PIERRE & VACANCES GROUP

BUSINESS REPORT
FIRST HALF 2006/2007
(1 OCTOBER 2006 TO 31 MARCH 2007)

1- Highlights

1.1 Partnership with Accor in city residences

On 2 February 2007, Pierre & Vacances and Accor created a partnership to develop a network of city residences in Europe. The joint venture is equally owned by the two groups and is set to benefit from the recognised know-how of Pierre & Vacances in city residences backed by Accor's development platform and its distribution system.

The joint venture has 22 three/four-star residences run under management contracts (3,100 apartments), including the 15 current residences and five sites under development by the Pierre & Vacances City banner, as well as two residence projects belonging to the Accor group.

Both groups' development teams are actively involved in developing new residences via property development with sales to individual or institutional investors, as well as leases and management contracts.

The aim is to become the European leader in the city residence market, with the creation of a new brand. Within five years, the network is set to include 50 residences (6,500 apartments) and a business volumes managed by the joint venture of some €180 million.

Since the partnership was signed, leases have been drawn up for the operation of residences in Vienna and Basel. Other projects are being studied (London, Edinburgh, Munich, Prague…).

1.2 The Villages Nature project in partnership with Euro Disney another step forward

On 13 February 2007, a letter of intent was signed between the French authorities, Euro Disney Associés SCA and Pierre & Vacances, confirming the French state's interest and backing in partnership with local authorities, for the Villages Nature project.

The project is located 6km from the Paris Disney Parks and aims to create an innovative tourism destination based on the harmony between Man and Nature and focusing on the themes of water, earth and forests and the associated recreational activities. The project involves a very low level of construction (less than 10%) and is set to include up to 5,000 houses and apartments in tourism residences in 520 hectares of land, with around 130,000m² of leisure activities.

The first phase of the project is set to cover 183 hectares including Disney's Ranch Davy Crockett and up to 2,300 apartments and houses in tourism residences, as well as recreational and leisure activities, to be created in several sections. This first phase of construction could be launched by 2010.

In the next two years, state and private authorities are set to meet regularly at a steering committee in order to define the terms of development and materialisation of the project and carry out planning studies with the aim of setting up a framework agreement.

1.3 Refinancing of Pierre & Vacances Group financial debt

On 26 March 2007, the Pierre & Vacances Group refinanced the remaining capital due on loans taken out for acquisitions (Center Parcs Europe, Gran Dorado and Maeva). Corporate debt of a similar amount (€92.5 million) was refinanced with a virtually identical banking pool, by Pierre & Vacances SA for €21.1 million and by Center Parcs Europe NV for the remaining €71.4 million.

The main consequences of this refinancing for Pierre & Vacances Group are the following:
- A new maturity date, extended by two and a half years and expiring on 26 March 2012.
- A margin reduced by around 25 basis points.
- A lower number of covenants: only one remains and two have been cancelled. The adjusted net debt/EBTIDA ratio must be equal to or less than 5.5 for the year ending 30 September 2007.

The Group's revolving credit facility has been maintained at €90 million.

1.4 Acquisition of Belgian Group Sunparks: a new dimension for Center Parcs Europe

On 19 April 2007, the Pierre & Vacances Group acquired Belgian Group Sunparks, including operation and property assets of four villages similar to Center Parcs in the three/four-star category. The offering comprises a total of 1,683 cottages and 50 hotel rooms as well as various indoor leisure facilities (aqua centre, restaurant, supermarket, childrens' play centre etc.) and outdoor sports complexes. In 2006, Sunparks has 450,000 clients (1,800,000 sold night stays) and sold 80% of its holidays via direct sales channels (40% on the internet). The average occupancy rate is 56%. The group has 387 staff. Sales totalled €39 million in 2006, 70% of which stemmed from accommodation and 30% from other services, while EBITDAR totalled €12.5 million.

