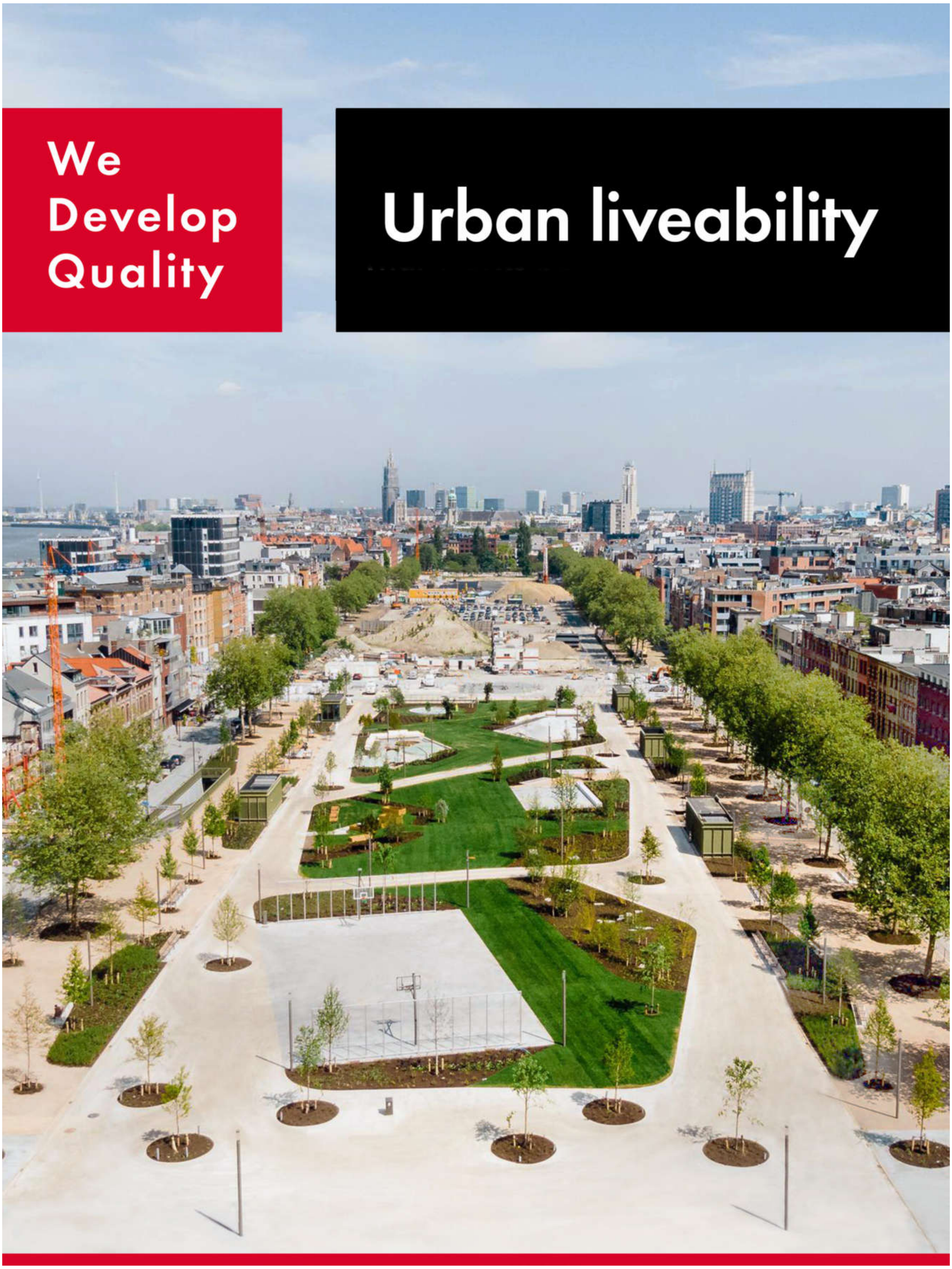
ANNUAL CSR REPORT 2022



Quality in parking

REVIEW OF BUSINESS

General

The financial year 2022 is best characterised as the year of post-COVID recovery. After a slow start in January due to continued pandemic-related mobility restrictions, recovery kicked in the moment restrictions were lifted. Parking revenues saw a forceful rebound to pre-pandemic levels from April onwards with a record December finish on the back of the festive season, putting us rapidly back on track.

