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## REVIEW OF BUSINESS



### Financial

#### Excellent results

Q-Park closed the 2016 financial year with excellent results. We successfully maintained the upward trend in revenue growth, EBITDA and free cash flow that commenced in 2015. Revenue increased 2% compared to 2015, to an amount of EUR 825.0 million. EBITDA amounts EUR 194.9 million, which is an increase of EUR 9.9 million compared to prior year (2015: EUR 185.0 million). The net result showed a significant increase from EUR 90.9 million in 2015 to EUR 128.9 million for 2016. This increase is driven by the solid EBITDA, lower interest expenses and a positive revaluation result on investment property partly offset by higher tax expenses.

The total comprehensive income amounts to EUR 91.9 million (2015: EUR 130.5 million) and is significantly

impacted by negative foreign exchange results (EUR -50.5 million), mainly as a result of the outcome of the Brexit referendum.

#### Financing

In 2016, the total monetary loans decreased on balance by EUR 82.3 million. The average effective interest rate percentage on the loans outstanding in 2016, including the financial instruments linked to these monetary loans, amounts to 3.7% (2015: 4.4%). This decrease of monetary loans balance, as well as the decrease in average effective interest rate percentage, resulted in a significant drop of the cost of financing which amounted to EUR -44.3 million (2015: EUR -63.3 million)

The primary financing ratios, as stated in the standing credit facility agreed in 2016, are the 'interest coverage

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ratio' (ICR) and the 'Net bank debt / EBITDA' ratio. The minimum required ICR is set at 2.0 and at the end of 2016 was 4.3 (2015: 3.3). The 'Net bank debt / EBITDA' ratio was 5.6 at the close of 2016 (2015: 6.1) compared to the upper limit set at 7.0.

### **Investment property**

The market value of the investment property is EUR 2,872.6 million which includes EUR 1,300.5 million of legally owned property. The incoming and outgoing cash flows recognised in the valuation of the investment property are based on the revenue, costs incurred relating to operational and financial leasing and other operating expenses.

The (weighted average) discount rate for the operational component and the initial yield of the investment property component are stable compared to the previous financial year.

As a result of the excellent performance and improved operational cash flow development in 2016 the revaluation result increased significantly to EUR 61.9 million in 2016 (2015: EUR 4.2 million).

## **Taxation**

### **General**

As Q-Park is present in ten Northwest European countries, the company is confronted with different tax regimes. Q-Park organises its tax affairs in a conservative manner, taking into account what is fiscally permitted based on local and international legislation and legal precedents.

### **Tax on profits**

The effective tax burden on current year result (excluding incidental items) amounts to some 30.0% which is more or less in line with the group's (weighted) average tax rate. However, as a result of significant incidental items, primarily due to the closing of an ongoing discussion with the tax authorities and expiration of fiscal losses, total taxes on direct result amount to EUR -53.9 million,

(2015: EUR -20.7 million), resulting in an effective tax burden of 38.7%.

Taxes on indirect result amount to EUR -21.3 million (2015: EUR 0.3 million) and include incidental items for an amount of EUR 5.0 million as a result of changes in deferred tax liabilities due to tax rate changes and a tax provision analysis performed in 2016.

### **Treasury**

Q-Park Financial Services NV (QFS), Q-Park's internal bank, coordinates the financing strategy and international cash flows. QFS is also responsible for managing all our interest-bearing assets and liabilities, and the execution of foreign currency transactions.

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## Regional

### Region Mid

Throughout the year, Region Mid performed well. For the first year since the crisis, season ticket sales have picked up in the Netherlands and Germany and the overall downward trend has been halted, thanks to marketing efforts and the new online platform.



Pre-booking is now available at many of our facilities and has yielded much new business among tourists boarding cruise ships in Kiel. Mobility is increasing again and this has a positive effect on our utilisation percentages and revenues.

The acquisition of new locations has generated new business, with a focus on multifunctional parking facilities serving hotels, offices, shopping centres as well as leisure attractions. An additional impulse to business has come from new amenities being opened in the immediate vicinity of our car parks.

