

ARTHUR S.A.

Société Anonyme
Share capital: 2,682,608 euros
Registered office: 176 - 178 rue d'Estienne d'Orves,
92700 COLOMBES

NANTERRE Register of Companies no. B 389 065 152

ANNUAL REPORT ON OPERATIONS FOR THE FINANCIAL YEAR
ENDING ON THE 31st DECEMBER 2009

Dear shareholders,

We have brought you together at this Annual General Meeting pursuant to the Articles of Association and provisions of the Commercial Code to:

- 1) report to you on the Company's activity during the financial year ending on the 31st December 2009, the results of this activity and future prospects.
- 2) submit for your approval the balance sheet and the financial statements for said financial year. These statements are enclosed with this report.
- 3) submit for your approval the consolidated accounts for this financial year.

The notices of meeting prescribed by law have been regularly sent to you, and all the documents provided for by the regulations in force have been kept at your disposal within the required deadlines.

SITUATION AND ACTIVITY OF THE COMPANY

Important events occurring during the financial year:

Our Group turnover remained steady compared with 2008, with turnover very slightly down by 2.6%.

Sustaining this level in turnover is all the more important as it validates our economic model in France, even though it was down for exports on account of the very severe slump affecting more particularly the countries of Southern Europe in which we have a very strong presence.

In 2009, we benefited from the restructuring of our short-term cash management, through the loan taken out in October 2008, with a very sharp fall in our financial expenses (-25%), and at the same time we reduced our working capital requirement by one million euros, on account of the law to modernise the economy (LME), affecting the suppliers item, without damaging our short-term cash management.

We did not take out any further loans, thus improving our medium-term gearing.

We pursued our policy of reducing fixed committed costs, both for overheads and payroll costs.

Important events occurring since the end of the financial year:

Our subsidiary was the subject of a tax audit conducted at the start of 2010. As in the past, we are audited every three to five years.

Our turnover in the first four months of 2010 was up 4% at our Company-owned shops as well as in distribution to major multi-brand outlets and department stores.

In January 2010, our Company acquired full ownership of ARTHUR MANAGEMENT & SERVICES, a single-owner société par actions with capital of €1,000, having its registered office in Colombes (92700), at 176/178 rue d'Estienne d'Orves, entered on the Nanterre Register of Companies under number B 519 657 852.

Future prospects

We anticipate a slight increase in Group turnover for 2010 in spite of poor growth prospects with our US partner.

The consolidated net income will remain steady compared with 2009.

1 – COMPANY ACTIVITY DURING THE FINANCIAL YEAR ENDING ON THE 31st DECEMBER 2009

1) Company situation and activity – Results of this activity

Our Company pursued its activity as a holding company during the financial year ending on the 31st December 2009.

It continued to provide its subsidiary, L.T.J. DIFFUSION, with services in the legal, administrative and technical fields.

ARTHUR is a Group integrated for tax purposes with its subsidiary, L.T.J. DIFFUSION.

2 - ACTIVITIES OF SUBSIDIARIES AND CONTROLLED COMPANIES

As of the 31st December 2009, L.T.J. DIFFUSION, a société par actions simplifiée with capital of 2,500,000 euros, of which we own 99.9% of the capital, reported turnover of 16,256,488 euros, as against 16,496,254 euros.

Its turnover was down 1.5% compared with the previous year.

Its operating profit was 875,674 euros as against 1,175,240 euros in the previous year.

This drop is accounted for mainly by the effects of the economic crisis in 2009, which affected France as well as Spain and Portugal.

Financial expenses amounted to 458,322 euros, which include depreciation in the securities of the Portuguese subsidiary of 110,000 euros, as well as depreciation in the securities of the Belgian subsidiary, JADE, of 26,486 euros. These depreciations did not impact on Group consolidated financial expenses.

Its financial loss amounted to (458,322) euros.

Its pre-tax profit stood at 417,352 euros, as against 809,192 euros in the previous year.

Its extraordinary profit was 22,854 euros.

Its net income showed a profit of 502,565 euros, as against 618,471 euros in the previous year.

3 - INFORMATION ON PAYMENT DEADLINES

Pursuant to the provisions of article L 441-6-1, paragraph 1, of the Commercial Code, we are informing you of the breakdown, at the end of the last financial year, of the balance of debts in respect of suppliers, by due date:

FINANCIAL YEAR 2009 – DATE OF PAYMENT OF THE BALANCE ON
INVOICES

The age of amounts outstanding as of the 31st December 2009 appearing in favour of accounts payable of €46,073 is not greater than 60 days.

4. INFORMATION RELATING TO SHARE CAPITAL

As provided for in article L. 233-13 of the Commercial Code, and taking into account information and notifications received in compliance with articles L. 233-7 and L. 233-12 of said Code, we are indicating below for you the identity of shareholders holding more than one twentieth, one tenth, one fifth, one third, one half or two thirds of the share capital or voting rights:

Mr Lionnel RAINFRAY owns more than one third of the share capital.
(registered shares)

Mr Jean-Louis PARIENTE owns more than one third of the share capital.
(registered shares)

During the preceding financial year, there was no change in said distribution.

5. R&D COSTS

The Company did not incur any R&D costs during the preceding financial year.

6. EMPLOYEE PARTICIPATION IN THE CAPITAL

As provided for in article L.225-102 of the Commercial Code, we are reporting to you on the state of employee participation in the Company capital as of the last day of the financial year, the 31st December 2009.