Via this acquisition, Center Parcs Europe has bolstered its positions in the Belgian market and rounded out its three/four-star accommodation offering, which is similar to the Sunparks villages and complementary in terms of location. The Group has identified significant sources of booster earnings at Sunparks, primarily by raising occupancy rates and unlocking cost and revenue synergies with Center Parcs Europe. In addition, the Sunparks brand could provide a source of growth for the three/four-star segment in Europe.

The acquisition of Sunparks was based on enterprise value (including debt) of €150 million. In line with the group's policy to not own the assets it operates, these are likely to be sold off before the end of the year under sale and lease-back operations that are currently being negotiated. Following these refinancing moves, the acquisition is set to boost earnings at Pierre & Vacances as of 2007/2008.

1.5 Acquisition of Les Senioriales

On 15 May 2007, Pierre & Vacances acquired Les Senioriales, a property development company specialised in homes for elderly people, from its founders André and Paul Ramos.
The property development company is specialised in the construction of residences destined for a client base of active elderly people. It has a novel concept in specialised, non-medicalised residences, meeting three specific requirements for this category of clients in terms of housing:
- comfort: individual one-level houses with practical fittings (electrical rolling shutters, air conditioning, terrace…) ;
- security: warden housed at the residence, an electric entrance gate, cameras, intercom systems;
- conviviality: club-house, events co-ordinator every afternoon and organisation of evening events.

The houses are sold on a full-ownership basis, with no operating commitment on the part of the developer, with prices ranging from €180-270,000 and low co-ownership costs.

Boasting easy access to property groups (the Senioriales concept is highly approved by town mayors) and strictly controlled construction costs given the product's standardisation, the company has stepped up its development considerably. After the first nine constructions, 11 Senioriales residences are currently being marketed and 12 others are being studied.

The acquisition is set to boost Pierre & Vacances Group earnings as of 2007/2008. In the financial year ending 31 March 2007, the company had sales of €31 million and current operating profit of €4 million, which is set to double in the year ending 31 March 2008. The acquisition price stood at €23 million (equating to enterprise value of €31 million, with debt of €8 million).

In a rapidly-growing target market (more than 800,000 new "senior-age" people each year), the expertise and reputation of the Pierre & Vacances Group in the property development business should help step up expansion of the Les Senioriales concept. In addition, via this acquisition which provides further access to the old-age people market, the Pierre & Vacances Group has again enhanced its know-how and this should also contribute to the development of its tourism activities.

2 – H1 2006/2007 earnings

2.1 Turnover and earnings

CONSOLIDATED TURNOVER: UP 21% ON LIKE-FOR-LIKE TO €748.1 MILLION

Flat tourism turnover at €419.4 million

On a like-for-like basis, and adjusted for the beneficial calendar effect of the Easter holidays in Germany (these having fallen in Q2 2006/2007), revenues from tourism slipped 0.6% year-on-year during the first half of 2006/2007, with:

- a 0.7% increase in accommodation turnover at the Pierre & Vacances / Maeva / Résidences MGM / Hôtels Latitudes division. The healthy performances clocked up in seaside destinations (+12.6%), city residences (+4.0%) and the French West Indies (+12.7%) helped make up for the 4.7% slide in revenues from mountain resorts (withdrawal from a number of unprofitable sites and lack of snowfall in January);

- a 1.2% decline in accommodation turnover at Center Parcs Europe. Business with Dutch and French customers increased, whereas that with German and Belgian customers declined. Note that the division picked up in Q2.

Property development turnover up 67% at €328.7m

Renovations accounted for 55% and new properties 45% of this division's turnover, which compares to 59% and 41%, respectively, in the first half of 2005/2006.

The main contributors to H1 turnover were:
- New properties: the Center Parcs Domaine du Lac d'Ailette, the extension of the Domaine des Bois-Francs village, and the Eguisheim, Le Crotoy, Branville, Montrouge, Bonmont (Spain) and Audierne residences;
- Renovations: the Paris Tour Eiffel, Val d'Isère, Méribel, Avoriaz, Courchevel, La Plagne and Alpe d'Huez residences.

