Groupe

Pierre & Vacances
Center Parcs

First half results for 2018/2019

Paris, 28 May 2019

- **First half revenue growth of 17%**
- **An improvement in operating performances not reflected in half-year results due to increased seasonality in the tourism businesses**
- **Development in China to be structured and redeployed through a partnership with two Chinese state-owned groups.**

I. Main events during H1 2018/2019

Capital operations

On 21 December 2018, Société d'Investissement Touristique et Immobilier (S.I.T.I)1 acquired the entire holding owned by HNA Tourism Group in Société Pierre et Vacances S.A., or 10.00% of the capital and 13.50% of the Company's net voting rights[2].

This acquisition puts an end to all of the capital and commercial ties linking HNA Tourism and Pierre & Vacances-Center Parcs.

Acquisitions operations

On 16 January 2019, the Group announced the acquisition of the business capital of French start-up RendezvousCheznous.com, a marketplace launched in 2014 that connects holidaymakers with local hosts for authentic experiences. This acquisition fits with the strategy of the Pierre & Vacances brand to round out its offer by proposing customers immersive and experiential holidays.

Opening of Center Parcs Allgau in October 2018

After an opening period affected by a spate of bad weather, the domain has enjoyed a huge commercial success confirmed by the portfolio of reservations to date.

Center Parcs project in Roybon

On 21 November 2018, the French Council of State validated the appeal by the Pierre & Vacances-Center Parcs Group by quashing the ruling by which the Lyon Administrative Appeals Court had cancelled the water law authorisation, and referred the case to this same court.

On 21 May 2019, the Lyon Administrative Appeals Court ruled that the area of wet lands affected by the project should be reviewed by an expert, as should those offered in compensation. The Pierre & Vacances-Center Parcs Group is confident in the future conclusions of this review, which should provide positive technical answers to the questions of the Administrative Appeals Court.

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[1] Limited stock company controlled by SITI "R", itself controlled by Mr Gérard Brémond, Chairman of the Pierre et Vacances S.A. Board of Directors

[2] Based on 9,804,565 shares and 14,516,853 net voting rights in circulation on 30 November 2018.

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II. Revenue and net income[3] for the first half of 2018/2019 (1 October 2018 to 31 March 2019)

2.1 Revenue

As of 1 October 2018, the Group applies the new revenue recognition standard "IFRS 15 - Revenue from Contracts with Customers". The result of applying this standard is a sharp increase in H1 2018/2019 revenue, driven primarily by the signing of renovation/disposal operations at Center Parcs, for which the Group is considered as a "principle" under the terms of IFRS 15 *(for further details, see the press release concerning first-half revenue available on the Group's website: www.groupepvcp.com).*

€ millions	**2018/2019** *according to operating reporting*	**2017/2018 Pro-forma IFRS 15** *according to operating reporting*	**Change**	Like-for-like change*	*2017/2018 Reported (Before IFRS15) according to operating reporting*
Tourism	**543.5**	**529.8**	**+2.6%**		*570.1*
Pierre et Vacances Tourisme Europe	243.5	238.1	+2.3%		*276.6*
Center Parcs Europe**	299.9	291.8	+2.8%		*293.4*
o/w accommodation revenue	***367.6***	***357.1***	**+2.9%**	**+4.2%**	*357.1*
Pierre et Vacances Tourisme Europe	*170.1*	*166.1*	*+2.4%*	*+5.1%*	*166.1*
*Center Parcs Europe***	*197.5*	*190.9*	*+3.4%*	*+3.4%*	*190.9*
Property development	**194.7**	**100.0**	**+94.6%**		*84.8*
Total H1	**738.1**	**629.9**	**+17.2%**		*654.8*

* Adjusted for the impact of:
- the shift from March in 2018 to April in 2019 of school holidays for certain foreign customers (German, Belgian and Spanish especially);
- at PVTE, the net reduction in the network operated (withdrawals from loss-making sites and the non-renewal of leases),
- at CPE, the net growth in the network operated, prompted by the opening of the new Center Parcs in Allgau and the annualisation of stock at the Center Parcs Ardennen in Q1. These effects are partly offset by the impact of the closure of Center Parcs de l'Ailette under the framework of renovation works.

