491.4 million, equivalent to 6.5521 fils per share)*

Dubai, UAE – 7 March 2023: During its meeting presided by His Excellency Mattar Al Tayer, Chairman of the Board, the Board of Directors of Salik Company PJSC ("Salik" or the "Company"), Dubai's exclusive toll gate operator, approved the Company's audited financial results for the year ended December 31, 2022.

Salik achieved a net profit of AED 529 million for the second half of 2022, covering the period since the start of Salik's concession agreement with the Roads & Transport Authority (RTA) until December 31, 2022. Based on the strong set of results, the Board of Directors has proposed to distribute 100% of Salik's net profit of the second half of 2022, equivalent to c. AED 491.4 million (6.5521 fils per share) after deducting AED 37.5 million as one-time statutory reserves after reaching the statutory limit of 50% of paid-in capital, in line with Salik's announced dividend policy and subject to shareholder approval at the Company's upcoming General Assembly Meeting.

His Excellency Mattar Al Tayer, Chairman of the Board of Directors of Salik, commented:

"Salik's positive performance in 2022 is a reflection of the Emirate of Dubai's unwavering economic resilience amid global turbulence and the ongoing efforts to attract a diverse and growing population. This year was one of new beginnings for Salik, and we are proud to have played a role in Dubai's ambitious privatisation programme through our landmark listing in September 2022. At Salik, we are committed to driving Dubai's capital market growth and supporting the Emirate's larger economic development plans. As a key player in Dubai's economy, we will continue to work closely with the government and other stakeholders to achieve the leadership's visions and create new opportunities for the people of Dubai."

Ibrahim Sultan Al Haddad, Chief Executive Officer of Salik, commented:

"I am proud to report Salik's financial and operational results for the fiscal year 2022. We began our journey with a highly successful listing on Dubai Financial Market in September, positioning Salik as a strong financial performer with an attractive business model and strong value proposition for shareholders. Now, our 2022 results depict a story of triumph amid global turmoil and uncertainty, driven by Dubai's economic resilience. The strong increase in toll road usage was a key driver of our success, compounded by traffic levels in the fourth quarter of 2022 having recovered to pre-pandemic levels. I am pleased to report that Salik enjoyed robust profitability in 2022, with an

EBITDA margin of 67.5% for the latter half of 2022. I am committed to ensuring that Salik continues to deliver outstanding results and unlocks further value for our shareholders."

Traffic Highlights

Continued recovery from the pandemic drives 13% YoY growth in revenue-generating trips to c. 413 mn in 2022; Q4 traffic level returns to peak pre-pandemic level seen in Q4 2019

In 2022, the total number of trips made through Salik's eight toll gates increased c. 12% YoY to c. 539 million trips, from c. 481 million trips a year earlier, driven by continued recovery from the impact of the Covid-19 pandemic as restrictions were fully lifted in Dubai, as well as by the positive growth resulting from Expo 2020 in the first quarter of the year. Revenue-generating trips, in turn, increased c. 13% to c. 413 million trips from c. 367 million in 2021.

In the fourth quarter of 2022, the number of revenue-generating trips grew c. 15% quarter-on-quarter (QoQ) to c. 111 million, as activity picked up in October after the end of the summer holidays. Traffic levels in the fourth quarter were broadly in line with those recorded before the pandemic in the fourth quarter of 2019. Compared to the fourth quarter of 2021, revenue-generating trips increased c. 4% from an already strong base which was positively supported by the launch of Expo 2020 in October 2021.

Million	2022	2021	% Δ YoY	Q4 2022	Q4 2021	% Δ YoY	Q3 2022	% Δ QoQ
Total trips(1)	**539.1**	**481.2**	**12.0%**	**144.2**	**138.2**	**4.4%**	**128.0**	**12.7%**
Discounted trips(2)	**120.1**	**111.2**	**8.0%**	**31.8**	**31.0**	**2.6%**	**30.1**	**5.8%**
as a % of total trips	*22.3%*	*23.1%*	*-0.8%*	*22.1%*	*22.4%*	*-0.4%*	*23.5%*	*-1.4%*
Net toll traffic(3)	**419.0**	**370.0**	**13.2%**	**112.4**	**107.1**	**4.9%**	**97.9**	**14.8%**
as a % of total trips	*77.7%*	*76.9%*	*0.8%*	*77.9%*	*77.6%*	*0.4%*	*76.5%*	*1.4%*
Revenue-generating trips(4)	**412.9**	**366.6**	**12.6%**	**110.9**	**106.6**	**4.1%**	**96.6**	**14.8%**
as a % of net toll traffic	*98.6%*	*99.1%*	*-0.5%*	*98.7%*	*99.5%*	*-0.8%*	*98.7%*	*0.0%*