H1 2006/2007 EARNINGS

(in € million)	H1 2006/2007	H1 2005/2006 (1)
Turnover	748.1	611.3
Current operating income	**-11.3**	**-22.4**
Financial income	-1.2	-4.0
Corporate income tax (2)	3.3	6.4
Equity associates	0.0	0.1
Minority interests	0.0	-0.1
Attributable current net income (2)	**-9.2**	**-20.0**
Other operating expenses and earnings net of tax (2)	1.4	-4.9
Attributable net income	**-7.8**	**-24.9**

(1) pro-forma 2005/2006 figures adjusted for €8.8 million in advertising costs recognised as an expense when incurred (€4.0 million for Pierre & Vacances and €4.8 million for Center Parcs)
(2) Other operating expenses and earnings are shown net of tax. These also include one-off tax items (tax savings, update of group's fiscal position) reclassified from accounting tax.

Note that the seasonal nature of revenue trends at the Pierre & Vacances / Maeva / Résidences MGM / Hôtels Latitudes division, and, to a lesser extent, Center Parcs Europe, has the structural effect of pushing the tourism division's operating earnings into the red in H1. This is because the winter season generates lower revenues than the summer season, while the group books its fixed costs (especially rents) in a linear manner.

Current operating income of -€11.3 million, an improvement of €11.1 million

The tourism division turned in a -€48.2 million operating income, compared with -€45.7 million a year earlier:

- the Pierre & Vacances / Maeva / Résidences MGM / Hôtels Latitudes division incurred a -€33.4 million current operating income in H1, which compares to -€32.3 million in the H1 2005/2006 on a pro-forma basis. The slight increase in accommodation turnover, combined with the €1.5 million in cost savings generated, almost covered the rise in expenses due to inflation and rental indexation.

- Center Parcs Europe made a stable contribution to current operating profit (-€13.4 million). The €5 million in cost savings offset the slight decline in turnover during the period and inflation-driven changes in costs.

- The cost of preparing the opening of the Center Parcs Domaine du Lac d'Ailette came to €1.4 million.

The property development arm contributed a €36.9 million profit (yielding an operating margin of 11%), which is €13.6 million more than in the first half of 2005/2006.

Attributable net income of -€9.2 million (a €10.8 million improvement)

The improvement in financial income (from -€4.0 million to -€1.2 million) reflected the decrease of group debt. All in all, attributable current net income (i.e. attributable net income before other operating expenses and earnings net of tax) worked out at -€9.2 million, an improvement of €10.8 million.

Attributable net income up €17.1 million to -€7.8 million

Other operating expenses and earnings net of tax came in at +€1.4 million. Most of this figure corresponded to the capital gain on the divestment of the group's 25% stake in the Domaine Skiable de Valmorel, the Valmorel ski-lift company. Note that the other operating expenses and earnings net of tax line were negative to the tune of €4.9 million in H1 2005/2006. This was primarily due to the restructuring charges incurred on the cost-cutting drive undertaken the tourism division.

2.2 Investments and balance sheet

MAIN CASH FLOWS

High growth in surplus cash flow on the back of both growth in cash flow of €21.4 million and changes in working capital requirements (+€77.7 million), enabled the Group to post H1 2006/2007 net cash of €14.1 million, before changes in borrowings, while continuing to invest €19.3 million in development and renovation of the tourism portfolio and modernisation of IT systems.

This surplus cash flow enabled the Group to reduce financial debt by €24.0 million and post low level of net financial debt of €44.9 million on 31 March 2007.

