



**2010
ANNUAL
FINANCIAL
REPORT**



Contents

CHAPTER 1

Management report in accordance with article 222-3 of the AMF general regulations 4

- Part 1: Review of the earnings and financial position of the company and of the Group; description of the main risks and uncertainties...5
- Part 2: Factors that may have an impact in the event of a public offer 21
- Part 3: Summary table of delegations relating to the capital increase in the process of being validated 24
- Part 4: Information relating to the share buyback programme during the financial year..... 25

CHAPTER 2

Full-year financial statements 26

CHAPTER 3

Full-year financial statements 43

CHAPTER 4

Statutory auditors' reports on the full-year financial statements and on the consolidated financial statements 97

Declaration by physical persons who assume responsibility for the annual financial report 100



CHAPTER 1 Management report in accordance with article 222-3 of the AMF general regulations

Part 1: Review of the earnings and financial position of the company and of the Group; description of the main risks and uncertainties.....	5
Part 2: Factors that may have an impact in the event of a public offer	21
Part 3: Summary table of delegations relating to the capital increase in the process of being validated.....	24
Part 4: Information relating to the share buyback programme during the financial year.....	25

Part 1: Review of the earnings and financial position of the company and of the Group; description of the main risks and uncertainties

I. ACTIVITY AND RESULTS

In 2010, the ETAM Group saw a rise in sales and operating income. It laid the foundations for a restructuring in Europe with a higher level of investment on stores and brand image. It continued its profitable growth in China.

Consolidated sales amounted to €1,134.5 million in 2010, up €114.5 million or +11.2% on 2009, with ordinary operating income of €50.1 million compared to €43.9 million in 2009, a rise of 14.2%. Calculated before depreciation, amortisation, provisions and gains (losses) on asset disposals, ordinary operating income (EBITDA) amounted to €110.2 million in 2010 compared to €90.6 million in 2009, representing an improvement of 21.6%.

The mixed performance of the European and Chinese markets, which had been seen in 2009, continued in 2010: the Group's performance* in Europe was -1.0% compared to +15.9% in China.

In Europe, sales from the ETAM brand was unchanged* on 2009, whereas the 1.2.3 brand, which is undergoing significant repositioning, saw sales fall 4.0%*.

In 2010, the Group completed on schedule the implementation of the "Cap Etam" cost-cutting and productivity plan launched in Europe in 2009. Some of these savings were reinvested in marketing and media, both at ETAM and 1.2.3, in order to strengthen their standing as aspirational brands.

In parallel, the ETAM Group significantly increased its investment, by 52.3% from €33.9 million in 2009 to €51.6 million in 2010, the bulk of which was invested in the store network, in Europe and China, both for refurbishments and new openings.

As already announced in connection with the Share Buyback Offer that was successfully carried out in June 2010 – 99.3% of the 2,857,142 shares in ETAM Développement accepted the Offer – the Group is facing major challenges in Europe. Ordinary operating income in Europe amounted to €19.3 million in 2010 (2.6% of sales) compared to €27.1 million in 2009 (3.6% of sales). In China, ordinary operating income continued to grow sharply, rising to €30.8 million in 2010 (8.1% of sales) compared to €16.8 million in 2009 (6.1% of sales).

Net of rising financing costs, notably due to the share buyback offer, a higher tax expense on the back of rising profits in China, and despite the negative contribution of the affiliate, consolidated net income for the period was up slightly at €24.6 million in 2010 from €24.0 million in 2009.

* like-for-like and at constant exchange rates.

1. Business performance

1.1. Business performance excluding China

Etam

Sales from the Etam brand, including Undiz and excluding China, amounted to €586.9 million in 2010 with 546 sales outlets in France (including 47 Undiz stores) and 324 in other countries (including 147 franchises).

Sales from the Etam brand was up 1.3% on a like-for-like basis and at constant exchange rates as of 30 September 2010. It suffered in the fourth quarter from a marked drop in footfall at stores, partly due to the urban transport strikes in France in October, followed by the unusually bad weather in December. Etam's sales performance on a like-for-like basis and at constant exchange rates was unchanged over full-year 2010.

Marketing-product offering

The brand's strategic priorities in 2010 were as follows:

- Raising the profile via Natalia Vodianova, an emblematic figure in the fashion world, who for the third year running created two new collections. This partnership got good press coverage during the year both in France and abroad;
- Increased restraint as regards marking down, with a positive impact on the desirability of the product offering;
- Improved sequencing of collections in stores;
- Store concepts more in tune with the product offering. In particular, 20 Group stores were refurbished on the basis of the "Greenwich" concept as of 31 December 2010 compared to 9 at end-2009, which outperformed the network as a whole.

International expansion

In 2010, Etam continued the international expansion of its network via franchise partners. In 2010, export sales, included in sales from France, was up 3.4%, notably driven by the opening of lingerie sales outlets in Q4 in Greece (+5), Eastern Europe and Africa (+4: Cameroon, Ivory Coast, and Senegal).

Internet

The online store for the Etam brand, the Etam.com website continues to see sustained growth, up 37% in 2010. Sales amounted to €9.2 million with substantial levels of traffic throughout the year. According to a study carried out by Nielsen in July 2010, Etam.com is the no. 4 online French clothing website after La Redoute, 3 Suisses and Ventes Privées, with over 3 million unique visitors per month. In 2010, traffic continued to rise sharply.

Undiz

The Undiz lingerie brand, established by the Etam Group in 2007, sales from which is mixed with that of the Etam brand, enjoyed strong sales for the third year running. In 2010, the brand saw an across the board improvement in its sales indicators, demonstrating the strength of the concept and of the product offering.

In 2010, the Undiz network, which only operates in France, expanded from 26 to 47 stores. This sharp growth goes hand in hand with decisions regarding store location, logistics and organisation.

1.2.3

1.2.3 generated sales of €165.1 million in 2010 on the back of 179 stores in France and 108 in other countries, including 21 franchises. The brand saw a 4.0% decline in sales on a like-for-like basis and at constant exchange rates.

The significant events for the chain over the year were:

- Work on repositioning and overhauling the product offering that isn't yet reflected in sales;
- A notable reduction in the level of marking down, which went hand in hand with the work on repositioning;
- Ongoing reduction in footfall in stores, particularly in Q4 for the reasons set out above;
- Major press coverage for 1.2.3, driven by the image of its brand ambassador Eva Herzigova and her collections.

1.3. Store network

	31/12/10	31/12/09	CHANGE
France	725	709	16
Spain/Portugal	105	110	-5
Belgium/Luxembourg	69	71	-2
Germany	66	66	0
Italy	11	12	-1
Poland	11	7	4
Switzerland	1	1	0
Europe (excluding international franchises)	988	976	12
International franchises	168	187	-19
China	3,044	2,671	373
Group Total	4,200	3,834	+366

As of 31 December 2010, the ETAM Group had 4,200 sales outlets, including 988 in Europe, 3,044 in China and 168 international franchises.

- **In Europe**, the Group developed and optimised its store network for the lingerie business (Etam and Undiz).
- **Export** was down 19 units on 31 December 2009 following the implementation of an accounting method for the franchises that reflects the one used for the network in France, namely that a mixed store counts as a single unit.

Outside France, the 1.2.3 brand is present primarily in Eastern Europe, the United Arab Emirates and Morocco. It has a more upscale positioning in these markets than in France, in order to stand out from local competitors. Export revenue was up 2.6% in 2010 compared to 2009.

1.2. Business performance in China

As of 31 December 2010, sales of €382.5 million, which included a positive currency impact of €21.0 million, was up 38.1%, and 15.9% on a like-for-like basis and at constant exchange rates. Over the year, the performance on a like-for-like basis and at constant exchange rates was consistent across the five brands (Etam, Etam Sport, Etam Week-End, Etam Lingerie, E-Homme) with growth of between 12% and 16%.

The clear positioning of each brand, organisational responsiveness and investment in the Etam image, have made it possible to grow sales via a dozen collections per brand per annum.

On the back of this momentum, in Q2 2010 the Group launched a new brand E&Joy built around a denim offering, with 11 sales outlets at end-2010. In addition, on 31 December the Group inaugurated, in Shanghai, a new 175 square-metre two-storey concept store dedicated to the five main brands.

In addition, via Etam's lingerie business the Group moved into 4 new countries: Greece, Cameroon, Ivory Coast and Senegal.

- **In China**, the Group has carried out 373 net openings since 1 January 2010, breaking down into 650 openings and 277 closures. The three main brands added 123 stores for Etam, 99 for Etam Week-End and 93 for Etam Sport. E-Homme and Etam Lingerie added some twenty concessions to their network. The mini mega-stores concept amounted to 82 units as of 31 December 2010, namely +27 on end-2009 and E&Joy, the denim brand, closed the year with 11 sales outlets.

2. Sales and operating income

2.1. Group Consolidated sales and operating income

(€m)

	2010	2009	%/POINT CHANGE
Sales	1,134.5	1,020.0	11.2%
<i>like-for-like and at constant exchange rates</i>			2.6%
Gross profit	671.5	609.8	10.1%
Gross margin	59.2%	59.8%	-0.6
Distribution costs	(568.2)	(500.7)	13.5%
<i>in % of sales</i>	-50.1%	-49.1%	-1.0
Administrative costs	(51.8)	(60.3)	-14.1%
<i>in % of sales</i>	-4.6%	-5.9%	1.3
Other operating income and expenses	(1.4)	(4.9)	-71.5%
<i>in % of sales</i>	-0.1%	-0.5%	0.4
EBITDA	110.2	90.6	21.6%
<i>in % of sales</i>	9.7%	8.9%	0.8
Ordinary operating income	50.1	43.9	14.2%
<i>in % of sales</i>	4.4%	4.3%	0.1
Non-recurring expenses	(5.5)	(7.1)	-23.6%
Operating income	44.7	36.8	21.5%
<i>in % of sales</i>	3.9%	3.6%	0.3

In 2010, the Etam Group posted sales of €1,134.5 million, up 11.2%. Sales were up €114.5 million on 31 December 2009, including a favourable currency impact of €21.2 million due primarily to the strengthening of the Yuan against the Euro.

Ordinary operating income amounted to €50.1 million in 2010, up 14.2% on 2009, mainly driven by:

- a gross profit improvement of €61.7 million, including €56.8 million in China and €4.9 million in Europe;
- a €67.5 million increase in distribution costs, including €48.5 million in China and €19.0 million in Europe;
- in Europe, the growth of Undiz generated €9.9 million in additional store and support structure costs. In addition, in 2010 the Group accentuated its brand image expenditure with its brand ambassadors, media plans and a fashion show at the Ritz;
- €8.5 million in administrative cost savings including €4.2 million in Europe notably stemming from the impact of the “Cap Etam” plan. In China, the €4.3 million reduction in overheads was primarily due to non-recurring costs in 2009 and a favourable currency impact of €0.5 million;
- a €3.5 million favourable change in other current operating income and expenses with, in Europe, an increase in external rental revenues and a reduction in the scrapping of fittings and, in China, income from local subsidies and a reduction in the scrapping of store fittings;
- €5.5 million in non-recurring expenses broke down into €3.2 million for the financing of the “Cap Etam” plan (compared to €6.4 million in 2009) and an extraordinary expense of €2.3 million stemming from a dispute dating back to 2002. In 2009, the discontinuation of the Etam lingerie business in Germany had generated €0.7 million in non-recurring expenses.

2.2. Sales and operating income in Europe

(€m)

	2010	2009	%/POINT CHANGE
Sales	752.0	743.0	1.2%
<i>like-for-like and at constant exchange rates</i>			-1.0%
Gross profit	449.4	444.5	1.1%
Gross margin	59.8%	59.8%	-
Distribution costs	(386.0)	(367.0)	5.2%
<i>in % of sales</i>	-51.3%	-49.4%	1.9
Administrative costs	(42.7)	(46.9)	-8.9%
<i>in % of sales</i>	-5.7%	-6.3%	0.6
Other current operating income and expenses	(1.4)	(3.5)	-60.9%
<i>in % of sales</i>	-0.2%	-0.5%	0.3
EBITDA	60.0	59.0	1.6%
<i>in % of sales</i>	8.0%	7.9%	0.1
Ordinary operating income	19.3	27.1	-28.8%
<i>in % of sales</i>	2.6%	3.6%	-1.0
Non-recurring expenses	(5.5)	(7.1)	-23.6%
Operating income	13.8	20.0	-30.7%
<i>In % of sales</i>	1.6%	2.7%	-1.0

In 2010, sales of €752.0 million was up 1.2% and down 1.0% on a like-for-like basis and at constant exchange rates.

In Europe, the Group posted ordinary operating income of €19.3 million, down €7.8 million on 2009, mainly driven by:

- A gross profit improvement of €4.9 million, impacted by a weak Q4;
- A €19.0 million increase in distribution costs associated with a €4.7 million increase in image and event marketing, €9.9 million to support the development of Undiz and €1.7 million to expand its online market share. The cost savings associated with the store closures offset the €3.7 million increase in store expenses on a like-for-like basis and at constant exchange rates, primarily stemming from staff costs and rent;
- €4.2 million in administrative cost savings, the result of the measures taken within the support units;
- A €2.1 million favourable change in other current operating income and expenses, which was due to €0.6 million in higher external rental revenues, +€1.9 million in lower scrapping of fittings following store disposals and refurbishments and -€0.4 million in changes in asset values (lease rights and fittings).

The operating income of €13.8 million was impacted by the cost of implementing the “Cap Etam” plan and the extraordinary expense of a dispute dating back to 2002. The non-recurring expenses relating to the “Cap Etam” plan stemmed from the -€2.3 million in measures to optimise store and head office structure, and -€0.9 million in measures to streamline the store network (closures, transfers/cuts).

2.2.1. By brand

Up to 30 September 2010, the changes in sales on a like-for-like basis and at constant exchange rates of the Etam (+1.3%) and 1.2.3 (-2.2%) brands were in line, if perhaps slightly above, the specialist chain women’s clothing market (source: Institut Français de la Mode).

In Q4, the two brands suffered from the October strikes and the bad weather in December which affected the whole women’s clothing retail market in France. In fact, for the specialist chains, the latter dragged down lingerie (-3.1%) and ready-to-wear (-7.1%) in Q4 2010 compared to the same period in 2009.

ETAM

Etam comprises ready-to-wear and lingerie activities (in Europe and international franchises) under the Etam brand, as well as lingerie activities under the Undiz brand.

(€m)

	2010	2009	%/POINT CHANGE
Sales	586.9	568.8	3.2%
<i>like-for-like and at constant exchange rates</i>			0.0%
Gross profit	349.3	338.9	3.1%
Margin	59.5%	59.6%	-0.1
Distribution costs	(299.7)	(283.3)	5.8%
<i>in % of sales</i>	-51.1%	-49.8%	-1.3
Administrative costs	(26.7)	(28.4)	-5.7%
<i>in % of sales</i>	-4.6%	-5.0%	0.4
Other current operating income and expenses	(4.3)	(3.5)	23.4%
<i>in % of sales</i>	-0.7%	-0.6%	-0.1
EBITDA	44.1	39.4	12.1%
<i>in % of sales</i>	7.5%	6.9%	0.6
Ordinary operating income	18.7	23.7	-21.1%
<i>in % of sales</i>	3.2%	4.2%	1.0
Non-recurring expenses	(4.1)	(3.7)	10.3%
Operating income	14.6	20.0	-26.9%
<i>in % of sales</i>	2.5%	3.5%	-1.0

In 2010, Etam generated sales of €586.9 million, up 3.2% and unchanged on a like-for-like basis and at constant exchange rates. Up to Q3 2010, the business enjoyed a strong sales performance but in Q4 suffered from a sharp drop in footfall in stores mainly associated with the urban transport strikes in October in France followed by the bad weather in Northern Europe in December.

Undiz, the lingerie brand established in 2007 and which had 47 sales outlets as of 31 December 2010, posted sales growth of 14.8% on a like-for-like basis and at constant exchange rates.

In 2010, Etam's ordinary operating income was €18.7 million compared to €23.7 million in 2009. This was mainly driven by:

- A gross profit improvement of €10.4 million, underpinned by the development of the Undiz brand as well as tight control of the level of marking down, a sign of the improvement in the collections. The lower sales levels, mainly concentrated in Q4, and the impact on residual inventory, substantially contributed to the fall-off in ordinary operating income;
- A €16.4 million increase in distribution costs to strengthen image and event marketing with the Natalia Vodianova brand ambassador and a fashion show at the Ritz. The continued development of Undiz and the winning of market share on the Internet continue to be major priorities for Etam. The cost savings associated with store closures offset the increase in staff costs and rent across the store network on a like-for-like basis and at constant exchange rates;
- €1.7 million in administrative cost savings, the brand benefiting from support service action plans; a €0.8 million decline in other current operating income and expenses, stemming from the impact of changes in asset values (lease rights and fittings).
- €4.1 million in non-recurring expenses stemming from €1.3 million in measures to optimise chain structure, €0.5 million in measures to streamline the store network (closures, transfers/cuts) as well as a €2.3 million extraordinary expense stemming from a dispute dating back to 2002.

1.2.3

1.2.3 comprises ready-to-wear activities in Europe and international franchises under the 1.2.3 brand.

(€m)

	2010	2009	%/POINT CHANGE
Sales	165.1	174.1	-5.2%
<i>like-for-like and at constant exchange rates</i>			-4.0%
Gross profit	97.8	101.5	-3.7%
Margin	59.2%	58.3%	0.9
Distribution costs	(96.3)	(96.2)	-
<i>in % of sales</i>	-58.3%	-55.3%	-3.0
Administrative costs	(7.5)	(8.1)	-7.8%
<i>in % of sales</i>	-4.5%	-4.6%	0.1
Other current operating income and expenses	(1.1)	(2.0)	-42.1%
<i>in % of sales</i>	-0.7%	-1.1%	0.4
EBITDA	0.7	3.4	-79.7%
<i>in % of sales</i>	0.4%	1.9%	-1.5
Ordinary operating income	(7.1)	(4.8)	46.5%
<i>in % of sales</i>	-4.3%	-2.8%	-1.5
Non-recurring expenses	(0.4)	(0.7)	-46.5
Operating income	(7.4)	(5.5)	34.5%
<i>In % of sales</i>	-4.5%	-3.2%	-1.3

1.2.3 posted sales of €165.1 million in 2010 compared with €174.1 million in 2009, down 5.2% (-4.0% on a like-for-like basis and at constant exchange rates). The 1.2.3 brand continued to work on repositioning and overhauling its collections which, although not yet reflected in revenue, enjoyed broad media coverage in France and abroad.

In 2010, the 1.2.3 brand sustained a loss in ordinary operating income of €7.1 million, down €2.3 million, primarily on the back of:

- A gross profit fall of €3.7 million, dragged down by the lower sales despite tight control of marking down and a 0.9 point improvement in the gross profit;
- Stable distribution costs. Store costs on a like-for-like basis and at constant exchange rates were kept under control and made it possible to invest in the image and the brand with Eva Herzigova, 1.2.3 brand ambassador since end-2009;
- A €0.9 million favourable change in other current operating income and expenses following a €0.5 million reduction in asset values (lease rights and fittings) and €0.4 million in lower scrapping of fittings following closures;
- €0.4 million in non-recurring expenses associated with the costs of streamlining the network.

2.2.2. By country

(€m)

	2010 REVENUE	ACTUAL CHANGE	LFL CHANGE ⁽¹⁾
France	650.2	2.3%	-0.6%
Belgium/Luxembourg	32.6	-3.8%	-3.1%
Spain/Portugal	39.8	-8.8%	-6.9%
Germany	18.4	-5.4%	-1.0%
Italy	7.4	-6.8%	4.4%
Poland	2.7	+93.1%	0.4%
Switzerland	0.9	-2.3%	-10.4%
Total other European countries	101.8	-5.1%	-3.6%
Total Europe	752.0	1.2%	-1.0%

(1) like-for-like and at constant exchange rates.

France

Sales on a like-for-like basis and at constant exchange rates was almost unchanged (-0.6%) over the year compared to 31 December 2009. Although the operations in France to end-September posted growth of +1.1%, Q4 broke this pattern primarily as a result of the impact of strikes in October and bad weather in December.

This impact was felt throughout the French market with statistics for specialist chains from the Institut Français de la Mode (IFM) showing growth to end-September of +1.6% in lingerie and +1.4% in ready-to-wear, compared to +0.1% and -1.1% respectively at end-December. In December alone, the data from the IFM show an even more marked decline in the specialist chain market, both for ready-to-wear (-7.5%) and lingerie (-5.0%).

