INVENTOR OF THE VACATION CLUB CONCEPT, CLUB MÉDITERRANÉE HAS NOW INAUGURATED THE UPMARKET, FRIENDLY, MULTICULTURAL SEGMENT. BY MOVING UPMARKET, WE'VE AFFIXED THE CLUB MED SIGNATURE TO A PRODUCT THAT SETS THE HIGHEST STANDARDS IN TERMS OF COMFORT AND SERVICES. WITH THIS NEW STRATEGIC POSITIONING, THE CLUB HAS REAFFIRMED ITS ROLE AS THE BENCHMARK IN PRESTIGE VACATIONS WHILE LEVERAGING ITS UNIQUE ABILITY TO REACH OUT AND CONNECT WITH CUSTOMERS, THANKS TO THE CONSTANT, FRIENDLY ATTENTION OF ITS GOs. THE GOAL IS TO INCREASE MARKET SHARE IN THE LEISURE LUXURY HOTEL SEGMENT AND WIN OVER ITS CUSTOMERS THROUGH INNOVATION AND A REVAMPED PRODUCT PORTFOLIO.

IN 2004, CLUB MED SET COURSE FOR THE INCOMPARABLE, LAUNCHING A MAJOR STRATEGIC PROJECT TO MOVE THE OFFER UPMARKET WHILE ATTENDING TO THOSE LITTLE DETAILS THAT MAKE A CLUB MED VACATION UNIQUE.
2004 was an especially eventful year for Club Med in terms of its strategy, business and organization. What do you think were the highlights of the year?

Club Med launched a number of major projects during the year to accelerate the implementation of its strategy. We decided that a value strategy was the only way to quickly return to the performance levels we enjoyed in the past. Once we set our course, we followed it diligently, despite a relatively unfavorable environment for the tourism industry. Today, we’re reaping the benefits, having achieved our first and most important goal of moving our villages upmarket. In 2005, 91% of our villages will be in the 3 and 4-Trident categories, compared with only 66% in 1998. We also eliminated sources of loss, broadened indirect distribution channels to increase market share, especially in France, and reorganized purchasing, with the goal of saving €30 million by 2006.

We can now enter the second phase in our development, which is focused on winning and retaining more demanding customers through more personalized services. That’s the goal of our “Head for the Incomparable” project, introduced in mid-2004, which has made customer satisfaction the driving force behind our strategic decisions.
So this really does represent a new beginning…

Yes, it’s a new start for Club Med. We’re setting out to win new markets, building on a positive, solid base with a business model that has validated our strategic choices. We reported an operating profit and our earnings improved around the world, despite regional differences in economic environments. Investors noted the improvement, as demonstrated by the success of our October 22 issue of OCEANE convertible bonds, which was over-subscribed seven times. This value strategy was also the determining factor in Accor’s decision to acquire an equity stake in Club Med, providing us with a core industry shareholder to support our long-term growth.

Will Accor’s equity investment lead to a major change in Club Med’s organization or identity?

We’re very fortunate to have the European leader in hotels and services as our core industry shareholder. Club Méditerranée is not involved in mass-market tourism. We want to be the best, not the biggest. As our leading industry shareholder, Accor will support our turnaround in the implementation synergies that are beneficial to both companies, and in the deployment of our new upmarket, friendly, multicultural positioning. The transaction comes at an ideal moment, when all our resources are committed to implementing our upmarket strategy. Thanks to the synergies and the additional resources, we’ll be able to achieve our goals more quickly. Club Méditerranée will not lose its identity, since the brand plays a powerful role in winning and retaining customers. Nor will we change the organization, which is tailored to the special features of our market. Both partners have everything to gain from this alliance. Areas for creating synergies have already been identified and their implementation will be the most important project in 2005, alongside the ongoing deployment of our “Setting Course for the Incomparable” project.

What are the priorities of the “Setting Course for the Incomparable” project?

We’ve set one very clear objective, which is to generate operating income of nearly €100 million in 2006 through the implementation of our upmarket, friendly, multicultural
strategy. Overall, our village base is capable of meeting that goal, but we now have to adapt our resources. Our Human Resources teams have been following this development carefully. The organization has been clearly defined and the phase of getting GOs and GEs to embrace the challenge has been completed. We now need to focus on the details, such as behavior and services, which absolutely have to meet the expectations of an upmarket clientele, as well as hotel amenities, activities and entertainment, which have to project an atmosphere of luxury and conviviality. This new approach to togetherness has already been introduced in our new villages, notably La Palmeraie, Chamonix and Cherating Beach, and is being extended to all our sites, with the enthusiastic backing of our GOs.

So is it accurate to say “Club Med is no more… Long live Club Med”?

The Club Med concept, which was unique until a few years ago, has been copied and is now the standard. That is why we once again had to innovate. This process of transformation is being driven by our customers, because that is what they want. They are very attached to the Club, but they always expect more from us, and they are willing to pay for it. It was only after listening to them that we decided to move into the upmarket, friendly, multicultural segment. But in fact, it is in Club Méditerranée’s best interest to stay the same as always—captivating, unique and focused on facilitating relationships. In 2004, our GOs formalized the Club’s values—a multicultural spirit, a pioneering spirit, kindness, freedom and accountability—which have guided us for 54 years and will continue to guide our strategic decisions and our workstyles.
THE STRENGTHS TO STAY THE COURSE

A CORE INDUSTRY SHAREHOLDER

On June 11, 2004, Club Méditerranée’s two historic shareholders, the Agnelli Group (through its Exor and Ifil holding companies) and Caisse des Dépôts et Consignations, announced that they were selling their stakes of, respectively, 21.2% and 7.7% to Accor for €252 million. On October 22, following approval by France’s monopoly regulation authorities, Accor became our core shareholder, with a holding of 28.9%. In addition to modifying the shareholder structure, the transaction has also led to changes in our corporate governance system.

ACCOR: A CORE INDUSTRY SHAREHOLDER

By becoming our core shareholder, Accor has strengthened its position in the leisure segment, in which it is already present with 200 establishments in 35 countries.