(1) Total vehicle trips through Salik toll gates
(2) Discounted trips include taxis without passengers, Al Mamzar and Al Maktoum gates free time and discounts, vehicles exempted by law, and multiple violations and other. Multiple violations refer to drivers that repeatedly drive through the toll gates without paying in 24 hours. In this case, the fine is paid only once
(3) Net toll traffic is total trips minus discounted trips
(4) Revenue-generating trips is net toll traffic minus fines & penalties and unreconciled trips. Revenue-generating trips is the driver for Salik's toll usage fees revenue, which accounts for the majority of Salik's revenue

Registered vehicles increase 6.8% YoY to 3.7 million vehicles

The number of vehicles registered with Salik increased 7% YoY to c. 3.7 million as of December 31, 2022, from c. 3.5 million a year earlier, reflecting the Emirate of Dubai's ongoing efforts to attract tourists and talent. Tag activations reached c. 779,000 new tags in 2022, a 13% increase from last year.

Financial Highlights

Note on the financial statements:

Comparing Salik's profitability between 2021 and 2022 may not accurately reflect the company's performance on a like-for-like basis, due to changes in its operating structure and cost profile. From July 2022 onwards, Salik operates as a separate legal entity from the RTA through a 49-year concession agreement. This has resulted in new costs, such as concession fees, rent, amortization, and transitional service expenses, as well as finance costs, that did not exist prior to July 2022.

Rise in toll road usage drives c. 12% YoY increase in Salik's revenue to c. AED 1.9 bn in 2022

In 2022, Salik's revenue increased 11.8% YoY to AED 1,892 million, primarily driven by the following:

- **Toll usage fees:** strong growth in revenue-generating trips drove a 12.6% YoY growth in revenue from toll usage fees, reaching AED 1,652 million from AED 1,467 million a year earlier, driven by ongoing recovery after the lifting of Covid-19 restrictions in Dubai. Toll usage fees contributed c. 87% to total revenue during the year.

- **Fines and penalties:** revenue from fines and penalties increased 9.4% YoY to AED 202 million, from AED 184 million a year earlier, broadly in line with growth in traffic during the same period, resulting in an 11.5% growth in the number of violations, net of violation dismissals (2.39 million in 2022 compared to 2.14 million a year earlier). The number of net violations remained mostly unchanged as a fraction of net toll traffic, and revenue from fines and penalties contributed c. 11% to total revenue.

- **Tag activation fees:** despite a 13% YoY increase in tag activations, the Company's revenue from tag activation fees decreased c. 9% YoY to AED 36 million, as revenue is recognized over the estimated average tag life of five years, and recognized revenue is affected by tag sales during the current financial period as well as previous periods which were impacted by the pandemic. Tag activation fees contributed c. 2% to total revenue.

Salik's revenue for the fourth quarter of 2022 increased 12.7% QoQ to AED 502 million, mostly driven by a 14.8% increase in revenue from toll usage fees, which in turn was entirely driven by positive seasonality effects as well as organic growth in the number of trips. The growth in revenue from toll usage fees was partially offset by a c. 2% decrease in revenue from fines and penalties, despite a c. 5% increase in the number of net violations to c. 610,000, due to a softer fine mix. Salik's fine mix is dependent on the nature of fines committed.

Compared to the fourth quarter of 2021, revenue for the fourth quarter of 2022 increased c. 2% YoY, led by a c. 4% increase in revenue from toll usage fees from an already strong base, more than offsetting a c. 5% drop in revenue from fines and penalties. Fines and penalties decreased on the back of a softer fine mix, more than offsetting an increase in the number of net violations. The number of net violations remained mostly unchanged as a fraction of net toll traffic.

Solid EBITDA margin of 67.5% in H2 2022 underscores the concession's attractive terms and Salik's streamlined business model

Salik achieved an EBITDA of AED 640 million in the second half of 2022, covering the period since the start of Salik's concession agreement with the RTA on July 1, 2022 until December 31, 2022, with a strong EBITDA margin of 67.5%, reflecting Salik's attractive concession framework with the RTA.

Salik's EBITDA for the fourth quarter of 2022 reached AED 349 million, a 19.8% QoQ increase that was predominantly driven by the sequential rise in toll usage. During the quarter, Salik successfully leveraged its fixed costs against a higher volume of revenue-generating trips, resulting in an increase in Salik's EBITDA margin to 69.5% from 65.4% in the third quarter of 2022.

Salik achieves net profit of AED 529 mn in H2 2022; Board of Directors proposes distribution AED 491 mn as cash dividends to shareholders

Salik achieved a net profit of AED 529 million in the second half of 2022, covering the period since the start of the concession agreement with the RTA on July 1, 2022, until December 31, 2022.