Summary of cash flow statement

€ million	H1 2006/2007	H1 2005/2006
Cash flow (after financial interest and taxes)	0.7	-20.7
Change in working capital requirements	71.4	-6.3
Cash flows from operating activities	**72.1**	**-27.0**
Capital expenditure and investments	-53.0	-38.1
Asset disposals	16.6	1.4
Cash flows from investment activities	**-36.4**	**-36.7**
Capital increase	0.2	0.3
Acquisition and disposal of treasury stock	-	-0.9
Dividends paid*	-21.8	-13.6
Change in bank loans	-24.0	-11.1
Cash flows from financing activities	**-45.6**	**-25.3**
Change in net cash	**-9.9**	**-89.0**

*dividends paid to shareholders of the parent company and minority interests in integrated companies

The amount of cash generated by operation of the Group's tourism and property activities rose by €99.1 million compared with the first six months of the previous year to total €72.1 million in H1 2006/2007. This growth was driven by both the hike in cash flow after financial interest and taxes (+€21.4 million) and the increase in the cash generated by changes in working capital requirements (+€77.7 million).

The rise in **cash flow**, which was €0.7 million in the black in H1 2006/2007 after standing €20.7 million in the red in H1 2005/2006, stemmed directly from growth in pre-tax profit of €22.2 million. This growth was in turn driven by the surge in current operating income (+€11.1 million) hanks to high growth in the property development segment over the period, as well as other operating expenses and earnings before taxes (+€8.3 million) and financial items (+€2.8 million).

The cash resource generated in H1 2006/2007 by **changes in working capital requirements** (€71.4 million) stemmed primarily from the property development segment and corresponded to:

- The decline in property stocks relative to programmes underway, which generated an overall resource of €55.4m for the first-half year as a whole.

  Changes in property stocks included:

  - A €268.2 million reduction in stocks thanks to the disposals made over the period (Le Domaine Center Parcs du Lac d'Ailette, Paris Tour Eiffel, the extension of the Center Parcs village at Bois Francs, Cefalù in Sicily, Méribel, Avoriaz, Eguisheim, Val d'Isère, Courchevel, La Plagne, …).

  - €30.5 million in investments for the acquisition institutional investors of tourism residence property already operated by the group from in order to renovate the accommodation units and sell them on to individuals with a lease attached. These investments helped acquire 301 units located in both mountain resorts (Courchevel, La Tania and Les Ménuires) and in town centres (Lille).

  - €182.8 million in work undertaken over the period on new or renovation programmes underway (Le Domaine Center Parcs du Lac d'Ailette, Paris Tour Eiffel, extension of Center Parcs village at Bois Francs, Val d'Isère, Eguisheim, Avoriaz, Branville, Arc 1800: hôtel du Golf, …).

- Changes in receivables and operating debts at the property businesses.

Net cash flows attributed to investment operations totalled €36.4 million. These primarily concerned:

- Investments made in the tourism operating business (€19.3 million).

- The disposal in October 2006 to the owner of the property assets at the French village of Bois-Francs in Normandy for €10.2 million euros, of investments concerning extension work for central facilities in order to increase their capacity in association with the property programme to build 204 new cottages. Prior to this disposal, the completion of extension works prompted investment spending of €3.1 million in H1 2006/2007, in addition to the €7.1 million already achieved on 30 September 2006.

- The costs incurred during H1 2006/2007 (€29.4 million) and refinanced by a sale and lease-back operation, under the framework of construction of central facilities (tropical paradise centre, restaurants, bars, shops, sports and leisure facilities) at the new village in the Aisne, region, Le Domaine Center Parcs du Lac d'Ailette.

- The booking of the disposal gain (€2.8 million) of the remaining 25% stake owned by the group in Domaine Skiable de Valmorel, a company operating the ski lifts at the mountain resort.

- The disposal in March 2007 for an overall amount of €3.1 million, of the goodwill and non-current assets associated with operation of the Pierre & Vacances village at Cefalù in Sicily.

Investments in tourism operations (€19.3 million) included:

- Investments made by Center Parcs Europe (€9.2 million):
  - €6.8 million primarily for the improvement in the product mix at all of the villages, of which €3.5 million for the Dutch villages, €2.0 million for the French villages, €0.7 million for the Belgian villages and €0.6 million for the German villages.
  - €2.4 million for IT systems.