The transaction enables Accor to leverage Club Med’s many strengths, including a world-renowned brand name, incomparable reception and management expertise in upscale vacation villages, and a strategy of profitable growth. Taking a long-term perspective, Accor is committed to offering the widest possible array of products and services to a global clientele of business and leisure customers.

For our part, we’ve acquired a partner with strategically aligned skills that, through the development of synergies, will support the implementation of our new strategic positioning and help us achieve our objectives.
BOARD OF DIRECTORS

The Board of Directors is comprised of 12 members, of seven whom are independent.

Henri Giscard d’Estaing, Chairman
Chairman of the Board and Chief Executive Officer
Club Méditerranée

David Dautresme, Vice Chairman
Senior Advisor – Lazard Frères

Saud Al Sulaiman*
Partner and Managing Director – Rolaco

Thierry Delaunoy de la Tour d’Artaise*
Chairman and Chief Executive Officer – Groupe SEB

Jean-Marc Espalioux
Chairman of the Management Board – Accor

Paul Jeanbart*
Managing Director – Rolaco Holding

Pascal Lebard*
Member of the Management Board – Worms & Co.

Véronique Morali*
Chief Executive Officer – Fimalac

Serge Ragozin
Managing Director Global Services – Accor

Jacques Stern
Member of the Management Board
Chief Financial Officer – Accor

Pierre Todorov
General Secretary – Accor

Kiyoshi Ujihara*
Senior General Manager for International Operations
Nippon Life Insurance Company

The Board of Directors includes three committees:

– The Audit Committee, chaired by David Dautresme.
– The Remunerations Committee, chaired by Thierry Delaunay de la Tour d’Artaise.

*(1) More detailed information can be found on pages 94-98 of the Financial Report, posted at www.clubmed.com
INVESTOR RELATIONS

In compliance with stock market regulations, Club Méditerranée regularly provides all shareholders with the same type of information about its results and strategic objectives.

As part of this commitment to transparency, a number of support services adapted to the needs of each investor category have been introduced.

- The Investor Relations Department provides institutional investors and financial analysts in France and other countries with information about Club Méditerranée, its financial results and major developments.

Information meetings are held when annual and interim results are announced and get-togethers are organized with senior executives.

- Individual shareholders have access to a dedicated contact in the Investor Relations Department for questions about our strategy and development or, more specifically, about the share price or the different forms of share ownership. All financial documents are available on request.

The corporate and financial website offers a wealth of regularly updated information, including recent press releases, presentations of financial results to analysts, annual and interim reports, changes in the stock price and a webcast of the first-half and annual results presentations.

THE SHAREHOLDERS CLUB

The Shareholders Club helps to retain our individual shareholder base by creating personalized relationships with its members. It enables shareholders to receive information at regular intervals about our business and financial results through:

- Publications: Members automatically receive the annual report, the interim report and the Trident Catalogue.

- A personalized mailing of the quarterly Shareholders Club Newsletter; with a message from the Chairman of the Board and Chief Executive Officer; the latest news about the Company and the villages, and up-to-date information about the share price.

- A shareholder relations hotline. A member of the Investor Relations Department is available to answer practical questions about the Club Méditerranée stock or the latest corporate news.

- Preferential rates to encourage members to discover our products*.

Created in 1999, the Shareholders Club has approximately 2,000 members.

*See terms and conditions of the Club Méditerranée Shareholders Club.
For more information, shareholders in France can contact the Shareholders Club at:

CAROLINE BRUEL
Vice President, Investor Relations and Financial Communication
Tel: +33 (0) 1 53 35 32 09 – Fax: +33 (0) 1 53 35 32 73

MICHELE LEE
Manager, Individual Shareholder Relations and Shareholders Club
Tel: +33 (0) 1 53 35 32 66 – Fax: +33 (0) 1 53 35 32 73

All investor information is available at www.clubmed.com

### SHAREHOLDER INFORMATION

**CAROLINE BRUEL**
Vice President, Investor Relations and Financial Communication
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**MICHELE LEE**
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Tel: +33 (0) 1 53 35 32 66 – Fax: +33 (0) 1 53 35 32 73

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### CLUB MÉDITERRANÉE SHARE DATA

**Shares:** the Club Méditerranée share is traded on the Euronext Paris Bourse, where it is eligible for the market's SRD deferred settlement system and included in the SBF 120 index. ISIN code: FR0000121568.

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<th><strong>OCEANE</strong> Convertible/Exchangeable Bonds</th>
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<tr>
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<tr>
<td>Redemption price</td>
<td>At November 1, 2008: 116.9% of the issue price</td>
<td>At November 1, 2010: at par value</td>
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CORPORATE GOVERNANCE

MANAGEMENT COMMITTEE

Henri Giscard d’Estaing
– Chairman of the Board and Chief Executive Officer

François Salamon
– Executive Vice President, and Chief Operating Officer, Europe

Michel Woflovski
– Executive Vice President, and Chief Financial Officer

Laurence Berman
– President and CEO, Jet tours, Club Med Découvertes and Ground Handling Services

Franck Gueguen
– Senior Vice President, Customer Services & Care, Club Med Gym and Club Med World

Caroline Puechoultres
– Vice President, Strategic Marketing

Olivier Sastre
– Senior Vice President, Human Resources

Joel Tiphonnert
– President and CEO, Asia

John T.A Vanderslice
– President and CEO, Americas

CORPORATE EXECUTIVE COMMITTEE

Members of the Management Committee and:

Wafik Azmi-Salib
– Vice President, Purchasing

Patrick Calvet
– Vice President, Human Resources village GOs

Paul-Henri Carton
– Vice President, Information Systems

Philippe Ernoult
– Vice President, Cash Management

Thierry Orsoni
– Vice President, Communication

Julien Renaud Perret
– Vice President, Development and Property Assets

Edouard Silverio
– Vice President and General Counsel

Stéphane Vidal
– Vice President, Financial Control
MANAGEMENT COMMITTEE

EUROPE

François Salamon
– President and CEO, Europe

Sylvie Brisson
– Vice President, Human Resources Head Office and International Mobility

Hervé Cacheur
– Vice President, Support Functions Europe

Cédric Gobilliard
– Vice President, Sales Europe (excluding France and Italy)