The reopening of the zoo in Emmen and the opening of a new Primark at Westerhaven Groningen are good examples of the importance of developments in the vicinity of our parking facilities.

The operation of the Boston & Seattle project in the Kop van Zuid commenced, which further enhanced our position in Rotterdam.

### Region West

After a slow start to 2016, Region West closed the financial year with good results, mainly due to the Irish economy running at full speed again after a prolonged recession. Region West was the first region to make use of the new Contact-to-Contract system and has therefore had longer to benefit from the intensified use of shared services, mainly regarding finance, marketing, and Control Room activities. This also boosted sales of season tickets.

In the UK, the uncertainties arising from the Brexit vote have caused fluctuations in exchange rates which have affected the group as a whole.



Ireland demonstrated good results throughout the year including securing a new location in Dublin (Dawson Street) and strengthening its position at hospital locations.

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## Region South

Region South finished 2016 with solid revenue growth despite getting off to a difficult start following terrorist attacks in Paris and Brussels that kept tourists and business visitors away.

French municipalities are studying various options to improve inner-city attractiveness, including combinations of on-street and off-street parking and integration with public transport. Q-Park France has spared no effort to prepare detailed and competitive responses to these all-embracing demands, and with success.

Q-Park France acquired the French company Massilia Park. This acquisition increased the number of parking facilities operated in Marseille from 11 to 16, making Q-Park the market leader in this Mediterranean city.

In December, the City of Toulon awarded its public service concession tender to Q-Park. This will involve upgrading and operating 10 of the city centre's 12 car parks, consisting of 6,654 parking spaces. The concession contract starts as of 1 January 2017 and lasts for 12 years.

Q-Park Belgium has also won many competitive bids in major cities including the prestigious Handelsbeurs in the centre of Antwerp, and a competition for design and operation of parking facilities (2,000 parking spaces) in the southern part of Antwerp. This development, known as the Zuiderdokken, will be built in two phases and will improve access to Antwerp from the south.

Acquisitions during the year also included the procurement of all car parks in Hasselt, once again demonstrating that growth through the acquisition of family-owned businesses forms an attractive arena for future transactions.

## Region North

In 2016, Sweden's capital city congestion taxes were increased by as much as 75% at the two highest rush hour periods, and the congestion tax area was extended to include the Essingeleden motorway. This resulted in a lower than expected drop in cars entering the inner city (6%) and greater urban area (7%) of Stockholm. A notable change is the composition of customers – more business visitors took advantage of parking facilities in Stockholm city centre, while commuters who do not need the car during the day now opt for parking on the outskirts and completing their journey by public transport.

In line with most Q-Park countries, Denmark also scored well on new season ticket sales. In the first quarter Denmark introduced an innovative camera parking project in Kolding where customers automatically receive a control fee if they haven't complied with the parking regulations in one way or another. The project is an innovative step forward in parking compliance services.

In Norway, new services such as Q-Park Easy and Q-Park Access, which use ANPR, offer new opportunities to landlords to provide faster and more convenient services to their customers. These services are also supported by the new landlord portal which went live at the end of the year. This important step forward will improve our customer service processes considerably as the many legacy systems have all been migrated to the new platform. The portal will help us retain and gain new business.

Finland scored particularly well in 2016, with notable contributions from hotel locations and more than 15% growth in control fee business in the last quarter. Collaboration intensified with Stockmann, Finland's leading department store, and new services such as short parking to collect online orders, alternatives to barrier systems, and more information about where it is easier to park were introduced.



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## ICT developments

### Back-office functionality

A major ongoing project for our organisation is the central development of our integrated back- and front-office system 'Contact-to-Contract (C2C)'. This proprietary platform interconnects all processes which support our core business: finance, CRM, parking management systems (PMS) and our sales-oriented and informative websites. Our C2C, an end-to-end season ticket and pre-booking functionality, is now live in most countries.

