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Pierre & Vacances
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2019/2020 first half results

Paris, 24 June 2020

- **Growth momentum in operating performance slowed by the first effects of the Covid-19 crisis**
- **Financing secured**
- **Change Up strategic plan underway**

I. Main highlights

Impact of Covid-19 health crisis on the Group's activities and financings

In application of the health emergency measures decided by government authorities in the countries where Pierre & Vacances-Center Parcs is located, the Group closed virtually all of the sites it operates over the period spanning from mid-March to early June.

For the first half of the financial year (1 October to 31 March), lost earnings in terms of accommodation revenue stood at €31 million due to the halt to activity over the last two weeks of March. Third quarter revenue will be the worst hit, with two months of no activity and a very gradual recovery in June.

In this backdrop, exceptional measures were implemented to reduce costs and preserve cash: flexibility of staff costs through partial unemployment, adapting on-site spending, rental payments suspended over the closure period. In addition, negotiations are underway with property-owner investors concerning the impact of the crisis on the financial terms of the lease.

The Group also mobilised all of its financing sources in order to overcome the period of lacking tourism revenues. On 31 March 2020, available cash therefore totalled €253 million. In addition, and given uncertainty related to the pace of the recovery in activity, the Group was granted a €240 million state-backed loan by its pool of banks. In addition, banking and bond lenders unanimously agreed to renounce the Group's commitment to respect its financial ratio on 30 September 2020 and provided additional room to manoeuvre for the ratio to respect on 30 September 2021. Elsewhere, the maturity on the €200 million revolving credit line, initially maturing in March 2021, was prolonged by 18 months.

The fact that the Group was granted these financial arrangements and the state-backed loan illustrates the confidence our financial partners have in our ability to manage this difficult period and to capture the growth expected in demand from family customers for local tourism holidays once the lockdown period ends.

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Change Up strategic plan

On 29 January 2020, the Pierre & Vacances-Center Parcs Group presented its strategic plan for 2024, **Change Up.**

This plan aims to boost organic growth in the Group's businesses by optimising current operating assets, and to implement a selective development process based on strict profitability criteria.

The financial targets of this plan are as follows:

- Average annual growth in accommodation revenue of 6% (or 4.7% same-structure growth),
- Current operating margin from the tourism business lines of 5% in 2022 and 9% in 2024.
- Cash generation of around €350 million for the period of the plan, underpinned by savings of €50 million.

For further information on the Change Up plan, please refer to the press release and presentation of 29 January 2020, available on the Group website: www.groupepvcp.com

The Group's operating performance on 15 March 2020, prior to the announcement of measures related to the health crisis, were ahead of the targets set in the Change Up plan. Same-structure tourism revenue was up 6.7% (vs. +4.7% expected on an average annual basis), driven by the Center Parcs division, which benefited from the first effects of renovation works at the domains.

The plan's deployment also continued during the lockdown period:

- operationally, through renovation works at the Center Parcs domains in the Netherlands, Belgium and Germany,
- socially, through the information/consultation process of the Social and Economic Committee for the structure transformation project, which was completed on 14 April 2020, when the Committee gave its opinions. On 10 June, the French Regional Company, Competitions, Consumption, Work and Employment Board (DIRECCTE) also validated the job safeguard plan (PSE), which is a prior requirement for its implementation.
- the cost-cutting plan is currently being rolled out (securing savings expected for the duration of the plan and first savings achieved on marketing spend).

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II. Revenue and net income for the first half of 2019/2020 (1 October 2019 to 31 March 2020)

Note:

The financial elements and sales indicators commented on in this press release stem from operating reporting, which is more representative of the performances and economic reality of the contribution of each of the Group's businesses i.e. :

- excluding the impact of IFRS16 application for all the financial statements, a standard applied to the primary consolidated financial states for the first time for this current half-year period;
- with the presentation of joint undertakings in proportional consolidation (i.e. excluding application of IFRS 11) for profit and loss items (with no change relative to the presentation of the Group's historical operating reporting)

A reconciliation table with the primary financial statements is present in the appendix to this press release.

