Groupe
Pierre & Vacances
CenterParcs

Results for the 2017/2018 financial year

Paris, 21 November 2018

This press release presents consolidated results established under IFRS accounting rules, currently being audited and closed by the Pierre et Vacances SA Board of Directors on 20 November 2018.

- Revenue[1] from the tourism businesses up 4.1%
- Profits affected by the shift to 2018/2019 of a significant contribution from signings of block sales for renovation programmes
- A 4-year strategic plan focused on the target to structurally improve the Group's profitability

I. Main events of the year

Financing operations

In order to refinance the ORNANE[2] bonds issued in 2014, partly redeemed early during the second half of 2017, on 6 December 2017, the Group issued 1,648,261 ORNANE bonds for a total amount of €100 million, at a rate of 2.0% (vs. 3.5% for the previous issue), and maturing on 1 April 2023.

In addition, on 14 February 2018, the Group undertook another non-listed Euro private placement of €76 million, carrying interest of 3.9% (vs. 4.25% for the previous Euro PP) and redeemable on 14 February 2025, with French institutional investors.

These new financing operations optimise the Group's financial structure (especially by extending the average maturity of debt), and provide it the financial means to step up its development.

Development of the tourism offering

Résidence Pierre & Vacances premium – Presqu'île de la Touques - Deauville

On 25 May 2018, the Group inaugurated the 5-star Pierre & Vacances premium residence "La Presqu'île de la Touques" in Deauville. The residence is made up of 133 apartments and boasts a range of upscale facilities (indoor and outdoor pool heated throughout the year, Deep Nature® spa etc.) benefiting from a privileged geographical location opposite the yacht marina in the Deauville port.

Development of the Pierre & Vacances offer in Spain

On 6 April 2018, the Group acquired the Empuriabrava residence (48 units) destined for property marketing. The development of the tourism network is continuing: five new leases were taken on sites throughout the year (one 4-star hotel with 141 rooms in a mountain resort in the Spanish Pyrenees, and four seaside destinations).

Aparthotels Adagio®: management of five Hipark residences

Since 1 February 2018, Aparthotels Adagio® has taken on management of five business tourism residences, Hipark Design Suites from BNP Paribas Real Estate, under the "Hipark by Adagio" banner.
These residences are primarily located in the upscale business tourism sector in the main business centres of Paris, Val d'Europe, Grenoble, Nice and Marseille and include 700 apartments.
This partnership with BNP Paribas Real Estate strengthens the leadership of Aparthotels Adagio® in France, and paves the way for future developments in France and Europe.

Transformation of the Sunparks Vielsalm Domain (Belgium) into a Center Parcs

On 22 December 2017, the Sunparks Domain at Vielsalm re-opened under the Center Parcs banner after an investment of almost €35 million, financed by institutional and individual investors under the framework of a property renovation operation. These investments relate to the renovation of 350 cottages and the central facilities of the Domain.

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[1] The items commented on in this press release stem from operating reporting, with the presentation of joint ventures under proportional consolidation.
[2] Bonds convertible into cash and/or new and/or existing shares.

II. Revenue and results[3] for 2017/2018 (1 October 2017 to 30 September 2018)

2.1. Revenue

(Euro millions)	2017/2018	2016/2017	Change	Change excl. supply effects***
Tourism	**1,356.5**	**1,302.6**	**+ 4.1 %**	
Pierre & Vacances Tourisme Europe	659.7	637.9	+ 3.4%	
Center Parcs Europe*	696.8	664.7	+ 4.8 %	
o/w accommodation revenue	**858.4**	**822.5**	**+ 4.4%**	**+ 2.6%**
Pierre & Vacances Tourisme Europe	*400.1*	*390.1*	*+ 2.6%*	*+ 3.8%*
*Center Parcs Europe**	*458.2*	*432.4*	*+ 6.0%*	*+ 1.6 %*
Property development	**166.5**	**203.7**	**- 18.2%**	
FULL-YEAR TOTAL	**1,523.0**	**1,506.3**	**+ 1.1%**	

** Adjusted for the impact of:*
- at PVTE, the net reduction in the network operated, due to the non-renewal of leases and withdrawals from loss-making sites.
- for CPE, net growth in the assets operated, prompted by the opening of Villages Nature Paris and the extension of the Center Parcs Domaine des Trois Forêts. This increase in the offer is partly offset by the part closure of the Center Parcs Domains currently being renovated.
*** Including Villages Nature Paris (€23.6m over the year, o/w €15.7m in accommodation revenue).*

Tourism revenue for the 2017/2018 financial year totalled €1,356.5 million, **showing growth of 4.1%** relative to the year-earlier period.

