

ARTHUR S.A.

Société Anonyme (Joint Stock Company)
Capital: 2,682,608 euros
Registered office: 176 - 178 rue d'Estienne d'Orves
92700 COLOMBES
FRANCE

R.C.S. Identification Number NANTERRE B 389 065 152

MANAGEMENT REPORT COVERING OPERATIONS FOR THE COMPANY YEAR

ENDING 31 DECEMBER 2010

Ladies and Gentlemen,

We have invited you to attend an ordinary annual general meeting in application of the articles of association and the provisions set out in the French commercial law (*Code du Commerce*), to:

- 1) Report to you on the Company's activities for the year ending 31 December 2010, the income from those activities and the prospects for the future,
- 2) Submit the balance sheet and the annual accounts for that year to you for approval. The accounts are attached to the present report,
- 3) Submit the consolidated accounts for that year to you for approval.

The invitations were sent to you in compliance with the corresponding legal requirements and all the documents provided for by the regulations in force were placed at your disposal within the allotted deadlines.

COMPANY SITUATION AND ACTIVITIES

Major events that occurred during the year:

2010 was in line with our forecasts, flat in terms of turnover (-1%), in spite of a sharp rise in operating revenue (+10%), and highly satisfactory as regards margins, with a rise in EBIT of more than 40%, pre-tax income that almost doubled, and net consolidated income of €350,000.

The slight drop in turnover is mainly due to Export turnover, which continued to fall, linked to the poor results in Southern Europe, Spain and Portugal.

The sharp increase in earnings for the year stems from reductions in expenditure, linked to the restructuring implemented over the last three years.

The rise is also due to the transfer of wage costs to the AMS Company, a fully owned subsidiary.

Its pre-tax income thus stands at €230,000.

The consolidated financial expenses remain stable; on the other hand, those of our subsidiary LTJ DIFFUSION fell by €70,000.

We have also set aside major levels of provisions.

As regards fixed assets, our medium-term gearing stands at 28%; this stems from an increase in our net assets and a reduction in our debt load, and it authorizes us to finance our growth through borrowing.

Nonetheless, our prospects concerning investment are not likely to improve before the end of 2012, as we are waiting for the effects of the economic crunch to wear off and continuing to reduce our current debt levels.

Our monthly short-term operating cash flow tables show that the overall annual cash flow improved by €278,000 at the end of December, even though we financed a major increase in our stocks (€1.03 M).

Major events that have occurred since the end of the accounting year:

There are no particular events to record.

Prospects for the future

Our prospects for 2011 remain positive, even though we do not foresee any strong growth in levels of activity.

For comparable surface areas, our network is likely to increase by 2%; the growth in Internet sales as a whole should balance out the falls in the traditional network, especially regarding exports.

Our forecasts therefore include EBIT of about a million euros and a debt reduction strategy together with cuts in our fixed costs with target savings of €300,000.

1 - COMPANY ACTIVITIES DURING THE YEAR ENDING 31 DECEMBER 2010

1) Company situation and activities - Results of the activities

Our Company continued its holding activities during the year ending on 31 December 2010.

It continues to provide services in the legal, administrative and technical fields for its subsidiary, the L.T.J. DIFFUSION Company, and since 1 January 2010, for its subsidiary AMS.

The ARTHUR Company constitutes a fiscally integrated group with its subsidiaries L.T.J. DIFFUSION and AMS.

2 - ACTIVITIES OF THE SUBSIDIARIES AND CONTROLLED COMPANIES

2.1. The L.T.J. DIFFUSION Company, a simplified joint stock company with capital of 2,874,000 euros in which we have a 99.90% holding, showed a turnover of 16,108,260 euros at 31 December 2010 as against 16,256,488 euros for the previous year.

Its turnover is 0.9% lower than that of the previous year.

Its operating income stood at 983,496 euros as against 875,674 euros for the previous year.

This increase results from a significant reduction in its fixed costs.

The financial expenses amounted to 386,966 euros, including a depreciation of 75,000 euros in the share value of the Portuguese subsidiary.

Its financial income stood at (376,776) euros.

Its pre-tax operating income amounted to 606,720 euros as against 417,352 euros for the previous year.

Its non-recurrent income stood at (208,075) euros.

Its net accounting income amounted to 398,645 euros as against 502,565 euros for the previous year.

2.2. The AMS Company, a simplified joint stock company with capital of €1,000 and which we fully own, had turnover of €2,527,885 at 31 December 2010 (its first year of operation).

The employment contracts of its parent company, the ARTHUR SA Company, have been transferred to it.

Its pre-tax operating income stood at 32,092 euros.

It posted a loss of 16,340 euros.

Taking into account the loss for the year, its shareholder's equity fell to less than half its capital.

3 - INFORMATION CONCERNING PAYMENT TERMS

In application of the provisions set out in article L 441-6-1 al.1 of the French commercial law, we set out below a breakdown, at the end of the last Company year, of the balance owed to suppliers, per due date:

YEAR 2010 – PAYMENT DATE OF THE BALANCE OUTSTANDING ON INVOICES

The anteriority of the amounts outstanding at 31 December 2010 and entered on the credit side of the supplier accounts for an amount of €54,398, was not more than 60 days.

YEAR 2009 – PAYMENT DATE OF THE BALANCE OUTSTANDING ON INVOICES

The anteriority of the amounts outstanding at 31 December 2009 and entered on the credit side of the supplier accounts for an amount of €46,073, was not more than 60 days.