And development is ongoing. We are continually improving and expanding the functionality. As of Q3 2016, the development focus progressed towards the creation of a Multichannel Parking Platform. When it is complete:

- I all parking transactions will be controlled in the C2C platform,
- I there will be a self-service portal for customers and landlords to manage their accounts including online payment for pre-bookings and season tickets, and

- I Interfaces (APIs) will enable commercial purpose partners to bundle our parking services with their own products and services.

### Front-office functionality

#### Online portal

The convenient online portal for pre-booking parking spaces and buying season tickets brings benefits to customers and at the same time helps us gather information about who our parking customers really are.

This enhanced knowledge will create opportunities to work with loyalty schemes and targeted marketing campaigns.

#### From access to exit

Advanced on-site technology enables our customers to access our parking facilities using various access devices, such as a QR code (printed or on a smartphone), a number plate or payment card (with chip).

Digitising access devices enables us to reduce the lead-time for confirming pre-bookings and issuing season





tickets. It also reduces the costs of producing and distributing tangible devices.

### **CCV payment solution**

This solution enables motorists to access and exit our car parks using their own debit or credit card. This solution was needed as the payment card industry (PCI) rules and regulations were changing and we wanted to keep the credit card payment option for our customers.

In addition, we increased the number of cashless transactions by introducing access and payment options for debit cards as well as credit cards. We now are future proof when it comes to card payments and transaction processing services.

The customer benefits most because they will no longer need to go to the Pay-on-Foot (POF) terminal, avoiding queues at even the busiest of times. Our customers can simply Dip or Tap their payment card at our access and exit terminals, making their bankcard act like a parking ticket which can also be used to re-enter the car park at the pedestrian entrances.

Through the process of tokenisation, payment terminals translate the required payment card information into a 'card token'. This helps reduce the scope of PCI requirements as all sensitive card information is only presented inside the secure reader. The CCV terminal presents the unique card token to the PMS application as an identifier.

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### **Agile scrum approach**

By adopting the Agile Scrum approach to developing ICT solutions in result-oriented sprints, we ensure that ICT development is rapid, within scope, and that costs are properly managed.

All this will enable us to launch new value propositions to landlords and commercial partners and will make Q-Park a fully digital parking services provider.



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## Key events

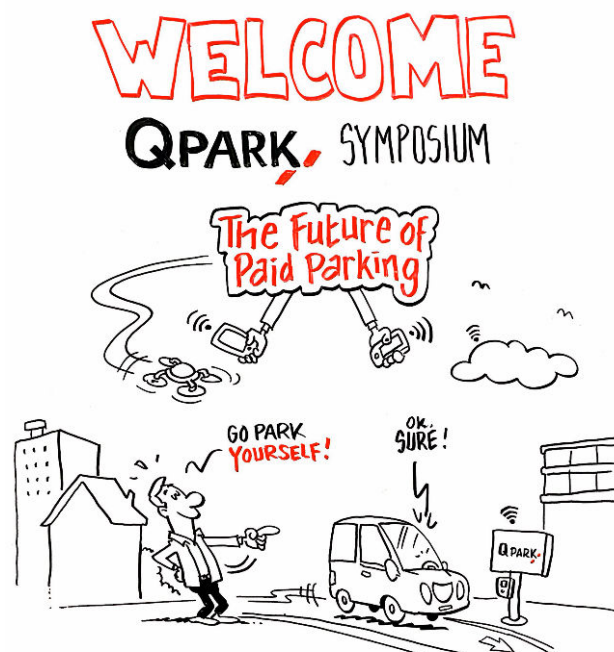
### Inaugural symposium

In June 2016, we invited our shareholders, banks, management, and strategic partners to our inaugural symposium entitled 'The Future of Paid Parking' held at the Eindhoven University of Technology Automotive Campus in Helmond, the Netherlands.

The aim was to generate discussion and ideas on the future of paid parking based on presentations given by thought leaders from various parts of the automotive and mobility sectors.