Giorgio Palmucci
– Vice President, Operations and Sales Italy

Philippe Pichlak
– Vice President, Operations France/Switzerland and Logistics

Philippe de Saint-Victor
– Vice President, Sales and Marketing France

EXECUTIVE COMMITTEE

AMERICAS

John T.A Vanderslice
– President and CEO, Americas

Janyck Daudet
– Vice President and General Manager, South America

Paula Hayes
– Vice President, Sales and Transportation North America

Eileen Kett
– Vice President and General Counsel, North America

Brenda Kyillo
– Vice President, Canada

Alain Postic
– Vice President and Chief Financial Officer, North America

Mark Wiser
– Vice President Marketing, North America

EXECUTIVE COMMITTEE

ASIA

Joël Tiphonnet
– President and CEO, Asia

Olivier Jolivet
– Vice President and Chief Financial Officer, Asia

Heidi Hunkel
– Vice President, Sales Australia/New Zealand

Yves Lebon
– Vice President, Human Resources Asia

Philippe Mahouin
– Vice President, Sales Southeast, Asia

Masaru Morimoto
– Vice President, Japan

Jacky Sang
– Vice President, South Korea

MANAGEMENT COMMITTEE

From left to right:
Franck Gueguen,
John T.A Vanderslice,
Olivier Sastre,
Michel Wolfovski,
Caroline Puechoultres,
Henri Giscard d’Estaing,
Laurence Berman,
François Salamon,
Joël Tiphonnet.
COMMITTED, HIGHLY SKILLED GOs

Because of their creativity, passion and invaluable ability to facilitate relationships, GOs are an integral part of the image expressed by the brand. Comprising 80 nationalities and speaking 30 languages, they leverage their talent and people skills to lead the multicultural world of the village. They are both the soul of Club Med and the embodiment of its values. As proof of customers’ strong feelings about these peerless facilitators, the rate of customers who are very satisfied with their GOs increased by 14% in 2005 and ranks among the Club’s highest satisfaction rating.

GOs: MORE THAN A JOB, A PASSION

Every year, 7,000 GOs are recruited from around the world and offered something more than a job—a life experience. We want to attract talented individuals with skills that meet specific criteria. GOs involved in children’s clubs or sports activities, for example, must have a state-approved diploma or certificate as well as experience, depending on the activity or the destination. But we also want people who show positive behaviors. As a facilitator of relationships, a GO must demonstrate such values as responsibility, kindness, freedom and a multicultural, pioneering spirit.

One GO for 8 adult GMs
One GO for 4 infants
One GO for 6 young children
One GO for 8 older children
VALUES TO DRIVE CHANGE

In May 2004, GOs were invited to give their opinion on the values that best reflect the uniqueness and spirit of Club Med. From among the approximately 100 values listed, the Management Committee selected five that seemed the most likely to secure the Club’s future while remaining faithful to its past:

Multicultural spirit
Pioneering spirit
Kindness
Freedom
Responsibility

GOs: MAJOR PLAYERS IN THE FRIENDLY, MULTICULTURAL, UPMARKET VACATION EXPERIENCE

Although the strategy originated with senior management, the GOs and GEs have contributed a wealth of ideas to the “Head for the Incomparable” corporate project. To enable the Club to provide customers with an upmarket, friendly, multicultural offering, 3,000 GOs and GEs in several countries were invited to submit their suggestions about the Club of tomorrow. The corporate project is built around five priority projects: management principles, sales/marketing/transportation, services, GO/GE and village organization. Fully involved in our new vision, GOs will benefit from special training and revamped performance appraisals to help them develop their skills and provide customers with an even more incomparable experience.
AN EXPANDED, ENHANCED, RENOVATED VILLAGE PORTFOLIO

Between 1998 and 2004, the property base was extensively transformed. 18 villages added, 60 renovated, 18 upgraded and 50 closed. In 2004, the upmarket strategy was deployed, with the restructuring of large villages like Coral Beach in Israel, Cherating Beach in Malaysia, Turquoise—the Club’s flagship site in the Americas—and Byssatis in Tunisia. Two new 3 and 4-Trident villages were opened: Marrakech La Palmeraie in Morocco and El Gouna on the Red Sea in Egypt. Following the closing of four 2-Trident and hut villages on December 31, 2004, 90% of all villages were in the 3 and 4-Trident categories. In 2005, the portfolio of mountain villages will be enhanced with the reopening, following major renovations, of the Val d’Isère village and, at the end of the year, the opening of a new village in the Alps, Peisey Vallandry.

In the Americas, Les Boucaniers will also be upgraded following renovation.

The new villages illustrate a strategy of capturing premium services in exceptional locations in destinations of prestige, which appeal to an international, multicultural clientele in an environment that offers longer-than-average seasons and thus improved profitability.

Among the mountain villages, the extension and renovation of the Chamonix Mont-Blanc village, overseen by decorator Jacques Garcia, provides a good example of our commitment to excellence. The February 2005 opening of Le Riad in Marrakech, featuring our Finest concept, represents the culmination of the upmarket strategy. This unique venue with its 60 suites offers premium hotel services, including the use of a terrace and private gardens, a mini-bar and room service.

SETTING COURSE FOR CUSTOMER SATISFACTION

In 2004, Club Med continued to clarify, harmonize and reposition its offer, aligning it to the value strategy and customer expectations. Services and deliverables, both upstream (distribution and transportation) and downstream (lodging, activities and after-sales service) were substantially improved during the year, with a focus on greater comfort and more personalized solutions and services.
CLUB MED’S NEW FACE SHINES IN MARRAKECH

Open in June, the “3-in-1” village of Marrakech showcases the new upmarket, friendly, multicultural—and still pioneering—Club Med. It has realized the full potential of the luxury, friendly vacations concept invented by Club Med. The swimming pool and the bar, for example, include both vast areas for relaxation and livelier areas, so that customers can spend their vacation as they choose.

The renovation of La Médina and the launch of Le Riad have revealed another innovative feature of the “three-in-one” concept.