Total like-for-like parking revenues in 2022 came in significantly above last year (+32%) and almost returned to the pre-pandemic levels of 2019 (-2%). The increase was primarily driven by the rebound of short-term parking revenues which in turn spurred the strong recovery of our operating result before depreciation, amortisation and impairments (+71%) and cash flow generation, demonstrating our operating leverage.

In addition, we experienced positive results from continued investments in our digital programme (PaSS). Pre-booking revenues increased month over month, enabled by the further roll out of PaSS, which is now available in all seven countries. Furthermore, the Q-Park app, now available in several countries, has been well received and is showing a growing number of users.

In relation to our EV Charging Programme, we deployed almost 1,650 charging points despite the continuing shortages of labour and equipment in the installation sector. In total, our parking facilities now offer 2,831 EV charging points to support the energy transition.

Meanwhile, the Russia-Ukraine war and the high inflation environment in Europe created new economic and political uncertainties. During the year, we have been experiencing the effects of increasing energy prices, labour costs and CPI related indexation of our lease portfolio. Through active price and cost management we were able to offset these cost increases. As such, we did not experience a material impact of these developments on our 2022 results. Although the full year effect of these cost increases are likely to have an increasing impact on our results, we are cautiously optimistic for 2023.

Significant portfolio developments

The integration of the Paris La Défense contract (won in 2021) into our portfolio marks one of the key highlights in terms of growth and expansion. From 1 January 2022, we started operating 14 parking facilities with over 20,000 parking spaces in the Paris business district.

In the second quarter of 2022, we acquired 100% of the shares in Dansk Parkerings Service A/S and ASTA ApS, a small parking operator and control fee business in the city of Randers (Denmark) with a retroactive take-over date of 1 March 2022.

Furthermore, we have won or prolonged 23 lease, concession and management contracts in 2022.

- In France we won 3 concession contracts including a significant hospital contract in the city of Nancy.
- In the Netherlands we won or prolonged 8 contracts, the most prominent of which are the expansion of Frontenpark in Maastricht and renewal of the Heuvel in Eindhoven.
- In Germany we won 6 new contracts, with HolidayPark Hamburg as the largest addition. Furthermore we renewed the existing lease for Quincy in Cologne.
- We also secured several new contracts in Belgium (1), Denmark (2) and the United Kingdom (2).

In 2022, we started operations of 18 projects, including Paris La Défense and the Danish acquisition, bringing the number of parking facilities in our portfolio to 3,460 (2021: 3,308) and the number of parking spaces to 677,979 (2021: 649,189).

In the third quarter of 2022, we also agreed terms to acquire 100% of the shares in Tazbell Services Group DAC (Park Rite). Park Rite is a leading services sector group operating across the public and private sectors in Ireland. The acquisition had no impact on the 2022 results as completion of the transaction is still subject to clearance from the Irish Competition and Consumer Protection Commission (CCPC).

Revenue and operating result

The reported net revenue amounted to EUR 729.1 million (2021: EUR 526.4 million) with a reported operating result before depreciation, amortisation and impairments (EBITDA) of EUR 265.4 million (2021: EUR 155.1 million).

These figures are not fully comparable as they are impacted by non-operating and incidental items and financial lease accounting for certain lease contracts. For comparison reasons the revenue and operating result have been adjusted for:

- other non-operating and incidental items;
- fixed lease expenses related to financial leasing which, based on Dutch GAAP, are recorded as interest expenses and repayment on financial lease debt;
- underlying constant exchange rate adjustments with respect to our UK and Danish operations to enhance the comparability of the financial figures.