Sales from the export business, some €32.3 million in 2010, included in sales from France, was up 3.4% on 2009, notably on the back of the opening of sales outlets for the lingerie business.

Other countries

The main countries outside France are: Belgium/Luxembourg (Etam lingerie business and 1.2.3), Spain/Portugal and Italy (Etam lingerie business), Germany (1.2.3), Poland and Switzerland.

These businesses generated total sales of €101.8 million in 2010, down 5.1% or 3.6% on a like-for-like basis and at constant exchange rates.

In detail:

- **In Belgium/Luxembourg**, sales on a like-for-like basis were down 3.1% over the year. In Q4, the business suffered from a slowdown comparable to the one in France;
- **In Spain/Portugal**, a region dragged down by a challenging economic climate, there was a 6.9% like-for-like reduction in 2010;
- **In Germany**, where in 2010 the business posted a -1.0% performance on a like-for-like basis, a good first half was followed by a poor second half, following the lack of success of the winter collection at 1.2.3, accentuated by the fact that the concessions in Germany, limited in terms of space, only displayed part of the collection;
- **In Italy**, the lingerie business was up 4.4% on a like-for-like basis over the year, marking the success of the refreshing of the product offering;
- **In Poland**, the price repositioning, undertaken in Q2 2010, played a part in the recovery of the business, with sales up +0.4% on a like-for-like basis and at constant exchange rates over the year;
- **In Switzerland**, where 1.2.3 opened a new corner in Geneva, sales on a like-for-like basis and at constant exchange rates fell sharply by 10.4% over the year.

2.3. Sales and operating income in China

(€m)

	2010	2009	%/POINT CHANGE
Sales	382.5	277.0	38.1%
<i>like-for-like and at constant exchange rates</i>			15.9%
Gross profit	222.1	165.3	34.4%
Margin	58.1%	59.7%	-1.6
Distribution costs	(182.2)	(133.7)	36.3%
<i>in % of sales</i>	<i>-47.6%</i>	<i>-48.2%</i>	0.6
Administrative costs	(9.1)	(13.4)	-32.1%
<i>in % of sales</i>	<i>-2.4%</i>	<i>-4.8%</i>	2.5
Other current operating income and expenses	(0.1)	(1.5)	-96.4%
<i>in % of sales</i>	<i>0.0%</i>	<i>-0.5%</i>	0.5
EBITDA	50.2	31.6	58.9%
<i>in % of sales</i>	<i>13.1%</i>	<i>11.4%</i>	1.7
Ordinary operating income	30.8	16.8	83.3%
<i>in % of sales</i>	<i>8.1%</i>	<i>6.1%</i>	2.0
Non-recurring expenses	-	-	-
Operating income	30.8	16.8	83.5%
<i>in % of sales</i>	<i>8.1%</i>	<i>6.1%</i>	2.0

The Etam Group has been operating in China since 1997 and has expanded primarily via sales outlets at department stores for five different chains (Etam, Etam Sport, Etam Week-End, E-Homme and Etam Lingerie) and a new chain established in 2010: E&Joy (denim).

An occupancy charge is deducted directly from sales, which are then paid back to the Group.

In China, the Group posted sales of €382.5 in 2010, including a favourable currency impact of €21.0 million due to the strengthening of the Yuan against the Euro. Like-for-like and at constant exchange rates, revenue rose by 15.9%.

The €30.8 million in ordinary operating income in 2010 was up €14.0 million on 2009, driven by the solid performance of its brand portfolio. This performance was mainly driven by:

- A gross profit improvement of €56.8 million;
- A €48.5 million increase in distribution costs, in line with the expansion of the network. Store costs were kept under control and were 1 percentage point of sales better than in 2009. An additional €3.4 million investment in image and event marketing compared to 2009, built on the image of Natalia Vodianova, underpinned this development;
- €4.3 million in administrative cost savings, primarily due to the existence of non-recurring costs in 2009;
- A €1.5 million favourable change in other current operating income and expenses stemming from the lower level of scrapping of fittings following refurbishment/transfers of corners in department stores and gains from local subsidies.

3. Other income statement items

3.1. Financial income

Financial income amounted to -€8.1 million, compared to -€6.8 million in 2009.

The €9.2 million borrowing cost was up €1.6 million as a result, firstly, of the terms agreed as part of the Group's refinancing in July 2009 and, secondly, additional financing arranged for the purposes of the share buyback offer in June 2010 and the refinancing by means of finance lease of the Clichy administrative HQ in December 2010.

A €0.8 million currency gain stemming from the change in the fair value of EUR/USD hedging instruments partly offset this additional cost.

3.2. Income tax

The 2010 tax expense amounted to €9.8 million, including €4.9 million from China and €4.9 million in Europe.

In China, the tax expense was up €5.7 million on 2009 as a result of the higher profits and the progressive expiry of the tax exemption scheme enjoyed by the Group.

In Europe, the 2010 tax expense of €4.9 million included an expense of €4.0 million with respect to the "CVAE" tax (based on the value-added generated by a company) as part of the implementation of the "CET" (French business tax reform - *contribution économique territoriale*) which has replaced the business tax. Excluding the CVAE, the tax expense stood at €0.9 million in 2010 compared to €5.1 million in 2009, as a result of the fall-off in profits in Europe.

3.3. Net income

Consolidated net income for the period amounted to €24.6 million compared to €24.0 million in 2009. Net of non-controlling interests of €6.6 million, up from €4.6 million in 2009 following the strong results posted in China, the net income for the period attributable to owners of the parent amounted to €18 million in 2010 compared to €19.4 million in 2009.

4. Cash flow

Cash flow (before tax, dividends and interest) totalled €101.6 million compared to €90.4 million in 2009.

Gross operating investment in 2010 amounted to €51.6 million compared to €33.9 million in 2009, a year in which the particularly low level of investment meant that it wasn't possible to refurbish a sufficiently high number of stores.

As of 31 December 2010, the Group's net financial liabilities stood at €171.5 million, up €81.8 million on 31 December 2009, mainly as a result of the share buyback offer made in June 2010 for €101.6 million.

5. Recent developments and outlook

5.1. First-quarter 2011 sales

in €m

	Q1 2011	ACTUAL CHANGE	LFL CHANGE ⁽¹⁾
Group sales	336.6	9.8%	0.9%
Europe	190.8	2.8%	-0.3%
China	145.8	20.7%	3.2%
Europe by country			
France ⁽²⁾	165.6	3.5%	-0.4%
Other	25.2	-1.6%	0.0%
Europe by brand			
ETAM ⁽³⁾	148.7	3.8%	0.3%
1.2.3	42.1	-0.9%	-2.2%

(1) lfl: like-for-like and at constant exchange rates

(2) including export revenue

(3) including Undiz

In Q1 2011, the Etam Group posted net sales (ex. VAT) of €336.6 million, including a positive currency impact of €7.0 million following the strengthening of the Yuan against the Euro. Sales were up 9.8% on 31 March 2010 and 0.9% on a like-for-like basis and at constant exchange rates.

In Europe, the Group posted sales of €190.8 million, up 2.8% on Q1 2010 and almost unchanged on a like-for-like basis and at constant exchange rates. The Q1 sales margin was dragged down particularly by the rise in purchase prices denominated in US dollars.

In China, Q1 sales was up 20.7% on Q1 2010. This growth reflects the ongoing development of the sales outlet network and includes a positive currency impact of €7.0 million. On a like-for-like basis and at constant exchange rates, sales in China was up 3.2%.

6. Subsequent events

No material subsequent event has occurred.

7. Group research & development activities

In order to ensure that their clothing, underwear and accessories ranges are up to date, the Group's brands are involved in research and development activities relating to the creation of their collections.

II. SOCIAL AND ENVIRONMENTAL INFORMATION

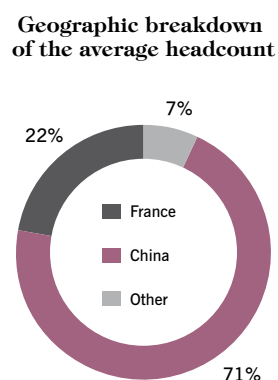
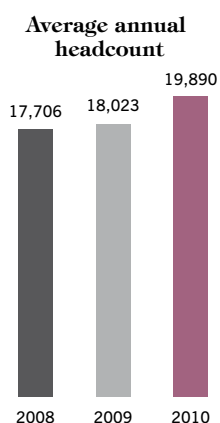
1. Social information

1.1. Number of employees and training

In 2010, the average annual number of employees was 19,890 (18,023 in 2009), with women accounting for 96.23%.

The average annual headcount broke down as follows in 2010:

	STORES	LOGISTICS AND TECHNICAL CENTRE	CENTRAL SERVICES	TOTAL
Average annual headcount	17,795	617	1,478	19,890
<i>o.w. China</i>	12,850	346	881	14,077



The higher number of employees compared to 2009 (+10.4%) reflects a mixed performance in China (+1,831) where employee numbers continue to grow to support the development of the business, and Europe (+35) where they were contained against the background of the overall stability of the Group's markets.

The following sections mainly relate to activities in France.

The training policy is based on four priority targets:

- Supporting the Group's international expansion;
- Enhancing the business sense of store staff;
- Ensuring the professionalism of key business lines;
- Continuing with the development of shared managerial practices.

In 2010, these actions involved circa 3,150 people and provided over 30,800 hours of training.

In 2010, Store Assistants were a particular Group focus with the launch of a new "IFCV" course. Done in partnership with the Institut de Formation aux Carrières de la Communication et de la Vente (IFCV), this business line training course enabled 19 employees - 13 of whom were drawn from the network and six from outside - to undertake a seven-month training (one week per month in theoretical training followed by three weeks in-store) in order to become Assistant Manager in the Group's stores.

As regards compensation, the Group favours individual salary increases and the variable portion of salaries as the best way of rewarding staff for their personal performance.

Information on hiring with a split between fixed-term and open-ended and breaking down potential hiring difficulties, on dismissals and the grounds therefore as well as on overtime

New hires

		STORES	WAREHOUSES	HEAD OFFICE	TOTAL
2010	Fixed-term	9,691	36	133	9,860
	Open-ended	1,167	1	70	1,238
	Total	10,858	37	203	11,098
2009	Fixed-term	7,039	23	74	7,136
	Open-ended	877	2	34	913
	Total	7,916	25	108	8,049

Dismissals

		STORES	WAREHOUSES	HEAD OFFICE	TOTAL
2010	Termination for cause	32		10	42
	Redundancies	14			14
	Dereliction of duty	125	2	3	130
	Dismissal on the grounds of capability	15	1		16
	Total	186	3	13	202
2009	Termination for cause	20	1	13	34
	Redundancies	7			7
	Dereliction of duty	128	2	17	147
	Dismissal on the grounds of capability	15	1	1	17
	Total	170	4	31	205

Overtime

	STORES	WAREHOUSES	HEAD OFFICE	TOTAL
2010	3,677	1,745	77	5,500
2009	1,528	2,177	47	3,752

Information on the organisation of working time, length of working week both for full-time employees and part-time employees as well as absenteeism and the grounds therefore

In France, full-time non-managerial employees work 35 hours per week. The working time of non-managerial employees is scheduled. Managers have a set number of working days per annum.

Absenteeism (time off for illness / theoretical working time)

	STORES	WAREHOUSES	HEAD OFFICE	TOTAL
2010	4.57%	7.28%	1.38%	4.27%
2009	4.65%	6.41%	1.47%	4.30%

Information on salary increases and on equal treatment of men and women

A Comparative Position Report looking at the positions of men and women has been handed over to the employee representatives.

Separate negotiations with Union Representatives will begin in 2011 on the equal treatment of men and women.

Information on industrial relations and an update on collective bargaining agreements

The Group has the following industrial relations structure in France:

- An Economic and Employee Unit with a Central Works Council, two Works Councils, two Occupational Health and Safety Committees [CHSCT] (head office and stores);
- Three combined works councils and staff representatives (Délégations Unique du Personnel) for the warehouses (and CHSCT).

The unions represented within the Group in France are CFTD, CFE CGC, CGT and FO.

Information on the hiring and the integration of workers with disabilities

The social partners agreed to begin negotiations on the employment of workers with disabilities in 2011.

1.2. External labour, outsourcing

For its business requirements, the Group uses primarily direct employees. It uses outside companies to cover ancillary needs such as technical IT support, maintenance and security. The Group also buys services from a wide range of companies in order to meet the requirements of its stores (maintenance, in particular store windows, alterations offered to customers, cash in transit, inventories, etc.), as well as central services and non-product procurement.

Procurement is centralised in order to optimise costs and the quality of services provided. The Group maintains continual competition between its suppliers and ensures that the best market conditions are obtained in terms of price and quality.

External labour and service providers therefore do not constitute risk factors.

Production of the Group's collections is outsourced to a large network of textile manufacturing professionals who do not fall within the framework of external labour and service providers as described above. Their relations with the Group are described in Chapter 2.3 below. The Etam Group, an international clothing retailer, works with a very large number of suppliers and outsourcers. Given the Group's size as well as the number of potential suppliers in the market, outsourcing of production does not constitute a material risk factor.

1.3. Working hours

The Group respects legal requirements relating to working hours in the various countries in which it operates. It is permanently looking to adapt management of its workforce to its needs within the framework of legal provisions relating to working hours.

1.4. Compensation policy

In 2010, consolidated compensation paid to the Group's staff (excluding staff incentives and profit-sharing) amounted to €220.7 million, including profit-share, staff incentives and temps, including €53 million in social security charges.

In France, the Group applies the provisions of Title II of Book III of the French Labour Code.

A staff incentive agreement covering 2010, 2011 and 2012 was signed in France. This agreement is designed, on top of profit-sharing, to give staff a share in the economic and financial results as well as in improving the performance of the Etam Group.

1.5. occupational health and safety

The Group applies local health and safety regulations at its head offices, stores and warehouses.

Cap Store. In 2010, Etam Prêt-à-Porter rolled out across its network a project called Cap Store (Store standing for Simplify, Transform, Organise Resupplies for increased Efficiency) with the goal of improving the work practices of the teams and well as working conditions.

New standards have thus been drawn up, offering improved working conditions for employees (working at heights, optimised movement around the store, less handling of heavy loads, etc.).

E-RH. At the cutting edge of technology, e-rh is a tool that simplifies data flows relating to the administration of store staff (management of schedules, employment contracts, pay, etc.). Launched in 2009, the e-rh project was rolled out across all stores in 2010. In order to provide training on this system, a specific e-learning programme was developed.

Intrastore. A new intranet was also tested at end-2010, in our Undiz stores. More intuitive and faster, this system enables head office teams to communicate with the stores. It will be rolled out across all our sales outlets in 2011.

1.6. HR communication

In 2009, the Group launched a recruitment campaign entitled "*Osez votre personnalité*" involving a broad number of employees. Etam thus highlighted the importance of personality in the selection criteria over academic qualifications. In 2010, the Group went further by establishing a HR blog. Open to all Internet users, it provides a window into the Group, an insight into what it is like working at the head office or in the stores on a daily basis: a genuine and daring way of opening Etam up to future candidates.

The HR blog is also an alternative means of communication internally that helps each person better understand the work of others, to share experiences, to offer spontaneous first-hand accounts, to give their views on the company.

2. Environmental information

2.1. The Etam Group's approach

As part of the Planète Etam programme, the Group's corporate social responsibility is structured around its main stakeholders on the basis of four priority areas:

- a human resources policy based on Etam's fundamental values;
- a responsible procurement policy with suppliers and partners;
- environmental actions following on from the carbon footprint (2009) and product life cycle analyses carried out in 2010;
- a civic commitment to humanitarian organisations.

Although the main priorities of its approach are defined at Group level, the Planète Etam programme is supported by a decentralised organisational structure in order to ensure optimum integration of sustainable development concerns into brand activities. The various standards and regulations are applied by the departments concerned, in coordination with the legal department if necessary.

In 2010, the focus was on the putting in place an environmental performance policy within the Group (see section 2.1.2). The carrying out of a number of product life cycle analyses was one of the highlights of 2010.

The Group continued its work on raising awareness and on training employees: over 200 store managers and assistants have already been trained since 2009. This work will continue in 2011, in particular to support the implementation of the Environment action plan.

2.2. Respecting the environment

Environmental management

As regards environmental assessment, the Group ensures on a country-by-country basis that applicable safety rules are respected within the framework of its retail business. This concerns safety regulations and procedures applicable to stores (selling space and equipment) and warehouses.

Following the carbon footprint carried out in 2009 using the method developed by ADEME, the Group did a number of life cycle analyses on its products in order to build up a more detailed environmental diagnostic tool, not just restricting itself to greenhouse gas emissions. In fact, unlike carbon footprints, life cycle analyses are a multi-criteria approach that factor in the impact on the air, water and land, based on a product approach (and not on a site approach as is the case for the carbon footprint). This work also enabled the Group to better understand the issues surrounding the possible implementation of national regulations on the environmental labelling of clothing products included as part of the Grenelle environmental roundtable.

On the back of these assessments, the Group's Environment Committee, comprised of senior employees drawn from across the chains and a Director from the Management Committee, set out Etam's goals with respect to environmental performance and put in place a specific action plan covering the following areas:

- Goods and non-goods purchases: ensure closer cooperation with our partners on environmental issues;
- Packaging and waste: take measures to reduce packaging and improve the rate of reuse and recycling of waste;
- Logistics and transport: improve the transport mix, optimise loads and test alternative modes of transport;
- Central sites and store networks: optimise the energy performance of the network and develop a laboratory store in order to do on the ground testing of the environmentally friendly solutions that will be rolled out in the future.

Energy consumption and greenhouse gas emissions

Electricity consumption is limited primarily to lighting and air conditioning in stores. The Group uses low-voltage lighting systems that give a satisfactory amount of light and heat pump systems with a higher coefficient of performance than other heating systems. At the head office, a number of initiatives have been launched to help improve the energy efficiency of the Group's equipment, in particular IT.

Transportation is also a major source of emissions for the Group and the Environment Committee tracks this issue closely. For the transportation of goods by external service providers, the Group has cut back on use of air transport in favour of shipping. In 2010, the Group tested barge transportation as an alternative to road transportation for the shipping of goods. The Group's service providers also undergo periodical assessments of their social and environmental practices.

Waste management

Due to its business activities, the Group only generates non-hazardous waste, most of which can be recycled (wood, packaging, paper, fabric). The Group's targets are:

- to reuse or recycle (cardboard, clothes hangers);
- to use more environmentally-friendly products (biodegradable bags replacing plastic bags in stores);
- no destruction of products and by-products (fabric, supplies).

The Etam Group is a member of the Eco Emballage organisation and features a recycling logo on its bags. It is also a founding partner of Eco-LTC, the eco-organisation for the clothing, linen and footwear industries. In 2010, the Group joined Eco-TLC's Scientific Committee, the goal of which is to support research and development on new outlets and new uses for sorted products and materials.

2.3. Responsible procurement

Each brand creates its own designs and uses a network of outsourcers in various parts of the world to manufacture its products. For activities managed directly by the Group - i.e. in mainland Europe and international franchises - the outsourcers it works with are located in Central and Eastern Europe, North Africa and Asia. The Group's commercial commitments are subject to procurement conditions that stipulate, in addition to trade conditions, observance of applicable laws and the Group's Code of Conduct.

For purchases made by the Group in Europe via its platforms or some of its agents, suppliers are required to agree to observe the conditions and rules of the Code of Conduct. Local procurement staff work with local manufacturers.

To ensure human rights are respected throughout its supply chain, the Etam Group has been a member of the Business Social Compliance Initiative (BSCI) since 2008. It therefore agrees to have audits of its main suppliers' production plants performed by independent external firms accredited by Social Accountability Accreditation Services (SAAS). Suppliers that fail to meet the required standards are helped to bring their facilities up to standard thanks to training provided by the BSCI in particular, and are subject to a follow-up audit six months to one year after the initial audit. In 2011, the focus should be on the support provided to our strategic suppliers and partners in terms of social and environmental performance.

The Group has also added compliance with the REACH European regulation (Registration, Evaluation and Authorisation of Chemicals) to its procurement terms. All suppliers of the Group's goods have been informed and made aware of the impact of these regulations and their new responsibilities. The Group also performs its own checks in order to ensure the compliance of its products.