Accommodation revenue was up 2.6% excluding supply effects. This growth benefited all destinations: +7.1% for Adagio aparthotels, + 2.2% for the Pierre & Vacances seaside destinations, +1.0% for the Pierre & Vacances mountain residences and +1.6% for the Center Parcs Domains with growth in all destinations (France, Belgium, the Netherlands, Germany), and despite the late start to the summer season (World Cup football tournament, strike action), also affected by the heat wave and competition from destinations in the Mediterranean basin.

Supplementary income rose by 3.7%, driven primarily by the rise in the volume of business generated by marketing activities.

Property development revenue totalled €166.5 million, in line with the expected phasing of programmes with the main contributions stemming from Les Senioriales (€85 million), Villages Nature (€12 million) and the Pierre & Vacances residences at Deauville and Méribel (€30 million) and Spain (€10 million).

Property reservations with individual investors for the year represent revenue of €344.2 million, ahead of the level noted in the year-earlier period (€311.5 million).

[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 sales indicators commented on below stem from operating reporting. The reconciliation tables with IFRS income statements are set out in paragraph V.

2.2. Results

	FY 2018	FY 2017
Revenue	1,523.0	1,506.3
Current operating profit	**9.1**	**12.4**
Tourism	**20.1**	**24.3**
Excl. Villages Nature Paris	*31.7*	*37.1*
Villages Nature Paris	*-11.6*	*-12.9*
Property development	**-11.0**	**-11.9**
Excl. Villages Nature Paris	*-11.0*	*12.5*
Villages Nature Paris	*0.0*	*-24.4*
Financial items	-18.0	-17.2
Other income and expense net of tax	-4.5	-6.6
Equity associates	1.6	0.1
Pre-tax profit and items associated with the ORNANE bond	**-11.8**	**-11.3**
Tax for the year	-14.8	-16.3
Recovery of deferred tax assets	-19.0	
Change in ORNANE fair value	1.5	-15.7
Capital loss on conversion - ORNANE maturing in 2019	-1.8	-13.4
Net profit	**-45.9**	**-56.7**
Group share	*-45.9*	*-56.7*
Non-controlling interests	*0.0*	*0.0*

Despite the shift to 2018/19 of the significant contribution expected from signings of block sales for renovation programmes at Center Parcs Domains in Belgium and the Netherlands, the Group's current operating profit is close to the year-earlier level.

- **Current operating profit in the tourism activities** totalled €20.1 million:

– Current operating profit, excluding Villages Nature Paris, worked out to **€31.7 million**.

This reflected growth in business excluding supply effects (+€9 million), the positive impact on the net contribution of the reduction in the number of apartments operated under the framework of lease renewals (+€2 million) and growth in the contribution from seaside destinations in Spain and maeva.com (+€1 million). These gains helped offset higher expenses (wages, rents, energy primarily) estimated at €9 million.

After taking into account these factors, current operating profit totalled €40 million, higher than the year-earlier level of €37 million, and despite a slowdown in growth in the tourism business over the summer (see above).

The impact of renovation operations at the Center Parcs Domains and the Adagio residences totalled €4 million. These renovations are set to generate higher tourism performances in 2018/2019 given the more upscale nature of the accommodation concerned. Similarly, pre-opening costs for the Center Parcs Domain Allgau in Germany (€4 million) dented full-year 2017/2018 earnings.

– After a first-half period still penalised by the delivery of cottages and apartments in stages, performances at Villages Nature Paris improved considerably in the second half, with higher occupancy rates (73% in H2 vs. 62% in H1) thanks to the gradual ramp-up in marketing to foreign customers. The reservation portfolio to date confirmed these trends.

- **The current operating loss in the property development businesses** totalled €11.0 million.