In the fourth quarter of 2022, Salik's net profit reached AED 287 million, an increase of 18.6% compared to AED 242 million in the previous quarter, led by the increase in toll usage, more than offsetting an increase in net finance costs due to a rise in the profit rate.

In line with Salik's strong set of results and its announced dividend policy, Salik's Board of Directors has proposed to distribute c. AED 491.4 million to shareholders (6.5521 fils per share), reflecting 100% of the Company's net profit for the second half of 2022 less AED 37.5 million in one-time statutory reserves, subject to approval at the Company's upcoming General Assembly Meeting.

Summary of statement of profit or loss

AED million(1)	2022	2021	% Δ YoY	Q4 2022	Q4 2021	% Δ YoY	Q3 2022	% Δ QoQ	H2 2022	H2 2021	% Δ YoY
Revenue	**1,892**	**1,693**	**11.8%**	**502**	**492**	**2.0%**	**445**	**12.7%**	**947**	**900**	**5.2%**
Toll usage fees	*1,652*	*1,467*	*12.6%*	*444*	*426*	*4.1%*	*386*	*14.8%*	*830*	*778*	*6.7%*
Fines and penalties	*202*	*184*	*9.4%*	*48*	*50*	*-4.7%*	*49*	*-1.9%*	*97*	*96*	*0.8%*
Tag activation fees	*32*	*36*	*-9.3%*	*8*	*13*	*-35.5%*	*8*	*8.8%*	*16*	*22*	*-27.5%*
Other revenue	*7*	*7*	*1.6%*	*2*	*2*	*-27.8%*	*2*	*-20.7%*	*4*	*4*	*2.6%*
EBITDA(2)	**1,440**	**1,387**	**-**	**349**	**417**	**-**	**291**	**19.8%**	**640**	**749**	**-**
EBITDA margin	76.1%	81.9%	-	69.5%	84.6%	-	65.4%	4.1%	67.5%	83.2%	-
Finance costs, net	(70)	-	-	(41)	-	-	(29)	**43.3%**	(70)	-	-
Profit for the period	**1,326**	**1,381**	**-**	**287**	**415**	**-**	**242**	**18.6%**	**529**	**746**	**-**
No. of shares outstanding (million)	7,500	7,500		7,500	7,500		7,500		7,500	7,500	
Earnings per share (AED)	**0.177**	**0.184**	**-**	**0.038**	**0.055**	**-**	**0.032**	**18.6%**	**0.071**	**0.099**	**-**
Dividend per share (fils)3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6.5521**	**-**	**-**

(1) Comparing Salik's profitability between 2021 and 2022 may not accurately reflect the company's performance on a like-for-like basis, due to changes in its operating structure and cost profile since the start of the concession agreement. For further details, please refer to the notes to the Company's financial statements.
(2) EBITDA is profit for the period, excluding the impact of finance cost, finance income, and depreciation, and amortization expenses
(3) 100% of H2 2022 net profit after deducting AED 37.5 million in one-time statutory reserves

Continued favourable working capital dynamics

The Company recorded a net working capital balance of AED -147 million as of December 31, 2022, excluding VAT, increasing from AED -124 million as of 30 September, broadly in line with Salik's sequential growth in revenues.

Contract liabilities, which are balances paid in advance by customers relating to recharges and tag activation fees, increased 7.7% QoQ and 4.8% YoY, to AED 338 million as of December 31, 2022, reflecting higher recharges than actual usage during the period.

Healthy leverage with net debt-to-EBITDA at 2.5x

The Company ended the year with a net debt balance of c. AED 3.2 billion, which is equivalent to a healthy annualized H2 2022 EBITDA of 2.5x, considerably lower than the Company's debt covenant of 5.0x. On 30 June 2022, Salik entered into an AED 4.2 billion credit facility agreement with Emirates

NBD Bank, including a revolving facility of AED 200 million, to make the upfront concession payment, as well as for general corporate purposes.

Summary of financial position

	31 Dec 2022	31 Dec 2021	% Δ YoY
Total assets	5,303	315	1581.8%
Total liabilities	4,699	325	1344.1%
Total equity	604	(10)	-
Borrowings	3,986	-	-
Cash and cash equivalent	823	-	-
Net debt	3,163	-	-
Contract liabilities [(1)]	338	313	7.7%
Net working capital [(2)]	(147)	(78)	88.2%
Inventories	*12*	*16*	-28.1%
Trade and other receivables [(3)]	*164*	*192*	-14.3%
Due from related parties	*144*	-	-
Due to a related party [(4)]	*(113)*	-	-
Trade and other payables	*(60)*	*(10)*	518.3%
Contract liabilities, current portion	*(294)*	*(277)*	6.4%

(1) Contract liabilities is the sum of current and non-current balances paid in advance by customers relating to recharges and too-ups and tag activation fees
(2) Net working capital is the balance of inventories plus trade and other receivables plus dues from related parties minus trade and other payables, minus due to a related party minus current portion of contract liabilities
(3) Trade and other receivables exclude VAT receivable of 5% on the AED 4.0 upfront concession fee
(4) Due to a related party exclude payable of 5% of the AED 4.0 billion upfront concession fee

Robust profitability and attractive working capital profile result in H2 free cash flow of AED 688 mn and margin of 72.6%

Salik's cash flow from operating activities and free cash flow each reached AED 688 million in the second half of 2022, thanks to the strong traffic performance and positive working capital dynamics. Salik did not incur any capital expenditures in the second half of the year, allowing the Company's free cash flow margin to reach 72.6% in the second half of 2022.