4. INFORMATION CONCERNING THE COMPANY CAPITAL

In conformity with the provisions set out in article L. 233-13 of the French commercial law, and taking into account the information and notifications received in application of articles L. 233-7 and L. 233-12 of the said law, we set out below the identity of the shareholders owning more than one-twentieth, one-tenth, one-fifth, one-third, half or two-thirds of the Company capital or the voting rights:

Mr. Lionnel RAINFRAY holds more than one-third of the Company capital (registered shares).

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

In the course of the past year, there were no modifications in the said shareholder breakdown.

5. RESEARCH AND OF DEVELOPMENT COSTS

The Company did not lay out any research and development costs during the past year.

6. EMPLOYEE SHAREHOLDING IN THE COMPANY CAPITAL

In conformity with the provisions set out in article L.225-102 of the French commercial law, we report below the state of employee shareholding in the Company capital on the last day of the year, i.e. 31 December 2010.

The employees hold no shares in the capital of our Company.

7. SUBSIDIARIES AND HOLDINGS

Concerning the subsidiaries and holdings, we reported to you on their activities during our report covering the Company's activities.

We remind you that a table of the subsidiaries and holdings is attached below as an appendix.

8. ACQUISITIONS

Our company subscribed 100% of the capital of the AMS Company.

9. ECONOMIC AND FINANCIAL EARNINGS

For the year ending on 31 December 2010:

. Total operating revenue stood at €1,655 as against €2,761,506 for the previous year.

. Operating expenses for the year amounted to €258,849 as against €2,891,315 for the previous year.

Operating income came to €(257,193) as against €(129,808) for the previous year.

Taking into account financial income of €488,886, the pre-tax income for the year stood at €231,692 as against €(125,713) for the previous year.

In the light of the elements above, the non-recurrent income of €35,357, and corporate income tax of €5,088, the year saw a net book profit of €261,962 as against a net book loss of €69,066 for the previous year.

At 31 December 2010, the Company's balance sheet total stood at €10,539,943 as against €11,533,068 for the previous year.

We have attached an earnings table to the present report as required under article 148 of the French application order dated 23 March 1967.

10. PRESENTATION OF OUR COMPANY'S ANNUAL ACCOUNTS

The annual accounts for the year ending on 31 December 2010 that we are submitting to you for approval have been drawn up in accordance with the presentation rules and evaluation methods provided for under the terms of the regulations in force.

The presentation rules and evaluation methods adopted are the same as those for the previous year.

The financial reports have been drawn up in conformity with:

- The 1999 French chart of accounts as approved by the ministerial order dated 22 June 1999.

The following accounting rules:

- 2000-06 and 2003-07 concerning liabilities
- 2002-10 concerning amortization and depreciation of assets
- 2004-06 concerning definition, entry and evaluation of assets.

As from 1 January 2010, the company has applied the following regulations: CRC regulation No. 2002-10 dated 12 December 2002 concerning amortization and depreciation of assets, and CRC regulation No. 2004-06 dated 23 November 2004 covering definition, entry and evaluation of assets. Implementation of these two regulations had no effects on its shareholder's equity at 1 January 2010.

The balance sheet and income statement are attached as appendices.

11. CONSOLIDATED ACCOUNTS FOR THE GROUP

At 31 December 2010, the consolidation perimeter for the ARTHUR group included:

- . The L.T.J. DIFFUSION Company, a simplified joint stock company with capital of 2,874,000 euros in which we have a 99.90% holding;
- . The LTJ DIFFUSION Comercio de Vestuario Unipessoal Lda Company, governed by Portuguese law;
- . The ARTHUR ESPANA Company, governed by Spanish law;

In conformity with articles L. 225-100 and L. 233-16 of the French commercial law, we hereby ask you to approve the consolidated accounts as presented to you in an appendix.

The consolidated accounts that we have presented to you show that the past year saw consolidated income of 348,000 euros.

12. PROPOSED ALLOCATION OF OUR COMPANY'S EARNINGS

We propose allocating the income for the year, amounting to €261,962 in the following way:

. "Balance brought forward" before allocation	€(555,642)
. Income for 2010	€261,962
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. Balance brought forward" after allocation	€(293,680)

We hereby ask you to approve this allocation of the income for the year ending on 31 December 2010.

13. REMINDER CONCERNING DIVIDENDS PAID OUT

In conformity with the provisions set out in article 243 bis of the French general tax code, we would like to remind you that no dividends have been paid out over the last three years.

14. EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES

In conformity with the provisions set out in articles 223 quater and 223 quinquies of the French general tax code, we would like to point out that the accounts for the past year do not include any expenses that are not deductible for tax purposes.

15. INFORMATION CONCERNING THE SENIOR MANAGEMENT

In conformity with the provisions set out in article L. 225-102-1, al. 3 of the French commercial law, we set out below a list of all the positions and functions exercised in all the companies by each of the Company's senior managers:

. Mr. Lionnel RAINFRAY is:

- . President of the LTJ DIFFUSION Company,
- . President of the AMS Company,
- . Manager of the LTJ DIFFUSION Comercio de Vestuario Unipessoal Lda Company, governed by Portuguese law
- . Manager of the ARTHUR ESPANA Company, governed by Spanish law.

. Mr. Jean-Louis PARIENTE is:

- . Managing Director of the LTJ DIFFUSION Company.

Mr. Pierre-Alain PARIENTE does not exercise any functions in any of the companies.

We ask you to approve the accounts and the balance sheet as presented to you, together with the text of the motions.

The Board of Directors