In Marrakech, Club Med offers three ways of experiencing and enjoying this exceptional city: “leisure” at La Palmeraie, offering a wide range of sports activities, “discovery” at La Médina, located in the historic center, and “prestige” at Le Riad. Regular shuttle service links the sites so that customers can take advantage of the different facilities, services and events.
A REVITALIZED, TARGETED DISTRIBUTION NETWORK

Around the world, Club Med has been strengthening its direct and indirect agency networks, which are helping to spearhead the assertive growth strategy. In 2004, familiarization tours of showcase villages were organized for a large number of travel industry professionals, with the goal of stimulating sales by enabling travel agents to test the product first-hand. In Europe, 40 tours were held for groups of 20 to 180 people from Club Med and partner agencies, while 1,600 travel agency consultants took part in Asia and three tours for 440 travel agents were organized in the Americas. Following each tour, sales of Club Med villages visited increased considerably, attesting to the program’s effectiveness. In Europe and the Americas, certified agencies now have access to an information system that allows them to view available destinations and, via the global distribution systems, connect to airline reservation platforms. The information system will be extended to Asia in 2006.

During the year, we also continued to open distribution channels in targeted, high potential cities. In Asia, partnerships were forged with agencies in neighborhoods whose residents include a high percentage of senior executives. One year after opening an office in Shanghai, the Club reported 4,000 new customers in China. In France, the new indirect distribution network introduced in late 2003 helped drive a 7% increase in sales, attracted 47% of new customers, and generated higher average spend per customer. This assertive marketing drove an increase in sales through indirect travel agency networks, despite a sharp decline at long-time partner Thomas Cook, resulting from changes in its business.

Rapid growth in online sales

The Internet represents an important path for expanding the customer base. In 2004, the Club Med website was completely overhauled in nine countries: France, Belgium, Switzerland, the United Kingdom, Italy, the Netherlands, Israel, the United States and Canada. An indispensable source of information for customers, the site reported a significant increase in bookings, with online sales rising 78% between 2002 and 2004. In France, 56% of online sales in 2004 were from new customers and 43% were for family vacations, an increase of around 25% in this segment, where average spend per booking is very high. In the United States, the posting of an expanded selection of flights in second half 2004 helped increase the proportion of sales booked online to 7.2% last summer, compared with 4.6% the year before. This initial trend indicates potential for significant growth in online sales in North America in the years ahead.
A CLEARER, AlIGNED, MORE PERSONALIZED OFFER
The vacation portfolio has been streamlined and competitively differentiated to make it even more attractive. One new feature is the highly popular Booking Bonus system, introduced in winter 2004, which makes it easy for customers to plan and customize vacations to their desires and budget.

A new catalogue, segmented by customer desires
The first direct link to customers, the summer 2005 Trident catalogue also illustrates our upmarket strategy, with the goal of attracting both new and repeat customers. The emphasis is on a more personalized offer, segmented into six customer desires: outstanding locations, sports, relaxation, social life, a broad array of activities or excursions. Also, for the first time, village presentations in the catalogue are followed by a description of neighboring tourist attractions.

A choice of new room categories
In flagship villages, a new room rating system has been introduced that integrates suites or more elaborate rooms. The five suites at the Cherating Beach village in Asia were an immediate hit, recording an 85% occupancy rate since opening. To further personalize the offer, all the Asian villages now include a choice of three different room categories.

Gradual extension of the all-inclusive system
Successfully introduced in the Americas in 2003, the Total All Inclusive™ vacation concept, which includes open bar service, snacks and other dining options in the package price, helped to increase room nights by 12.3%, total customers by 14.6% and the occupancy rate by 4.8 points. In 2004, it was extended to four adult villages in Europe as the Freestyle concept, where it proved equally popular; with the two Freestyle villages opened last summer, in Kemer and Otranto, reporting some of the region’s biggest increases in customer satisfaction. The concept, which until now was rarely seen in the European tourist industry, will be featured in all our European villages beginning in summer 2005.
MORE FLEXIBLE, PERSONALIZED SERVICES

More direct, comfortable flights
Getting to your destination is also part of a vacation. To make holidays truly incomparable, the Club offers flights from nearby airports, at convenient times and with seats in the class the customer wants, with a focus on quality, safety and service. Since 2003, travel agencies and reservation centers in Europe have been able to connect directly to airline distribution systems, providing real-time access to regularly scheduled flights on most of the world’s carriers. Integrated on Club websites in the United States and Canada, this solution enables customers to buy their ticket directly online.

New partnerships with airlines have made it easier to reach flagship destinations. The partnership with Asian carrier FAT for direct charter flights between Taiwan and Kuantan, for example, produced immediate results at the Cherating Beach village, which doubled its number of Taiwanese customers, thereby doubling the occupancy rate.

In Europe, a long-term partnership has been formed with Star Airlines, a French tourist carrier that now provides new aircraft, upgraded meals and other in-flight services, seats in Galaxie class on most long-haul flights and convenient departure times. This exclusive Club Med/Jet tours service was introduced in winter 2004 for selected villages, including Les Almadies and Eldorador Domaine de Nianing in Senegal, Trancoso in Brazil and Colombus in the Bahamas, and will be offered to Smir and Yasmina in northern Morocco beginning in summer 2005.

A warmer, more personalized welcome
To be greeted in your own language is one of the little details that sets the Club apart. Most of the villages have adapted to the culture and lifestyle of their customers by making their teams more international and adjusting meal and activity schedules. A “baby welcome” service was introduced in the Djerba village, where two GOs are assigned specifically to help parents with young children. The new service will gradually be extended to the other villages that don’t have children’s clubs. An innovative program for teens was introduced in February at Punta Cana and will be extended to Les Almadies, Djerba, Meridiana and Yasmina. Called the Ramp, the concept features a special area and dedicated GOs so that young people can organize their own daily activities.
COMMITTED TO EXCELLENCE AND REFINED SERVICE
During the year, a large number of innovative services were introduced to enhance the quality of the Club Med product, making it more refined and offering greater choice.

Enhancing the dining experience
At the Cherating Beach, Trancoso and Marrakech villages, mealtime is now show time, thanks to an innovative approach to preparing and presenting dishes. Dining services will be upgraded in the 3 and 4-Trident villages in 2005 and breakfast services will be improved. And in 45 villages, traditional bar vouchers have been replaced with the more modern, easier-to-use Club Med Pass card.