In addition to audits, raising staff awareness is an essential part of the Group's approach. All procurement teams have already been trained in this and have access to tools that enable them to take better account of social and environmental concerns in their work. The Group now consolidates all information relating to its responsible procurement approach in its IT management system in order to provide a genuine tool for monitoring the social, environmental and quality performance of its suppliers of goods. This project should be completed in 2011.

The Group's approach also increasingly addresses non-goods procurement (transportation, equipment, IT, office automation, etc.). Calls for tenders increasingly systematically include social and environmental criteria.

2.4. Civic commitment

The Group has structured donations of its products around the *Association du Don en Nature* (ADN), a concept based on the “Gift in Kind” initiative launched in the United States. ADN centralises donations and then redistributes them to various social organisations such as Emmaüs, Little Brothers of the Poor and the French Catholic Relief association, amongst others, with whom it has identified concrete needs. Since 2009, this partnership has taken the form of gifts of products from Etam Lingerie, Etam Prêt-à-Porter, Undiz and 1.2.3. In 2010, this partnership took on a new dimension with the establishment amongst Group employees of a number of practical skills transfer missions for ADN.

In 2010, Etam renewed its support for women in business through the Association for the Right to Economic Initiative (ADIE), a government recognised public interest association, and leading French micro-credit player. On International Women's Day, 5% of sales was given to ADIE. This money made it possible to help women who are excluded from the job market and from the traditional banking system to build their own businesses using micro-credit. The scheme will be repeated in 2011.

III. RISK FACTORS

1. Operating risks

1.1. Risks relating to economic conditions

In the course of its business of selling lingerie and women's ready-to-wear products, the Group is subject to changes in general economic conditions in the countries in which it operates and the consequences of such changes on consumer spending on clothing.

1.2. Risks relating to seasonality

The lingerie and women's ready-to-wear sector is particularly dependent on the suitability of the collections offered in store to weather conditions throughout the year and fashion trends, which are difficult to anticipate.

Although it listens to its customers' desires and is constantly looking for new concepts, the Etam Group's business is subject to how well received its collections are by its customers. It therefore cannot guarantee that it will be able to achieve growth in sales, profitability and cash flow.

1.3. Risks relating to competition

Retailing of lingerie and women's ready-to-wear products is a highly competitive sector in each of the countries in which the Group operates. This fierce competition is due to low barriers to entry in this segment of the retail market and therefore the high number of operators of all sizes. Over the last 10 years, women's ready-to-wear companies have constituted international groups larger than Etam. More recently, operators have developed in lingerie on an international level and present additional competition for Etam.

1.4. Risks relating to the rise in raw material prices

Since 2010 the lingerie and women's ready-to-wear sector has been faced with a sharp increase in the prices of raw materials used to manufacture the products retailed. This increase is in particular due to the development of the domestic market in China which is absorbing an

increasing proportion of local production. Since a portion of European consumers are hooked to low prices this situation could, were it to continue, result in a reduction in the gross margin of retailers.

2. Debt and financial risks

2.1. Credit risk

As of 31 December 2010, the Group's debt was mainly comprised of the “Club Deal” multi-lateral medium-term loan, a medium-term loan arranged for the purposes of the 2010 share buyback offer, and finance leases.

The “Club Deal” and share buyback offer bank financing is subject to certain financial ratios, which are identical across both loans (consolidated debt ratio, financial debt ratio and interest coverage ratio) until the loan matures and certain standard legal commitments.

The Group's financial ratios are calculated and applied once a year on the basis of the consolidated financial statements to 31 December. These ratios were respected at 31 December 2010.

2.2. Liquidity risk

In 2010, the Etam Group exercised an extension option on its “Club Deal” financing, allowing it to extend it by two additional years. Following the exercise of this option, the “Club Deal” will mature on 8 July 2014. The breakdown of its repayment schedule is detailed in Note 16.3 to the consolidated financial statements below.

The share buyback offer loan, which is a repayment loan, is for its part due in April 2014.

In addition, these two loans would become due were the Group to fail to comply with the financial ratios described in Note 2.1.

The Group also enjoys finance lease financing, the outstanding amount of which stood at €57.7 million as of 31 December 2010. In December 2010, the Etam Group notably refinanced the lease finance on its administrative head office in Clichy for €52 million, representing

the appraised market value of the building. This new lease finance is repayable over a period of 12 years and makes it possible to increase the Group's cash reserve.

The Group also has committed or uncommitted bilateral credit lines with banks in a number of countries including France, allowing it to make adjustments to its borrowings and cash balances.

A sharp decline in sales affecting cash flow generation and the working capital requirement could have a negative impact on liquidity.

A table of the residual contractual schedules of financial liabilities is set out in Note 16.5 to the consolidated financial statements below.

2.3. Foreign exchange risk

The Group's exposure to foreign exchange risk mainly relates to purchases made in US dollars concerning supplies of goods for the various store chains. Management of foreign exchange risk is centralised at the level of the Group's Finance Department for all store chains.

Outstanding foreign exchange risk hedging contracts denominated in US dollars amounted to USD 134 million as of 31 December 2010 to cover procurement budgets and current orders in US dollars.

The Group is thus exposed to future fluctuations in the EUR/USD exchange rate, and an unfavourable change in the value of the euro may have a negative impact on margins.

2.4. Interest rate risk

In order to hedge its exposure to interest rate risk, the Group uses financial instruments allowing it to fix and/or cap the rate of interest paid on a significant portion of its debt. Management of interest rate risk is centralised within the Finance Department for the Group as a whole. It is carried out by means of plain vanilla products, swaps and/or options, qualifying for hedge accounting.

At 31 December 2010, the Group had arranged the following hedges with its main banking partners:

- Fixed-rate payer swaps against three-month Euribor for a notional amount of €120 million to 1 July 2014;
- Fixed-rate payer swaps against the three-month Euribor from 1 December 2011 for 7 and 10 years for a total notional amount of €20 million.

Based on the financial debt as of 31 December 2010, a 1% rise in interest rates would increase the annual interest expense on the gross debt by €1,125,000 and the annual interest expense on the net debt by €832,000.

3. Legal risks

3.1. Regulatory risks

The Group is not involved in any regulated activities subject to specific requirements. It is exposed to the ordinary risks stemming from the retailing of women's ready-to-wear clothing and lingerie.

However, in emerging markets, the Group is still potentially exposed to uncertainties with regard to the application of regulations by local authorities.

Furthermore, a large portion of the Group's purchases of goods are subject to local customs regulations, changes in which may impact its margins.

Even though the Group monitors its compliance with legal and regulatory requirements, it cannot guarantee that there are no potential risks relating to the application of all local legal requirements around the world.

3.2. Litigation risks

In accordance with IFRS, provisions have been recognised for all legal disputes identified to date, in particular current commercial disputes, if necessary (see Note 15, Provisions for risks and charges / Note 15.1, Analysis by category, in the notes to the consolidated financial statements below).

Apart from these legal disputes, to the Group's knowledge, there are no other legal disputes, arbitration proceedings or exceptional events that have in the recent past or could in the future have a material impact on the financial position, business activities and portfolio of the company and the Group.

3.3. Trademarks and intellectual property

Particular attention is paid to the protection of trademarks, domain names and certain designs. With the assistance of intellectual property advisors, the Group monitors its trademarks and domain names around the world, registers and renews the registration of trademarks, and takes action against any third parties that may infringe them.

The Group may therefore have to defend its intellectual property rights and could incur costs relating to the defence of its rights.

3.4. Other risks

The Etam Group is not in a position of significant technical or commercial dependency on other companies, customers or suppliers, and has sufficient assets to conduct its operations.

4. Insurance

In Europe, the Group has taken out the necessary insurance to cover risks specific to its business activities: comprehensive damage and business interruption policies for its head office, warehouses, stores, a third-party liability policy, a structural damage policy, a transportation policy now encompassing upstream (import) and downstream (distribution from the warehouses), a building insurance policy for the properties owned by the Group, an automotive fleet policy, a business car travel policy, and various other insurance policies covering risks associated with the activities of all employees, in particular foreign business travel.

The Group wants certain European subsidiaries to be covered by certain policies in order to achieve economies of scale whilst also improving the level of coverage enjoyed by the Group and its subsidiaries.

The Group's policy is to insure its risks in Europe for sufficient amounts, focusing primarily on the prevention of risks and on the implementation of means of substitution.

Major sites in France are visited annually by the Group's insurers and are subject to thermographic visits, a standard practice reserved for industry.

In China, the Group has a "property and casualty" insurance policy for its sites, as well as a policy covering its local third-party liability. Since 1 January 2010, in order to comply with local constraints and customs,

the Group has a Chinese insurance policy covering the third-party liability of the executives of Chinese subsidiaries.

The Group also has an "executive liability" policy covering all of its de facto and de jure directors in all countries with the exception of the United States and Canada, where it does not carry on any business.

IV. OTHER INFORMATION: PARENT COMPANY AND SUBSIDIARIES

1. Parent company

Etam Développement SCA is the parent company of the Etam Group. Its revenues come exclusively from dividends and/or interest received from its subsidiaries and the billing of services provided on their behalf. In this respect, operating income generated by the company amounted to €4.6 million in 2010, with dividends from investments of €22.4 million. Net income for 2010 totalled €2.5 million compared with €20.3 million in 2009.

2. Acquisitions of significant or controlling stakes

2.1. In companies registered in France

In 2010, neither Etam Développement SCA nor its subsidiaries acquired any other companies.

In 2010, various agreements were signed that affected the Group's direct stake in MOA, which previously amounted to 35.02%.

2.2. In companies registered in other countries

In 2010, the group made no acquisitions of significant or controlling stakes in companies registered in other countries.

3. Income and appropriation of income

3.1. Balance sheet and income statement

Accounting policies and methods: The full-year financial statements have been prepared in accordance with the 1999 French national accounting code ("Plan Comptable Général") and French accepted accounting principles (GAAP).

There were no changes to the Group's accounting methods in 2010.

3.2. Income from operations – proposed appropriation of income

Net income for the year was €2,470,152.80, which the Company proposes to appropriate as follows:

1) Source of earnings to be appropriated	en €
Earnings brought forward	161,165,008.16
2010 profit (loss)	2,470,152.80
Total	163,635,160.96
2) Appropriation	
Legal reserve	0.00
Pursuant to Article 23 of the Articles:	1,636,351.61
deduction for the general partners	0.00
Dividends	0.00
Retained earnings	161,998,809.35
Total	163,635,160.96

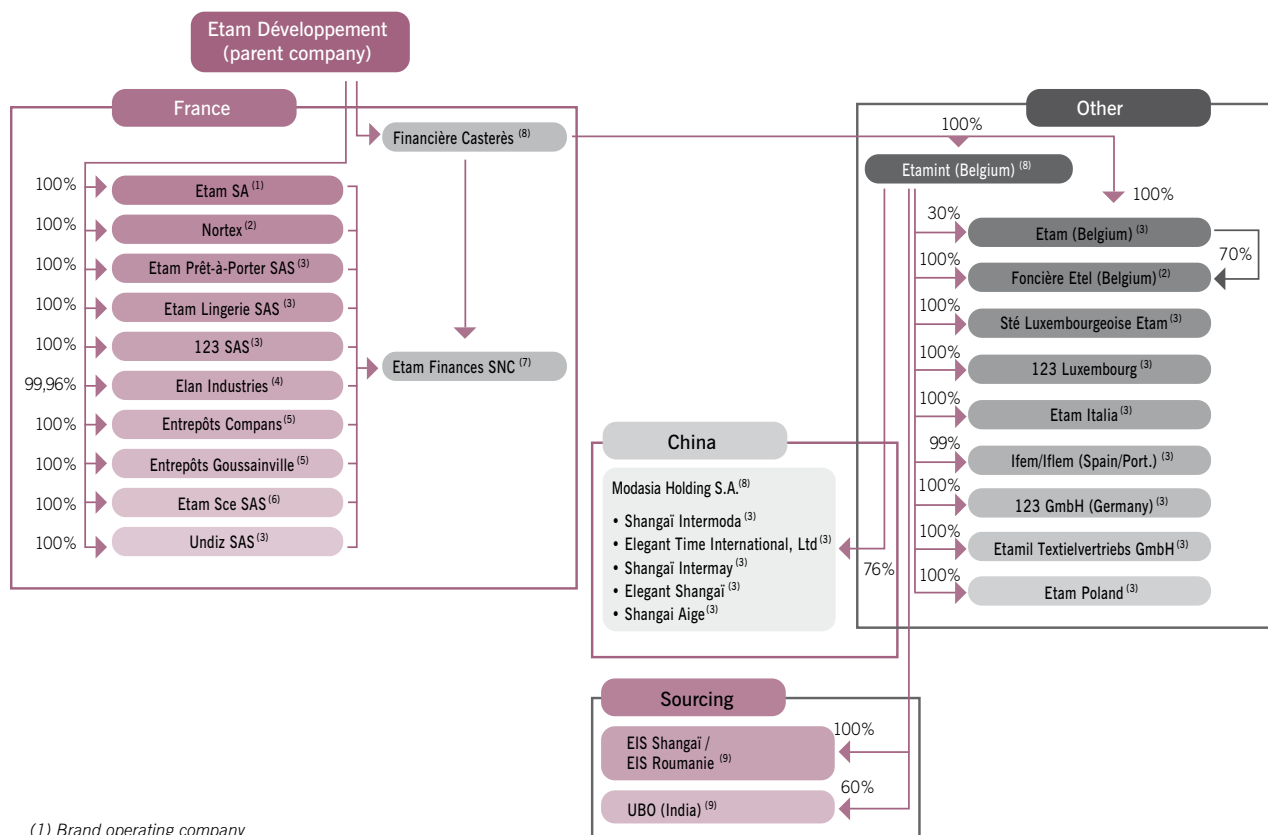
3.3. Non-deductible expenses

The total amount of expenses and charges referred to in Article 39-4 of the French General Tax Code for 2010 was €41,472.

Corporate income tax paid on these expenses in 2010, plus additional contributions, came to €14,279.

4. Simplified organisation chart as at 31 December 2010

The organisation chart below shows the general functions of the Etam Group and its main subsidiaries.



- (1) Brand operating company
 (2) Real-estate holding company
 (3) Operating company
 (4) Technical centre
 (5) Logistical centre
 (6) Services company
 (7) Cash pool
 (8) Affiliate holding company
 (9) Buying office

5. Supplier payment times

(Articles L. 441-6.1 & D441-4 of the French Commercial Code)

Etam Développement's remaining debts to its suppliers at 31 December 2010 amounted to €161,463.86, comprising:

- Invoices not yet due: €22,928.52 or 14%
- Invoices due: €138,535.34.

in euro

	31 DECEMBER 2010			31 DECEMBER 2009		
	SUPPLIERS	TANGIBLE ASSETS	TOTAL	SUPPLIERS	TANGIBLE ASSETS	TOTAL
Debt outstanding at end of period	138,535	-	138,535	134,663	-	134,663
Debt not outstanding at end of period						
- less than 30 days			-	24		24
- 31 to 60 days	22,929		22,929	18		18
- more than 60 days			-			
	22,929	-	22,929	42	-	42
Excluding maturity						
- Accrued invoices	1,827,812		1,827,812	1,782,002		1,782,002
- Other liabilities			-			
TOTAL	1,989,276	-	1,989,276	1,916,706	-	1,916,706

Part 2: Factors that may have an impact in the event of a public offer

1. Ownership of share capital and voting rights

The following tables have been prepared on the basis of information available to the Company concerning registered shares held as at 31 December 2010 and information concerning direct or indirect investments in excess of one of the thresholds defined in Article L. 233-7 of the French Commercial Code of which it is aware.

	NUMBER OF SHARES	% OF CAPITAL	ACTUAL VOTING RIGHTS	% OF VOTING RIGHTS
Controlling group ⁽¹⁾	5,419,317	67.89%	7,801,954	67.38%
INTECO ⁽²⁾	583,037	7.30%	1,166,074	10.07%
LINTO ⁽²⁾	564,275	7.07%	1,128,550	9.75%
Etam Développement				
Other	1,415,918	17.74%	1,483,097	12.81%
<i>o.w. bearer</i>	1,334,126	16.71%	1,359,126	11.74%
<i>o.w. registered</i>	81,792	1.02%	123,971	1.07%
Total	7,982,547	100.00%	11,579,675	100.00%

(1) Controlling group acting as concert party (since the stock market listing, the members of the controlling group have indicated jointly controlling the share capital and the voting rights associated with the shares)

(2) Financial holding company under US law

Controlling group

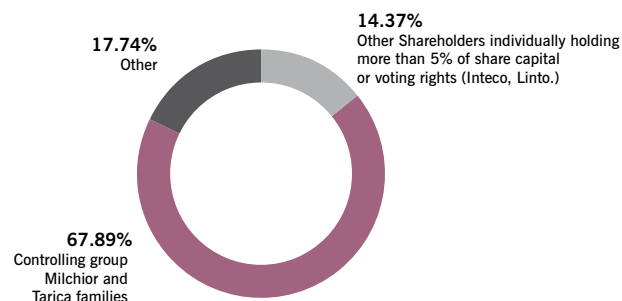
	NUMBER OF SHARES	% OF CAPITAL	ACTUAL VOTING RIGHTS	% OF VOTING RIGHTS
Milchior family	1,448,932	18.15%	2,634,864	22.75%
Finora ⁽³⁾	2,773,680	34.75%	2,773,680	23.95%
Total Milchior family	4,222,612	52.90%	5,408,544	46.71%
Tarica family	1,196,705	14.99%	2,393,410	20.67%
Concert party total	5,419,317	67.89%	7,801,954	67.38%

(1) Controlling group acting as concert party (since the stock market listing, the members of the controlling group have indicated jointly controlling the share capital and the voting rights associated with the shares)

(2) Financial holding company under US law

(3) Company owned by Pierre Milchior

Breakdown of share capital by percentage:



To the Company's knowledge, there are no other shareholders holding directly or indirectly, alone or in concert, more than 5% of its share capital and voting rights.

Crossing of thresholds reported in 2010:

■ By letter received on 2 February 2010, Financière de l'Echiquier (53, avenue d'Iéna, 75116 Paris), acting on behalf of the fund it manages, reported that it had gone below the threshold of 5% of share capital and voting rights in Etam Développement SCA on 1

February 2010, following a sale of Etam Développement shares on the market, to hold on behalf of said fund 511,500 Etam Développement SCA shares representing the same number of voting rights, equal to 4.75% of share capital and 2.98% of voting rights in the company (based on share capital made up of 10,768,463 shares representing 17,168,274 voting rights).

■ By letter received on 9 July 2010, the following crossings of thresholds, further to the capital reduction subsequent to the share buyback offer by Etam Développement SCA of its own shares, were reported to the Autorité des Marchés Financiers:

- Mr Laurent Milchior reported that on 8 July 2010, he individually exceeded the threshold of 5% of voting rights in Etam Développement SCA to hold directly 361,820 Etam Développement SCA shares representing 723,640 voting rights, equal to 4.56% of share capital and 5.06% of voting rights in the company;

- Ms Vanessa Milchior reported that on 8 July 2010, she individually exceeded the threshold of 5% of voting rights in Etam Développement SCA to hold directly 361,820 Etam Développement SCA shares representing 723,640 voting rights, equal to 4.56% of share capital and 5.06% of voting rights in the company;

- Fitema Participations (11, boulevard Joseph II, L-1840 Luxembourg, Grand-Duché de Luxembourg) reported that on 8 July 2010, it individually exceeded the threshold of one-third of share capital and voting rights in Etam Développement SCA to hold directly 2,773,680 Etam Développement SCA shares representing 5,547,360 voting rights, equal to 34.97% of share capital and 38.77% of voting rights in the company;
- Members of the Milchior family reported that on 8 July 2010, directly and indirectly via Fitema Participations which it controls, it exceeded the threshold of 50% of share capital and voting rights in Etam Développement SCA to hold in concert 4,222,612 Etam Développement shares representing 8,182,224 voting rights, equal to 53.23% of share capital and 57.18% of voting rights in the company;
- Members of the Tarica family reported that on 8 July 2010, they in concert exceeded the threshold of 15% of share capital and voting rights in Etam Développement SCA to hold in concert 1,196,705 Etam Développement SCA shares representing 2,393,410 voting rights, equal to 15.09% of share capital and 16.73% of voting rights in the company;
- The group composed of the Milchior and Tarica families reported that on 8 July 2010, they exceeded the threshold of two-thirds of share capital and voting rights in Etam Développement SCA to hold 5,419,317 Etam Développement SCA shares representing 10,575,634 voting rights, equal to 68.32% of share capital and 73.91% of voting rights in the company.
- By letter received on 21 December, 2010, followed by a letter received on 22 December, 2010, the Autorité des Marchés Financiers was informed of the following reported threshold crossings:
 - Finora (owned by Mr Pierre Milchior (100% usufruct) and his children (100% of bare ownership), sis avenue Louise 149/24 – 1050 Brussels, Belgium) reported that on 16 December 2010, it had gone below the thresholds of one-third and 25% of voting rights in Etam Développement to hold 2,773,680 Etam Développement SCA shares representing the same number of voting rights, equal to 34.75% of share capital and 23.95% of voting rights in the company (based on share capital made up on that date of 7,982,547 shares representing 11,579,675 voting rights).
 - Mr Pierre Milchior reported that on 16 December 2010, he exceeded the threshold of 10% of voting rights in Etam Développement to hold 723,472 Etam Développement SCA shares representing 1,183,944 voting rights, equal to 9.06% of share capital and 10.22% of voting rights in the company;
 - the Tarica family reported that on 16 December 2010, it exceeded the threshold of 20% of voting rights in Etam Développement SCA to hold 1,196,705 Etam Développement SCA shares representing 2,393,410 voting rights, equal to 14.99% of share capital and 20.67% of voting rights in the company;
 - Messrs Pierre Milchior and Laurent Milchior, Ms Vanessa Milchior and Ms Rachel Milchior and the companies Finora and Fitema Participation, acting in concert, reported that on 16 December 2010, they had gone below the threshold of 50% of voting rights in Etam Développement to hold, in concert, 4,222,612 Etam Développement SCA shares representing 5,408,544 voting rights, equal to 52.90% of share capital and 46.71% of voting rights in the company;
 - The Tarica family, Mr Pierre Milchior and Mr Laurent Milchior, Ms Vanessa Milchior and Ms Rachel Milchior and the companies Finora and Fitema Participation, acting in concert, crossed no thresholds and hold, as at December 16 2010, in concert, 5,419,317 Etam Développement SCA shares representing 7,801,954 voting rights, equal to 67.89% of share capital and 67.38% of voting rights in the company.

