CLUB MÉDITERRANÉE

PRESS RELEASE
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2006 ANNUAL RESULTS

- **Revenue returns to growth for the first time in 4 years up 5;6%**
- **Attributable net income of €5 million, versus €3 million in fiscal 2005**
- **Another decisive step taken in implementing the strategy**
- **By the end of 2008, Club Med will be positioned as the worldwide specialist in all-inclusive upmarket, friendly, multicultural vacations**

I. A return to growth

Club Méditerranée's revenue for the fiscal year ended 31st of October 2006 totalled €1.68 billion, an increase of 5.6% as reported and of 4.9% on a like-for-like basis (comparable scope of consolidation).

Despite a disappointing market environment in France and flat demand in Europe, revenue returned to growth after four straight years of decline, validating the Group's upmarket strategy.

Income attributable to shareholders was again positive and up slightly, despite a more than 50% decline in operating income – assets during the year, to €40 million.

Jet tours reported operating income of €3.1 million, versus €4.3 million the year before, in a market environment that was challenging for the entire French tour operating industry.

Club Med Gym experienced strong growth in operating income, which rose to €4.3 million from €2.5 million in fiscal 2005.

Fiscal 2006 results (IFRS)

In millions of euros	2005 (1)	2006
Revenue	**1,590**	**1,679**
EBITDAR – Leisure (2)	**222**	**232**
Operating income – Leisure	25	24
Operating income – Assets	89	40
Other operating income & expense	(33)	(29)
Operating income	81	35
Finance cost - net	(45)	(32)
Share of profit of associates	3	3
Income tax expense	(35)	(1)
Minority interests	(1)	0
Income attributable to shareholders	**3**	**5**
Free cash flow	154	39
Net Debt	(323)	(294)

(1): For comparative purposes, fiscal 2005 figures have been adjusted for the impact of applying IAS 32/39 concerning financial instruments.
(2): EBITDAR Leisure : operating income leisure before rents, depreciation and amortization

Revenue growth during the year did not feed entirely through to income due to the transformation underway at Club Méditerranée:

- Customers were gained in the target segment but lost following the closure of entry-level villages.
- This shift in the customer base led to an increase in selling costs, which temporarily combined the costs of both mass marketing and upscale specialty marketing.
- The temporary closure of certain permanent villages for renovation eliminated their revenue contribution.
- Insurance payments on natural disaster claims declined to €20.8 million, from €38 million in fiscal 2005.

Revenue per available bed (RevPAB) rose a significant 9%, with gains in every operating region. In line with the village business model, whereby profitability increases as the village moves upmarket, RevPAB was 57% higher in 4-trident villages than in the hut and 2-trident units.

EBITDAR – leisure, which corresponds to income from operations before the impact of the property management strategy, rose to €232 million.

Operating income – leisure was stable at €24 million, while operating income – assets decreased to €40 million from €89 million, due to a 50% decline in proceeds from property disposals during the year.

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- Free cash flow amounted to €39 million. Borrowings declined to €294 million at 31 October 2006 from €323 million a year earlier, thereby reducing gearing to 57% from 61.8% at year-end fiscal 2005.

- In 2006, the Club Med brand, one of the company's core assets, was valued by Brand Finance at €438 million, or nearly €23 a share, compared with €20 in fiscal 2004. This value has not been recognized as an asset.

- The property assets to be sold by the end of 2008 had a net book value of €93 million at year-end fiscal 2006, while the assets that could be refinanced over the short and medium terms amounted to €310 million, out of a total of €951 million in property, plant and equipment (net book value).

In 2006, a number of strategic actions were implemented to create the worldwide specialist in all-inclusive upmarket, friendly, multicultural vacations

- A faster shift in the village base

Club Med is vigorously pursuing its upmarket strategy. More than 50 villages have been renovated over the past five years and around 15 more will be upgraded in the two years to come. This systematic move up the quality scale will be completed at the end of 2008, when all of the villages will be rated either 3 or 4-tridents.

In fiscal 2006, the Group decided to close five entry-level villages and prepared to upgrade seven villages to 4-trident status. Nearly €200 million has been committed to renovating existing villages and opening new ones, including La Caravelle (€20 million), Cancun Yucatan (€15 million), Villars (€10 million), La Plagne (€14 million) and Opio (27 million).

In 2006, €158 million was invested directly by Club Med and more than €30 million indirectly by the Group's real estate partners. In 2007, investments will total around €100 million by Club Med and some €100 million by partners.

- Major product innovations

Although offering Bar & Snacking Included in all of the sea and sun villages significantly raised the face price, it has now given Club Med a major competitive advantage. Comfort *à la carte* has delivered the expected response to customers who wanted to choose their room comfort. And lastly, the creation of Baby Welcome and Teen Passworld has effectively met the needs of families.