There were four informative and inspiring presentations to stimulate creative thinking on four themes:

- I Carlo van de Weijer (TU Eindhoven & TomTom) on behaviour of the informed traveller,
- I George Gelauff (Knowledge Institute on Mobility) on what we can expect from intelligent cars (AVs),
- I Joachim Hauser (BMW Park Now) on driving with your smartphone and how the Internet of Things (IoT) and car of the future will interact,
- I Giuliano Mingardo (Erasmus University Rotterdam) on the role of municipalities and the retail sector in the future of parking.



It became clear that the future of paid parking is not only about technology, it's also about society. Meaning that in order to prepare ourselves for the future, we need to consider a number of scenarios as the impacts of technological developments and societal behaviour are diverse and influence each other.

But one thing is certain, progress is more sustainable if we interact with each other, it is all about partnerships.

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## Handelsbeurs



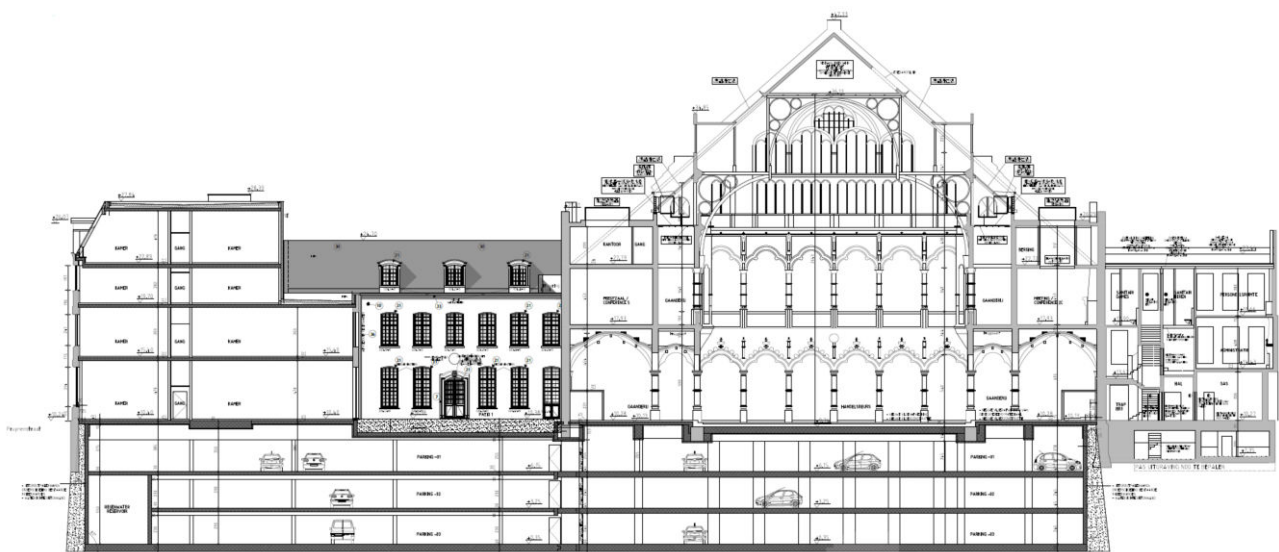
### A monumental plan

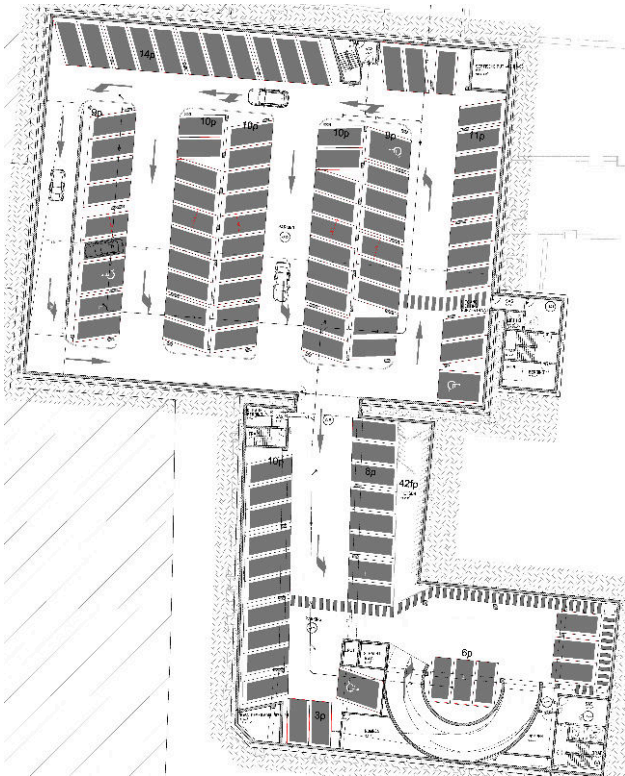
The Handelsbeurs in Antwerp is the oldest stock-exchange building in the world, 'the mother of all stock-exchanges'. Early 2016, Q-Park Belgium won the Handelsbeurs tender and on Monday 23 May renovation work commenced in Antwerp.