** including Villages Nature Paris (revenue of €11.1m over the semester, of which €8.7m in accommodation revenue).

- **Revenue from the tourism** businesses totalled €543.5 million in H1 2018/2019, **up +2.6% relative to H1 2017/2018.**

Accommodation revenue totalled €367.6 million, **up 4.2% like-for-like** (i.e. excluding the impact of supply effects and the shift in the school holidays):

- **Pierre & Vacances Tourisme Europe** posted **growth of 5.1%**, benefiting from all destinations: +6.1% for mountain resorts (with an average occupancy rate of 90% over the period), +5.0% for city residences, and +3.4% for seaside resorts (growth in both metropolitan France and Spain).
- **Center Parcs Europe** generated **growth of 3.4%**, including 2.5% growth for the Belgian, German and Dutch domains (with attractive performances by the recently renovated parks in the Netherlands) and +4.8% for the French domains, benefiting from the success of Villages Nature Paris.

Supplementary income grew by 1.8%, with a rise of 2.1% for Pierre & Vacances Tourisme Europe and 1.6% for Center Parcs Europe.

[3] *IFRS 11 "Joint Arrangements" implies the consolidation of joint operations by the equity method and no longer by proportional integration (Adagio and Villages Nature partnerships primarily). 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.*

The income statement items and commercial indicators commented on hereafter stem from operating reporting. The reconciliation tables with IFRS income statements are set out in paragraph 1.4.

- **First-half revenue from property development** totalled €194.7 million in H1 2018/2019, compared with €100 million in H1 2017/2018, driven primarily by the contribution from disposal/renovation operations at Center Parcs domains (€127.5million), and the Seniorales residences (€35.0 million).

  Property reservations recorded in the first half of the year represent sales volumes of €177.9 million, vs. €164.5 million in the year-earlier period.

2.2 Net profit (loss)

The seasonal nature of the Group's business in the first half of the year and the linear accounting of expenses lead to a structural operating loss during the period.

The net loss for the first-half of 2018/2019 does not reflect the improvement in the Group's performance due to the seasonal nature of the tourism businesses, which was accentuated this year by the shift in the Easter holidays and the ramp-up of new seaside destinations as well as the Center Parcs Allgau.

€ millions	**H1 2018/19**	**H1 2017/18**	**Adjusted change Current operating profit (loss) Tourism**
Revenue	738.1	629.9*	
Current operating profit (loss)	**-111.6**	**-94.9**	
Tourism	***-104.3***	***-86.4***	***+3.5%***
Excl. Villages Nature Paris	*-98.5*	*-78.0*	
Villages Nature Paris	*-5.8*	*-8.4*	
Property development	**-7.3**	**-8.5**	
Financial items	-10.2	-9.2	
Other operating income and expense net of tax	-3.4	-1.1	
Equity associates	-1.3	0.2	
Taxes	5.4	1.6	
Net profit (loss)	**-121.1**	**-103.5**	
Group share	*-121.1*	*-103.5*	
Non-controlling interests	*0.0*	*0.0*	

** proforma IFRS15 revenue*

- **The current operating loss in the tourism business** stood at €104.3 million (vs. 86.4 million during H1 2017/2018).

  The first half of 2018/2019 was penalised by an accentuation in seasonal/temporary factors (-€21 million), in particular:

  - The shift in the Easter holidays for certain foreign customers (lost earnings more than offset by a catching up effect in April);
  - The development of new destinations in Spain and maeva.com, as well as the new Center Parcs Allgau, with contributions expected to be positive over the full year.

Excluding this effect, the current operating result from the tourism activities improved by 3.5% relative to the first half of the previous year, generated primarily by like-for-like growth in the business (+€8 million), net of cost inflation (estimated at -€5 million).

- **The current operating loss in property development** stood at €7.3 million (vs. -€8.5 million in H1 2017/2018).

  The contribution from the property development activities benefited over the period from disposal/renovation operations at Center Parcs domains for €20 million.

  In contrast, property development earnings were affected by additional costs at the Allgau domain (-€13 million) due in particular to:

  - a spate of bad weather (storms, snow, flooding etc.) which delayed execution of finishing works during the first half, causing a delay in the delivery of a number of cottages and the spa, and prompting an redesigning of the landscape.
  - technical problems in starting operations at the domain concerning the heat network and deployment of fibre optics.

  Note also the temporarily negative contribution from the Seniorales residences over the first-half (-€5 million) due to a shift in operations to the second half, with a positive contribution expected over the year.

- **Net financial expenses** totalled €10.2 million, an increase relative to H1 2018/2018, due especially to the annualisation of interest expenses on a Euro PP issue in February 2018.

