

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 B 389 065 152

ANNUAL REPORT ON THE OPERATIONS OF THE FINANCIAL YEAR

ENDING ON THE 31st DECEMBER 2011

Dear Sir/Madam,

We have brought you together at this annual ordinary general meeting pursuant to the articles of association and provisions of the Commercial Code in order to:

- 1) report to you on the Company's activity during the financial year ending on the 31st December 2011, the results of this activity and future prospects.
- 2) submit for your approval the balance sheet and annual financial statements for said financial year. These financial statements are enclosed with this report.
- 3) submit for your approval the consolidated financial statements for this financial year.

The notifications of meeting prescribed by law have been regularly sent to you and all the documents required by the regulations in force have been kept at your disposal within the prescribed periods.

COMPANY SITUATION AND ACTIVITY

Important events that occurred during the financial year:

2011 was marked by a sharp slowdown in activity; turnover fell by €600k.

Group consolidated income led to lower profits.

EBIT was down €300k but stood nevertheless at an acceptable level of €493k. Group consolidated net income fell back €250k compared with 2010, to €102k.

This drop was accounted for by the fall in turnover from exports, linked to the poor results from southern Europe, Spain and Portugal, and the downturn in activity in France over the final quarter of 2011.

Consolidated financial expenses were steady; on the other hand, those of our subsidiary, LTJ DIFFUSION, were down 10%.

Important events that have occurred since the end of the financial year:

No special event has taken place.

Future prospects

We expect a fall in turnover for 2012, which should be made up for by:

- Lower structural costs, by reducing the wage bill and management costs;
- Continuing with our debt reduction policy;
- Increasing our margins.

The cash flow will make it possible to meet bank repayments.

Group operating profit should return to its 2010 level, at €800k.

1 – COMPANY ACTIVITY DURING THE FINANCIAL YEAR ENDING ON THE 31ST DECEMBER 2011

1) Company situation and activity - Results of this activity

Our company continued with its holding activity during the financial year ending on the 31st December 2011.

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

ARTHUR is a Group integrated fiscally with its subsidiaries, L.T.J. DIFFUSION and AMS.

2 - ACTIVITIES OF THE SUBSIDIARIES AND CONTROLLED COMPANIES

2.1 L.T.J. DIFFUSION, a *société par actions simplifiée* with capital of 2,874,000 euros, of which we own 99.9%, reported turnover as at the 31st December 2011 of 15,470,453 euros, as against 16,108,260 euros in the previous year.

Its turnover fell 4% compared with the previous year.

Forecasts of lower turnover were limited at the beginning of the year to €300k, without being able to anticipate the sharp downturn in consumption in the final quarter of 2011.

Under these conditions, turnover fell €459k, which turned out to be higher than our forecasts.

In order to improve our cash position, we disposed of our Montpellier store for the sum of €250k.

Through a transfer of all assets and liabilities, LTJ DIFFUSION took over its subsidiary, LOU CANISS, in June 2011.

We continued our efforts to cut management costs, to the extent of €250k, in order to maintain our profitability.

EBIT was down only €240k, at €743k.

Its operating profit was 743,006 euros, as against 983,496 euros in the previous year.

Financial expenses amounted to 339,759 euros.

Its financial income stood at (339,497) euros.

Financial expenses were down 10%.

Its pre-tax profits were 403,508 euros, as against 606,720 euros in the previous year, down €200k.

We softened the effects of the crisis by focusing attention on management, such as that of WCR, which improved €400k, due to the marked improvement in the "Customers" line.

Its extraordinary loss was (147,494) euros.

Its net accounting result showed a profit of 256,013 euros, as against 398,645 euros in the previous period.

Since the end of the financial year, LTJ DIFFUSION has disposed of its Neuilly sur Seine store.

For 2012, we expect a fall in turnover through a further reduction in structural costs, involving a restructuring of the wage bill and of our procurements.

Under these conditions, we should return to an operating profit equivalent to that of 2010.

2.2. AMS, a *société par actions simplifiée* with capital of €1,000, which is owned entirely by us, reported turnover as at the 31st December 2011 of 2,302,114 euros, as against 2,527,885 euros in the previous year, following the Group's reduction in the wage bill.

Its pre-tax profits stood at 4,956 euros.

It reported a loss of 150 euros.

3 - INFORMATION ON PAYMENT TERMS

Pursuant to article L 441-6-1, para. 1, of the Commercial Code, a breakdown, as at the end of the last financial year, is given of the balance on debts in respect of suppliers, by due date:

2011 FINANCIAL YEAR – DATE OF PAYMENT OF THE BALANCE ON INVOICES

The age of amounts outstanding as at the 31st December 2011 appearing to the credit of accounts payable, totalling €44,706, is not greater than 60 days.

2010 FINANCIAL YEAR – DATE OF PAYMENT OF THE BALANCE ON INVOICES

The age of amounts outstanding as at the 31st December 2010 appearing to the credit of accounts payable, totalling €54,398 €, is not greater than 60 days.

4. INFORMATION ON THE SHARE CAPITAL

As provided for in article L. 233-13 of the Commercial Code and taking into account the information and notifications received pursuant to articles L. 233-7 and L. 233-12 of said Code, you are informed below of the identity of shareholders who have 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 period under review, there was no change in this distribution.