These thresholds were crossed as a result of the sale of the stake in Etam Développement SCA of Fitema Participations in favour of Finora, which controls it. This reclassification entailed the loss of the double voting rights attached to the relevant shares and the correlated reduction of the total number of voting rights of Etam Développement SCA.

To the Company's knowledge and on the basis of reports of crossings of thresholds received, there are no other shareholders holding directly or indirectly, alone or in concert, 5% or more of its share capital and voting rights.

2. Employee shareholders

At the close of the 2010 financial year, there were no employee shareholders in the Company as defined in Article L. 225-102 of the French Commercial Code.

3. Factors that may have an impact in the event of a public offer

To the Company's knowledge:

- The share capital structure and direct or indirect investments known by the Company and all related information are described in paragraph 1 above;
- There are no restrictions under the Articles of Association to the exercising of voting rights;
- There are no control mechanisms provided for in the event of an employee shareholding system with voting rights that are not exercised by the latter;
- As regards the powers of the managers, current delegations are described in the table of delegations relating to the capital increase in the process of being validated in Part 3 and concerning the share buyback in Part 4 below;
- Rules relating to the appointment and dismissal of managers are the legal rules and rules from the Articles of Association described in paragraph 4.4.1 below;
- Amendments to the Company's Articles of Association are made in accordance with legal and regulatory requirements;
- There are no specific agreements providing for compensation in the event of the termination of managers' duties.

3.1. Shareholders' agreements - joint agreement

On 31 July 2006, members of the Milchior family-owned Group (comprising the Milchior and Tarica families), shareholders of Etam Développement, signed a joint agreement to retain the Company's shares in accordance with Article 787 B of the French General Tax Code, under which they agree jointly to retain 2,364,792 Etam Développement SCA shares representing 20% of financial rights and 26.72% of voting rights attached to shares issued by the Company.

This joint agreement was signed for a period of two years from 31 July 2006. It is renewable by tacit agreement for two-year periods and is still in force.

By letter received on 21 December 2010, followed by a letter received on 22 December 2010, Mr Pierre Milchior and the Tarica family state:

- that they are acting in concert with Mr Laurent Milchior, Ms Vanessa Milchior, Ms Rachel Milchior and the companies Finora and Fitema Participations;

- that, due to the powers of its general partner representatives, Mr Pierre Milchior and the Milchior family are the predominant shareholders within this party in concert and control Etam Développement SCA within the meaning of Article L. 233-3 I of the French Commercial Code as it has the power to appoint and dismiss its managers;
- that the managers and general partners of Etam Développement SCA are Mr Pierre Milchior, Ms Marie-Claire Tarica and Mr Laurent Milchior; that as a result, neither the Milchior family nor the Tarica family intend to request the appointment of an additional manager or member of the supervisory board;
- that their thresholds crossed as a result of the reduction in the total number of outstanding voting rights were done so without recourse to financing.

Mr Pierre Milchior and the Tarica family also state that:

- they do not plan to acquire any additional shares and that no temporary sale agreement relating to shares or voting rights in Etam Développement SCA has been signed;
- that none of the operations mentioned in article 231-17 6° of the AMF's General Regulations are planned.

3.2. Double voting rights

The General Shareholders' Meeting of 24 March 1997 amended the Company's Articles of Association and ruled that double voting rights should be allocated to all fully paid-up registered shares held by the same shareholder for at least four years, as well as bonus registered shares issued in the event of a capital increase by capitalising retained earnings, income, or additional paid-in capital for shares benefiting from this right. The double voting right ceases to exist for any shares converted into bearer shares or transferred, excluding any transfers between registered shareholders as the result of an inheritance or donation within a family.

There is no requirement to report the crossing of thresholds other than those mentioned in Article L. 233-7 of the French Commercial Code.

4. Legal form

Etam Développement SCA is a French limited partnership with share capital ("*société en commandite par actions*") governed in particular by the second book of the French Commercial Code. This status was adopted by the extraordinary shareholders' meeting of 29 May 1996 in order to protect the Company's identity and culture and to ensure its long-term durability, in the interests of the Group and all of its shareholders.

4.1. Operations of a limited partnership with share capital ("*société en commandite par actions*")

There are two kinds of partner within a limited partnership with share capital ("*société en commandite par actions*"):

- Limited partners ("*associés commanditaires*"), who make a contribution of capital, are only responsible for the company's liabilities proportionally to the amount they have contributed;
- General partners ("*associés commandités*"), who make a contribution of services, are jointly, severally and indefinitely liable for any company debts to third parties. The same person can be both a general partner and a limited partner.

A Supervisory Board is appointed by the general shareholders' meeting and is responsible for overseeing the management of the Company. The general partners, even limited partners, may not be elected or participate in the appointment of members of the Supervisory Board.

4.2. General partners of the Company (Article 1 of the Articles of Association)

The general partners are Mr Pierre Milchior, Ms Marie-Claire Tarica, Ms Vanessa Milchior, Mr Laurent Milchior and Gerset, a simplified joint stock company ("*société par actions simplifiée*") whose registered office is at 57-59 rue Henri Barbusse, 92110 Clichy.

4.3. Rights and obligations of the general partners (Article 13 of the Articles of Association)

Decisions of ordinary and extraordinary general meetings are only valid if they are adopted by the majority of the general partners (exceptionally, the agreement of the general partners is not required for decisions concerning the appointment or dismissal of Supervisory Board members and the statutory auditors, setting their compensation and approving the agreements submitted for authorisation).

The rights of the general partners to the Company's earnings are set out in the paragraph entitled "Distribution of profits and terms of payment of dividends (Article 23 of the Articles of Association)". The general partners are jointly, severally and indefinitely liable for any company debts to third parties.

Any general partner who is not a manager has the right to exercise control over the Company's management and has the same powers of investigation to do so as the statutory auditors. The appointment of any new general partners is decided by the extraordinary shareholders' meeting with the agreement of all of the general partners.

4.4. Managers (Articles 14 and 15 of the Articles of Association)

Under the terms of the Articles of Association, the Company is administered and managed by one or more managers in the form of natural or legal persons with the status of general partner. The current managers are Pierre Milchior, Laurent Milchior and Marie-Claire Tarica.

4.4.1. Appointment and dismissal of managers

The appointment and dismissal of any managers is the responsibility of Gerset, provided that it is a general partner on the date of the decision. If Gerset is not a general partner, the appointment and dismissal of any managers will be decided by the ordinary general meeting of the limited partners, acting on the proposal and with the agreement of all of the general partners.

4.4.2. Managers' term of office

The term of office of each manager is open-ended. The term of office ends with the death, incapacity or prohibition, receivership, liquidation, personal bankruptcy, removal or resignation and exceeding the age of 80 years without exemption decided by the majority of the general partners for a period of five years which may be renewed once. In the event

of vacancy of the management team as a result of the simultaneous incapacity or death of two managers, management shall be provided by the general partners voting by simple majority until a new management team is appointed.

The loss of status of manager automatically results by law in the loss of status of general partner. The Company shall not be dissolved if a manager's appointment is terminated for any reason whatsoever. A resigning manager must notify each of the general partners at least six months in advance.

4.4.3. Relations with third parties

Each of the managers has full powers to commit the company to third parties. Each manager shall exercise these powers within the scope of the corporate purpose and subject to those powers expressly granted by law and by the Articles of Association to the Supervisory Board and to general shareholders' meetings. Security, deposits and guarantees given by the Company must be authorised by the majority of the general partners, who may grant an annual overall authorisation.

4.4.4. Relations with the Company and shareholders

In relations with the Company and shareholders, the managers may between themselves take any measures they deem desirable to ensure that the Company is uniformly managed and represented. The managers may, under their own responsibility, make any delegations of powers they consider necessary for the correct running of the Company and the Group.

4.4.5. Compensation of managers

Managers do not receive any compensation under the Articles of Association. Any other compensation paid to the managers, whether fixed, proportional or indexed, is set and amended by the ordinary shareholders' meeting with the approval of the majority of the general partners. The division of compensation between the managers is decided by the general partners. Stock options may be granted to managers on the decision of the majority of the general partners on the authorisation of the extraordinary shareholders' meeting.

Part 3: Summary table of delegations relating to the capital increase in the process of being validated

AUTHORISATION	DATE OF THE EGM	EXPIRY DATE	NOMINAL AMOUNT OF AUTHORISED CAPITAL INCREASE	INCREASE(S) MADE OVER THE YEAR	RESIDUAL AMOUNT
Authorisation to increase share capital with preferential subscription rights ⁽¹⁾	19 June 2009	18 August 2011	€20,000,000	-	€20,000,000
Authorisation to increase share capital without preferential subscription rights ⁽¹⁾ by means of a public offer	19 June 2009	18 August 2011	€15,000,000	-	€15,000,000
Authorisation to increase share capital without preferential subscription rights by means of a private placement reserved for qualified investors or a restricted circle of investors	19 June 2009	18 August 2011	20% of share capital per year	-	20% of share capital per year
Authorisation to increase share capital by capitalising retained earnings, income, or additional paid-in capital	19 June 2009	18 August 2011	Amount of retained earnings, income and additional paid-in capital	-	Amount of retained earnings, income and additional paid-in capital
Authorisation to increase share capital for the purpose of remunerating contributions in kind	19 June 2009	18 August 2011	10% of share capital	-	10% of share capital
Authorisation to issue stock options	17 June 2008	16 August 2011	2% of share capital ⁽²⁾	-	2% of share capital
Authorisation to award bonus shares	17 June 2008	16 August 2011	10% of share capital	-	10% of share capital

(1) Referred subscription right

(2) Taking into account all shares granted, even previously

Part 4: Information relating to the share buyback programme during the financial year

1. Share buyback programme

On 19 June 2009, the general shareholders' meeting authorised the Company's managers to buy shares in the Company up to the legal limit, without ever being able to hold more than 10% of the Company's share capital, it being specified that the number of shares bought by the Company to be held and used at a later date as payment or exchange within the framework of a merger, demerger or contribution may not exceed 5% of share capital.

The Company did not buy or sell any treasury shares in 2010, other than within the framework of the share buyback offer mentioned in paragraph 2 below.

Number of shares registered at the close of the financial year: 0

Value at purchase price: -

Par value: -

2. Share buyback offer

The management was authorised, by the eighth resolution of the extraordinary shareholders' meeting held on 31 May 2010, to reduce the registered capital by a maximum nominal amount of €4,355,685 through the buyback of shares with a view to their cancellation, of a maximum number of 2,857,142 shares representing 26.53% of Etam Développement's share capital, in accordance with Articles L. 225-204 and 225-207 of the French Commercial Code, at the price of €35 per share. This price was deemed fair by Accuracy, an independent expert appointed by Etam Développement based on Article 261-1 | 3° of the AMF's General Regulations.

Following this shareholders' meeting, Etam Développement's management decided to implement the share capital reduction through an offer to buyback shares in the company with a view to their cancellation, in accordance with Article 225-207 of the French Commercial Code. The share buyback offer was intended to offer company shareholders' the option of selling, at a significant premium, all or part of their shares, given the low daily volume of exchanges.

After the operation, 2,835,916 shares, representing 26.34% of Etam Développement SCA's registered capital, were tendered to the offer, amounting to 99.26% of the maximum number of shares referred to by the offer. In accordance with Article R. 225-158 of the French Commercial Code and the authority granted to it by the general shareholders meeting on 31 May 2010, on 8 July 2010 the management cancelled the 2,835,916 acquired shares, thus reducing the share capital by €4,323,326. The share capital henceforth amounts to €12,169,313, divided into 7,982,547 shares.

To date, the Company does not hold any treasury shares.

On 7 June 2010, the general secretary of the Autorité des Marchés Financiers decided to open an inquiry (n°2010.33) relating to the Etam Développement share price, with effect from 1 June 2009. Etam Développement answered all questions put to it by the Autorité des Marchés Financiers during this inquiry. It has no information on the time frame before a ruling is made, nor on the possible outcome.



CHAPTER 2: Full-year financial statements

I. Statement of financial position.....	27
II. Income statement.....	28
III. Table of results and other information for the last five years.....	29
IV. Subsidiaries and shareholdings.....	30
V. Notes to the full-year financial statements.....	31

I. STATEMENT OF FINANCIAL POSITION

1. Assets

euros

	2010			2009	2008
	GROSS	DEPR-IMPAIR.	NET		
Property, plant and equipment:					
- Other PP&E	15,076	3,076	12,000	33,855	53,650
Long-term investments:			-	-	-
- Other affiliates	255,873,990	97,045,384	158,828,606	175,247,108	130,595,473
- Other long-term securities			-	-	8,151,250
- Other long-term investments	16,928		16,928	52,511	41,003
TOTAL I	255,905,994	97,048,460	158,857,534	175,333,474	138,841,376
Advances and prepayments on orders			-	50	1,569
Accounts receivable:			-	-	-
- Trade receivables & Related accounts	1,520,092		1,520,092	2,498,797	57,977
- Other receivables	48,474,641	55	48,474,586	114,000,271	228,705,864
Miscellaneous:			-	-	-
- Marketable securities (including 0 in treasury shares)	785		785	785	163,150
- Cash	14,079		14,079	48,673	101,356
Prepaid expenses			-	-	-
TOTAL II	50,009,597	55	50,009,542	116,548,576	229,029,915
Deferred charges III					
Bond redemption premiums IV					
Unrealised foreign exchange losses V			-	311	
GRAND TOTAL (I to V)	305,915,591	97,048,515	208,867,076	291,882,361	367,871,291

2. Equity & liabilities

euros

	2010	2009	2008
Share Capital	12,169,313	16,416,415	18,184,054
Share issue premiums, merger/asset contribution premiums	5,616,498	100,160,956	121,493,650
Legal reserve	1,818,406	1,818,406	1,818,406
Regulated reserves			
Other reserves	5,202,660	5,202,660	5,202,660
Retained earnings	161,165,008	142,430,652	131,229,147
Profit (loss) for the year	2,470,152	20,362,285	12,640,199
Regulated provision			
TOTAL I	188,442,038	286,391,376	290,568,116
Provisions for liabilities and charges	13,704	338,708	648,128
TOTAL III	13,704	338,708	648,128
Financial liabilities:			
- Bank borrowings	5,619	1,410	1,993
- Miscellaneous loans and borrowings	16,886,523	1,725,897	73,005,550
Accounts payable:			
- Trade payables and related accounts	1,989,276	1,916,707	835,378
- Tax and social security liabilities	1,439,968	1,508,263	1,310,578
- Other liabilities	89,948		1,501,548
TOTAL IV	20,411,334	5,152,277	76,655,047
Unrealised foreign exchange gains V			
GRAND TOTAL (I to V)	208,867,076	291,882,361	367,871,291

II. INCOME STATEMENT

euros

	2010	2009	2008
Operating income			
Sales of goods & services	127,229		
= Net sales	127,229		
- Reversals of provisions and transfer of expenses	82,308	68,885	61,404
Other income	4,361,119	6,008,363	5,484,821
TOTAL I	4,570,656	6,077,248	5,546,224
Operating expenses:			
Purchases of goods	17,502	4,983	3,632
Other external purchases	1,453,621	2,886,986	2,395,236
Taxes and related expenses	68,235	196,676	454,261
Personnel costs:			
- Salaries and benefits	2,128,422	2,630,197	2,050,516
- Social security charges	736,464	747,904	517,588
Amortisation, depreciation and provisions			
- Depreciation / amortisation of fixed assets	2,115	19,795	28,591
- Provisions for circulating assets	55	17,755	
- Provisions for liabilities and charges	6,514	289	
Other expenses	198,558	205,360	190,336
TOTAL II	4,611,486	6,709,945	5,640,160
Operating income (I-II)	(40,830)	(632,697)	(93,935)
Financial income			
- From affiliates	22,408,305	17,858,474	30,853,297
- Other interests and related income	1,463,339	7,134,438	10,294,959
- Reversals of provisions and transfer of expenses	3,771,330	17,043,557	3,951,116
- Foreign exchange gains /(losses)	462		37,007
- Net income from disposals of marketable securities		109,178	48,591
TOTAL V	27,643,435	42,145,648	45,184,969
Financial expenses:			
- Amortisation, depreciation and provisions	36,525,530	31,156,934	41,790,038
- Interest and related expenses	58,529	1,176,781	3,287,125
- Foreign exchange gains /(losses)	462		55,788
- Net expenses on disposals of marketable securities		81,430	406,680
TOTAL VI	36,584,521	32,415,145	45,539,631
Financial income (V - VI)	(8,941,086)	9,730,503	(354,662)
Income before exceptional items and tax	(8,981,916)	9,097,806	(448,597)
Income from exceptional items:			
- From management operations	207	-	396
- From equity operations	20,174		89,357
- Reversals of provisions and transfer of expenses	331,207	25,000	-
TOTAL VII	351,588	25,000	89,753
Exceptional expenses:			
- From management operations	2,676,055	465,967	299,709
- From equity operations	19,740		89,357
- Exceptional depreciation & Provisions		331,207	25,000
TOTAL VIII	2,695,795	797,174	414,066
Income/(loss) from exceptional items (VII-VIII)	(2,344,207)	(772,174)	(324,313)
Employee profit-sharing (IX)			
Income tax (X)	(13,796,275)	(12,036,653)	(13,413,109)
TOTAL INCOME	32,565,679	48,247,895	50,820,947
TOTAL EXPENSES	30,095,527	27,885,610	38,180,748
PROFIT OR LOSS	2,470,152	20,362,285	12,640,199

III. TABLE OF RESULTS AND OTHER INFORMATION FOR THE LAST FIVE YEARS

euros

	2006	2007	2008	2009	2010
SHARE CAPITAL AT YEAR END					
- Share capital	18,071,243	18,184,054	18,184,054	16,416,415	12,169,313
- Number of ordinary shares outstanding	11,853,958	11,927,958	11,927,958	10,768,463	7,982,547
- Number of preferred shares outstanding (without voting right)					
- Maximum number of shares to be issued					
- From convertible bonds					
- From subscription rights	124,000	74,000			
Operations and profit (loss)					
- Sales (excluding VAT)	7,297,129	7,088,324	5,484,820	6,008,363	4,488,347
- Income before tax, employee profit-sharing and amortisation, depreciation & provisions	13,424,919	52,547,334	37,117,947	22,783,052	21,087,799
- Income tax	(7,839,084)	(5,732,270)	(13,413,109)	(12,036,653)	(13,796,275)
- Employee profit-sharing					
- Income after tax, employee profit-sharing and amortisation, depreciation & provisions	12,095,059	55,148,717	12,640,199	20,362,285	2,470,152
- Profit (loss) distributed	5,926,979	5,963,979			
Earnings per share					
- Income after tax, employee profit-sharing but before amortisation, depreciation and provisions	1.79	4.89	4.24	3.23	4.37
- Income after tax, employee profit-sharing and amortisation, depreciation & provisions	1.02	4.62	1.06	1.89	0.31
- Dividend per share	0.50	0.50			
Payroll data					
- Average number of employees	10	9	7	6	6
- Total compensation	3,360,576	3,423,952	2,050,516	2,630,197	2,128,421
- Social benefits paid (social security, company benefit plans)	1,068,602	1,095,434	517,588	747,904	736,463