- Spending by the Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes division (€10.1 million):

- €4.1 million for furnishing houses and apartments as well as the acquisition of general services and leisure equipment (swimming pools, sports and leisure installations) at villages and residences delivered during the first-half year (of which €0.6 million for the delivery of the City Paris Tour Eiffel residence including 375 housing units).
- €3.6 million for renovation and modernisation works at the network operated, of which €0.7 million for renovation work on reception infrastructure at the seminar business at the Pont Royal village in Provence.
- €2.4 million for overhauling the IT systems.

The €24.0 million decline in borrowings (excluding bank overdraft facilities) on 31 March 2007 vs. 30 September 2006 primarily corresponded to:

- Amortisation of €18.5 million for the corporate debt taken out by the group as part of its acquisitions operations.

- A €28.5 million cut in property debt primarily owing to the repayment of the remaining capital due on the loans taken out by the group for property assets at Hôtel du Golf - Arc 1800 (€12.8 million), Val d'Isère (€8.1 million), Cefalù (€5.2 million), Bénodet (€0.7 million) and Bonmont in Spain (€0.7 million).

- The additional outstanding financial debt booking during the period (€24.2 million) concerning the adjustment of the financial lease contract for central equipment at the new Domaine du Lac d'Ailette Center Parcs village.

CHANGES IN BALANCE SHEET STRUCTURE

Given the asset and liability management principles adopted by the Pierre & Vacances Group in its tourism and property development businesses, the following points should be noted regarding the contribution of these two activities to the consolidated balance sheet.

- The **tourism business** is not very capital intensive since the Group does not intend to own the villages or residences that it operates. As such, investment spending primarily concerns:
  - Furniture for apartments sold unfurnished to individual investors.
  - Infrastructure facilities for the residences.
  - Leisure facilities for holiday villages (swimming pools, tennis courts, childrens' clubs etc.).
  - Commercial premises (restaurants, bars, conference rooms etc.).

Ownership of these assets is a guarantee of the Group's long-term management of the sites concerned.

Working capital requirements in the tourism business are structurally negative, but vary significantly over the year depending on the season.

- Concerning the Group's traditional **property development businesses,** the new property construction activity should be distinguished from property renovation activities:

– **New construction programmes** at Pierre & Vacances generally mobilise little equity and have the following financial characteristics:
  - The capital required to fund each new residence is equivalent to around 10% of the cost price before VAT.
  - Bridging loans are set up for each programme, and maximum use is made of these facilities before the notarised deeds of sale are signed.
  - The relative size of balance-sheet items (accounts receivable, work in progress, deferred income and prepayments) is significant. Sales signed with a notary and not yet recognised in earnings are booked to the balance sheet as deferred income and accrued liabilities. At the same time, costs incurred in connection with the property business are recorded as work in progress, or in the case of selling costs, as accrued income and pre-paid expense. Turnover and margins on property programmes are

booked under the percentage of completion method and no longer on delivery of the apartments, the method previously used by the Group under French accounting standards. The percentage of completion is calculated by multiplying the percentage of progress in construction work by the percentage of property sales signed at a notary. In contrast, stocks of completed properties and land are kept low by the Group's marketing method (properties sold off-plan for delivery on completion) as well as its policy to market properties before construction work is started and to not acquire land before final planning permission has been obtained.

– **The property renovation activity** generates a temporary deterioration in working capital requirements. In this business, the Pierre & Vacances Group acquires existing two/three-sun rated residences in prime locations, generally from institutional investors, with the aim of renovating and upgrading them to a three/four sun rating and selling them on to individual investors under its traditional sales formulas. The fact that the Group owns the land and property during the residence renovation period increases its property portfolio and hence, temporarily increases working capital requirements until the properties are delivered to individual investors.

The cash flows generated by the Group's business in H1 2006/2007 helped further bolster the balance sheet, such that net debt was reduced by €14.2 million over the period, from €59.1 million on 30 September 2006 to €44.9 million on 31 March 2007. This low level of debt ought to help Pierre & Vacances continue its traditional development via property and pursue its acquisitions strategy in businesses in Europe.