- First major shift in the customer base and record satisfaction ratings

The percentage of Club Med's core target customers in France (the Top 12) rose significantly in fiscal 2006, to 69% of all French customers from 35% in 2003. 4-trident villages, for example, gained 44,000 customers over the year, an increase of 11%.

These gains in the core target segment helped to partially offset the reduction in the number of entry-level beds. In addition, average customer spend improved by nearly 12%.

Lastly, measured customer satisfaction has hit record levels, especially in the 4-trident villages. The figures for "intend to return" and "good value for the money" are also trending upwards.

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- Two high-potential and fast changing regions

The Americas region has been repositioned in the upmarket family segment. Based on IPSOS surveys, the number of potential Club Med customers in the United States has been estimated at around 28 million people. Club Med enjoys high local brand awareness, since nearly 90% of high-income Americans have heard of the Club, far more than for the Group’s major competitors. In 2008, the Club will offer 12 renovated villages in the region, of which nearly three-quarters will be 4-trident units.

Club Med is making significant inroads in Asia, gaining 20,000 customers in China, Singapore, Hong Kong and Taiwan. The move upmarket corresponds perfectly to the new demand from these customers, who want to vacation in exceptional locations and highly comfortable accommodations. Club Med’s objective is to welcome more than 100,000 GMs from these countries in 2008.

In both the Americas and Asia, teams have been renewed and strengthened, to ensure the strategy’s successful implementation.

II. The new Club Med business model will be completed by the end of 2008

The new Club Med business model will be introduced at the end of 2008, when the Club will be positioned in an upscale market estimated at 39 million potential customers in Europe and the United States.

By then, Club Med will have finished moving the village base upmarket, with units equally divided between 3 and 4-trident ratings. Afterwards, the majority of villages will be 4-tridents.

GO skills and talents will be continuously enhanced through training at the new School Village in Vittel, home to the Group’s Talent University.

In its commitment to nurturing quality customer relationships and lowering its selling costs, Club Med has begun shifting its direct distribution model towards upmarket specialty distribution, with the pooling of calls to Club Med agencies and the call center and the increasing use of the Internet. The Group’s new website will be launched in 12 countries over the next few days.

Having met its target of generating €100 million in revenue from the Web in 2006, the Club now aims to increase online sales by nearly 40%, to €140 million in revenue in fiscal 2007.

Lastly, in addition to its promising expansion in Asia, Club Med is exploring other potential opportunities for profitable growth. This is the goal of its new property management strategy, designed to adapt management structures to each asset and region:

- The use of management contracts in unstable regions.
- New types of development, whose condominium-style financing eliminates the need for capital investment and variabilizes costs. Ground will be broken on the first units near Buzios, Brazil in early 2007.
- The development of villas next to Club Med villages, which improves profitability and upmarket capacity without any capital outlays and generates income from property development. The first units will be marketed at the Albion village in Mauritius, while several other sites, notably on Guadeloupe and in the Dominican Republic, are under study.

III. Winter 2007 bookings up 10.2%, lifted by strategic improvements

As of 9 December, winter 2007 bookings expressed in revenues were up 10.2% on the prior-year date, despite a slowdown in recent weeks due to the lack of snow during the period. The 8.9% increase in Europe was satisfactory, both in France and the other countries.

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In Asia, bookings were up a strong 47.4%, and even excluding the impact of low prior-year comparatives, they were 30% higher than at the prior-year date (i.e. before the tsunami). Excluding the disposal of the Crested Butte snow village, bookings were also up in the Americas.

% change in like-for-like revenues	As of 9 December 2006
Europe	+ 8.9%
Americas	+ 0.6%
Asia	+ 47.4%
Total Club Med	**+ 10.2%**
Jet tours	**+ 2.0%**

In discussing the full-year results, Henri Giscard d'Estaing, Chairman and Chief Executive Officer, noted that:

"Club Med returned to growth in 2006 and reported a profit for the year in a persistently difficult travel and tourism environment.

"By focusing our offering on the upmarket side and extending Bar & Snacking Included throughout the summer, we've successfully taken a major strategic step, while helping to lift customer satisfaction to ten-year highs.

"In line with our commitment to creating a new Club Med that by the end of 2008 will be ready to leverage all of its profitable, sustainable growth drivers, we've undertaken the last major phases in the Group's transformation, which will complete the process of moving the village base upmarket and continue to enhance the skills and talents of our GOs.

"At the same time, the repositioning of our North American operations on upmarket families, our significant inroads in Asia, the Internet-driven shift in our distribution model and the strategy of capturing the value of our property assets will ensure that by the end of 2008, Club Med will be positioned as the worldwide specialist in all-inclusive upmarket, friendly, multicultural vacations. Club Med is now in growth and profitable."

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