The following tables show the comparable underlying net revenue and operating result before depreciation, amortisation and impairments.

The underlying net revenue amounted to EUR 729.2 million versus EUR 527.2 million in 2021. Revenues increased by EUR 202.0 million (or 38.3%) mainly thanks to the recovery of short-term parking revenues in combination with new business additions, such as Steendok and Kooldok (BE), Odense City (DK), Valley (NL), Marseille and Paris La Défense (FR).

Like-for-like parking revenues were up 32.4% compared to 2021, driven by the like-for-like short-term parking revenues (STP) which were up 43.1%. Like-for-like long-term parking revenues (LTP) increased by 7.1% versus 2021, reflecting both an increase in season ticket volumes as well as price increases.

When compared to pre-pandemic levels, the total like-for-like revenues stood at 98% of 2019 with like-for-like STP at 96.6% and like-for-like LTP at 103.1%. As of April 2022 like-for-like STP revenues were back at pre-pandemic levels with slightly lagging volumes compensated by tariff increases.

(x EUR million)	**2022**	**2021**
Reported net revenue	729.1	526.4
Adjustments:		
Other non-operating and incidental items	-1.9	-0.8
Underlying constant exchange rate adjustments	2.0	1.6
Underlying net revenue	**729.2**	**527.2**

(x EUR million)	2022	2021
Operating result before depreciation, amortisation and impairments	265.4	155.1
Adjustments:		
Other operating income	-	-3.9
Other non-operating and incidental items	3.3	6.6
Adjustment of fixed lease amounts finance leases to operating result	-76.1	-72.6
Underlying constant exchange rate adjustments	0.5	-0.6
Underlying operating result before depreciation, amortisation and impairments	**193.1**	**84.6**

The underlying operating result before depreciation, amortisation and impairments (underlying EBITDA) increased by EUR 108.5 million (or 128.2%) to EUR 193.1 million versus EUR 84.6 million in 2021. The increase is driven by the strong revenue increase and further supported by operating leverage.

Adjusted lease expenses increased by EUR 47.4 million, primarily due to higher fixed lease expenses (EUR 34.7 million) as a result of newly added contracts (mainly Paris La Défense) in combination with contractual lease indexations. Towards the fourth quarter of 2022, lease indexations had become more prominent on the back of high inflation rates across Europe. Variable lease expenses increased with EUR 12.7 million as a result of the improved revenue performance.

Total adjusted wages and salaries, social security premiums and pensions increased by EUR 15.7 million. This increase is driven by the addition of new contracts (mainly Paris La Défense and the Danish acquisition) in combination with regular annual salary increases and the fact that only limited coronavirus related support packages (e.g. wage subsidies and temporary furloughs) were received in 2022.

Adjusted operating expenses of parking facilities and other operating expenses increased by EUR 30.5 million. The increase is mostly noticeable in energy costs and property taxes and driven by both the effect of increased (energy) prices as well as the addition of new contracts. In addition, we see an increase in costs for maintenance, cleaning, security and money management arising from higher mobility levels and increased revenues. Furthermore, marketing expenses have been higher to promote digital initiatives including the Q-Park app.

Cash flow

In 2022, total cash flow amounted to EUR -193.5 million versus EUR 100.2 million in 2021. This decrease is primarily related to movements in the loan portfolio as described below.

Cash flow from operating activities came in at EUR 278.0 million and more than doubled versus 2021 (EUR 136.2 million). The increase is primarily attributable to the improved operating result before depreciation, amortisation and impairments in combination with positive working capital movements. In 2021, working capital movements were limited to EUR -1.4 million whereas 2022 included a positive working capital movement of EUR 20.8 million, primarily a result of increased revenue performance related payable positions for VAT and variable leases in combination with the addition of Paris La Défense.