IV. SUBSIDIARIES AND SHAREHOLDINGS

SUBSIDIARIES AND AFFILIATES	SHARE CAPITAL *	SHAREHOLDERS' EQUITY OTHER THAN EQUITY BEFORE APPROPRIATION OF INCOME	SHARE OF CAPITAL HELD (%)	CARRYING AMOUNT OF SHARES HELD (€)	LOANS AND ADVANCES MADE BY THE COMPANY AND NOT YET REIMBURSED (€)	SURETIES AND DEPOSITS MADE BY THE COMPANY (€)	REVENUE, EXCLUDING TAX, FOR THE YEAR ENDED (€)*	INCOME FOR THE YEAR ENDED (€)*	DIVIDENDS RECEIVED BY THE COMPANY DURING THE YEAR (€)*	OBSERVATIONS
A) DETAILED INFORMATION ON SUBSIDIARIES AND AFFILIATES (below)										
1. Subsidiaries (more than 50% of the share capital)										
French subsidiaries										
ETAM SA	1,294,765	14,151,761	99.99%	51,602,759	51,602,759	51,602,759	24,617,570	1,568,089	1,756,249	
NORTEX SA	389,473	12,216,566	99.97%	28,572,265	28,572,265	28,572,265	19,787,487	5,322,880	5,394,048	
ETAM SCE	8,017,430	3,829,007	100.00%	8,019,470	8,019,470	8,019,470	31,749,182	472,643		
COMPANS	609,797	2,263,146	100.00%	6,360,000	3,520,410	3,520,410	12,492,458	844,712		
GOUSSAINVILLE	482,110	491,014	100.00%	3,578,565	1,738,408	206,533	12,357,488	941,599		
ELAN INDUSTRIES	194,221	313,014	99.94%	1,383,001	351,360	351,360	4,899,178	(13,010)		
CASTERES	7,251,150	106,999,366	100.00%	5,148,123	61,837	61,837	0	3,071,011		
UNDIZ	335,730	946,090	100.00%	8,537,000	257,244	3,616,307	40,204,348	338,825		
COVI DELUX	37,000	-25,087	100.00%	37,000	37,000	37,000	0	(1,688)		
1.2.3. SAS	6,414,350	5,251,711	100.00%	31,896,506	17,979,766	17,979,766	147,547,118	(15,848,792)		
ETAM LINGERIE	5,607,500	23,014,354	100.00%	12,528,004	12,528,004	12,528,004	305,145,087	10,688,209	15,258,008	
ETAM PAP	5,846,820	-314,820	100.00%	98,211,298	25,714,735	747,751	220,959,981	(19,271,050)		
Total				255,873,991	158,828,608					
Foreign subsidiaries										
2. Participating interests (10% to 50% of share capital held)										
French subsidiaries										
B) GENERAL INFORMATION REGARDING OTHER SUBSIDIARIES AND PARTICIPATING INTERESTS										
1. Subsidiaries not covered under A:										
a) French										
b) Foreign										
2. Participating interests not covered under A										
a) French										
b) Foreign										

* Unavailable information is not provided

V. NOTES TO THE FULL-YEAR FINANCIAL STATEMENTS

The information below constitutes the notes to the balance sheet before breakdown for the financial year ended 31 December 2010, representing total assets of €208,867 thousand, and the notes to the income statement for the year, presented in list form, showing a net profit of €2,470 thousand.

The financial year covers a period of 12 months from 1 January to 31 December 2010.

Unless stated otherwise, figures are given in euros.

The notes and tables No. 1 to 6 below form an integral part of the full-year financial statements.

1. Highlights

ETAM Développement was authorised, by the eighth resolution of the extraordinary shareholders' meeting held on 31 May 2010, to reduce the registered capital by a maximum nominal amount of €4,355,685 through the buyback of shares with a view to their cancellation, of a maximum number of 2,857,142 shares representing 26.53% of Etam Développement's share capital, at the price of €35 per share. Following this shareholders' meeting, the management decided to implement the share capital reduction through an offer to buyback shares in the company with a view to their cancellation.

After the operation, 2,835,916 shares, representing 26.34% of Etam Développement's registered capital, were tendered to the offer, amounting to 99.26% of the maximum number of shares referred to by the offer. On 8 July 2010, the 2,835,916 shares acquired were cancelled. The share capital was thus reduced by €4,323,326 and the registered capital henceforth amounts to €12,169,331, divided into 7,982,547 shares.

In November 2010, Etam Développement subscribed to the €16,336,010 capital increase by 1.2.3.

2. Accounting policies and methods

The full-year financial statements have been prepared in accordance with applicable French legal and regulatory requirements (1999 National Accounting Code updated by the regulations of the "Comité de la Réglementation Comptable").

General accounting conventions have been applied in accordance with the principle of prudence, on the basis of the following assumptions:

- going concern;
 - consistency of accounting methods from one financial year to the next;
 - non-overlap of financial periods;
- and in accordance with general regulations for the preparation and presentation of full-year financial statements.

Only material information is provided.

The valuation methods used are the same as those used in the previous financial year.

The main valuation rules are as follows:

2.1. Fixed assets: accounting options

Purchase cost of property, plant and equipment (fees, commissions etc. relating to the purchase): Etam Développement opted to continue to recognise these items as expenses.

Borrowing costs are recognised immediately as expenses when they are incurred.

2.1.1. Property, plant and equipment

Economically justified depreciation is determined according to the expected life of the asset on a straight-line basis.

The following amortisation periods are applicable:

Vehicles	3 to 4 years
Office furniture	0 to 10 years

2.1.2. Long-term investments

Investments in affiliates: investments in affiliates are valued at their historic value excluding associated costs.

When the book value is lower than the gross value, an impairment charge is recorded.

The book value is determined on the basis of a number of factors such as the net asset value at the end of the financial year of the companies concerned, their rate of return and their economic development outlook.

Other long-term investment securities: this item includes Etam Développement treasury shares purchased in accordance with authorisations given by the general shareholders' meeting, excluding shares allocated to stock option plans awarded to certain employees, and is valued at the purchase price of the shares.

An impairment charge is recorded if the average share price during the month preceding the end of the financial year is lower than the carrying value.

2.2. Accounts receivable

Accounts receivable are stated at face value.

An impairment charge is recorded if there is a risk of non-recovery.

2.3. Foreign currency transactions

Income and expenses in foreign currencies are registered at their equivalent value on the date of the transaction. At the end of the financial year, the difference resulting from the discounting of accounts payable and accounts receivable in foreign currencies at this rate is recognised on the balance sheet as "currency translation adjustment". A provision is booked for the unrealised currency loss.

Bank accounts in foreign currencies are translated at the exchange rate on 31 December 2010.

2.4. Marketable securities

Marketable securities are stated at their purchase price. These consist of treasury shares intended for stock option plans awarded to certain employees and treasury shares intended for a liquidity account. Provisions are booked if necessary for the price of exercising the option of

the average share price for the month preceding the end of the financial year if this is lower.

Other marketable securities are also subject to impairment if at the end of the financial year the book value (share price as at 31 December) is lower than the carrying value.

2.5. Provisions for liabilities and charges

All of the Company's obligations towards third parties that may be estimated with sufficient reliability and resulting in a probable outflow of resources without an equivalent counterparty are recognised in respect of a provision in accordance with CRC Regulation n° 2000-06 relating to liabilities.

2.6. Tax consolidation

Since 1 January 1999, Etam Développement has opted for the tax consolidation regime for more than 95%-owned French subsidiaries as provided for by Article 223A of the French General Tax Code.

Tax savings relating to deficits realised by Group companies are kept by the parent company and regarded as an immediate profit for the year. In respect of the year in which the subsidiaries become profitable again, the parent company will then incur a tax charge.

For Etam Développement, which is the head of the tax consolidation group, tax in respect of the financial year recognised in the income statement comprises:

- total income, equal to the sum of tax paid by profitable subsidiaries;
- the net tax charge, or income from tax-loss carryforwards resulting from the tax consolidation declaration;
- the tax charge corresponding to any repayments of tax savings made to unprofitable subsidiaries, or tax income corresponding to their repayment by subsidiaries;
- any settlements of the tax charge for prior years.

2.7. Exceptional income (expense)

All exceptional items in terms of their frequency and amount relating to the Company's ordinary course of business are recognised as exceptional income and expense.

2.8. Benefits payable on retirement

These items are recognised as off-balance sheet items.

This plan defines the amount which the employees of the Company will receive on retirement. The amount of this payment depends in particular on the beneficiary's length of service and salary, and subject to the beneficiary being with the Company at the time he or she leaves the Company.

The Company estimates the amount of its commitments based on actuarial calculations in accordance with IAS 19.

2.9. Supplementary pension scheme

This is recognised under off-balance sheet commitments.

Some of Etam Développement's management staff benefit from a supplementary pension scheme closed to newcomers since 2003, which provides for the payment of a life annuity, the level of which is determined on the basis of the employees' length of service with the Company and subject to their being with the Company at the time the pension fund is liquidated. The scheme is financed by an insurer. As at 31 December 2010, the valuation of commitments showed that the scheme was at breakeven and that the fund held by the insurer was sufficient to cover commitments.

The Company estimates the amount of its commitments based on actuarial calculations in accordance with IAS 19.

2.10. Long service awards

Provisions for long service awards are booked in the company financial statements.

3. Notes to the statement of financial position

3.1. Property, plant & equipment

GROSS VALUE	BUILDINGS	IMPROVEMENTS	OTHER PP&E	TOTAL
At 31 December 2008	-	-	81,077	81,077
Increase				-
Transfer				-
Decrease				-
At 31 December 2009	-	-	81,077	81,077
Increase				-
Transfer				-
Decrease			(66,000)	(66,000)
At 31 December 2010	-	-	15,077	15,077

IMPAIRMENT	BUILDINGS	IMPROVEMENTS	OTHER PP&E	TOTAL
At 31 December 2008	-	-	27,426	27,426
Increases			19,795	19,795
Other				-
Reversal				-
At 31 December 2009	-	-	47,221	47,221
Increases			2,115	2,115
Other			(46,260)	(46,260)
Reversal				-
At 31 December 2010	-	-	3,076	3,076

NET VALUES	BUILDINGS	IMPROVEMENTS	OTHER PP&E	TOTAL
At 31 December 2008	-	-	53,651	53,651
At 31 December 2009	-	-	33,856	33,856
At 31 December 2010	-	-	12,001	12,001

3.2. Long-term investments

GROSS VALUE	INVESTMENTS IN AFFILIATES	RECEIVABLES FROM AFFILIATES	OTHER LONG-TERM INVESTMENTS	OTHER LONG-TERM INVESTMENT SECURITIES	TOTAL
At 31 December 2008	164,037,816	-	41,003	23,100,332	187,179,151
Increase	75,500,165		11,508		75,511,673
Transfer					-
Decrease				(23,100,332)	(23,100,332)
At 31 December 2009	239,537,981	-	52,511	-	239,590,492
Increase	16,336,010		68		16,336,078
Transfer					-
Decrease			(35,650)		(35,650)
At 31 December 2010	255,873,991	-	16,929	-	255,890,920

IMPAIRMENT	INVESTMENTS IN AFFILIATES	RECEIVABLES FROM AFFILIATES	OTHER LONG-TERM INVESTMENTS	OTHER LONG-TERM INVESTMENT SECURITIES	TOTAL
At 31 December 2008	33,442,342	-	-	14,949,082	48,391,424
Increase	31,156,622				31,156,622
Other					-
Reversal	(308,092)			(14,949,082)	(15,257,174)
At 31 December 2009	64,290,873	-	-	-	64,290,873
Increase	36,525,530				36,525,530
Other					-
Reversal	(3,771,019)				(3,771,019)
At 31 December 2010	97,045,384	-	-	-	97,045,384

NET VALUES	INVESTMENTS IN AFFILIATES	RECEIVABLES FROM AFFILIATES	OTHER LONG-TERM INVESTMENTS	OTHER LONG-TERM INVESTMENT SECURITIES	TOTAL
At 31 December 2008	130,595,474	-	41,003	8,151,250	138,787,727
At 31 December 2009	175,247,108	-	52,511	-	175,299,619
At 31 December 2010	158,828,607	-	16,928	-	158,845,535

Other long-term investment securities consisted of security deposits of more than one year as at 31 December 2010.

Other long-term investment securities: other long-term investment securities consisted of treasury shares.

The 1,159,495 shares held at end-2008 were cancelled by means of a capital reduction.

The increase in investments in affiliates correspond to the subscription to the capital increase of 1.2.3., carried out in November 2010.

Impairment of investments in affiliates concerns the following companies:

- Entrepôts Compans for €2,839,590
- Entrepôts Goussainville for €1,840,157
- Elan Industries for €1,031,641
- Undiz for €4,920,693
- Etam PAP for €72,496,563
- 1.2.3. for €13,916,740.

3.3. Accounts receivable

	GROSS	2010 PROVISION	NET	2009	2008
Trade receivables		-	-		
Accrued revenue	1,520,093	-	1,520,093	2,498,797	57,977
Total accounts receivable	1,520,093	-	1,520,093	2,498,797	57,977

All accounts receivable are of less than one year.

3.4. Other receivables

GROSS VALUE	TAX RECEIVABLES	CURRENT ACCOUNTS AND RELATED INTEREST	OTHER	TOTAL
At 31 December 2008	11,061,581	196,257,635	22,464,766	229,783,982
At 31 December 2009	4,975,944	109,000,473	40,733	114,017,151
At 31 December 2010	4,375,927	44,076,109	22,606	48,474,641

Change in impairment of receivables:

IMPAIRMENT	TAX RECEIVABLES	CURRENT ACCOUNTS AND RELATED INTEREST	OTHER	TOTAL
At 31 December 2008	-	1,078,118	-	1,078,118
Provisions for the year	-	-	16,881	16,881
Reversals for the year	-	(1,078,118)	-	(1,078,118)
At 31 December 2009	-	-	16,881	16,880
Provisions for the year	-	-	56	56
Reversals for the year	-	-	(16,881)	(16,881)
At 31 December 2010	-	-	56	56

NET VALUE	TAX RECEIVABLES	CURRENT ACCOUNTS AND RELATED INTEREST	OTHER	TOTAL
At 31 December 2008	11,061,581	195,179,517	22,464,766	228,705,864
At 31 December 2009	4,975,944	109,000,474	23,853	114,000,271
At 31 December 2010	4,375,927	44,076,109	22,550	48,474,585

All other receivables are of less than one year.

3.5. Marketable securities

GROSS VALUE	TREASURY SHARES INTENDED FOR STOCK OPTION PLANS	TREASURY SHARES INTENDED FOR THE SHARE LIQUIDITY AGREEMENT	OTHER MARKETABLE SECURITIES	TOTAL
At 31 December 2008	-	254,404	785	255,189
Transfer				-
Increase				-
Decrease	-	(254,404)		(254,404)
At 31 December 2009	-	-	785	785
Transfer				-
Increase				-
Decrease				-
At 31 December 2010	-	-	785	785

ALLOWANCES	TREASURY SHARES INTENDED FOR STOCK OPTION PLANS	TREASURY SHARES INTENDED FOR THE SHARE LIQUIDITY AGREEMENT	OTHER MARKETABLE SECURITIES	TOTAL
At 31 December 2008	-	92,038		92,038
Transfer				-
Increase				-
Decrease		(92,038)		(92,038)
At 31 December 2009	-	-		-
Transfer				-
Increase				-
Decrease				-
At 31 December 2010	-	-		-

NET VALUES	TREASURY SHARES INTENDED FOR STOCK OPTION PLANS	TREASURY SHARES INTENDED FOR THE SHARE LIQUIDITY AGREEMENT	OTHER MARKETABLE SECURITIES	TOTAL
At 31 December 2008	-	162,366	785	163,151
At 31 December 2009	-	-	785	785
At 31 December 2010	-	-	785	785

3.6. Shareholders' equity

The registered capital stands at €12,169,313. It is divided into 7,982,547 shares. Earnings per share are €0.31.

	31/12/2008	APPROPRIATION OF INCOME	CAPITAL DECREASE	31/12/2009	APPROPRIATION OF INCOME	CAPITAL INCREASE	CAPITAL DECREASE	31/12/2010
Share Capital	18,184,054		(1,767,639)	16,416,415		76,225	(4,323,326)	12,169,313
Share issue premiums	917,133			917,133		389,276		1,306,408
Merger/asset contribution premiums	120,576,517		(21,332,693)	99,243,824			(94,933,734)	4,310,090
Legal reserve	1,818,407			1,818,408				1,818,408
Tax-preferred capital gains reserve	-			-				-
Unrestricted reserves	5,202,660			5,202,660				5,202,660
Retained earnings	131,229,147	11,201,505		142,430,652	18,734,356			161,165,008
Dividends		1,438,693			1,627,929			
Profit (loss) for the year	12,640,199	(12,640,199)		20,362,285	(20,362,285)			2,470,153
	290,568,117	-	(23,100,332)	286,391,376	-	465,500	(99,257,060)	188,442,040

3.7. Provisions for liabilities and charges

AT 31 DECEMBER	2008	2009	ALLOCATIONS 2010	REVERSALS 2010		2010
				USED	NOT USED	
Provisions for other ordinary risks	616,227	331,207	6,051	331,207	-	6,051
Provisions for long-service awards	1,180	1,469	463			1,932
Provisions for income tax	5,721	5,721				5,721
Provisions for foreign exchange losses		311	-	311		-
	623,128	338,708	6,514	331,518	-	13,704

3.8. Bank borrowings

AT 31 DECEMBER	2010	2009	2008
Bank credit balances	3,998	-	-
Accrued interest on short-term bank facilities	1,621	1,410	1,993
	5,619	1,410	1,993

All amounts due to banks are of less than one year.

3.9. Miscellaneous borrowings and financial liabilities

AT 31 DECEMBER	2010	2009	2008
Current accounts payable - Group	16,827,994	549,117	69,718,450
Accrued interest on current accounts payable	58,529	1,176,780	3,287,100
	16,886,523	1,725,897	73,005,550

All borrowings and financial liabilities are of less than one year.

3.10. Trade payables

AT 31 DECEMBER	2010	2009	2008
Trade accounts and related accounts	1,989,276	1,916,707	835,378
Accounts payable from purchases of fixed assets and related accounts	-	-	-
TOTAL	1,989,276	1,916,707	835,378

All trade payables are of less than one year.

3.11. Tax and social security liabilities

AT 31 DECEMBER	2010	2009	2008
Corporate income tax	-	-	-
Other taxes and social security taxes	1,439,968	1,508,263	1,310,578
	1,439,968	1,508,263	1,310,578

All tax and social security liabilities are of less than one year.

4. Notes to the income statement

4.1. Reversals of provisions and transfers of charges

This item includes:

- a transfer of insurance expenses paid by Etam Développement on behalf of its subsidiaries;
- a reversal on impairment of prepayments and supplier receivables.

4.2. Other income

Other income corresponds to the billing back of operating costs and charges incurred during the financial year within the framework of managing its subsidiaries.

4.3. Other expenses

Other expenses correspond primarily to directors' fees allocated to supervisory bodies for the financial year.

4.3.1. Average number of employees

AT 31 DECEMBER	2010	2009	2008
management personnel	6	6	7
supervisors			
non-managerial employees			
blue-collar workers			
	6	6	7

4.3.2. Compensation paid to senior executives

	2010	2009	2008
management bodies	1,881,077	2,355,795	2,404,752
supervisory bodies ⁽¹⁾	110,052	202,244	197,004
	1,991,129	2,558,039	2,601,756

(1) sums paid to members of the Supervisory Board

The amounts recognised under expenses came to €200,000 in 2010, €199,196 in 2009 and €200,000 in 2008.

