CLUB MÉDITERRANÉE

PRESS RELEASE
Thursday, 11 December 2008

2008 Annual Results

- **A strategy validated by a further improvement in operating profitability**

	2006	2007	2008
Revenue *(€m)*	**1,370**	**1,410**	**1,494**
Clients *(000's)*	1,328	1,324	1,361
Of which 4/5 T customers *(000's)*	***462***	***595***	***656***
Occupancy rate	68.0%	68.2%	70.9%
Like-for-like RevPAB[1]	€78.90	€85.00	€91.40
EBITDAR - Leisure *(€m)*	**205**	**219**	**257**
As a % of revenue	*15.0*	*15.5*	*17.2*
Operating income - Leisure	**16**	**25**	**43**

[1] *Revenue Per Available Bed: Total like-for-like Village revenue net of tax and transportation costs/Available beds.*

- **2008 Annual Results**

  - Revenue: Up 7.7% like-for-like to €1,494 million

  - EBITDAR Leisure: Up 17.3% to €257 million

  - Operating income - Leisure: Up 69% to €43 million

  - Net income: €2 million (vs. an €8 million loss in 2007)

  - Increase in upmarket clientele: an additional 61,000 4 and 5 Trident customers

  - Focusing on the Village business and strengthening the balance sheet with improved operating profitability and the sale of Jet tours and Club Med Gym in summer 2008

- **Winter 2009 bookings down 2.4% with a 3% decline in capacity**

- **Initiatives and strengths to rebound faster**

Commenting on the fiscal 2008 results, Chairman and Chief Executive Officer Henri Giscard d'Estaing said: *"In a deteriorating business environment, Club Méditerranée's 2008 results reflect a further improvement in operating profitability. This constant improvement since 2006, with the increase in net cash from operating activities and the sale of Jet tours and Club Med Gym, has helped to strengthen the balance sheet. The global economic crisis has led us to take effective, immediate measures to trim sail. This is seen in our new priorities for 2009, which are 1) to increase market share, since the advantages of Club Med's strategic upmarket positioning should enable us to emerge from the crisis sooner and in better shape than the others, and 2) to strengthen our position as the global specialist in upmarket, friendly, multicultural vacations, especially in our emerging growth markets."*

CLUB MÉDITERRANÉE

1- FINANCIAL REVIEW

➢ **Sharp 69% increase in Operating income – Leisure**

Statement of income for the year ended 31 October 2008[1]

In € millions	**2007**	**2008**
Revenue	**1,410**	**1,494**
EBITDAR Leisure[2]	219	257
Operating income Leisure	**25**	**43**
Operating income/(loss) – Management of assets	2	(8)
Other operating income & expense, net	(19)	(25)
Operating income[3]	8	10
Finance cost – net	(24)	(33)
Share of profit of associates	1	1
Income tax benefit (expense)	3	(11)
Profit from discontinued operations	4	4
Gain on the sale of discontinued operations	-	31
Net income/(loss)	**(8)**	**2**
Of which attributable to shareholders		
Free cash flow	(30)	50
Net debt (at 31 October)	(336)	(295)

(1)In compliance with IFRS 5, figures have been adjusted to exclude Jet tours and Club Med Gym, which were divested in 2008

(2) EBITDAR – Leisure: Earnings before interest, taxes, depreciation, amortization and rents.

(3) Operating income is defined on page 121 of the 2007 Annual Report, along with the definitions of operating income – Leisure, operating income – Management of assets and other operating income & expense

- Club Méditerranée **revenue** amounted to €1,494 million for the fiscal year that ended on 31 October 2008. This represents an increase of 6.0% as reported and 7.7% like-for-like, with 10.6% growth in the first half and 4.9% in the second.
- Revenue per available bed (**RevPAB**) rose a sharp 7.5%, of which 6.2% in the fourth quarter.
- **EBITDAR Leisure**, which corresponds to income from operations before the impact of the property management strategy, increased by 17.3% to €257 million, from €219 million in fiscal 2007. As a percentage of revenue, EBITDAR – Leisure increased by 1.6 points year-on-year and 2.2 points over the past two years (3.8 points excluding insurance settlements in 2006).
- **Operating income Leisure** surged 69% to €43 million, from €25 million in fiscal 2007, despite higher oil prices and the financial crisis in the latter part of 2008. It amounted to €17 million in Summer 2008, compared with €7 million in the prior-year period.
- The €8 million **Operating loss Management of assets** reflects the cost of villages closed for renovation as part of the move upmarket and a number of disposals during the year.
- **Other operating income & expense** represented a net expense of €25 million, compared with a net expense of €19 million in fiscal 2007. The net expense for fiscal 2008 included credit card costs as well as restructuring expense, which rose sharply due to productivity measures already underway.

- **Finance cost – net** stood at €33 million, compared with €24 million in 2007. The increase resulted from the impact of the stronger dollar on currency gains and losses.

- **Income tax expense** totaled €11 million, compared with a net benefit of €3 million in 2007, which included non-recurring deferred tax benefits of €10 million.

- **Net income** amounted to €2 million, versus a net loss of €8 million in fiscal 2007.
- **The balance sheet was strengthened** thanks to the improvement in operating profitability, which was led by the sharp growth in net cash from operating activities (to €43 million, from €13 million in 2007) and the refocusing on the Village business with the sale of Jet tours and Club Med Gym. As a result, net debt declined to €295 million, from €336 million, and free cash flow improved sharply, to a positive €50 million, from a negative €30 million the year before.
- As a result, **gearing** improved to 59.7%, versus 68.6% at 31 October 2007.