Creating atmosphere and ambiance
In addition to revamped services and amenities, villages also organize special events and surprises. Open-air dinners, for example, have been scheduled for 2005 in the La Palmeraie (Marrakech) and Opio villages. Another prestige event was the Master’s regatta held for the first time in September at the La Palmyre village on France’s Atlantic coast.

JET TOURS: A SMOOTH TAKEOFF FOR THE UPMARKET STRATEGY
In a generally unfavorable business environment, Jet tours increased sales 2.1% to €277 million and tripled operating income to €2.8 million. These results reflect the success of the subsidiary’s upmarket strategy introduced in 2001. One example of the strategy’s impact is the new Secrets catalogue, which allows discriminating customers to personalize their stays in hotels that offer refined decoration and architecture and outstanding service. In 2004, Jet tours was elected tour operator of the year by the Thomas Cook, Afat and Selectour networks, in recognition of its initiatives to provide them with better service, improve call center efficiency and create attractive, high-quality brochures.
The best in sports
Widely recognized for its sports facilities, the Club is committed to making its sports experience even better. In 2004, Tennis Academies were opened at the Agadir and Djerba villages, offering a wider range of classes as well as high-quality equipment and facilities. The concept will be expanded in 2005 with the creation of a Golf Academy at the Opio village.

To help children improve in their favorite sport, sailing, soccer and karate academies were introduced at the Metapunto village in Italy.

In line with this strategy, synergies were developed to deploy Club Med Gym’s fitness expertise in the Marrakech and Byssatis villages. In 2005, fitness programs under the Club Med Gym banner will also be launched in the Kemer, Otranto and Djerba villages.

Outstanding brands
To optimize quality, the Club is refocusing on its core business and outsourcing ancillary services to reliable partners. In 2004, a contract was signed with Spa des Cinq Mondes to manage the Club’s spas in Marrakech (La Médina and La Palmeraie) and Chamonix. Club Med boutiques also feature such upscale brands as Dorotennis, Puma, Roxy, Façonnable and Rossignol, with other brands, such as Lacoste, to be added in 2005. The first co-branded concept—Okaidi for Club Med—was successfully introduced during the year and will be extended to our Asian villages in 2005. Other partnerships are in the development stage, such as the Club Med by Carré Blanc line, to be launched this summer in most villages and in Carré Blanc shops. Club Med corners will also open in a number of Galeries Lafayette stores.

MOVING THE OTHER BUSINESSES UPMARKET
The upmarket strategy also involves repositioning our other businesses. Club Med Gym, which celebrated its 25th anniversary and returned to profit in 2004, is focusing its development on Paris and Belgium. It is also lending its brand and expertise to support the villages, where special fitness weeks will be organized to open and close the season. Club Med World is refocusing on B2B operations by developing synergies with Club Med Affaires and Accor.
CUSTOMER SATISFACTION: OUR CORPORATE PROJECT’S ULTIMATE OBJECTIVE

Vacations represent a major investment for our customers, who expect a return in the form of rest, recreation or leisure. They are therefore very demanding as to the quality of their vacation experience and express specific expectations about innovative, refined services, personalized offers and activities outside the village*.

Our 2004 results show that Club Méditerranée is evolving in line with this trend. Measures to personalize service, develop excursions and further enhance an already incomparable village portfolio are resonating with customers, with satisfaction indicators at their highest levels since 1997. During the year, the number of very satisfied customers rose by 20%, the number of customers who felt they were getting good value for the money increased by 15% and, for the first time, the number of customers who said they would like to come back to Club Med topped 90%**.

* Source Brand Values Sorgem, France, Italy, USA, January 2004.
** Source GM feedback.

PUSHING BACK OUR LIMITS TO DRIVE PROFITABLE, LONG-TERM GROWTH

With its high-quality portfolio, powerful brand and focus on customer wellbeing and safety, Club Med leverages a wealth of resources to secure lasting leadership in upmarket, friendly, multicultural, all-inclusive vacations. From a long-term perspective, the challenge is to adapt and revitalize our fundamentals to ensure their sustainability in a changing, increasingly competitive market.

THE FIVE FOUNDATIONS OF PROFITABLE GROWTH
TOOLS FOR MONITORING AND IMPROVING QUALITY

**GM feedback.** Sent to customers after their vacation, the feedback survey includes more than 100 questions for measuring customer satisfaction. The GM response rate is exceptionally high, averaging around 40% each year. In 2004, the format was revised and new sections were added. And, for the first time, the survey was sent electronically to customers in France who booked their vacation online.

**Quali Signs.** These quality standards for services, skills and attitudes have been implemented in all the villages. A project was launched in 2004 to define new Quali Signs in the areas of construction and purchasing specifications.

**Mystery guests.** Since 2001, mystery guests have assessed the application of Quali Signs standards in the villages. The practice, which has helped to improve the compliance rate by three points in summer and four points in winter, will be used to evaluate service provided by the European reservation platform beginning in 2005.

**Pro Signs, a new tool.** In 2004, quality procedures to be deployed by GOs to increase customer satisfaction were defined for each of our 300 job categories. These Pro Signs are designed to harmonize best practices and village expertise and to further enhance the professional capabilities and attitudes of our team members.
PROFITABLE, LONG-TERM SYNERGIES WITH ACCOR

Following European Commission approval on October 19 of Accor’s acquisition of an equity interest in Club Méditerranée, executives and managers from both companies met in committees to draw up plans for mutually beneficial synergies. The project’s 30 working groups identified around 100 actions in four areas.

Increasing revenues

The increase in revenues is expected to contribute a combined €19 million to 2007 earnings, of which €5 million for Accor and €14 million for Club Méditerranée.

Accor provides Club Med customers with greater access to 4,000 hotels in 90 countries, travel agency networks with 6,000 outlets in Europe, and partnerships with leading airlines. Club Méditerranée provides Accor with widely recognized expertise in leisure activities and a portfolio of outstanding locations.