Salik's free cash flow for the fourth quarter of 2022 increased by 18.5% QoQ to AED 373 million, broadly mirroring the increase in EBITDA during the same period. The free cash flow margin, as a result, reached 74.3% during the quarter.

Summary of cash flow

AED million	2022	2021	% Δ YoY	Q4 2022	Q4 2021	% Δ YoY	Q3 2022	% Δ QoQ	H2 2022	H2 2021	% Δ YoY
Operating cash flow before changes in working capital	1,460	1,413	3.3%	345	400	-13.8%	302	14.5%	647	746	-13.3%
Changes in working capital	56	(179)	-	28	(96)	-	13	112.2%	41	(127)	-
Net cash flow from operating activities	1,516	1,234	22.8%	373	304	22.5%	315	18.5%	688	619	11.0%
Net cash used in investing activities	(4,000)	(1)	-	3	-	-	(4,000)	-	(3,997)	(1)	-
Net cash used in financing activities	3,307	(1,233)	-	(43)	(304)	-86.0%	(30)	40.9%	(73)	(618)	-88.2%
Free cash flow[(1)]	1,512	1,233	22.7%	373	304	22.5%	315	18.5%	688	618	11.2%
Free cash flow margin[(2)]	79.9%	72.8%	7.1%	74.3%	61.9%	12.4%	70.6%	3.7%	72.6%	68.7%	3.9%

(1) Free cash flow is net cash flows from operating activities less purchases of property and equipment plus proceeds from the sale of property and equipment
(2) Free cash flow margin is free cash flow divided by revenue

Business Highlights

Salik continues to advance its sustainability agenda

In its first year as an independent entity, Salik continued to invest in its human capital and promote diversity and inclusion. From July 1, 2022, the start of its concession agreement with the RTA, to December 31, 2022, Salik's full-time workforce grew from 12 to 30 employees and the number of represented nationalities rose from six to nine. Additionally, Salik continued to prioritize gender diversity, with a female to total workforce ratio of 33% as of December 31, 2022. Salik also made significant progress in terms of Emiratization, ending the year with an Emiratization level of 47%.

Salik continued to offer tariff exemptions to vehicles used by charities, schools, people of determination, ambulances, and other public services in 2022. During the year, there were approximately 7.7 million free-of-charge trips through Salik's eight toll gates, at a rate of approximately 21,000 trips per day, an increase of 8.4% compared to the previous year.

On the environmental front, Salik continued to promote the adoption of electric vehicles by offering free-of-charge Salik tags to owners of electric vehicles. The number of registered vehicles with these tags more than doubled, reaching 2,418 vehicles as of December 31, 2022, compared to 1,105 the previous year.

Business Outlook

Supported by the strong trajectory in the number of trips made through Salik gates in 2022, and with traffic levels broadly recovering to pre-pandemic levels during the fourth quarter of 2022, Salik expects the number of revenue-generating trips through its eight toll gates to fully recover to increase 5-6% in 2023, and guides for an EBITDA margin of 63-64%.

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About Salik Company PJSC

Salik Company PJSC has been established in its current form, as a public joint stock company in June 2022 pursuant to Law No. (12) of 2022. Salik, meaning "clear" in Arabic, is Dubai's exclusive toll gate operator and currently operates automatic toll gates utilising Radio Frequency Identification (RFID) and Automatic Number-Plate Recognition (ANPR) technologies throughout Dubai. Salik's current eight toll gates are located at strategic junctures throughout Dubai, especially on Sheikh Zayed Road which is considered the Emirate's main road. In 2022, 539 million journeys were made through Salik's toll gates, which includes tourists making their way to Dubai's many attractions, or residents efficiently travelling as part of daily life. Under a 49-year concession agreement (ending in 2071) with the Roads and Transport Authority (RTA), Salik holds the exclusive right to operate current and any future toll gates across the Emirate of Dubai.

Investor Relations

Mohamed Zein
Head of Investor Relations

E: Mohamed.Zeinelabedin@salik.ae

Media Enquiries

Faisal Tawakul
Marketing & Corporate Communications Manager
E: Faisal.Tawakul@salik.ae

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