Cash flow from investment activities amounted to EUR -107.1 million versus EUR -84.9 million in 2021. Investments in existing facilities amounted to EUR -52.2 million (2021: EUR -45.3 million), driven by increased activities in our parking facilities and investments in EV charging. The acquisition and expansion investments amounted to EUR -56.6 million (2021: EUR -44.5 million) and mainly concern the development projects in France, Belgium and the Netherlands in combination with the Danish acquisition. Disposals were again limited and amounted EUR 1.7 million (2021: EUR 4.9 million). In both years it concerned a compensation payment received for investments in early-terminated contracts in France.

Cash flow from financing activities came in at EUR -364.4 million (2021: EUR 48.9 million) due to movements in the loan portfolio. In 2022, the RCF (Revolving Credit Facility) drawn during the pandemic (EUR -240.0 million) was fully repaid, whereas 2021 included additional financing of EUR 165.8 million (including capitalised bank fees) to ensure a solid liquidity position throughout the pandemic. The interest paid on loans and bank balances amounted EUR -41.6 million (2021: EUR -40.5 million) which was primarily driven by increased interest rates on our variable rate loan portfolio, partly offset by interest savings on the repayment of the RCF. The interest and repayment component on financial lease obligations amounted to EUR 76.1 million versus EUR 72.6 million in 2021.

Financing

At year-end 2022, the Group financing agreements primarily consist of senior secured notes of EUR 1,545 million and a RCF of EUR 250 million. The bonds are listed on The International Stock Exchange (TISE) in Guernsey and comprise of four tranches:

- EUR 425 million senior secured fixed rate notes due in 2025;
- EUR 90 million senior secured fixed rate notes due in 2025;
- EUR 630 million senior secured fixed rate notes due in 2027
- EUR 400 million senior secured floating rate notes due in 2026.

At year-end 2022, the total outstanding loans with credit institutions amounted to EUR 112.0 million and include three bank loans for a total amount of EUR 80.0 million that were drawn in 2021 to ensure liquidity needs could be met during the coronavirus pandemic:

- a mortgage-backed bank loan for EUR 25.0 million with a tenor of three years and an interest rate of 1.75%;
- an operating facility for EUR 30.0 million with a tenor of four years and an interest rate of 2.0%;
- an operating facility for EUR 25.0 million with a tenor of three years and an interest rate of 0.75%.

In addition to the external debt, we have a shareholder loan with an outstanding amount of EUR 52.7 million at year-end 2022 (2021: EUR 52.7 million). This shareholder loan is subordinated to the external debt.

The total net debt position excluding the shareholder loan at year-end 2022 was EUR 1,511.5 million versus EUR 1,559.2 million at year-end 2021. The total financial expenses on bonds and loans amounted to EUR -40.4 million (2021 EUR -39.6 million), resulting in an average interest percentage on loans of 2.3% which is slightly higher compared to 2021 as a result of increased interest rates on our variable rate loan portfolio.

Taxation

As the Company is present in seven European countries, it is subject to different tax regimes.

The total tax gain in 2022 amounted to EUR 0.9 million representing a tax pressure on the result for the year of 1% (2021: EUR 14.9 million and 12%). This tax pressure is impacted by the effect of permanent differences related to goodwill amortisation, non-deductible interest expenses and other non-deductible costs. Furthermore, the tax pressure is affected by incidental items with an impact of EUR -1.4 million (2021: EUR 14.1 million positive), primarily resulting from adjustments from true-ups on 2021 positions based on the latest available tax declarations and outcomes of discussions with tax authorities. In 2021, the positive impact was largely driven by adjustments to deferred tax positions as a consequence of corporate income tax rate changes and positive outcomes of tax audits primarily in Germany.

Excluding the effect of incidental items and permanent differences, the effective tax rate for 2022 would be approximately 21%, which is in line with the average of the applicable tax rates of the countries in which we operate.