A full range of cross-selling opportunities will be pursued, with in particular:

– A more visible, accessible offering on the two companies’ websites. Cross-links are already up and running.
– Loyalty program tie-ins. In late 2004, Club Méditerranée became a partner to Accor’s loyalty card. Since December 1, customers have been able to earn Compliments points when staying with Club Med and to redeem their Compliments points with a Club holiday (offer valid only for the 28,000 Accor customers who have accumulated the most points). The Club also began accepting Accor Compliments vouchers in December.
– For Club Méditerranée, the support of the Accor distribution network in markets relatively new to the Club (e.g. Germany, Brazil, China and Australia) and ties to the L’Alliance network of 6,000 travel agencies.
– For Accor, the distribution of its hotels by Jet tours.
– An expanded offering for both companies’ business and leisure customers.
Optimizing purchasing
Purchasing optimization is expected to save a net €15 million in 2007, of which €8 million for Club Méditerranée and €7 million for Accor. The gains will be generated mainly by synergies in four major purchasing families: air travel, consumables, services (power, IT, laundry, cleaning, etc.) and advertising and marketing.

Sharing skills and expertise
Skills sharing is expected to contribute a combined €12 million in 2007 earnings. Synergies will focus on service quality by improving call center service, leveraging Club Med Gym’s expertise to enhance Accor hotel fitness products, and tailoring Go Voyages’ online technology to the Jet tours website.

Human resources
For employees, synergies will create new opportunities, developed through training programs designed to open gateways between the two companies. In addition, best practices will be shared in the areas of hiring, mobility and expatriate training. A program offering reciprocal benefits to employees of both companies was introduced in early 2005.

Estimated gains of €46 million in 2007
Synergies will gradually contribute to both partners’ earnings, with a combined net gain of €17 million forecast in 2005, €33 million in 2006 and €46 million in 2007, of which €30 million for Club Méditerranée and €16 million for Accor.
HUMAN RESOURCES POLICIES ATTUNED TO NEW CHALLENGES

By “Setting Course for the Incomparable,” Club Med has chosen to shift the focus from volume to value, making customer satisfaction the top priority. This change requires us to optimize our organization, operating procedures and team management practices, with the goal of driving improvements in customer service, greater efficiency in service delivery and higher margins in the villages.

A more streamlined, efficient organization

— The right GO in the right place at the right time. Our Helios ERP system contains extensive data for GOs around the world, making it possible to adapt available human resources to village needs and new objectives. In particular, it helps make teams more multicultural, aligns nationalities and language skills with each village’s customer profile, and manages employee training and careers.
— A new village organization. To increase responsiveness to emerging customer demand, the management organization of ten villages will be strengthened in 2005 with the creation of two new positions: a hotel service manager and an activities and services manager. Working alongside the village manager, as well as with human resources, finance and maintenance managers, they will be responsible for ensuring quality, down to the last detail, and for carefully and systematically managing the profitability of their activities.

— Enhancing sales capabilities. Marketing and sales teams have been strengthened and merged to ensure closer attention to customer expectations, optimized support systems and more effective cooperation to the sales networks.

A collective, participatory management style

Aligning management principles with Club Med values was essential to secure GO loyalty and get them involved in the change process. As part of this project, a new senior executive appraisal system giving added importance to respect for those values has been developed and will be deployed across the organization by 2006. Managers have responded favorably to dedicated training programs integrating the new challenges, with modules like “Paying Attention to Details” and “Managing a Multicultural Team.”
Better trained, more fully integrated GOs and GEs

– More selective hiring to meet future needs. Beginning in 2005, an in-depth review of job profiles, focusing on a more qualitative recruitment process, is expected to optimize the hiring and assignment of new GOs and provide them with appropriate integration programs. To help them get oriented, two new functions have been created in the villages—services and activities, and hotel service and management—each with its own integration and training programs.

– Training to develop expert skills for all. Another aspect of the “Setting Course for the Incomparable” project involves the development and systematic provision of skills enhancement programs. In 2004, nearly 900 employees took part in the Service Quality module, included in every session for GOs and GEs in direct contact with customers. In 2005, an entirely new program on “Paying Attention to Details” will be offered to all employees, while enrolment in the Club Med School is expected to triple.

Employees as key partners

As part of its long-term growth strategy, the Club has clearly defined its commitments with regard to employees:

– Actively promote the principles of non-discrimination, gender equality and minority hiring.
– Promote diversity among village staff.
– Extend skills enhancement programs and employee reviews, with the goal of assessing the performance of all GOs and GEs once a year and enabling each of them to take part in one or more training sessions while at Club Med.
– Ensure working conditions that respect the individual.
A POWERFUL, STRENGTHENED, REPOSITIONED BRAND

A survey of 7,000 tour operator customers* confirmed the extraordinary appeal of the Club Med brand, with the Club’s reputation cited as the most important selection criterion by customers, even more so than destinations.

The Club Med brand is firmly lodged in consumers’ collective imagination because of its strong personality and values closely linked to the world of luxury and entertainment. As such, it is a critical asset and a cornerstone of our long-term viability. But if customers are very attached to the brand, they also expect more from us. They are willing to pay the price for quality, and even more, if the services are truly exceptional, like those delivered by our Finest concept developed at Le Riad in Marrakech.

In 2004, in line with our “Setting Course for the Incomparable” project, the qualitative repositioning of the Club Med brand was undertaken with three critical focus areas: togetherness, enjoyment and creativity. Marketing and advertising campaigns, supported by actual on-the-job performance, focused on revitalizing the concept of the Club, now presented as a selective community of individuals with shared desires and interests. The notion of enjoyment is associated with refinement and choice, with the idea of better rather than more. And creativity has also taken on a new meaning, with the Club renewing its pioneering spirit and boldly initiating events and activities in response to customer demand for innovation, surprise and an exceptional experience.

This commitment to enhancing the brand led to the introduction of a new signature—“Il reste tant de monde à découvrir**”—and a new logo in March 2005, supported by a global, multimedia advertising campaign heralding Club Med’s new vision.