If everything goes according to plan, the project will be completed by the end of 2018. From that time onwards, the brand new car park and the Handelsbeurs will be open to the general public.

Following the renovation, the Handelsbeurs will again fulfil a public role, just as in the past. The ground floor will become a pedestrian route and meeting area where events can be held in a unique setting. The new three-layer underground parking facility will offer space to approximately 293 cars and 125 bicycles.

This enchanting location is flexible and versatile and will surprise visitors repeatedly with its numerous unique elements, from the pillars and the arched vaults to the refurbished 19th century dealing rooms. All this in the heart of Antwerp without any worries about parking because the location will offer ample parking space and is easily accessible.

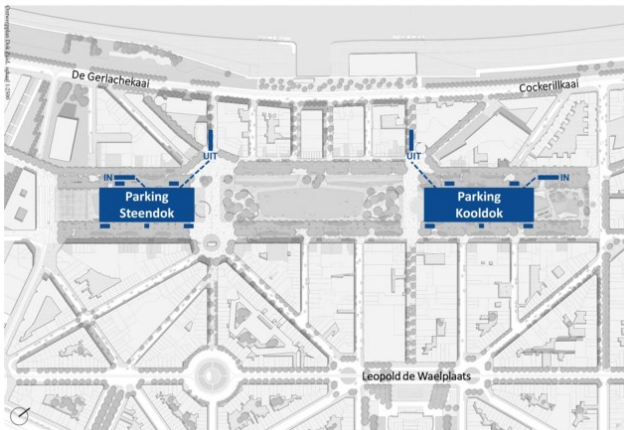




Handelsbeurs - safe, smart and convenient floorplan

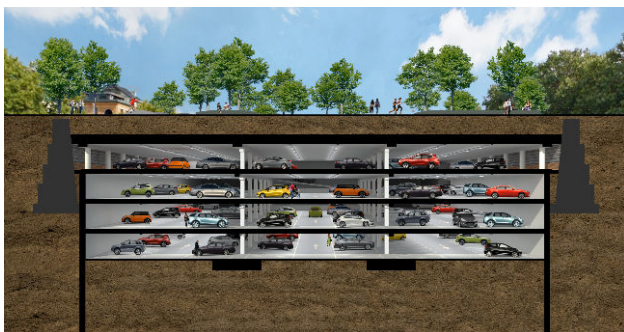
## Zuiderdokken

From 2019, Q-Park Belgium will operate underground parking spaces for 2,000 cars and 300 bicycles in two car parks. Antwerp's Zuiderdokken, the southern docks, have been filled in as part of a programme to revitalise this part of the city.



The Gedempte Zuiderdokken area

Q-Park's plan was chosen because of the respect shown for the historical nature of the docks, the integration with the above-ground developments, and its strong reputation as parking company.