4.4. Off-balance sheet commitments

AT 31 DECEMBER	2010	2009 PRO-FORMA*	2009	2008
Benefits payable on retirement	154,106	109,771	109,771	77,952
Supplementary pension scheme	891,790	-	182,004	2,055,177
Other commitments:				
Rental payments outstanding on operating leases	63,857	-	-	-
TOTAL commitments given	1,109,753	109,771	291,775	2,133,129
TOTAL commitments received	-	-	-	-

* further to the change in the accounting method for actuarial differences relating to pension benefits in IFRS consolidated financial statements

The main actuarial assumptions retained as at 31 December 2010 are:

- Discount rate: 4.75%
- Salary increase: inflation + 1%
- Mortality tables: INSEE 2000-02 H/F and TGH-TGF 2005

SUPPLEMENTARY PENSION SCHEME	2010	2009 PRO-FORMA
Actuarial debt at end of period	(1,941,312)	(182,004)
Fair value at end of period	950,668	2,887,779
Unrecognised past service cost	98,854	
Net obligation at the end of the period	(891,790)	2,705,775

Change in actuarial debt and the fair value of assets

	SUPL. PENS.	BENEFITS PAYABLE ON RETIREMENT
Obligation at 01/01/2010	(182,004)	(109,771)
Current service cost	(12,648)	(20,329)
Interest expense	(16,292)	(5,708)
Actuarial (losses)/gains	(1,585,635)	(18,298)
Change in benefits	(106,066)	
Other	(38,666)	
Obligation at 31/12/2010	(1,941,312)	(154,106)
Fair value of assets at 01/01/2010	2,887,779	
Expected return on plan assets	115,511	
Actuarial (losses)/gains	(2,052,623)	
Fair value of assets at 31/12/2010	950,668	

Significant actuarial differences are generated in pension payment plans and supplementary pension plans. This is mainly due to the change of assumption for the retirement of senior management staff, the assumption of which in 2009 was a continuation of their employment contract until death.

Individual Rights to Training

As at 31 December 2010, the individual rights to training acquired and not claimed amounted to 394.9 hours.

4.5. Stock options

4.5.1. Stock options

The Company did not award any stock options to its corporate officers or employees in 2010.

The beneficiary of stock options granted in prior years under the “Options 2001” plan exercised its options during the first quarter of 2010.

There are no Etam Développement award plans other than those mentioned below.

a. “OPTIONS 2001”

The extraordinary shareholders’ meeting of 17 September 2001 (first resolution) authorised management to award, in one or more issues, for a period of 38 months from 17 September 2001, stock options (hereinafter referred to as “Options 2001”) to management, senior staff or corporate officers serving the company or one of its French or foreign subsidiaries, up to a limit of 2% of existing share capital at the date of the meeting, or 236,479 Options 2001.

This authorisation was only used in favour of one beneficiary who is no longer part of the management team.

Management formally closed the authorisation provided under the “Options 2001” plan on 16 November 2004.

Summary of options awarded, exercised and outstanding at 31 December 2010 under the “Options 2001” plan

	SHARE SUBSCRIPTION OPTIONS				SHARE PURCHASE OPTIONS			
	2001	2002	2003	2004	2003	2002	2003	2004
Grant date	17/09/01	-	-	-	-	-	-	-
Vesting date	17/09/01	-	-	-	-	-	-	-
Expiry date	17/09/11	-	-	-	-	-	-	-
Number of options granted	90,000	-	-	-	-	-	-	-
Number of beneficiaries	1	-	-	-	-	-	-	-
Share purchase or subscription price	€9.31	-	-	-	-	-	-	-
Number of options exercised	90,000	-	-	-	-	-	-	-
Total options in circulation at 31.12.10	0	0	0	0	0	0	0	0

b. “Options 2008”

The extraordinary shareholders' meeting of 17 June 2008 (seventeenth resolution) authorised management to award, in one or more issues, for a period of 38 months from 17 June 2008, stock options (hereinafter referred to as “Options 2008”) to employees, to certain employees and/or certain staff categories and/or corporate officers as defined by law, both of the company and affiliated French and foreign subsidiaries in accordance with Article L. 225-180 of the French Commercial Code, up to a limit of 2% of existing share capital at the date of the meeting, or 363,681 Options 2008.

Management did not use this authorisation in 2010.

4.5.2. Bonus share awards

“2008 BONUS SHARES”

The extraordinary shareholders' meeting of 17 June 2008 (eighteenth resolution) authorised management to award, in one or more issues, for a period of 38 months from 17 June 2008, stock options (hereinafter referred to as “2008 Bonus shares”) to employees, to certain employees and/or certain staff categories and/or corporate officers as defined by law, both of the company and affiliated French and foreign subsidiaries in accordance with Article L. 225-197-1 et seq. of the French Commercial Code, up to a limit of 10% of the Company's share capital.

Management did not use this authorisation in 2010.

4.6. Net financial income (expense)

AT 31 DECEMBER	INCOME			EXPENSES		
	2010	2009	2008	2010	2009	2008
Dividends received and accrued dividends	22,408,305	17,858,474	30,853,297			
Other financial transactions - Group	1,366,194	7,134,438	10,294,959			
Provisions and reversals of provisions	3,771,330	17,043,557	3,951,116	36,525,530	31,156,934	41,790,038
Foreign exchange variations	462	0	37,007	462	-	55,788
Miscellaneous financial income / Interest on loans	97,144			58,529	1,176,781	3,287,125
Net expenses on disposals of marketable securities		109,178	48,591		81,430	406,680
	27,643,435	42,145,648	45,184,969	36,584,521	32,415,145	45,539,631

4.7. Exceptional income (expense)

AT 31 DECEMBER	INCOME			EXPENSES		
	2010	2009	2008	2010	2009	2008
From management operations						
Fines - tax penalties				1,703	41,266	48,192
Other ⁽¹⁾	207	0	396	2,674,352	424,700	251,518
From transactions on capital						
Disposals of intangible assets						
Disposals of property, plant and equipment	20,174		52,357	19,740		52,357
Disposals of long-term investments			37,000			37,000
Other						
On exceptional operations						
Regulated provisions						
Other provisions	331,207	25,000			331,207	25,000
	351,588	25,000	89,753	2,695,795	797,174	414,067

(1) in 2009: including €357,000 relating to contractual indemnities paid to staff.
in 2010: including €2,333,229 relating to the costs of carrying out the share buyback offer.

4.8. Breakdown of company tax

	PROFIT (LOSS) BEFORE TAX			INCOME TAX
Current profit (loss)	(8,981,915)			841,570
Profit (loss) from exceptional items (excluding employee profit sharing)	(2,344,206)			(14,637,845)
Accounting profit (loss) (excluding employee profit sharing)	(11,326,121)			(13,796,276)
Current profit (loss)	(8,981,915)			
Non-deductible expenses	(2,344,206)			
Tax deductions	(11,326,121)			
Taxable income =	2,524,710	X	33.33%	841,570
Exceptional contribution			3.30%	-
			Income tax	841,570
Profit (loss) from exceptional items	(2,344,206)			
Non-deductible expenses	3,246			
Tax deductions	-			
Deficit allocation				
Taxable income =	(2,340,960)	X	33.33%	(780,320)
Exceptional contribution			3.30%	-
			Income tax	(780,320)
			Tax consolidation previous years	(304,231)
			Income tax fiscal audit	9,411
			Tax consolidation revenue	(13,562,705)
			Income tax	(14,637,845)
Income tax (tax consolidation)				
Tax consolidation previous years			(304,231)	
Income tax fiscal audit			9,411	
Corporate tax parent			61,250	
Tax consolidation revenue			(13,562,705)	
			TOTAL INCOME TAX 2010	(13,796,275)

4.9. Increase and reduction in future tax debt

	AMOUNT
Increases	
Regulated provisions	
- Exceptional amortisation	
- Provisions for price increases	
- Provisions for exchange rate fluctuations	
Other	
- Interest on loans	
- Unrealised foreign exchange losses	
- Miscellaneous provisions for contingencies	
Total increases	-
Decreases	
Provisions not deductible in the year of recognition	
- For annual leave	
- Employee profit-sharing	
- Social welfare tax	8,525
Other	
- Miscellaneous provisions for contingencies	
- Unrealised foreign exchange gains	
- Provisions for unrealised foreign exchange losses	
- Non-deductible depreciation and amortisation	
- Provisions for impairment of investments in affiliates	
Total decreases	8,525

The reductions mentioned below concern the tax bases.

5. Other information

5.1. Information about items concerning affiliated companies

INVESTMENTS IN AFFILIATES	255,873,991
Receivables from affiliates	-
Other long-term investments	16,928
Trade receivables	1,520,093
Other receivables	44,076,109
Loans and borrowings	16,886,523
Trade payables	-
Other liabilities	-
Income from investments in affiliates	22,408,304
Other financial income	1,366,194
Financial expenses	58,529

All Group companies, in France and abroad, regardless of the percentage of share capital held, are regarded as affiliated companies.

5.2. Accrued expenses - accrued income

5.2.1. Accrued expenses

AT 31 DECEMBER	2010	2009	2008
Bank borrowings	1,621	1,410	1,993
Loans and borrowings	58,529	1,176,780	3,287,100
Trade payables	1,827,812	1,782,002	642,896
Tax and social security liabilities	1,251,971	1,361,088	1,033,600
Other liabilities	89,948	-	1,498,552
	3,229,882	4,321,281	6,464,142

5.2.2. Accrued income

AT 31 DECEMBER	2010	2009	2008
Other long-term investments			
Trade receivables	1,520,093	2,498,797	57,977
Other accounts receivable	1,436,328	7,241,261	10,647,589
	2,956,421	9,740,058	10,705,566

5.2.3. Prepaid expenses

None

6. Subsequent events

The Company is subject to a tax audit relating to the 2008 and 2009 financial years beginning on 23 February 2010.



CHAPTER 3: Full-year financial statements

I. Consolidated statement of financial position.....	44
II. Consolidated income statement.....	45
III. Consolidated statement of comprehensive income.....	45
IV. Consolidated statement of cash flows.....	46
V. Consolidated statement of shareholders' equity.....	47
VI. Notes to the consolidated financial statements for the year ending 31 December 2010.....	48

I. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euros)

ASSETS	NOTES	31/12/2010	31/12/2009*	01/01/2009
Goodwill	3	4,454	4,454	4,454
Intangible assets	4	263,524	262,681	269,509
Property, plant and equipment	5	290,664	260,218	263,374
Equity holdings in affiliates	7	1,800	2,972	3,703
Non-current financial assets	8	19,739	25,248	24,156
Deferred tax assets	25	13,826	4,959	2,754
Total non-current assets		594,008	560,532	567,950
Inventories and work-in-progress	9	218,464	158,411	155,886
Advances and prepayments		6,315	6,569	6,388
Trade receivables	10	71,320	60,862	52,170
Other receivables	11	21,838	17,933	12,481
Tax refunds receivable		4,355	5,972	11,284
Prepaid expenses	12	15,068	13,901	16,023
Derivative instruments – Assets	16.8	1,972	1,365	1,139
Cash and cash equivalents		67,449	56,685	70,405
Total current assets		406,781	321,699	325,775
Assets held for sale	27	0	0	12,140
TOTAL ASSETS		1,000,790	882,230	905,864

LIABILITIES AND EQUITY	NOTES	31/12/2010	31/12/2009*	01/01/2009
Share capital		12,169	16,416	18,184
Additional paid-in capital		0	62,824	84,156
Revaluation reserve		222,318	197,169	200,234
Reserves		33,074	64,291	31,384
Shareholders' Equity (Group share)		267,561	340,700	333,958
Shareholders' equity - portion attributable to minority shareholders		32,360	23,871	30,593
Total shareholders' equity		299,921	364,571	364,551
Non-current provisions for liabilities and charges	15	13,122	2,759	3,297
Long-term borrowings and financial debt	16	217,277	133,565	198,040
Deferred tax liabilities	25	107,776	99,722	96,706
Total non-current liabilities		338,175	236,046	298,043
Current provisions for liabilities and charges	15	8,993	5,337	4,182
Trade payables		226,724	176,045	161,305
Current tax liability		4,762	3,194	785
Tax and social security liabilities		57,799	53,473	45,753
Other liabilities	17	37,029	28,696	17,966
Derivative instruments - Liabilities	16.8	5,688	2,022	263
Short term debt and bank loans	16	21,698	12,846	8,288
Total current liabilities		362,694	281,613	238,543
Liabilities related to assets held for sale	27	0	0	4,727
TOTAL LIABILITIES		1,000,790	882,230	905,864

(*) The statement of financial position for the period ending 31 December 2009 was restated retrospectively to take into account changes linked to the option of recognising actuarial differences as other components of comprehensive income (see note 2.25).

II. CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	NOTES	2010	2009*
Sales		1,134,541	1,020,000
Cost of goods sold		(463,031)	(410,166)
Gross profit		671,510	609,833
Distribution costs		(568,181)	(500,694)
General administrative expenses		(51,788)	(60,281)
Other current operating income and expenses	21	(1,410)	(4,948)
Ordinary operating income		50,132	43,911
Other operating income and expenses	23	(5,452)	(7,135)
Operating income		44,679	36,776
Cost of net financial debt		(9,198)	(7,589)
Other financial income and expenses		1,102	741
Financial income	24	(8,096)	(6,849)
Tax expense	25	(9,833)	(4,308)
Share in net income of affiliates	7	(2,171)	(731)
Profit (loss) from continuing operations		24,579	24,889
Profit (loss) from operations discontinued or being sold	27		(915)
Consolidated net income for the period		24,579	23,974
<i>which share of net income attributable to:</i>			
- Owners of the Group's parent company		17,963	19,403
- Non-controlling interests		6,617	4,570
Earnings per share (euros)			
Portion attributable to the owner of the Group's parent company	26		
- Basic earnings per share		1.786	1.652
- Diluted earnings per share		1.786	1.650

(*) The income statement for the period ending 31 December 2009 was restated retrospectively to take into account changes linked to the option of recognising actuarial differences as other components of comprehensive income (see note 2.25).

III. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)

	2010	2009
Consolidated net income for the period	24,579	23,974
Translation gains or losses	7,953	(2,709)
Revaluation of hedging derivatives	(2,845)	(5)
Revaluation of financial assets available for sale		
Revaluation of assets	27,777	5,266
Actuarial gains (losses) from defined benefit plans	(17,452)	(346)
Share of gains and losses recognised directly in other comprehensive income from equity affiliates.		
Tax on other comprehensive income	(2,422)	(1,572)
Total gains and losses recognised in other comprehensive income	13,012	634
Net income and gains and losses recognised in other comprehensive income	37,591	24,607
Group share	29,102	20,675
Non-controlling interests	8,489	3,932

IV. CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)

	NOTES	2010	2009*
Net income for the period from continuing operations		24,579	24,888
Share in profit (loss) from equity affiliates		2,171	731
Depreciation and amortisation		46,093	42,695
Increases in provisions		11,924	9,442
Reversals of provisions		(6,179)	(6,292)
Net carrying amount of asset disposals		7,197	13,145
Proceeds from asset disposals		(3,812)	(6,122)
Other income and expenses		622	0
Cash flow		82,595	78,487
Interest income and expense		9,198	7,589
Dividends received		-	0
Net income tax expense		9,833	4,308
Cash flow before tax, dividends and interest		101,626	90,384
Change in working capital requirement from operating activities (**)		(12,119)	13,106
Income tax paid		(9,213)	2,104
Net cash flow from operating activities		80,294	105,594
Acquisitions of intangible assets and property, plant and equipment		(54,872)	(39,114)
Disposals of property, plant and equipment and intangible assets		4,009	5,916
Acquisitions of subsidiaries		0	0
Disposals of subsidiaries		0	0
Acquisitions of other long-term investments		(2,056)	(3,124)
Disposals of other long-term investments		1,352	2,468
Net cash flow from investing activities		(51,567)	(33,854)
Capital increase - Etam Développement		466	2
Subsidiary capital increases subscribed to by minority shareholders		0	0
Other operations with shareholders		0	(17,608)
Dividends paid to shareholders of Etam Développement		(1,628)	(1,439)
Dividends paid to minority shareholders of consolidated subsidiaries		0	0
Purchases/sales of treasury shares		(101,551)	273
Loan issues		98,807	24,845
Loan repayments		(8,557)	(6,010)
Increase / Decrease in other borrowings		(13)	(81,526)
Interest paid		(9,198)	(7,589)
Net cash flow from financing activities		(21,674)	(89,052)
Net cash flow including cash flow from assets held for sale		0	4,768
Foreign exchange impact		2,996	(837)
Increase (decrease) in net cash		10,049	(13,381)
Opening - cash and cash equivalents		55,813	69,194
Closing - cash and cash equivalents	13	65,862	55,813
(**) Breakdown of changes in working capital from operating activities			
Accounts receivable (assets)		(5,384)	(10,321)
Inventories (assets)		(51,859)	(4,442)
Other receivables (assets)		(4,023)	(2,815)
Accounts payable (liabilities)		42,851	16,890
Social security and tax liabilities (liabilities)		3,547	7,933
Other current liabilities		2,749	5,860
Change in working capital requirement from operating activities		(12,119)	13,106

(*) The statement of cash flows for the period ending 31 December 2009 was restated retrospectively to take into account changes linked to the option of recognising actuarial differences as other components of comprehensive income (see note 2.25).

V. CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	SHAREHOLDERS' EQUITY									
	NUMBER OF SHARES CIRCULATION	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	TREASURY SHARES	CONSOLIDATED REVALUATION RESERVES	GAINS AND LOSSES RECOGNISED IN OTHER COMPREHENSIVE INCOME	ETAM GROUP TOTAL	MINORITY INTERESTS	TOTAL SHAREHOLDERS' EQUITY	
Shareholders' equity at 1 January 2009	10,745,367	18,184	84,157	(22,578)	107,770	143,925	331,459	30,593	362,052	
Impact of the option for the recognition of actuarial differences in OCI					2,499		2,499		2,499	
Shareholders' equity restated at 1 January 2009	10,745,367	18,184	84,157	(22,578)	110,270	143,925	333,958	30,593	364,551	
Capital increase – Eiam Développement							0		0	
Treasury shares	23,096	(1,768)	(21,332)	22,578	522		0		0	
Dividends paid					(1,439)		(1,439)		(1,439)	
Profit (loss) for the year					19,403		19,403	4,570	23,974	
Gains and losses recognised in other comprehensive income						1,272	1,272	(638)	634	
Net income and gains and losses recognised in other comprehensive income		0	0	0	19,403	1,272	20,675	3,932	24,607	
Changes in consolidation scope							0		0	
Acquisition of non-controlling interests in Chinese subsidiaries without change of control					(12,623)		(12,623)	(10,585)	(23,208)	
Other changes					128		128	(70)	58	
Shareholders' equity at 31 December 2009	10,768,463	16,416	62,825	0	116,262	145,197	340,700	(23,871)	(364,571)	
Capital increase – Eiam développement	50,000	76	389				466		466	
Treasury shares	(2,835,916)	(4,323)	(63,214)	0	(34,014)		(101,551)		(101,551)	
Dividends paid					(1,628)		(1,628)		(1,628)	
Profit (loss) for the year					17,963		17,963	6,617	24,579	
Gains and losses recognised in other comprehensive income						11,139	11,139	1,872	13,011	
Net income and gains and losses recognised in other comprehensive income		0	0	0	17,963	11,139	29,101	8,489	37,591	
Changes in consolidation scope							0		0	
Other changes					473		473		473	
Shareholders' equity at 31 December 2010	7,982,547	12,169	0	0	99,055	156,336	267,560	32,360	299,921	

(in thousands of euros)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2010

Note 1. General information.....	49
Note 2. Significant accounting policies.....	49
Note 3. Goodwill.....	64
Note 4. Intangible assets.....	64
Note 5. Property, plant & equipment.....	66
Note 6. Impairment testing of non financial assets.....	67
Note 7. Investment in affiliates.....	68
Note 8. Non-current financial assets.....	69
Note 9. Inventories.....	70
Note 10. Trade receivables.....	70
Note 11. Other receivables.....	71
Note 12. Prepaid expenses.....	72
Note 13. Net cash and cash equivalents.....	72
Note 14. Shareholders' equity.....	72
Note 15. Provisions for liabilities and charges.....	75
Note 16. Debt.....	80
Note 17. Other liabilities.....	83
Note 18. Segment information.....	84
Note 19. Expenses analysed by nature.....	86
Note 20. Provisions for impairment in value.....	86
Note 21. Other current operating income and expenses.....	86
Note 22. EBITDA calculation.....	87
Note 23. Other operating income and expenses.....	87
Note 24. Financial income.....	88
Note 25. Income tax.....	88
Note 26. Earnings per share.....	92
Note 27. Transactions with related parties.....	93
Note 28. Exceptional events and disputes.....	94
Note 29. Exchange rates.....	94
Note 30. Statutory auditor fees.....	94
Note 31. Scope of consolidation.....	95
Note 32. Subsequent events.....	96

Note 1. General information

ETAM Développement SCA (the “Company”) and its subsidiaries (together forming “the Group”) design, distribute and sell women’s fashion items (women’s ready-to-wear clothing, lingerie and accessories) via a network of 4,200 stores in more than 40 countries under the Group’s various brands. Each brand designs its own collections and uses a network of sub-contractors and textile manufacturers worldwide. The Group targets women via three complementary distinct brands - ETAM, 1.2.3 and Undiz – and covers the majority of the women’s clothing market, in terms of age and price range.