Simplified balance sheet

€ million	31/03/2007	30/09/2006	Change
Goodwill	130.3	130.3	0.0
Net fixed assets	383.0	358.2	24.8
INVESTMENTS	**513.3**	**488.5**	**24.8**
Shareholders' equity	340.7	368.8	-28.1
Provisions for risks and charges	53.1	53.6	-0.5
Net financial debt	44.9	59.1	-14.2
Working capital requirements	74.6	7.0	67.6
RESOURCES	**513.3**	**488.5**	**24.8**

No changes in the scope of consolidation leading to a change in the value of **goodwill** were incurred during H1 2006/2007. The net book value therefore remained unchanged at €130.3 million and included the following main goodwill items:

- Center Parcs Europe : €63.3 million;
- Maeva : €49.1 million;
- Résidences MGM : €8.2 million.

The rise in the book value of **fixed assets** (€24.8 million) stemmed primarily from:
- The investments made in tourism operations (€19.3 million - see above);
- The costs committed in H1 2006/2007 (€29.4 million) and refinanced by sale and lease-back operations for the construction of central equipment at the new Center Parcs village Le Domaine du Lac d'Ailette. The amount added to the investments already made during 2005/2006 (€28.5 million).

After deducting:
- Amortisation, depreciation and provisions over the period (€13.7 million).
- The disposal of €10.2 million in investments for extension work on central equipment at the Center Parcs village at Bois Francs in Normandy.

Net fixed assets on 31 March 2007 broke down as follows:
- €126.1 million in intangible fixed assets.
- €229.3 million in tangible fixed assets.
- €27.6 million in financial fixed assets.

The contribution from Center Parcs Europe to intangible fixed assets stood at €89.0 million, €85.9 million of which for the Center Parcs brand. The share of the sub-division in net tangible fixed assets was €89.4 million.

Attributable shareholders' equity totalled €340.7 million on 31 March 2007 vs. €368.8 million on 30 September 2006, after taking account of:
- A dividend pay-out of €21.8 million.
- A capital increase of €0.2 million for the exercise of stock options.
- A net increase in equity before earnings of €1.3 million due to IFRS accounting of stock options, the Pierre & Vacances shares owned by the Group, as well as changes in the fair value of financial hedging instruments.
- The net loss of €7.8 million over the period.

Provisions for risks and charges totalled €53.1 million on 31 March 2007. The very slight decline of €0.5 million over the period stemmed primarily from:
- The €1.5 million rise in provisions for renovation, given that the amount set aside over the period (€3.0 million) was higher than the amount written back following the completion of renovation work (€1.5 million).
- The €1.8 million fall in provisions for restructuring and various risks following the unwinding of situations seen over the period (completion of restructuring programmes and resolution of certain disputes).

On 31 March 2007, provisions for risks and charges broke down as follows:
- provisions for renovation : €37.2 million
- provisions for pensions and retirement : €10.8 million
- provisions for restructuring and various risks : €5.1 million

Net debt reported by the Group on 31 March 2007 broke down as follows:

€ million	**31/03/2007**	**30/09/2006**	**Change**
Gross debt	152.4	176.5	-24.1
Cash and cash equivalents (net of bank overdrafts)	-107.5	-117.4	9.9
Net debt	**44.9**	**59.1**	**-14.2**

The decline in gross debt is analysed in the paragraph "Main cash flows" presented above.

Net debt reported by the Group on 31 March 2007 (€44.9 million) corresponded primarily to:
- The capital still due (€ 92.5 million) on corporate debt refinanced by the Group on 26 March 2007 and relative to the loans taken out during acquisitions operations. The portfolio of refinancing loans on 31 March 2007 broke down as follows:
  - €71.4 million for the acquisition of the additional 50% stake in the Center Parcs Europe sub-group.
  - €21.1 million for the acquisition of Gran Dorado, the first 50% stake in Center Parcs Europe and Maeva.