2.1. Revenue

€ millions	**2019/2020** *according to operating reporting*	**2018/2019** *according to operating reporting*	**Change**	Change Like-for-like*
Tourism	**547.4**	**543.5**	**+0.7%**	
Pierre & Vacances Tourisme Europe	226.8	243.5	-6.9%	
Center Parcs Europe**	320.6	299.9	+6.9%	
o/w accommodation revenue	***367.1***	***367.6***	***-0.1%***	***+6.7%***
Pierre & Vacances Tourisme Europe	*155.8*	*170.1*	*-8.4%*	+2.0%
*Center Parcs Europe***	*211.3*	*197.5*	*+7.0%*	+10.2%
Property development	**148.6**	**194.7**	**-23.7%**	
Total H1	**696.0**	**738.1**	**-5.7%**	

** Adjusted for the impact of:*

- the closure of the sites as of mid-March 2020 (adjusted for accommodation revenue generated during the same period in 2018/19, or €31 million)

- in the PVTE division, a net reduction in the network operated related to:

- *for mountain resorts: the impact of the non-renewal of leases, partly offset by the opening of 2 new residences in Meribel and Avoriaz;*
- *for the Adagio residences: the impact of site renovations (non-commercialised stock), partly offset by the annualised operation of 3 residences and the delivery of a residence in Paris.*

- for the CPE division, net growth in the network operated, primarily related to resumed operation of the Center Parcs Ailette, closed for renovation during Q1 2018/2019 and the Center Parcs Allgau, partly operated during Q1 of the previous year.

- one additional holiday day in Q1 2019/20 vs. Q2/2018/19.

*** including Villages Nature Paris (€13.4m over H1 2019/2020, of which €9.4m in accommodation revenue)*

- **Tourism revenue**

H1 2019/2020 revenue from the tourism businesses totalled €547.4 million, **up +0.7%** relative to H1 2018/2019**.**

This stability stemmed from:

- excellent operating performances for all brands, achieved over the half-year period prior to the crisis, with growth in accommodation turnover of 6.7%;
- the impact of the Covid-19 crisis, which resulted in lost accommodation revenue of €31 million (€15 million for the Pierre et Vacances Tourisme Europe division and €16 million for the Center Parcs Europe division) related to the closure of virtually all our sites over the second half of March.

Growth in accommodation revenue of 6.7% excluding Covid-19 was primarily driven by the rise in net average letting rates and concerned both:

✓ Center Parcs Europe: +10.2% like-for-like.

Growth seen in the first quarter (+9.3%) increased during Q2 (+11.5%). Growth in activity concerned both the domains located in the Netherlands, Germany and Belgium (+11.1%) over the half-year period and the French domains (+8.9%, o/w +7.4% for the Center Parcs domains, and +19.7% for Villages Nature Paris).

✓ Pierre & Vacances Tourisme Europe: +2.0% like-for-like.

This performance was driven by mountain residences (+3.2%), which benefited from higher net average letting rates of almost 8% and an average occupancy rate of 93% in Q2, and from all the seaside destinations (+3.2%). Activity at the Adagio residences was stable over the period.

- **Revenue from property development**

H1 2019/2020 property development revenue totalled €148.6 million, driven primarily by the contribution from the PV premium residences in Méribel (€30 million) and Avoriaz (€7 million), Center Parcs Lot-et-Garonne (€16 million), Senioriales residences (€23 million) and renovation operations at Center Parcs domains (€58 million).

H1 2018/2019 revenue included the contribution of renovation operations at the Center Parcs domains for an amount of €127.5 million (primarily related to the shift from 2017/2018 to 2018/2019 of the signing of block sales of property renovation programmes in Belgium and the Netherlands).

Property reservations recorded in the first half of the year with individual investors, still little affected at this stage by the sharp slowdown in the property market related to the Covid-19 crisis, represented business volume of €125.4 million vs. €132.2 million in the year-earlier period.