— Vacationers’ criteria for choosing a tour operator*

<table>
<thead>
<tr>
<th></th>
<th>Club Med customers</th>
<th>Other operators’ customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reputation</td>
<td>43% No. 1</td>
<td>21% No. 3</td>
</tr>
<tr>
<td>Destinations</td>
<td>35% No. 2</td>
<td>37% No. 2</td>
</tr>
<tr>
<td>Type of vacation</td>
<td>21% No. 3</td>
<td>10% No. 5</td>
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<tr>
<td>Organization</td>
<td>20% No. 4</td>
<td>17% No. 4</td>
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<tr>
<td>Activities</td>
<td>19% No. 5</td>
<td>6% No. 6</td>
</tr>
<tr>
<td>Price</td>
<td>16% No. 6</td>
<td>44% No. 1</td>
</tr>
</tbody>
</table>

*Source: Principal studies: Brand Values Sorgem, France, Italy, US (2004); Usage & Attitude, NFO/SOFRES, France, Italy (2004); Qualitative & quantitative “all inclusive” tests, NFO/SOFRES, France, Italy, the Netherlands (2003); Qualitative & quantitative “Finest” tests, SOCOVISION/IPSOS, France (2003).

**“Discover new worlds, discover new people.”
A DYNAMIC, PROFITABLE BUSINESS MODEL

Implemented in 2003, the new Club Med business model consists of driving profitable growth through value rather than volume. It is built on four foundations:

– An international base of customers willing to pay for a quality vacation.
– Upmarket villages and services that generate high revenues.
– A leaner, more flexible organization capable of adapting fixed costs to demand.
– A centralized, rationalized purchasing strategy.

An efficient development process

Our entire strategy is based on rationalizing operating procedures to optimize the difference between revenues generated by the upmarket strategy and costs marginally proportional to the level of comfort they procure. The effectiveness of this approach was demonstrated throughout 2004, with the price mix having a very positive impact. The long-term viability of our model is linked to customer satisfaction, which increases as comfort is upgraded. In 2004, for example, there was a 20% difference in satisfaction ratings between 2-Trident and 3 and 4-Trident villages. Enhancing comfort also improves customer loyalty. For 3 and 4-Trident villages, customer loyalty stood at 80%, clearly above the European average of 77%, while hut and 2-Trident villages were below average, at 59% and 74% respectively*. Club Méditerranée is thus engaged in a virtuous circle, in which even a small improvement in service results in enhanced perception by customers willing to pay for quality.

Optimizing purchasing

Purchasing represents 75% of consolidated sales, so purchasing performance is playing a key role in our return to profitability and growth. As part of a rationalization process launched in early 2003, the purchasing department was increased from 20 to 50 members in 2004. The team centralizes purchases, thereby optimizing and more effectively managing the supplier base. In 2006, this optimization program is expected to generate €30 million in savings, part of which will be reinvested in service upgrades.

*Source GM feedback.
A NEW SUSTAINABLE DEVELOPMENT ORGANIZATION

The Club Méditerranée culture is firmly committed to growth that scrupulously respects the economic, social and natural environment. In 2004, we began refining our priorities and defining a more structured organization around five key sustainable development building blocks:

- Respect for customers.
- Respect for employees.
- Respect for local residents.
- Supplier respect for our ethics charter.
- Respect for the environment.

For each one, a certain number of commitments have been made. The entire program was successfully completed by a special committee comprising 11 representatives from Human Resources, Marketing, Development and Property Assets, Quality and Safety, Purchasing, Technical Affairs, Finance, Communication and the Club Med Foundation. Each project is now being led by a manager who reports regularly to the committee.

One of the first things was to determine objectives and action plans for each building block, which were approved by the Chairman in January 2005 and will now be integrated into the strategy and gradually implemented across the organization.

Performance indicators will then be developed for each aspect.

PROTECTING PEOPLE AND PROPERTY

Providing long-term protection for customers, employees and assets is another priority for the company, whose crisis management unit is widely recognized by tourist industry and safety professionals. To anticipate and prevent crises, a surveillance unit constantly tracks potential problems, helping, for example, to limit the effects of Caribbean hurricanes Francis and James in 2004. Customer protection also involves systematically taking each country’s geopolitical situation into account when planning tours.
For several years, Club Méditerranée has monitored airline safety, assigning certified organizations to carry out audits. If a health problem arises in a country, customers are alerted immediately and informed about measures to take. In 2004, these procedures were compiled in a crisis management handbook, and 470 copies (390 in French and 80 in English) were printed and distributed.

In recent years, the Club Med Foundation has partnered with AIDES in a program to raise GE and GO awareness of the AIDS virus. During the year, 510 people took part in training programs offered in nine villages.

**ENSURING EMPLOYEE WELL-BEING**

As part of our sustainable development strategy, commitments to employees have also been defined. These include:

- Ensuring equal opportunity, in particular for women. In 2004, women represented 40% of the managerial workforce and held 20% of executive positions. Salary differences are gradually being reduced and have been eliminated entirely for seasonal GOs. Another priority is minority hiring. Between 7% and 8.5% of managerial positions in the villages are held by people of African, Asian or North African origin.
- Extending skills enhancement programs and employee reviews, with the goal of assessing the performance of all GOs and GEs once a year and enabling each of them to take part in one or more training sessions while at Club Med.
- Ensuring working conditions that respect the individual. We comply fully with local legislation and respect each GO’s private life.
CONTRIBUTING TO LOCAL DEVELOPMENT
Like all tourist industry players, Club Méditerrannée creates jobs and drives economic growth in its host countries, both directly and indirectly. Wherever we operate, our focus is on proactively supporting the region’s long-term development by providing local employees with job skills, promoting tourism that respects people and the environment, and training communities to manage the gains from our operations.

Building local job skills
Representing 60% of the workforce, mainly in hotel, restaurant and maintenance positions, GEs generally live near the villages. A variety of initiatives have been introduced to enhance their professional capabilities, thereby increasing their employability. These skills transfers ensure them a future job in the hotel and tourism industries, whether with the Club or with another employer.
Training initiatives implemented as part of the “Setting Course for the Incomparable” project have been especially beneficial to GEs, since the development of onsite programs has led to an increase in the percentage of local employees who receive training. In Turkey and at the El Gouna village in Egypt, kitchen teams took part in table service classes led by trainers from the Paul Bocuse Institute, and for the opening of the Marrakech village, 395 GEs participated in modules developed by the Club Med School Europe and Club Med University. In 2004, more than 400 GEs received training in hotel service, hygiene and food safety. A training program in grounds, garden and water management was given to eight local technical managers during the year and will be extended in 2005.
New agreements with the International Union of Food Workers are facilitating mobility for GEs from outside the European Union, who will be able to take on seasonal jobs under union supervision in European villages.