  This primarily included structural costs for the property development teams, whereas the signing of block sales for the renovation programmes at the Center Parcs in Belgium and the Netherlands, that are set to make a significant contribution to profits, was shifted to 2018/2019, which is therefore set to post a sharp increase in current operating profit in property development.

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

- **Deferred tax expense** concerned the prudential write-off of some of the Group's tax assets (international expansion of the Group's businesses, reducing the medium-term utilisation capacity for tax deficits in France).

- **The net result was** -€45.9 million vs -€56.7 million for 2016/2017.

  Adjusted for exceptional items (shift in property development contributions to 2018/2019, tax asset adjustments in particular), the 2017/2018 net result would have been at breakeven.

2.3. Balance sheet items and net financial debt

Simplified balance sheet

(Euro millions)	09/30/2018	09/30/2017	Change
Goodwill	158.9	158.9	0.0
Net fixed assets	461.0	432.7	+ 28.3
WCR and others	0.0	10.1	- 10.1
TOTAL INVESTMENTS	**619.9**	**601.7**	**+18.2**
Share capital	287.0	326.9	- 39.9
Provisions for risks and charges	56.6	66.0	- 9.4
Net financial debt	247.7	208.8	+38.9
WCR and others	28.6	0.0	+ 28.6
TOTAL RESOURCES	**619.9**	**601.7**	**+18.2**

Net financial debt

(Euro millions)	09/30/2018	09/30/2017	Change
Gross financial debt	354.9	286.1	+ 68.9
Cash (net of overdrafts/drawn revolving credit lines)	- 107.3	- 77.3	- 30.0
Net financial debt	**247.7**	**208.8**	**+ 38.9**
o/w net bank debt	***148.8***	***107.5***	***+ 41.3***
o/w rental commitments - facilities at Ailette	*98.9*	*101.3*	*- 2.4*

Net financial debt on 30 September 2018 (€247.7 million) corresponded primarily to:

- The ORNANE bond issued in December 2017 for a nominal amount of €100 million,
- Euro PP bonds issued respectively in July 2016 for a nominal amount of €60 million and in February 2018 for a nominal amount of €76 million.
- Accompanying loans contracted by the Group under the framework of financing property programmes destined to be sold off for €15.5 million) (PV premium project in Méribel, and the Les Seniorales programmes on 30 September 2018).
- The financial debt associated with adjustments for lease contracts for €100.8 million, €98.9 million of which concerned the central facilities at the Center Parcs Lac d'Ailette Domain,
- after deducting cash (net of overdrafts/drawn revolving credit lines) of €107.3 million.

Note that on 30 September 2018, the Group had a €200 million revolving credit line contracted on 14 March 2016 (maturing in 2019) as well as five confirmed credit lines for a total amount of €39 million. On 30 September 2018, none of these lines had been used.

III. Post-closing events

Center Parcs Roybon: prospect of a definitive ruling in favour of the project

On 21 November 2018, the French Council of State validated the Pierre & Vacances-Center Parcs appeal by quashing the ruling under which the Lyon Appeals Court had cancelled the water law authorisation. The case is to be sent back to the same Court of Appeal, which will have to take into account the decision issued by the Council of State this 21 November.

Signings of property renovation operations

Renovation of the Center Parcs Zandvoort Domain
On 9 November 2018, the PVCP Group signed a tripartite agreement with Gran Dorado Zandvoort BV, the current owner of the Center Parcs de Zandvoort on the Dutch side, and ZIB Zandvoort CV, the new owner. The agreement plans for the purchase of central facilities at the hotel and 120 cottages. The new owner is to also set to invest in the Domain's renovation programme. This operation, combined with the individual sales successfully undertaken by the PVCP Group on behalf of the current owner, will ensure the financing of the entire renovation and the Zandvoort Domain's move upscale.

Renovation of the Sunparks De Haan Domain
On 10 October 2018, the PVCP Group signed an unconditional agreement with two lead investors of two French and Belgian shareholding groups, ATREAM and Home Invest Belgium, for the disposal of 100% of the shares in Sunparks de Haan SA, owner of the Sunparks de Haan Domain.
The Domain is to be fully renovated with a significant improvement in its status with a view to being operated under the Center Parcs brand following the works.