2.2 Results

The Group's earnings on 31 March 2020, structurally loss-making in the first half due to the seasonal nature of business, do not reflect the Group's growth momentum, which has been penalised by the first effects of the Covid-19 crisis.

€ millions	**H1 2020**	**H1 2019 proforma***
Revenue	696.0	738.1
Current operating profit (loss)	**-125.6**	**-111.5**
Tourism	*-116.7*	*-104.3*
Property development	-9.0	-7.2
Financial items	-10.5	-10.2
Other operating income and expense	-10.6	-3.9
Equity associates	-0.6	-1.3
Taxes	1.6	5.9
Net Profit (loss) for the period	**-145.8**	**-121.0**
Group share	*-145.8*	*-121.0*
Non-controlling interests	*0.0*	*0.0*

** Adjusted for the impact of the IAS 23 Interpretation published in December 2018 (+€0.1m on net profit)*

The current operating loss amounted to €125.6million (vs. -€111.5 million in H1 2018/2019).

Growth momentum in financial performances, started over the first months of the year, came to a brutal halt due to the closure of virtually all sites over the second half of March. Lost earnings in terms of accommodation revenue was estimated at €31 million over the first half, whereas the full effect of cost-cutting measures implemented to ease the impact of the crisis will be noted as of the second half of the year. The impact of the crisis on current operating profit in the first half was therefore estimated at €30 million.

Excluding this effect, current operating result from the tourism activities grew by 17% relative to the first half of the previous year, generated primarily by like-for-like growth in revenue (+€24 million), and marketing savings (estimated at +€4 million).
These gains helped offset the seasonal nature of new seaside destinations in Spain and maeva.com (-€3 million), the impact of temporary closures of sites being renovated (-€2 million) and costs related to inflation in expenses (estimated at -€5 million).

Other operating income and expense included mainly the first costs for restructuring and site withdrawals as part of the roll-out of the Change Up plan.

The net loss for the period was €145.8 million vs. -€121.0 million in the first half of 2018/2019, in the context of the emerging health crisis.

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2.3. Statement of financial position items

▪ Simplified statement of financial position

€ millions	31/03/2020	30/09/2019	Change
Goodwill	158.9	158.9	0.0
Net fixed assets	381.2	377.7	3.5
Finance lease assets	88.9	97.7	-8.8
TOTAL USES	**629.0**	**634.3**	**-5.3**
Equity	105.0	251.4	-146.4
Provisions for risks and charges	83.5	76.2	7.3
Net financial debt	301.2	130.9	170.3
Debt related to finance lease assets	96.3	97.7	-1.4
WCR and others	43.0	78.1	-35.1
TOTAL RESOURCES	**629.0**	**634.3**	**-5.3**

Net financial debt

Net financial debt (bank/bond debt less net cash) generated by the Group on 31 March 2020 broke down as follows:

€ millions	31/03/2020	30/09/2019	Change	31/03/2019	Change
Bank/bond debt	**269.4**	244.4	25.0	250.3	19.1
Cash (net of overdrafts/drawn revolving credit lines)	**31.8**	-113.5	145.3	-6.6	38.4
Available cash	*-252.8*	*-114.8*	*-138.0*	*-53.4*	*-199.3*
Drawn credit lines and overdrafts	*284.6*	*1.3*	*283.3*	*46.8*	*237.7*
Net financial debt	**301.2**	**130.9**	**170.3**	**243.7**	**57.5**

Net financial debt on 31 March 2020 (€301.2 million) corresponded primarily to:

- the ORNANE bond issued in December 2017 for a nominal amount of €100 million;
- Euro PP bond loans issued respectively in July 2016 for a nominal amount of €60 million and in February 2018 for a nominal amount of €76 million;
- bridging loans contracted by the Group under the framework of property programme financing destined to be sold off for €18.4 million;
- credit lines drawn down in the backdrop of the health crisis for an amount of €234 million (€200 million revolving and €34 million in confirmed lines);
- drawn overdrafts of €50.6 million;
- net of available cash for €252.8 million.