Getting involved with local suppliers
Club Med’s contribution to developing the local economy also encompasses local purchases, ranging from fresh products to decorative objects and small appliances. For more standardized products, local suppliers are systematically invited to tender, although they receive no preferential treatment. We also inform unsuccessful bidders of the reasons for their non-selection so they can make the necessary improvements for future tenders. In 2004, local sourcing by villages accounted for 54% of total purchases.
Promoting environmentally-friendly tourism

Vacations offered by Jet tours and Club Med are designed to showcase a country’s tourist attractions and facilitate the non-intrusive discovery of different cultures and lifestyles. In line with this objective, Jet tours, working with UNESCO, organizes visits to sites included on the World Heritage List. The Club’s “Séjour et Aventure” concept illustrates the commitment to developing in harmony with the local population. These stays offer a new way of visiting a country, taking vacationers off the beaten tourist path and lodging them with local inhabitants. With 90% of revenues spent locally, this type of holiday supports the development of training and employment in rural areas. Each year, approximately 650 customers in groups of 16 or less take part in Séjour et Aventure tours to Senegal, Morocco and Turkey.

LOCAL EMPLOYEES

96% of GEs
39% of GOs*

Local GOs are encouraged to pursue an international career, while GEs are encouraged to develop their skills through appraisal and training programs.

*Excluding France
AN ACTIVE COMMITMENT TO PRESERVING NATURAL RESOURCES

Our villages’ exceptional locations represent our most important competitive advantage. To preserve their natural surroundings, we’re committed to conducting impact studies, integrating village architecture into the local landscape and protecting greenery, while carefully managing resources and waste.

Strict management of water consumption

Programs to control water consumption focus on savings at the source. Faucets in most villages (100% in Asia and the Americas and 55% in Europe-Africa) are equipped with flow rate limiters, and more and more rooms display messages encouraging customers not to change their bath linen every day. All villages have installations to monitor daily water consumption, and plant species and watering systems are chosen according to available water supply. Distribution networks are also adapted to local villages, with water purification plants installed in 90% of villages in Asia, 72% in Africa and 45% in the Americas.

A commitment to reducing energy consumption

As far back as 1978, Club Méditerranée began investing in solar panels, which today equip approximately 10% of villages. The emphasis today, however, is on recovering energy from air-conditioning systems. Energy recovery installations have been introduced in 50% of villages in Asia, 17% in Europe-Africa and 33% in North America, and are systematically integrated into new village projects. Awareness-raising programs and regular building maintenance also help limit energy consumption.

Optimizing waste management

Waste sorting is practiced wherever local recycling infrastructure exists. Currently, 51 villages are involved in waste sorting, including 100% of villages in Asia, 70% in Europe-Africa and 12% in North America. Nearly half of all villages are involved in recycling “green” and/or other waste, either internally or through outside service providers.
Promoting respect for the environment

At every step of the village development process, Club Méditerranée strictly complies with local regulations and may add its own standards if necessary. Before developing a village, in-depth assessments are conducted to measure the impact of the installations on water, air and the landscape. In the design stage, the focus is on seamlessly blending the architecture into the natural surrounding. If possible, traditional local building materials are used. At La Palmyre, for example, bungalows are made of the same wood and in the same colors as local fishermen’s cabins. More and more buildings are built to comply with HQE building construction standards, which include wood traceability, renewable energy sources and water treatment systems. Natural surroundings are also preserved or restored. In Marrakech, for example, protecting the existing palm grove was a priority when laying out the village. Some 12,000 palms and other trees and 28,000 shrubs and perennial plants were also planted.

INVolVING SUPPlIERS IN OUR ETHICAL COMMITMENTS

In 2004, as part of our “Setting Course for the Incomparable” project, the Purchasing Department defined a number of values that will serve as the basis for lasting relationships with our 20,000 local, national and global suppliers, committing them to impeccable service and full compliance with contractual agreements. Beginning in 2005, calls for bids will include a sustainable development clause, requiring suppliers to provide information on their own sustainable development organization and achievements. These principles will be presented to the 100 largest suppliers during the year.
THE CLUB MÉDITERRANÉE CORPORATE FOUNDATION

By creating a framework in which employees can make a personal commitment and express their community spirit, the Club Méditerranée Foundation is an integral part of our corporate philanthropy project. The Foundation is involved in a broad range of initiatives, both locally and around the world. Employees are encouraged to visit children’s hospitals and senior residences, tutor disadvantaged young people, help the homeless, provide lodging for people with hospitalized family members, participate in sports events, support AIDS prevention organizations and take time off to contribute to sustainable development projects in Africa.

In partnership with the Planète Urgence association, the Foundation takes part in a humanitarian convoy, with two teams of employee volunteers driving 4WD vehicles from Paris to Bamako, where the vehicles are donated to local Planète Urgence logistics teams. Along the way, the convoys stop at a number of schools to deliver educational materials.

For the past four years, the Foundation has sponsored an annual party for needy children living near the villages. Held on the same day around the world, the event is hosted by GOs and features games, entertainment, snacks and gifts.

Each year a special sports event is held for Petits Princes, a charitable organization that helps sick children to fulfill their dreams.

SUPPORTING TSUNAMI VICTIMS

Immediately following the tsunami in the Indian Ocean, which left 300,000 casualties in its wake, the Club Méditerranée Foundation came to the aid of victims. On December 27, €13,500 was allocated to GEs in Kani, Faru and Phuket to enable them to find lodging. A campaign was then launched to collect donations from employees around the world, with matching funds provided by Club Med. The money was donated to Médecins du Monde.

The Foundation’s sustainable development commitments also include a partnership with Plan International, the worldwide child sponsorship organization.