5. R&D COSTS

The company did not incur any R&D costs during the period under review.

6. EMPLOYEE PARTICIPATION IN THE SHARE CAPITAL

Pursuant to article L.225-102 of the Commercial Code, we are reporting to you on the state of employee participation in the share capital of the company as at the last day of the financial year, the 31st December 2011.

There is no employee participation in the share capital of our company.

7. SUBSIDIARIES AND HOLDINGS

With regard to subsidiaries and holdings, we have presented their activity in our report on the activity of the Company.

You are reminded that the table of subsidiaries and holdings is enclosed below.

8. ACQUISITIONS

Our company did not make any new acquisitions.

9. ECONOMIC PERFORMANCE AND FINANCIAL RESULTS

For the financial year ending on the 31st December 2011:

. Total operating income was 6 euros, as against 1,655 euros in the previous year.

. Operating costs for the period amounted to 72,273 euros, as against 258,849 euros in the previous year.

The operating loss was (72,267) euros, as against (257,193) euros in the previous year.

Taking into account financial income of 28,854 euros, the pre-tax loss for the period was (43,413) euros, as against 231,692 euros in the previous year.

Taking into account the above elements and tax on profits totalling 32,239 euros, the financial year ended with a net accounting loss of 72,652 euros, as against a net accounting profit of 270,662 euros in the previous year.

As at the 31st December 2011, the total on the Company balance sheet was 10,396,425 euros, as against 10,548,643 euros in the previous year.

The table 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 OUR COMPANY'S ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the financial year ending on the 31st December 2011 which we are submitting for your approval were drawn up in accordance with the rules governing presentation and the valuation methods provided for by the regulations in force.

The rules governing presentation and the valuation methods used are identical to those

of the previous financial year.

The financial statements were prepared in compliance with:

- The 1999 French chart of accounts (PGG) approved by the Ministerial Decree of the 22nd June 1999.

Accounting regulations:

- 2000-06 and 2003-07 governing liabilities
- 2002-10 governing amortisation and depreciation of assets
- 2004-06 governing the definition, posting and valuation of assets

The company implemented on the 1st January 2011 the Accounting Regulatory Committee's regulations no. 2002-10 of the 12th December 2002 relating to amortisation and depreciation of assets and no. 2004-06 of the 23rd November 2004 relating to the definition, posting and valuation of assets. Implementation of these two regulations has no impact on its equity capital as at the 1st January 2011.

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

11. GROUP CONSOLIDATED FINANCIAL STATEMENTS

As at the 31st December 2011 the scope of consolidation of the ARTHUR Group included:

- . L.T.J. DIFFUSION, a *société par actions simplifiée* with capital of 2,874,000 euros, which is 99.9% owned by us;
- . AMS, a *société par actions simplifiée* with capital of 1,000 euros, which is owned entirely by us;
- . LTJ DIFFUSION Comercio de Vestuario Unipessoal Lda, a company incorporated under Portuguese law;
- . ARTHUR ESPANA, a company incorporated under Spanish law.

Pursuant to articles L. 225-100 and L. 233-16 of the Commercial Code, we ask that you kindly approve the consolidated financial statements which are submitted to you in the appendix.

The consolidated financial statements which we have submitted to you show that the period under review resulted in a consolidated profit of 102,000 euros.

12. PROPOSAL FOR ALLOCATION OF OUR COMPANY'S LOSSES

We propose that you allocate the net accounting loss for the period of 75,652 euros as follows:

. "Loss carried forward" before allocation	(284,981) euros
. Loss for the financial year 2011	(75,652) euros
. "Loss carried forward" after allocation	<u>(360,633) euros</u>

We ask that you kindly approve this allocation of the loss for the financial year ending on the 31st December 2011.

13. REMINDER OF THE DISTRIBUTED DIVIDENDS

Pursuant to article 243a of the General Tax Code, you are reminded that there has not been any distribution of dividends over the past three financial years.

14. NON-TAX DEDUCTIBLE EXPENSES

Pursuant to articles 223c and 223d of the Tax Code, your attention is drawn to the fact that the accounts for the period under review do not take into account expenses that cannot be deducted from the result for tax purposes.

15. INFORMATION CONCERNING THE CORPORATE OFFICERS

Pursuant to article L. 225-102-1, para. 3, of the Commercial Code, we enclose for you below a list of all the mandates and functions exercised in any company by each of the corporate officers of the Company:

. Mr Lionnel RAINFRAY is:

- . Chairman of LTJ DIFFUSION,
- . Chairman of AMS,
- . Manager of LTJ DIFFUSION Comercio de Vestuario Unipessoal Lda, a company incorporated under Portuguese law,
- . Manager of ARTHUR ESPANA, a company incorporated under Spanish law

. Mr Jean-Louis PARIENTE is:

- . General Manager of LTJ DIFFUSION.

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

16. TERM OF OFFICE OF THE DIRECTORS

The term of office of the directors is expiring. We ask you to kindly decide on said terms of office.

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

The Board of Directors