There was no employee participation in the Company capital.

7. SUBSIDIARIES AND HOLDINGS

With regard to subsidiaries and holdings, we have presented for you their activity in our presentation on the Company activity.

We remind you that the table of subsidiaries and holdings is enclosed with this report.

8. ACQUISITIONS

Our Company did not make any further acquisitions during 2009.

9. ECONOMIC AND FINANCIAL RESULTS

For the financial year ending on the 31st December 2009:

. Total operating income stood at €2,761,506, as against €2,760,005 in the preceding financial year.

. Operating costs for the period amounted to €2,891,315, as against €2,964,023 in the preceding financial year.

The operating loss was €(129,808), as against €(204,018) in the preceding financial year.

Salaries totalled €1,972,979, as against €1,972,751 in the preceding financial year.

Social security charges totalled €786,044, as against €810,832 in the preceding financial year.

Taking into account financial income of €4,095, the pre-tax loss for the period amounted to €(125,713), as against €(251,670) in the preceding financial year.

Taking into account the above information, as well as the extraordinary profit of €22,228 and tax on profits of €(34,419), the result for the financial year produced a net accounting loss of €69,066, as against a net accounting loss of €155,464 in the preceding financial year.

As of the 31st December 2009, the Company total balance sheet amounted to €11,533,068, as against €10,962,302 in the preceding financial year.

The statement of results provided for in article 148 of the decree of the 23rd March 1967 is enclosed in the appendix to this report.

10. PRESENTATION OF THE COMPANY FINANCIAL STATEMENTS

The financial statements for the year ending on the 31st December 2009 which we are submitting for your approval have been drawn up in

accordance with the presentation rules and valuation methods provided for by the regulations in force.

The presentation rules and valuation methods adopted are identical to those of the preceding financial year.

The financial statements have been drawn up in compliance with:

- the PCG 1999 chart of accounts approved by the ministerial decision of the 22nd June 1999

accounting regulations:

- 2000-06 and 2003-07 on liabilities
- 2002-10 on amortisation and depreciation of assets
- 2004-06 on the definition, accounting and valuation of assets.

As of the 1st January 2009, the Company implemented regulations CRC no. 2002-10 of the 12th December 2002 relating to amortization and depreciation of assets and CRC no. 2004-06 of the 23rd November 2004 relating to the definition, accounting and valuation of assets.

Implementation of these two regulations did not have any impact on its shareholders' equity as of the 1st January 2009.

The balance sheet and profit and loss account appear in the appendix.

11. GROUP CONSOLIDATED ACCOUNTS

As of the 31st December 2009, the ARTHUR Group scope of consolidation included:

- . L.T.J. DIFFUSION, a société par actions simplifiée with capital of 2,874,000 euros, of which we hold 99.9% of the capital;
- . LTJ DIFFUSION Comercio de Vestuario Unipessoal Lda, a company incorporated under Portuguese law;
- . ARTHUR ESPANA, a company incorporated under Spanish law.

In accordance with articles L. 225-100 and L. 233-16 of the Commercial Code, we request that you kindly approve the consolidated accounts that are submitted for you in the appendix.

It emerges from the consolidated accounts which we have submitted for you that the preceding financial year shows a consolidated profit of 368,000 euros.

12. PROPOSAL FOR ALLOCATING OUR COMPANY'S LOSS

We propose that you allocate the loss for the financial year, amounting to €69,066, as follows:

. "Retained earnings" prior to allocation	€(486,576)
. Loss for the financial year 2009	€(69,066)
. "Retained earnings" after allocation	<u>€(555,642)</u>

We ask that you kindly approve this allocation of the loss for the financial year ending on the 31st December 2009.

13. REMINDER OF DISTRIBUTED DIVIDENDS

In accordance with the provisions of article 243 (a) of the General Tax Code, we remind you that there has not been any distribution of dividends over the past three financial years.

14. NON-DEDUCTIBLE EXPENSES FOR TAX PURPOSES

In accordance with articles 223 (c) and 223 (d) of the Tax Code, we inform you that the accounts for the preceding financial year do not take into account expenses that are non-deductible from the taxable income.

15. INFORMATION CONCERNING MANAGING AGENTS

List of Company mandates:

In accordance with article L. 225-102-1, paragraph 3, of the Commercial Code, we are including below for you a list of all the mandates and functions exercised in any company by each of the Company's managing agents:

- . Mr Lionnel RAINFRAY is:
 - . Chairman of LTJ DIFFUSION,
 - . Chairman of ARTHUR MANAGEMENT & SERVICES
 - . Manager of the Portuguese company LTJ DIFFUSION Comercio de Vestuario Unipessoal Lda
 - . Manager of the Spanish company ARTHUR ESPANA
 - . co-manager of COLOMBIMO SCI
 - . co-manager of IMMO 2 SCI

. Mr Jean-Louis PARIENTE is:

- . Managing Director of LTJ DIFFUSION
- . co-manager of COLOMBIMO SCI
- . co-manager of IMMO 2 SCI

Mr Pierre-Alain PARIENTE does not exercise any function in any company.

16. MANDATE OF THE AUDITORS

The mandates of the regular and deputy auditors are reaching expiry, and we propose that you decide on these mandates.

We ask you to kindly approve the accounts and balance sheet that have just been submitted to you, as well as the texts of the resolutions.

The Board of Directors