Impression underground car park Gedempte Zuiderdokken with the old quay walls exposed at level -1

The two car parks will be part of the eleven Park + Walk locations that the city of Antwerp is planning on the loop formed by the streets with names ending in 'kaai' and 'lei'. These will provide easily accessible places to park at the edge of the inner city for residents, commuters and visitors to the city of Antwerp. From there they will

be encouraged to visit the pedestrian-friendly city centre.



'kaai' and 'lei' loop with 11 Park + Walk locations

 Q-Park Zuiderdokken 'In the news'

## Hasselt

On 1 December 2016 Q-Park acquired a family-owned parking company in Hasselt, Belgium.

We will operate the Dusartplein, Molenpoort, Parking TT (TweeTorenwijk) and Luikerpoort car parks in Hasselt. And in Genk we will add the Shopping 1 car park to the Q-Park Stadsplein and St-Martinus parking facilities.



Q-Park car parks in Hasselt – Dusartplein, Molenpoort, Parking TT (TweeTorenwijk) and Luikerpoort

This concerns a total of 3,215 parking spaces: 1,965 in Hasselt and 1,250 in Genk. In the coming years, we will invest in the car parks and introduce the Q-Park house style.

 Q-Park Hasselt 'In the news'

## Toulon

Following a public service concession tender, Q-Park was awarded a contract by the City of Toulon.

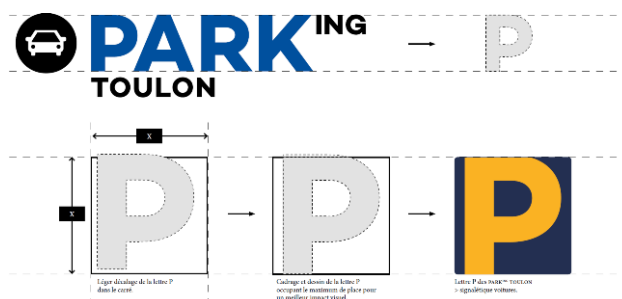
The City of Toulon needed to improve its car parks and upgrade its facilities to improve the flow of traffic in the city centre and to its car parks, to provide a high level of safety, and to comply with new regulations.

Q-Park will be responsible for upgrading and operating 10 of the city centre's 12 car parks, consisting of 6,654 parking spaces in the city centre. The concession contract starts as of 1 January 2017 and is for 12 years. It covers the following car parks:

- | Liberté, 721 spaces
- | Place d'Armes, 663 spaces
- | La Rode Colibri, 441 spaces
- | Porte d'Italie, 605 spaces
- | Pont du Las-Delaune, 477 spaces
- | Gare Albert 1<sup>er</sup>, 347 spaces
- | Peiresc, 590 spaces
- | Mayol, 1408 spaces
- | Facultés, 970 spaces
- | Lafayette, 432 spaces

### The 'PARKING TOULON' brand

The creation of a specific brand identity for the car parks was an initiative of the City of Toulon. Q-Park called upon urban planner Georges Verney-Carron and the artist Mengzhi Zheng to create a visual identity inspired by the city's coat of arms and heritage.



 Q-Park Toulon 'In the news'



# CORPORATE SOCIAL RESPONSIBILITY



Q-Park stands for 'Quality in parking'. This fundamental choice for quality forms the core of our vision on our corporate social responsibility. With our parking facilities and associated services for our parking customers, Q-Park wants to be an integral part of the mobility chain.

Regulated and paid parking, preferably in clean and safe car parks, offer an answer to the current and future challenges posed by the urban environment. It is on these topics that we engage in dialogue with our stakeholders.

## Economy

The population is still growing and urbanisation continues. More than two-thirds of all Europeans live in urban areas. This is also where approximately 85 per cent of GDP is generated. This increasing economic activity also has consequences for the quality of life. Cities have to contend with congestion, traffic cruising for a place to park, reduced accessibility, air pollution, and unattractive and unsafe streets and squares, full of parked cars.

To prevent economic activity coming to a standstill, it is essential to develop and pursue an integral mobility policy which includes:

- | Urban mobility
- | Smart parking tariff structures
- | Attractive parking facilities
- | Good use of limited space
- | Accessibility to urban amenities.