- **Other operating income and expense net of tax** mostly included restructuring and site withdrawal costs.

- **The net loss** for the period was €121.1 million vs. €103.5 million, primarily in view of increased seasonal factors for the tourism activities.

2.3 Net financial debt

Note: the seasonal nature of the tourism businesses in the first half of the year leads to a structurally higher level of net debt on 31 March of the year than on 30 September.

€ millions	**31/03/2019**	**30/09/2018**
Gross debt	349.3	354.9
Cash (net of overdrafts/drawn revolving credit lines)	-6.6	-107.3
Net financial debt	**342.7**	247.7
o/w net bank/bond debt	***245.0***	*148.8*
o/w rental commitments - facilities at Ailette	97.6	98.9

On 31 March 2019, the Group had a revolving credit line of €200 million contracted on 14 March 2016 (maturing in 2021), as well as five confirmed credit lines for a total amount of €39 million.

On 31 March 2019, none of these lines had been used, reflecting the high level of liquidity maintained.

III. Outlook

3.1 Outlook for third quarter 2018/2019

For Q3 2018/2019, in view of the portfolio of reservations to date, the Group expects growth in like-for-like tourism revenue relative to the previous year.

Q3 property development revenue in 2018/2019 should be similar to that of Q3 2017/2018.

3.2 Strategic agreements in China

With the aim of structuring and strengthening its development resources in China, the Pierre & Vacances-Center Parcs Group is finalising partnership agreements with two new Chinese partners that are both leaders in their sectors:

- a state-owned investment bank that is to hold 44% of the Chinese joint-venture backing our activities in China,
- a state-owned construction company, for 12%,
- Pierre & Vacances-Center Parcs, for 44%.

These two partners also represent a property investment vehicle that is to finance the projects designed, built and managed under the direction of the teams in the joint-venture and at Pierre & Vacances-Center Parcs.

Information on these two partners will be communicated as soon as the Chinese administrative formalities currently underway are complete.

So far, 10 projects, inspired by the Center Parcs and Pierre et Vacances concepts, are currently being built or are the object of operating studies.

3.3 Group strategy and outlook for annual results 2018/2019

On 22 November 2018, the Group presented its strategic plan for 2022, the main objective being **a return to sustainable profitability** and dividend payments.

The tourism performances generated in the first half of the year were in line with the targets announced.

The programmes to renovate and enhance the premium aspects of the various brands' tourism networks is going ahead in line with the provisional schedule.

Elsewhere, a number of cost-saving moves are currently being implemented with the first results expected as of 2018/2019 (€5 million) and 2020 (€10 million).

In view of the portfolio of tourism reservations to date and the prospective schedule for property development operations, the Group is forecasting growth in full-year 2018/2019 results.

IV. Reconciliation table - IFRS income statement (Euro millions)

(€ millions)	**H1 2019 operating reporting**	Tax on other operating income and expense	IFRS 11 adjustments	**H1 2019** IFRS
Revenue	738.1		- 30.9	707.2
Current operating profit (loss)	**-111.6**		**+4.2**	**-107.4**
Other operating income and expense	-3.4	-0.4	0.0	- 3.9*
Financial items	-10.2		+1.3	- 8,9
Equity associates	-1.3		-5.9	- 7.2
Income tax	+5.4	+0.4	+0.4	+6.3
PROFIT (LOSS) FOR THE YEAR	**- 121.1**	**0.0**	**0.0**	**- 121.1**

* gross of tax

(€ millions)	**H1 2018 operating reporting**	Tax on other operating income and expense	IFRS 11 adjustments	**H1 2018** IFRS
Revenue	654.8		- 40.7	614.1
Current operating profit (loss)	**- 94.9**		**+7.9**	**- 87.0**
Other operating income and expense	- 1.1		+0.1	- 1.0*
Financial items	- 9.2	0.0	+0.5	- 8.7
Equity associates	0.2		-8.9	- 8.8
Income tax	1.6	0.0	+0.4	2.0
PROFIT (LOSS) FOR THE YEAR	**- 103.5**	0.0	0.0	**- 103.5**

* gross of tax

For further information:

Investor Relations and Strategic Operations
Emeline Lauté
+33 (0) 1 58 21 54 76
info.fin@groupepvcp.com

Press Relations
Valérie Lauthier
+33 (0) 1 58 21 54 61
valerie.lauthier@groupepvcp.com