➢ 2008 Business Review

- **An additional 61,000 4 and 5 Tridents customers**

With the shift in clientele nearly complete in its main markets, Club Med can now capitalize on a broad base of upmarket customers. The increase in 4 and 5 Tridents customers has validated the move upmarket, with 312,000 additional customers in these categories since 2003, of which 61,000 in 2008 alone. In fiscal 2008, Club Med had a total of 656,000 4 and 5 Tridents customers, representing 48% of the total.

- **Pursuing the upmarket strategy**

4 and 5 Trident Customers are attracted by the outstanding all-inclusive offering and the renovated Villages, with most of the capex program now completed. The past year saw the upgrading of Punta Cana to 4 Tridents, following an extensive overhaul and the addition of 32 family suites, as well as the upgrading of the Club Med 2 cruise ship to 5 Tridents and the renovation of the Bali, Grégolimano and Tignes Val Claret villages. At present, 4 and 5 Tridents villages account for 47% of capacity, a figure that is expected to increase to 55% in 2009, with renovation projects underway in a number of villages, including Da Balaïa, Djerba La Calypso and Bodrum.

2- Initial trends and outlook for 2009

➢ Winter 2009 bookings

Like-for-like revenue	**Year-to-date as of 6 December 2008**
Europe	-3.4%
Americas	-2.4%
Asia	4.9%
Total Club Med	**-2.4%**
Winter 2009 capacity	**-3.1%**

As of 6 December 2008, Winter 2009 bookings as a percentage of like-for-like revenue were down 2.4% year-on-year while capacity was down 3.1%.

Against a backdrop of looming recession, these figures clearly confirm the trend seen in Summer 2008 bookings: an initial surge buoyed by a deliberate early-booking strategy, followed by a lull that has become even more pronounced since September and finally an increase in last-minute sales for virtually immediate departures.

At the same date last year, Club Med had recorded 70% of its bookings for the very good Winter 2008 season.

- Measures implemented to adjust to the crisis

Club Med has responded to the uncertain economy by making a number of adjustments that do not call the validity of the Group's strategy into question. These include:

- Reducing hotel capacity by 3% in 2009 on 2-3 Tridents villages (and up to 10% during the off-season) and temporarily closing a number of year-round villages when warranted by adverse seasonal weather conditions.

- Reducing capex to €50 million for 2009 (versus the €90 million planned in June) by delaying two upgrade projects. Most of the spending program has been completed with nearly €400 million invested by the Group over the past three years to continue enhancing the Club Med experience (of which €128 million in 2008).

- Implementing a corporate productivity program focused on selling and marketing expense, organizational streamlining, and optimized purchasing, for total savings of €31 million in 2009.

3- The strengths of the upmarket, all-inclusive offering in increasing market share and preparing for the future

- **The strengths of an upmarket Club Med**

- A wealthier clientele less sensitive to economic downturns over the long term.
- A global brand that expresses solidity in a tumultuous tourist market.
- Upmarket positioning with optimal value for money thanks to an all-inclusive offering that makes managing vacation budgets easier, especially for families.
- A portfolio of renovated villages in exceptional locations.
- A global presence with opportunities for growth in new markets.

These competitive advantages have helped to define Club Med's priorities for 2009, which are to increase market share and prepare for the future.

- **Priorities for 2009: increasing market share and preparing for the future**

- Increasing market share

- By recruiting the highest-income customers in the target segment.
Club Med is stepping up initiatives to recruit the highest-income customers in its target segment, as part of its targeted relationship marketing strategy, which is based on its offering of the most affordable upmarket vacations.

- By increasing online sales

An effective tool for showcasing the advantages of the all-inclusive family offering and the move upmarket, the Internet has a customer recruitment rate that is 10 points higher than the average for all distribution channels. Online sales are up 20% for the current Winter season and could increase by 50% over the period to 2010. The Internet is also helping to lower sales and marketing costs as a percentage of revenue, to 18.2% in 2008, from 20.2% in 2007 and 21.2% in 2006, in line with the Group's selling and marketing productivity objectives.

- By launching the Club Med Great Members loyalty program.

Scheduled for rollout in January 2009, the loyalty program will be introduced worldwide throughout the year. One of more than 200 programs tested, Club Med Great Members ranks in the top 20% in terms of intention to buy, attractiveness and ability to meet customer expectations. Members will be entitled both to special benefits in the villages, which make their vacations even more enjoyable, and to visual signs of recognition.

- Preparing for the future

To prepare for future growth and leverage its market share gains, Club Med needs to add new capacity, a process already underway in two priority areas:

- Creating very upmarket, flexible capacity that is pre-financed and highly profitable with villas and chalets. After the Albion villas in Mauritius, where 20 units are currently being built, other projects being explored include chalets at Valmorel in France's Tarentaise Alps, Villars in Switzerland and Saharo in Japan, and villas at La Caravelle in Guadeloupe and Lindeman in Australia.

- Focusing on developing the Villages business through management contracts.

The five villages currently operated under management contracts account for only 6% of capacity. With Taba in Egypt and projects for Oman, Buzios in Brazil and a second village in Senegal, the percentage of managed villages is expected to increase significantly.

Lastly, Club Med is pursuing development programs in new growth markets, notably China, which has considerable potential for upmarket customers; Mexico, a country where Club Med is being repositioned upmarket; and India, where a sales office was recently opened.

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