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III. Outlook

Following the latest government announcements, our activities are gradually resuming in all the countries where we are located. For each of our sites, a detailed stimulus plan has been carefully drawn up for the operating, health and commercial aspects:

- On the operating front, the Center Parcs domains re-opened at the end of May in the Netherlands and in Germany, as of 8 June in Belgium and all of our sites in France open between 5 and 12 June and as of 22 June in Spain;
- On the health front, the Group has implemented strict protocols, certified by specialised companies;
- On the sales front, our reservation and cancellation terms currently offer maximum flexibility with very low or symbolic upfront-payments and reimbursements right up to within a few days of the holiday.

The Group has major assets to meet increased demand for family-based and local tourism. As such, the net reservation flows recorded since the government announcements of 28 May are more than 50% higher than those of the same period in the previous year, thereby showing the relevance and appeal of our brands' offers.

The Group is also continuing to roll out its Change Up plan by:

- boosting revenue in the tourism activities (growth of 6.7% before the crisis), underpinned especially by renovation of the Center Parcs domains;
- consultation by employee representatives and validation of the Job Safeguard Plan, prior to implementing a new operating organisation as of 15 June 2020;
- securing cost reductions expected for the duration of the plan and the first savings achieved on marketing spend.

The second half of the year, over which the Group structurally generates its earnings in view of the seasonal nature of business, especially in the fourth quarter, is set to suffer significantly from the effects of the health crisis:

- In the third quarter, with more than two months of site closures and a gradual re-opening in June (estimated at 30% of the level seen in June 2019), the Group could record a loss of close to €300 million in revenue (with an impact potentially limited to -€130 million for underlying operating profit in view of the savings made (partial unemployment, on-site costs variabilisation) and depending on rental negotiations underway).
- For the fourth quarter, the period set to contribute the most to the Group's performances, trends are encouraging: the portfolio of reservations currently stands at more than 50% of the revenue budgeted for the fourth quarter, or a 10-15 point lag depending on the brand relative to the rate reached in the previous year, with the gap narrowing significantly as the weeks go by since the governments' announcements for the end to the lockdown.

The Group has secured financing to get through this period, with a state-backed loan helping to finance operating losses caused by the crisis, and confirms its confidence in its sustainable profitability strategy based on its business model and fundamentals.

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Appendix: Reconciliation table

Note:

As stated above, operating reporting is more representative of the performances and economic reality of the contribution of each of the Group's businesses, i.e. :

- excluding the impact of applying IFRS16 for all the financial statements, with the standard applied to the primary consolidated financial statements for the first time during this current half-year period.
- with the presentation of joint undertakings in proportional consolidation (i.e. excluding application of IFRS 11) for profit and loss items (with no change relative to the presentation of the Group's historical operating reporting)

The reconciliation table with the primary financial statements is therefore set out below:

Income statement

(€ millions)	**H1 2020 operating reporting**	IFRS 11 adjustments	Impact of IFRS 16	**H1 2020** IFRS
Revenue	696.0	- 31.0	- 36.4	628.7
External purchases and services	-591.2	+26.5	+222.9*	- 341.8
Operating income and expenses	-204.0	+7.7	+3.6	-192.7
Depreciation, amortisation, provisions	-26.4	+2.0	-135.6	-160.0
Current operating profit	**- 125.6**	**+5.2**	**+54.5**	**- 65.9**
Other operating income and expense	- 10.6	0.2	0.0	- 10.4
Financial items	- 10.5	+1.5	- 68.5	- 77.5
Equity associates	- 0.6	- 6.7	- 0.9	- 8.2
Income tax	1.6	- 0.2	+0.9	2.3
PROFIT (LOSS) FOR THE PERIOD	**- 145.8**	**0.0**	**- 14.0**	**- 159.8**