ETAM Développement SCA is a French limited partnership. Its registered office is located in Paris, at 67-73 rue de Rivoli 75001.

Etam Développement has been listed on Nyse Euronext (Compartment B) since 20 June 1997.

The Group’s consolidated financial statements for the year ended 31 December 2010, presented in thousands of euros, include the Group’s share in affiliates or companies under joint control. They were presented to the Supervisory Board and approved by the management on 13 April 2011. These financial statements will be definitive after approval by the General Shareholders’ Meeting on 20 May 2011.

Note 2. Significant accounting policies

The main accounting methods used to prepare the consolidated financial statements are described below. Unless otherwise stated, these methods were used systematically for all the financial years presented, and applied in the same manner to all Group entities.

Note 2.1. Basis of accounting

The consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) as endorsed by the European Union. The consolidated financial statements have been prepared on the historical cost basis, except for lease rights, land and buildings, revalued, available-for-sale financial assets, financial assets and liabilities valued at fair value recognised in the income statement, and derivative instruments.

Recourse to estimates and judgements

Certain significant accounting estimates were used in preparing the financial statements in order to comply with IFRS. Management is also required to use its judgement in applying the accounting methods. The most important areas in terms of judgement or difficulty or where assumptions and estimates are the most significant are impairment tests, deferred taxes and provisions for pension commitments.

Changes in accounting methods: Option of immediately recognising actuarial differences as other comprehensive income (OCI)

On 1 January 2010, the Group chose to apply the option of standard IAS 19 relating to the treatment of actuarial differences on provisions for pension obligations. As a result, the actuarial differences, which were previously amortised using the so-called ‘corridor’ method according to the active period or average lifespan of the employees benefiting from the plan, are henceforth recognised immediately and entirely under other comprehensive income (OCI).

The change in accounting method was applied retrospectively. Shareholders’ equity on the opening date for 2009 and comparative data have been restated.

Details of the nature and impact of these restatements are presented in note 2.25.

Note 2.1.1. Application of IFRS

The application of the revised version of IFRS3 - Business Combinations and IAS 27 - Consolidated and Separate Financial Statements is mandatory as from 1 January 2010. The Group has opted for an early adoption, starting from the 2009 financial year, of these texts, which modify the way business activities are valued and accounted for.

New texts or amendments as adopted by the European Union, application of which is compulsory as from 1 January 2010, came into force with no impact on the Group’s consolidated financial statements as at 31 December 2010. These relate primarily to:

- The amendment to IAS 1 “Presentation of Financial Statements”, relating to the classification of a debt, whose maturity is open-ended (or renewable) or subject to conditions, as current or non-current. According to IAS 1, a debt must be classified as a current liability when the entity does not have the unconditional right to defer its repayment beyond 12 months after the reporting date;
- The amendment to IAS 7 “Cash flow statements”, relating to classification consistency in the statement of financial position and cash flow statement. This amendment specifies that only expenses recognised under assets can be classified as investment flows in the cash flow statement. Therefore, cash flows that are connected to expenses recognised in income, as they do not meet the criteria of fixed assets, must be classified under operating cash flows;
- The amendment to IAS 17 “Leases”, relating to the removal of the automatic classification of land leases as operating leases. This amendment specifies that a land lease may henceforth be classified as a finance lease if it transfers almost all of the risks and rewards associated with ownership of the land, even if ownership of the land is not transferred at the end of the lease;
- The amendment to IAS 18 “Revenue”, relating to the criteria for distinguishing Agent from Principal. According to this amendment, the relationship must be classed as Principal when the company is exposed to significant risks and rewards relating to the sale of goods or to services rendered;
- The amendment to IAS 39 “Financial Instruments”, relating to contracts signed under business combinations. Before its amendment, IAS 39.2g excluded from the scope of application of IAS 39 any

contract signed directly between the seller and buyer, and allowing control of an entity to be assumed/lost at a future date. By benefiting from such an exclusion, these contracts were not considered to be derivatives and were not subject to the obligation for a valuation at fair value by income.

Henceforth, the scope of application of IAS 39 only rules out contracts constituting an irrevocable commitment (i.e. fixed-term contracts), for which:

- the entity will be taken over at a future date, and
- the term of the contract does not exceed a reasonable period deemed necessary to obtain the appropriate approvals and finalise the transaction;
- The amendment to IFRS 2 “Share-based Payment”, concerning transactions in which a subsidiary receives services from its employees or its suppliers and that are settled by the parent company or another entity within the group. In this case, the subsidiary must record an expense even if the parent company settles the transaction, in shares or cash;
- The amendment to IFRS 5, “Non-current Assets Held for Sale and Discontinued”, relating to information to be disclosed. This amendment specifies that the information required by other standards (other than IFRS 5) does not apply to non-current assets held for sale or to discontinued operations, unless it is:
 - information specific to that type of asset or activity; or
 - information concerning the valuation of assets and liabilities included in a group of assets held for sale, but falling outside the scope of application of IFRS 5 in terms of valuation;
- The amendment to IFRS 8 “Operating Segments”, relating to the presentation of segment assets. The amendment specifies that, like segment liabilities, segment assets must only be valued and reported separately in the notes if their amounts are regularly disclosed and reviewed by the Management;
- The amendment to IAS 36 “Impairment of Assets”, relating to the allocation of goodwill to a Cash Generating Unit. The amendment clarifies that the CGU to which the goodwill is allocated must not be larger than an operating segment determined according to IFRS 8 before the combination;
- Interpretation IFRIC 17 “Distributions of Non-cash Assets to Owners”. IFRIC 17 sets out the procedure for valuing the dividends to be paid in the form of non-cash assets and indicates in particular that the entity must recognise as income the difference between the amount of the dividend paid at fair value of the asset distributed and its carrying amount.
- Interpretation IFRIC 18 “Transfers of Assets from Customers”. This text relates primarily to operations such as water, gas or electricity distribution and outsourcing operations. It specifies how an access provider must recognise the asset received to provide its customers with the connection to a network or ongoing access to a supply of goods or services. This text also specifies how revenues from the service rendered are recognised.

Moreover, the Group anticipated no standards, amendments to standards or interpretations of which application is compulsory in 2010.

Note 2.2. Consolidation methods

Note 2.2.1. Subsidiaries

Subsidiaries are all entities (including ad hoc entities) for which the Group has the power to govern financial and operating policies, which is normally accompanied by the ownership of more than 50% of the voting rights. When determining whether the Group controls another

entity, potential voting rights are taken into account as well as votes arising out of instruments likely to be exercised or converted at the time the Group determines control.

Subsidiaries are fully consolidated as from the date on which they come under the Group’s control. They are no longer consolidated as from the date upon which they cease to be controlled by the Group.

Intra-group balances and transactions are eliminated on consolidation. Unrealised losses are also eliminated for assets sold and are considered as an indication of impairment.

Subsidiaries’ use the same accounting methods as the Group.

Note 2.2.2. Affiliates

Affiliates are companies which are not controlled by the Group but over which the Group exercises significant influence, and normally where the Group owns 20% - 50% of the voting rights. Equity holdings in affiliates are accounted for using the equity method and are initially recorded at cost. Equity holdings in affiliates include goodwill (net of accumulated impairment losses) identified on acquisition (see Note 7).

The Group’s share in income from affiliates subsequent to acquisition is recognised in the consolidated income statement and its share in other comprehensive income following acquisition is recognised in other comprehensive income. The carrying amount of the equity investment is adjusted for the accumulated changes since the acquisition. When the Group’s share in an affiliate’s losses are equal to or greater than the Group’s equity investment in the affiliate, including any non guaranteed receivables, the carrying amount of these equity investments is reduced to zero. The Group does not record any additional losses unless it is required to assume part of the loss or make payments in the name of the affiliate.

Unrealised gains on transactions between the Group and its affiliates are eliminated to the extent of the Group’s interest in affiliates. Unrealised losses are also eliminated, unless, in the event an asset is sold an impairment is recorded in the transaction. Where necessary, the accounting methods of affiliates have been modified in order to comply with Group accounting methods.

Dilution gains and losses in affiliates are recorded in the income statement.

Note 2.2.3. Joint ventures

Joint ventures are entities in which the Group exercises joint control. Joint control may arise from a contractual agreement to share a business activity when the strategic, financial and operating decisions require the mutual agreement of the parties sharing the control. In this case Group interests are proportionately consolidated.

Note 2.2.4. Business combinations

Business combinations, where the Group obtains the control of one or more businesses, are accounted for using the acquisition method.

Business combinations prior to 1 January 2009 are accounted for using the accounting methods applied to the financial statements for the year ending 31 December 2008.

Business combinations subsequent to 1 January 2009 are measured and accounted for in accordance with the revised version of IFRS 3: the consideration transferred (the acquisition cost) is measured at the fair value of the acquired entity's assets, equity and liabilities, at the transaction date. The identifiable assets and liabilities of the acquired entity are measured at fair value at the acquisition date. Costs directly attributable to the acquisition are expensed.

Goodwill represents the fair value of the consideration transferred plus the amount recognised for all non-controlling stakes in the acquired company, less the carrying amount recognised (usually at fair value) for the identifiable assets and the liabilities assumed. If the difference is negative, the profit from an acquisition made at advantageous conditions is recognised immediately in the income statement.

The Group may opt for the measurement at fair value of the non controlled interests for each business combination. In such cases, the Group recognises goodwill for all identifiable assets and liabilities (full goodwill method).

Goodwill is measured at the date the Group gains control of the acquired entity and is not adjusted thereafter.

Acquisitions and disposals of non controlled interests not modifying control are recorded directly in equity.

A business combination must be accounted for within 12 months from the acquisition date. This applies to the measurement of identifiable assets and liabilities, the consideration transferred and non controlling interests.

Note 2.3. Segment reporting

an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity):

- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
- and for which discrete financial information is available.

The Group presents its segment reporting in relation to its management structure, namely an executive management for Europe and an executive management for China, both of which report to General Management. ETAM Group is comprised of two operating segments: Europe and China.

Note 2.4. Foreign currency transactions

Note 2.4.1. The functional currency, and the currency used in the presentation of the financial statements

The financial statements of each of the Group entities use the currency of the main economic environment in which they carry out their business

(the functional currency). The consolidated financial statements are presented in euros, which is the Company's functional currency and the currency used in the presentation of the financial statements.

Note 2.4.2. Transactions and balances

Transactions denominated in foreign currencies are translated at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses arising out of these transactions and out of the translation at the closing rate of monetary assets and liabilities denominated in foreign currencies, are recorded in the income statement, unless they are considered as other components of comprehensive income, as cashflow hedges or hedging of an investment in a foreign business.

Note 2.4.3. Group companies

The financial statements of all Group entities (none of which are present in hyperinflationary economies) whose functional currency differs from the currency in which the financial statements are presented are converted into the currency in which the financial statements are presented as follows:

- assets and liabilities are converted at the closing rate on the balance sheet date;
- income and expenses for each income statement are converted at the average exchange rate (unless the average is not representative of the accumulated effect of the rates on transaction dates, in which case income and expenses are converted at the rates prevailing on the transaction dates);
- and all translation differences are recognised as a separate component of equity.

On consolidation, exchange differences due to the conversion of net investments in foreign businesses and of loans and other exchange instruments designated as hedging instruments for these investments are recognised as other components of comprehensive income. When a foreign entity is disposed of, these translation differences initially recognised as other comprehensive income are recorded in the income statement in gains and losses on asset disposal.

Goodwill and fair value adjustments resulting from the acquisition of a foreign business are treated as the assets and liabilities of the foreign business and are converted at the closing rate.

Note 2.5. Goodwill

Goodwill represents the fair value of the consideration transferred plus the amount recognised for all non-controlling stakes in the acquired company, less the carrying amount recognised (usually at fair value) for the identifiable assets and the liabilities assumed. If the difference is negative, the profit from an acquisition made at advantageous conditions is recognised immediately in the income statement.

Goodwill is recognised separately at cost, less cumulative impairment losses and is subject to an annual impairment test. Goodwill impairment losses are not reversible. Gains and losses on disposal of an entity take into account the carrying amount of the goodwill of the sold entity.

Goodwill is allocated to cash generating units or cash generating groups for the purpose of impairment tests. A cash generating unit represents a store.

Cash generating units or cash generating groups to which goodwill is allocated are those likely to benefit from the business combinations which gave rise to the goodwill.

In applying IFRS standards, the Group decided not to restate retrospectively all business combinations prior to 1 January 2004 in its opening statement of financial position. For acquisitions prior to 1 January 2004, goodwill represents the amount recognised based on the Group's former accounting methods.

Note 2.6. Intangible assets

Note 2.6.1. Leasehold rights

The Group has adopted the revaluation method: all Leasehold rights are measured at fair value which corresponds to their market value.

The market value of leasehold rights are determined by the Group's Department of Corporate Development based on methods widely used by the profession, relating to weighted rental values per m², published regularly by specialised bodies. Given potential market fluctuations, the market value of leasehold rights is determined annually. Independent appraisals are carried out on a test basis to guarantee the reliability of the methods used.

Increases in the carrying amount due to the revaluation of leasehold rights are recorded in other components of comprehensive income. Decreases in the carrying amount which reduce former increases for the same assets are initially recorded in other components of comprehensive income, until the revaluation reserve for these assets is extinguished; further decreases are recorded in the income statement. Every year, the difference between depreciation based on the revalued carrying amount of the asset, which is recognised in the income statement, and depreciation based on the asset's initial cost is transferred from other reserves to retained earnings.

Accumulated amortisation at the date of revaluation is deducted from the gross carrying amount of the assets and the net amount is restated to reflect the revalued amount of the assets.

Leasehold rights were revalued for the first time on 1 January 2004.

The revalued value of these assets is amortised on a straight-line basis over the duration of the lease solely in those countries where the term of the lease can be determined.

The following amortisation periods are applicable:

COUNTRY	PERIOD
Belgium	9 to 27 years
Italy	7 to 14 years
Spain	7 to 14 years
Poland	5 to 10 years

As in France, the term of leasehold rights cannot be determined, they are not amortised.

In France, leasehold rights are one of the intangible components of goodwill. They are defined as a sum of money paid by the tenant to the former tenant in order to obtain the right to rent the property and the legal guarantees attached thereto. From a legal point of view, leasehold rights include the right to lease the property as a tenant and the right to sell the lease.

The French system was established by the decree of 30 September 1953, on commercial leases, which aimed to protect the value of business franchises. The tenant's leasehold rights are protected by a decree which requires:

- a minimum lease period of 9 years,
- the right for the tenant to renew the lease unless the landlord pays a termination fee,
- the right to a controlled price upon renewal of the lease or when the rent is revised during the term,
- the tenant's right to change the nature of the business.

As a result, the duration of a French lease cannot be determined as the tenant has the right to renew the lease.

Residual values and the duration of the assets' useful lives are revised and, if applicable, adjusted at each closing of the balance sheet.

Gains or losses on asset disposals are determined by comparing the disposal gain to the carrying amount of the disposed asset. They are recorded in the income statement in other operating income and expenses. Prior revaluations included in other reserves are transferred to retained earnings.

Note 2.6.2. Software

The costs of acquiring software licences are capitalised based on the costs incurred to acquire the software and to put it into operation. These costs are amortised over the estimated useful life of the software, which ranges from three to seven years.

Costs associated with maintaining computer software in operating order are expensed when incurred. Costs that are directly linked to the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Such costs include payroll expenses for personnel involved in developing the software and an appropriate share of production overheads.

Software development costs recognised as assets are amortised over their estimated useful lives.

Note 2.6.3. Brands and Store names

Acquired brands and store names are measured at cost, less accumulated impairment losses.

Costs incurred by the Group to protect its brands are expensed when incurred.

Note 2.7. Property, plant & equipment

Recognition and measurement

Note 2.7.1. Real estate

Land and buildings consist mainly of stores, warehouses and offices.

Land and buildings are measured at fair value according to the revaluation model, less depreciation for buildings.

The market value of real estate is determined by the Group's Department of Corporate Development according to methods commonly used in the profession and based on weighted rental values per m², as reported from time to time in specialised publications. Given potential market fluctuations, the market value of real estate is determined every three years, unless specific events point to an abrupt and material change in local market conditions. Independent appraisals are carried out on a test basis to guarantee the reliability of the methods used.

Increases in the carrying amount due to the revaluation of land and buildings are recorded under other components of comprehensive income. Decreases in the carrying amount which reduce former increases of the same assets are initially recorded in other components of comprehensive income to the extent of the revaluation reserve of the asset. Further decreases are recognised in the income statement. Every year, the difference between depreciation based on the revalued carrying amount of the asset, which is recognised in the income statement, and depreciation based on the asset's initial cost is transferred from other reserves to retained earnings.

Accumulated amortisation at the date of revaluation is deducted from the gross carrying amount of the assets and the net amount is restated to reflect the revalued amount of the assets.

The Group's real estate assets were revalued for the first time on 1 January 2004.

Note 2.7.2. Store improvements and other property, plant and equipment

All other property, plant and equipment (PPE) are recognised at cost, less cumulative depreciation and impairment. Cost includes all costs that are directly attributable to the acquisition of the assets involved.

Cost components representing a significant portion of the total cost of property, plant and equipment are recognised separately when their estimated useful lives, and therefore their depreciation period, are significantly different.

Investment subsidies offset the gross carrying amount of the subsidised assets. All repair and maintenance expenses are expensed over the period in which they are incurred.

Subsequent costs

Subsequent costs are included in the asset's carrying amount, or, if applicable, they are recognised as a separate asset if the future economic benefits associated with the asset are likely to go to the Group, and that the cost of the asset can be determined reliably. The carrying amount of replaced items is derecognised.

Amortisation

Property, plant and equipment are amortised on a straight line basis (i.e. by recording a constant depreciation charge annually) to reduce the cost of each asset (or its revalued amount) to its residual value based on its estimated useful life. Leased assets are amortised over the term of the lease agreement or the asset's useful life, whichever is the shorter. Land is not amortised. The estimated useful lives for the current period and the period used for comparison are as follows:

TANGIBLE ASSETS	PERIOD
Buildings and their components:	
- Stores	10 to 33 years
- Warehouses	10 to 25 years
- Corporate office	10 to 50 years
Store fixtures and improvements	6.66 years
Production facilities - Warehouse equipment	3 to 20 years
Data processing equipment	3 to 7 years
Office furniture	6.66 years & 10 years

Residual values and the duration of the assets' useful lives are revised and, if applicable, adjusted at each closing of the balance sheet. The residual value is zero at the end of the asset's useful life.

The carrying amount of an asset is immediately depreciated to its recoverable value when the asset's carrying amount is greater than its estimated recoverable value.

Gains or losses on asset disposals are determined by comparing the disposal gain to the carrying amount of the disposed asset. They are recorded in the income statement in other operating income and expenses. When revalued assets are sold, prior revaluations included in other reserves are transferred to retained earnings.

Note 2.8. Impairment of non financial assets

Intangible assets with an indefinite useful life such as leasehold rights, are systematically subject to an annual impairment test.

Goodwill and other non financial assets are subject to an impairment test when, due to specific events or circumstances, a doubt exists as to the recoverability of the carrying amount. Impairment is recognised if the carrying amount is greater than the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. To assess impairment loss assets are grouped together into cash generating units, which reflect the lowest level of independent cash generating divisions. Based on its current structure, the Group determines a store as a cash generating unit.

Value in use is the present value of the future cash flows expected to be derived from continuing use of an asset or cash generating unit and its ultimate disposal.