  As part of this refinancing operation, debt maturity was extended by 2.5 years, with a final repayment deadline set on 26 March 2012. The provisional amortisation plan for this debt over the five years is linear and corresponds to a six-monthly reimbursement of the principal of €9.25 million.
- Financial debt (€50.6 million) booked for the adjustment of the financial lease contract for the central equipment at the new Center Parcs Domaine du Lac d'Ailette.
- Net of available cash.

3 – Outlook

3.1 Current operating profit target for FY 2006/2007

Given the trend in tourism reservations so far for the second half (up 5% for Center Parcs Europe and stable for Pierre & Vacances / Maeva / Résidences MGM / Hôtels Latitudes) and the property development trend forecast over the same period, the Group is aiming for growth in current operating profit to € 105m (excluding exceptional expenses for opening the Center Parcs Domaine du Lac d'Ailette and the contribution of companies acquired: Sunparks and Les Senioriales).

3.2 2007/2008 outlook

Tourism business initiatives are to continue in 2007/2008.

For Pierre & Vacances / Maeva / Résidences MGM / Hôtels Latitudes, these are mainly:

- **Optimising the distribution mix with more direct sales.** Internet sales should represent about 20% of accommodation turnover in 2007/2008. The aim is to step up efforts on the on-line markets and customer relationship management (CRM) and to unlock synergies with Center Parcs Europe, particularly by sharing customer databases. It is also to develop foreign sales by setting up an international team of webmasters (UK, Germany, The Netherlands, Italy and Spain) to lead the sites (setting up targeted offers by country, local listings, etc.);
- **Building commercial presence abroad** with sales offices in London and Brussels (covering the whole of Benelux);
- **Increasing occupancy rates at either end of the season** with expansion of the short break offering and tapping corporate markets for seminars;
- **Boosting the profitability of service activities,** which still contribute little to earnings. The outsourcing of catering is ongoing and is helping to widen margins. There are also initiatives to prise open margins on ski equipment rental and by renting baby-friendly apartments;
- **Streamlining costs of the new business unit structure by brand,** a year after it was set up.

With regard to Center Parcs Europe, work continues in the following areas:

- **Continued optimisation of the offer**. To clarify and standardise the offer, Center Parcs plans to enlarge the leisure facilities and upgrade the cottages in the Hochsauerland and Port Zélande range to 5-bird status. Renovation works and upgrading are also underway at the Zandvoort, Kempervennen and Hauts de Bruyères cottages. Extension work has also been launched, concerning 50 cottages in Hauts de Bruyères in France and an initial delivery of 226 cottages in German and Dutch villages;
- **Improving sales efficiency**. Management's revenue strategy encourages early reservation and web bookings, with lower fees. Growth in the share of internet sales is set to continue, with a target of 50% by the end of 2008 ;
- **Successful expansion in France**. Sales in France are to be boosted with an accommodation increase of over 70%, as the Domaine du Lac d'Ailette village (861 cottages) and 204 additional cottages in Bois-Francs in Normandy come into service;

- **Continued trimming of operating costs** through productivity gains (cleaning, etc.) and better allocation of investments according to client expectations, following customer satisfaction surveys.

3.3 Expansion

Apart from the expansion prospects provided by the Sunparks and Les Senioriales acquisitions, the group is pressing ahead with organic growth and seeking related acquisitions in France, Europe and Morocco.

Development approaches at Pierre & Vacances include:

- Center Parcs in Europe, with villages opening in France (delivery of a village in Moselle, research in the Rhône-Alpes region) and expansion in Germany under Center Parcs or Sunparks;
- City residences: the partnership with Accor aims to create the European leader in this market and to manage a network of 50 units (6,500 apartments) and a business volume of about € 180 million, within five years;
- The Pierre & Vacances, Maeva, Résidences MGM and Hôtels Latitudes brands, by seeking property to renovate in France, developing “Villages Nature” in partnership with Euro Disney, building the group’s presence in Spain and a development being looked at in Morocco.