* of which cost of sales: +€35.8m, Rents: +€187.1m

(€ millions)	**H1 2019 operating reporting**	Impact IAS 23	**H1 2019 proforma operating reporting**	IFRS 11 adjustments	**H1 2019** Proforma IFRS
Revenue	738.1		738.1	- 30,.9	707.2
Current operating profit	**- 111.6**	**+0.1**	**- 111.5**	**+4.2**	**- 107.4**
Other operating income and expense	- 3.9		- 3.9	0.0	- 3.9
Financial items	- 10.2		- 10.2	+1.3	- 8.9
Equity associates	-1.3		- 1.3	-5.9	- 7.2
Income tax	5.9		5.9	+0.4	+6.3
PROFIT (LOSS) FOR THE PERIOD	**- 121.1**	**+0.1**	**- 121.0**	**0.0**	**- 121.1**

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Statement of financial position

(€ millions)	H1 2020 operating reporting	Impact of IFRS 16	H1 2020 IFRS
Goodwill	158.9	0.0	158.9
Net fixed assets	381.2	- 1.7	379.5
Lease/right of use assets	88.9	+2,378.7	2,467.6
Uses	**629.0**	**+2,377.0**	**3,006.0**
Share capital	105.0	- 402.3	- 297.3
Provisions for risks and charges	83.5	+3.5	87.0
Net financial debt	301.2	0.0	301.2
Debt related to lease assets / lease obligations	96.3	+2,821.4	2,917.7
WCR and others	43.0	- 45.7	-2.7
Uses	**629.0**	**+2,377.0**	**3,006.0**

Cash flow statement

(€ millions)	H1 2020 operating reporting	Impact of IFRS 16	H1 2020 IFRS
Cash flows after interest and tax	-130.3	+118.6	-11.7
Change in working capital requirement	-11.4	+32.3	21.0
Flows from operations	**-141.7**	**+150.9**	**9.3**
Net investments related to operations	-22.2	0.0	-22.2
Net financial investments	-5.0	0.0	-5.0
Acquisition of subsidiaries	-0.2	0.0	-0.2
Flows allocated to investments	**-27.4**	**0.0**	**-27.4**
Operating cash flows	**-169.1**	**+150.9**	**-18.1**
Flows allocated to financing	**23.8**	**-150.9**	**-127.1**
CHANGE IN CASH	**-145.3**	**0.0**	**-145.3**

IFRS 11 adjustments:

For its operating reporting, the Group continues to integrate joint operations under the proportional integration method, considering that this presentation is a better reflection of its performance. In contrast, joint ventures are consolidated under equity associates in the consolidated IFRS accounts.

Impact of IFRS16:

IFRS 16 "Leases" must be applied for the years open as of 1 January 2019, namely FY 2019/2020 for the Pierre & Vacances-Center Parcs Group.

The Group has opted for the simplified retrospective transition method, with a retrospective calculation of right-of-use assets. Choosing this method implies that previous periods will not be restated.

As set out in the Note relative to Accounting Principles in the appendix to the Group's consolidated financial statements, application of IFRS 16 results in:

- ✓ Recognition in the balance sheet of all leases, with no distinction between operating leases and finance leases, with the recording of:
  - an asset representing the right-of-use for the asset leased throughout the duration of the lease contract;
  - a liability representing the obligation of future lease payments.

  The lease expense is cancelled in return for the reimbursement of the debt and the recognition of financial interest. The right-of-use asset is the object of straight-line depreciation over the duration of the lease.
- ✓ Cancelling, in the financial statements, a share of revenue and the capital gain for disposals undertaken under the framework of property operations with third-parties (given the Group's right-of-use rights). In view of the Group's business model based on two distinct businesses, as followed and presented in its operating reporting, this adjustment does not reflect or measure the underlying performance of the Group's property activity, and for this reason, in its financial communication, the Group continues to present property operations as they stem from its operating reporting.