IV. Outlook

Tourism businesses in Q1 2018/2019

In view of the portfolio of reservations to date, the Group expects like-for-like growth in the tourism businesses in Q1 2018/2019, at both Pierre & Vacances Tourisme Europe and Center Parcs Europe.

Group strategy - Ambition 2022

On 3 September 2018, Olivier Brémond become CEO of the Pierre & Vacances-Center Parcs Group alongside the founder and Chairman Gérard Brémond.

Focused on adapting the Group to changes underway in both of its business sectors, with the support of the members of the General Management Committee and the main Group managers, Olivier Brémond has drawn up a strategic plan for 2022 with the priority aim of restoring sustainable profitability that would allow the Group to resume dividend payments.

The Group's strategy is based on four pillars:

- Moving the existing tourism offer upscale via a programme of €450 million in renovation works concerning both accommodation and facilities.
- Developing new innovative offers, with original accommodation types and expanding the Group's activities outside France.
- Boosting marketing of the offer, especially in direct sales channels with an optimal exploitation of customer data in order to provide personalised offers.
- Optimizing the Group's organisation and its processes to make them more efficient and agile.

The Group's property businesses are set to generate 25,000 additional beds, with the main focuses on:

- Innovative programmes in terms of accommodation and facilities anticipating changes in holidaymakers' aspirations, for each brand and each country, and including strengthened sustainable development standards,
- A preponderance of "block" property sales to institutional investors, rounded out by marketing businesses to individuals in France and in Europe,
- The introduction of sales formulas with variable rents,
- Renovation operations at the existing Center Parcs Domains in Belgium, Germany and the Netherlands,
- Production of new destinations for all brands and the extension of existing sites in France, Germany and Spain.

This strategy is set to contribute as of 2018/2019, and should result in a gradual increase in the Group's profits over the next four years, with the aims of reducing head office costs by 8%, reaching a margin on tourism businesses of 5% by 2022 (notably with a 4% like-for-like growth in accommodation turnover) and a volume of property business of €3 billion over the period, generating an average margin of 6%.

V. Reconciliation table - IFRS income statement

(Euro millions)	**FY 2018 operating reporting**	Cost of unwinding the 2019 ORNANE	Change in fair value of 2023 ORNANE	Tax on other operating income and expense	IFRS 11 adjustments	**FY 2018** IFRS
Revenue	1,523.0				- 88.3	1,434.7
Current operating profit	**9.1**				**+7.8**	**16.9**
Other operating income and expense	- 4.5			-0.2		4.7*
Financial items	- 18,0	-1.8	+1.5		+2.2	- 16,1
Equity associates	1.6				-16.4	- 14,8
Income tax	-14.8			+0.2	+2.7	-11.9
Reversal of deferred tax assets	-19.0				+3.7	-15.3
Change in fair value of 2023 ORNANE	1.5		-1.5			0.0**
Cost of unwinding 2019 ORNANE	- 1.8	+1.8				0.0
NET PROFIT	**- 45.9**	0.0	0.0	0.0	0.0	**- 45.9**

* gross of tax

** the change in fair value of the ORNANE share allocation right is included in financial items under IFRS

(Euro millions)	**FY 2017 operating reporting**	Capital loss part conversion ORNANE	Change in fair value of 2023 ORNANE	Tax on other operating income and expense	IFRS 11 adjustments	**FY 2017** IFRS
Revenue	1,506.3				- 81.0	1,425.3
Current operating profit	**12.4**				**+31.9**	**44.3**
Other operating income and expense	- 6,6			-0.9	+1.3	- 6.2*
Financial items	- 17,2	-13.4	-15.7		+1.3	- 45.0
Equity associates	0.1				-34.5	- 34.4
Income tax	-16.3			+0.9	0.0	- 15.4
Change in ORNANE fair value	-15.7		+15.7			0.0**
Cost of unwinding 2019 ORNANE	- 13.4	+13.4				0.0
NET PROFIT	**- 56.7**	0.0	0.0	0.0	0.0	**- 56.7**

* gross of tax

** the change in fair value of the ORNANE share allocation right is included in financial items under IFRS

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