The Group determines the value in use of an asset based on estimates of pre-tax future cash flows generated by the asset over a seven year period. This period reflects the average lifespan of a store concept. Cash flows beyond the fifth year are calculated by applying a stable or decreasing growth rate to the cash flows of the fifth year. Future cash flows are discounted using the long-term pre-tax interest rates that, based on the Group's estimates, best reflect the time value of money and the specific risks associated with the related assets.

The possible reversal of impairment for non financial assets (other than goodwill), is assessed at each reporting date.

Note 2.9. Leases

Assets acquired under finance leases are recognised on the balance sheet when the lease contract transfers substantially all the risks and rewards incidental to ownership to the Group.

Assets financed under financing leases are initially recognised as assets and liabilities at the lower of the fair value of the leased property or the present value of the minimum lease payments. Assets acquired under financing leases are subject to the same rules and procedures for valuation, depreciation and impairment as other assets of the same category. The corresponding liabilities are booked in financial liabilities on the consolidated statement of financial position.

Leases which do not transfer substantially all the risks and rewards incidental to ownership to the Group are classified as operating leases. Operating lease payments are expensed on a straight line basis over the term of the lease.

Gains generated by disposals of assets under sale and leaseback transactions are fully recorded in the income statement at the time of the sale for operating leases, provided the transaction is made at fair value.

Note 2.10. Financial assets

The Group's financial assets are divided into the following categories:

- assets at fair value recognised in the income statement, loans and receivables,
- and available-for-sale assets.

The classification depends on the reasons behind the acquisition of the financial assets. Management decides upon the classification of financial assets at initial recognition.

Note 2.10.1. Financial assets at fair value recognised in the income statement

Financial assets at fair value recognised in the income statement are financial assets held for trading. A financial asset is classified in this category if it is acquired primarily for the purpose of selling it in the short term.

This category is comprised solely of marketable securities. These items are classed as cash equivalents. They are recognised at fair value, which corresponds to the market value at the reporting date. Changes in fair value are recognised in the income statement.

Note 2.10.2. Loans and receivables

Loans and receivables are non-derivative financial assets with a payment, which is fixed or can be determined, not listed on an active market. They are included in current assets, except those that mature more than 12 months after the reporting date. The latter are classed as non-current assets.

This category includes:

- receivables relating to participating interests, construction loans to employees, other loans and receivables and trade receivables. These items are booked under non-current financial assets, trade receivables and other current receivables. They are measured at amortised cost using the effective interest method. Short-term receivables without stated interest rate are initially measured at the amount of the original invoice if the effective interest rate has a negligible impact. The value in the statement of financial position includes principal outstanding and the unamortised share of acquisition costs. These assets are subject to impairment tests if there is an indication of impairment. Impairment is recognised in the income statement if the carrying amount is higher than the estimated recoverable value.
- security deposits classified as non-current financial assets.
- This relates to deposits paid to lessors as rental guarantees. The value of these assets is adjusted on a regular basis when the rent is revised. They are subject to impairment tests if there is an indication of impairment. Impairment is recognised in the income statement if the carrying amount is higher than the estimated recoverable value.

Note 2.10.3. Available-for-sale financial assets

These are non-derivative financial assets that are not classified in any of the above mentioned categories. They are recognised at fair value. Gains or losses are recognised under other components of comprehensive income until disposal. However, should there be objective evidence of impairment, the cumulative loss is recorded in the income statement.

This category mainly includes non-consolidated equity investments. They are classed as non-current financial assets

Note 2.11. Derivative financial instruments and hedging transactions

The Group uses financial instruments to reduce its exposure to interest and exchange rate risks.

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is signed; and are subsequently revalued at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group identifies certain derivatives as:

- hedges of the fair value of financial assets and liabilities (fair value hedging); or
- hedges of a particular risk associated with a recognised liability or a highly probable anticipated future transaction (cash flow hedging); or
- hedges of a net investment in a foreign business (net investment hedging).

At the beginning of the transaction, the Group documents the hedging relationship between the hedging instrument and the hedged item, as well as its risk management objectives and hedging strategy. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Derivatives held for trading are classified as current assets or liabilities.

Note 2.11.1. Fair value hedging

Changes in the fair value of derivative instruments that are designated and qualify as fair value hedges are recognised in the income statement as foreign exchange gains or losses, as are changes in the fair value of the hedged asset or liability attributable to the hedged risk.

When the hedge no longer meets the criteria for hedge accounting, the adjustment of the carrying amount of a hedged financial instrument for which the effective interest method is used must be amortised to profit or loss over the period remaining to maturity of the hedged instrument.

Note 2.11.2. Cash flow hedging

The effectiveness of changes in the fair value of derivative instruments that meet the criteria for cash flow hedges and are designated as such are recognised directly in other components of comprehensive income. The gain or loss relating to the ineffectiveness is recognised immediately in the income statement under foreign exchange gains or losses.

Cumulative amounts in equity are recycled in the income statement during the periods in which the hedged item affects net income (for instance when a scheduled sale subject to hedging takes place).

When a hedging instrument reaches maturity or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss recognised in equity at that time remains in equity and is subsequently recognised as income or loss when the scheduled transaction is ultimately recognised in the income statement. When the transaction is no longer scheduled, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement under foreign exchange gains and losses.

Note 2.11.3. Derivative instruments that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting and are recognised at fair value in the income statement. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement as foreign exchange gains and losses.

Note 2.12. Inventories

Inventories are accounted for at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods includes design costs, raw materials, direct costs including logistics costs for the delivery of products to stores and rebates from suppliers. Borrowing costs are excluded. Net realisable value represents the estimated sale price in the ordinary course of business, less marginal sales expenses.

Inventories, including current collection inventories, are written down to net realisable value at each annual or half-year closing. The net realisable value is established based on actual losses recognised by the Group during promotional sales at the end of each season, extrapolated to estimate future losses on products remaining in the stores and products to be sold to discounters.

Note 2.13. Trade and other receivables

Trade receivables are initially recognised at fair value, and are subsequently measured at their amortised cost using the effective interest rate method, less impairment provisions. An impairment provision is booked if there is an objective indication that the Group will be unable to recover all amounts due pursuant to the initial conditions of the transaction. Significant financial difficulties encountered by the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and payment default or delinquencies are indicators that a receivable is impaired. A provision is booked for the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the initial effective interest rate. The carrying amount of the asset is reduced via a provision account and the impairment loss is recorded on the income statement under other operating income and expenses. Non-recoverable debts are written off, and the impairment provision is reversed. Recovery of derecognised receivables are recorded in other operating income and expenses in the income statement.

Note 2.14. Cash & cash equivalents

Cash and cash equivalents include cash in hand, sight deposits with banks, other short-term highly liquid investments with initial maturities of three months or less, and bank overdrafts. Bank overdrafts are recorded in “Borrowings” under current liabilities on the statement of financial position.

In the cash flow statement, “Cash & cash equivalents” include changes in fair value of assets recorded in cash & cash equivalents and short-term overdrafts.

Note 2.15. Deferred taxes

Deferred taxes are recognised using the balance sheet liability method with respect to temporary differences arising between the tax base of an asset or liability and its carrying amount in the consolidated financial statements. However, a deferred tax asset is not recognised if it arises from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit. Deferred taxes are determined based on tax rates (and tax regulations) that were adopted or virtually so, at the reporting date and that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised when it is probable that a future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred taxes are recorded under temporary differences linked to investments in subsidiaries and affiliates unless the Group is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Note 2.16. Share capital

Note 2.16.1. Stock options at an agreed exercise price.

In accordance with IFRS 2, only stock option plans granted after 7 November 2002 for which rights had not vested on 1 January 2005 are measured and recognised under personnel costs.

Stock option plans prior to 7 November 2002 are not measured or recognised.

The Group has no active plans set up prior to 7 November 2002.

Note 2.16.2. Treasury stock

Treasury stock is recognised by reducing shareholders' equity on the basis of the acquisition cost. Income from the sale of treasury stock after tax, is recognised directly in equity, and does not affect the net income for the period.

Note 2.16.3. Shareholders' equity

Shareholders' equity includes share capital, share premium, retained earnings, revaluations reserves, translation reserves and cash flow hedge reserves.

The Group has not issued any subordinated debt considered as a component of adjusted equity.

Note 2.17. Earnings per share

The Group presents basic earnings per share and diluted earnings per share. This information is also presented for continuing operations when income from continuing operations is different from net income for the period.

Basic earnings per share is determined by dividing net income for the period attributable to equity holders of the parent, less proposed distributions to the general partners, by the weighted average number of ordinary shares in issue during the year. The weighted average number of outstanding shares during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares purchased or issued over the period.

The number of shares used to calculate diluted earnings takes into account the conversion of outstanding dilutive instruments into ordinary shares at the closing date and potential ordinary shares that are converted or expired at the reporting date for the period during which they were outstanding. Diluted earnings are calculated based on net income for the period attributable to equity holders of the parent less proposed distributions to general partners, after deducting the financial cost of the dilutive debt instruments and their impact on employee shareholding and after the corresponding tax impact.

To ensure comparability of earnings per share, the weighted average number of shares in circulation during the year (and previous years) is adjusted to take into account any capital increases carried out at a share price lower than the market price.

Treasury shares deducted from consolidated equity are not taken into account in calculating earnings per share.

Net income per share excluding non-recurring items may be reported if significant non-recurring items could distort the perception of basic earnings per share or diluted earnings per share. Net income per share excluding non-recurring items is determined by adjusting net profit for the period attributable to equity holders of the parent for the amount of non-recurring items, net of minority interests. Non-recurring items taken into account are all items included in “other operating income and expenses”, on an after-tax basis.

Note 2.18. Provisions for restructuring costs and litigation

Provisions for restructuring costs and litigation are booked when:

- the Group has a present legal or constructive obligation as a result of past events;

- it is probable that an outflow of resources will be required to settle the obligation;
- and a reliable estimate of the amount involved can be made.

A restructuring provision is booked when a detailed restructuring plan has been drafted, and the Group has started to implement or has published the plan. Restructuring provisions include lease termination penalties and termination compensation. Future operating losses are not provisioned.

In the event of a number of similar obligations, the outflow of resources required to settle these obligations is calculated by considering the group of obligations as a whole. Although the likelihood of an outflow of resources may be slight for each item considered separately, the probability may be greater that an outflow of resources will be required to settle the group of obligations as a whole. In which case a provision is booked.

The amount represents the best estimate of the expenditure required to extinguish the present obligation on the reporting date.

Note 2.19. Employee benefits

Note 2.19.1. Pension benefits

The Group's companies have different pension plans. The pension plans are generally financed by contributions made to insurance companies or other administered funds and are valued based on periodic actuarial calculations. The Group has defined benefits pension plans and defined contribution pension plans.

Defined contribution pension plans require the Group to pay fixed contributions to an independent body. Therefore the Group is under no legal or tacit obligation to pay additional contributions in the event the assets are insufficient to pay the benefits due to all employees for services rendered during the current and previous periods. Pension plans which are not defined contribution pension plans are defined benefits pension plans. Such is the case for a plan which defines the amount of the pension benefits which the employee will receive on retirement, normally based on factors such as age, length of service and salary.

Pension liabilities recorded on the statement of financial position for defined benefits pension plans correspond to the present value of the defined benefits pension obligations at the closing date, less plan assets, and adjustments for unrecognised past service costs. The Group's liability for defined benefits pension plans is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid and that have a duration approximating the average estimated duration of the related pension liability.

An asset is recorded for defined benefit plans financed externally within the framework of third party management (insurance contracts) which show an increase in the fair value of the assets when compared to the discounted value of the obligations, after deducting cumulative actuarial differences as well as the cost of any past services not yet recorded in the income statement. A net asset is only recorded in the Group statement of financial position to the extent that a corresponding future economic benefit exists which is available to the Group in cash or as a reduction in the future cash payments necessary to fund the relevant plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately and entirely under other comprehensive income (OCI) with no possibility of being recycled in the income statement for previous financial years.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Note 2.19.2. Severance pay

Severance pay is due when employment is terminated by the Group before the normal retirement date or when an employee accepts severance pay in exchange for voluntary redundancy. The Group recognises severance pay when it is clearly committed either to terminating the employment of employees according to a detailed plan with no real possibility of retraction or to providing severance pay as a result of an offer made to encourage voluntary redundancy. Benefits payable more than 12 months after the balance sheet date are discounted to present value.

Note 2.19.3. Profit-sharing, bonuses and other plans

The Group recognises a liability and an expense for profit-sharing and bonuses, taking into consideration the net income attributable to the Group's shareholders after certain adjustments. The Group books a provision when it has a contractual obligation or when a past practice has created a constructive obligation.

For the French subsidiaries, the Group recognises an obligation for the payment of long-service awards (Note 15.2).

Note 2.20. Borrowings

Borrowings are initially measured at fair value, net of transaction costs incurred. Borrowings are thereafter measured at amortised cost. Any difference between the capital amounts (net of transaction costs) and the redemption value is recognised in the income statement over the term of the debt using the effective interest method.

Borrowings are classed in current liabilities, unless the Group has an unconditional right to defer the repayment of the debt to at least 12 months after the reporting date, in which case the borrowings are recorded under non-current liabilities.

Note 2.21. Cost of net financial debt

Net financial debt is comprised of gross financial debt less net cash.

Gross financial debt consists of long and short-term financial liabilities, fair value hedging instruments recorded on the statement of financial position related to gross debt liabilities, and related accrued interest.

Net cash consists of short-term investments of less than three months, easily convertible into a determined amount of cash which are not subject to significant risk of changes in value, less overdrafts. Accrued interests on net cash are included in net cash.

Note 2.22. Trade payables

Trade payables are initially measured at fair value and thereafter are valued at amortised cost using the effective interest rate method.

Note 2.23. Non-current assets (or groups of assets) held for sale and discontinued operations

Non-current assets (or groups of assets) held for sale and discontinued operations are a distinct line item in the assets and liabilities on the statement of financial position, and are recorded at the lower of their carrying amount and fair value less selling costs.

A non-current asset (or group of assets) is classed as “held for sale” solely if the sale is highly probable within 12 months, if the asset is available for immediate sale in its current state and if management is committed to a plan to sell the asset.

A discontinued operation is a component of the Group which represents a distinct business line or geographic region, which is held for sale or when it has been disposed of. Discontinued operations are presented on a single line in the income statement, corresponding to the net income of discontinued operations up to the date of sale and the net gain or loss from the sale or the fair value valuation, less disposal costs of the assets and liabilities constituting the discontinued operations.

Note 2.24. Presentation of financial information

Note 2.24.1. Income statement

From 1 January 2009, the Group has decided to present its consolidated income statement by function. This presentation does not affect the Group’s significant accounting methods.

Sales

Sales includes the sale of finished products and revenue from brands, net of discounts, rebates and the impact of the customer loyalty program (preferred customer card).

In addition, customers and retailers may return damaged or unsold products to the Group’s companies. When this occurs, recorded sales are reduced by an estimate of the returned items against a reduction of trade receivables and an increase in inventory. Each entity calculates its own return estimates based on statistics.

Cost of goods sold

Cost of goods sold includes the cost price of goods sold in compliance with Note 2.12.

Distribution costs

Distribution costs include operating expenses mainly linked to store operations, sales teams, marketing and brands.

General administrative expenses

Administrative expenses represent all expenses linked to the functioning of the finance department, human resources and Management.

Other current operating income and expenses

Other current operating income and expenses mainly include provision charges for impairment losses on property, plant & equipment and intangible assets, capital gains or losses on disposals of non-current operating assets and rental revenue.

Other operating income and expenses

Non-recurring operations which represent a significant amount and that may distort the perception of the Group’s current operating performance are classified as “Other operating income and expenses”.

They mainly include:

- significant or one off impairment and gains and losses on disposals of fixed assets;
- restructuring costs incurred pursuant to restructuring plans where the one off or significant nature distorts the perception of the Group’s ordinary operating income;
- provisions of a very significant amount.

EBITDA

To monitor its operating performance, the Group uses an intermediate management profitability indicator entitled "EBITDA". EBITDA corresponds to ordinary operating income

- plus:
 - depreciation and amortisation and impairment losses on fixed assets
 - depreciation of current assets
 - provisions for risks and charges
 - losses on disposal of fixed assets
- less:
 - reversals of impairment losses on fixed assets
 - reversals of provisions on current assets
 - reversals of provisions for risks and charges
 - gains on disposal of fixed assets.

Financial income/(expense)

Financial income/(expense) includes:

- cost of net financial debt which corresponds to the interest incurred on long-term financial liabilities and short-term credit facilities, less interest income on cash.
- a summary heading called "Other financial income and expenses", which includes non-operating financial income and expense that are not included in cost of net financial debt.

Income tax expense

The income tax expense encompasses the amount:

- of tax payable on receivable or recoverable profit during the year;
- of differed tax on receivable or recoverable profit on future years in relation to temporary differences and the tax loss carry-forward or unused tax credit; and
- of income tax in accordance with IAS 12.2 ("taxes based on taxable profits"). French entities therefore enter in this section the amount of their "CVAE" tax due and introduced by the 2010 Finance Act.

Note 2.24.2. Statement of financial position

Assets and liabilities are classed as current when settlement or payment is expected to occur within 12 months from the balance sheet date, or when the Group anticipates the settlement or payment of these items in the normal course of business.

Note 2.24.3. Segment information

The operating segment "Europe" groups together the business of ETAM and 123 in the following geographic areas:

- France,
- Other European countries mainly: Spain, Portugal, Germany, Benelux countries, Italy, Poland and Switzerland.

The ETAM brand groups together lingerie and ready-to-wear businesses.

The operating segment «China» groups together the business of all Group brands distributed in China.

Note 2.25. Impact of changes in accounting methods

Note 2.25.1. Option of recognising actuarial differences as Other Comprehensive Income.

IAS 19 offers the possibility of recognising actuarial differences according to one of the following authorised methods:

- Either in income, using the 'corridor' approach or another method leading to the faster recognition in income of actuarial differences than with the corridor method;
- Or among other comprehensive income (OCI)

Up to 31 December 2009, actuarial differences arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the value of plan assets or 10% of the present value of the defined benefit obligation, whichever was higher, were recognised in income over the employees' expected average remaining working lives.

As from 1 January 2010, the actuarial differences for the period are henceforth recognised immediately and entirely under other comprehensive income (OCI). The differences recognised in this way cannot be recycled in the income statement for later years.

This method was used instead of the so-called 'corridor' approach, in order to improve the information given to users of the financial statements. As actuarial differences are recognised in the period during which they are generated, the provision recorded under liabilities is closer to the actual value of the obligation relating to post-employment benefits.

The change in accounting methods had a positive impact on shareholders' equity of €2,499 thousand at 1 January 2009 and of €1,951 thousand at 31 December 2009.

In the income statement, general administrative expenses increased by €490 thousand as of 31 December 2009.

Restated information for comparison purposes is presented in note 2.25.2

Note 2.25.2. Restatement of information for comparison purposes

These accounting method changes were applied retrospectively as from 1 January 2009, in compliance with the provisions of IAS 8. Shareholders' equity on the opening date and comparative information have been restated.

STATEMENT OF FINANCIAL POSITION AT 1 JANUARY 2009

(in thousands of euros)

ASSETS	NOTES	1 ST JAN 2009 RESTATED	IAS 19	31/12/2008 PUBLISHED
Goodwill		4,454		4,454
Intangible assets		269,509		269,509
Property, plant and equipment		263,374		263,374
Equity holdings in affiliates		3,703		3,703
Non-current financial assets		24,156	2,723	21,433
Deferred tax assets		2,754		2,754
Total non-current assets		567,950	2,723	565,227
Inventories and work-in-progress		155,886		155,886
Advances and prepayments		6,388		6,388
Trade receivables		52,170		52,170
Other receivables		12,481		12,481
Tax refunds receivable		11,284		11,284
Prepaid expenses		16,023		16,023
Derivative instruments		1,139		1,139
Assets Cash and cash equivalents		70,405		70,405
Total current assets		325,775	0	325,775
Assets held for sale		12,140		12,140
TOTAL ASSETS		905,864	2,723	903,141

LIABILITIES & EQUITY		1 ST JAN 2009 RESTATED	IAS 19	31/12/2008 PUBLISHED
Share capital		18,184		18,184
Additional paid-in capital		84,156		84,156
Revaluation reserves		200,234		200,234
Reserves		31,384	2,499	28,885
Shareholders' Equity (Group share)		333,958	2,499	331,459
Non-controlling interests		30,593		30,593
Total shareholders' equity		364,551	2,499	362,052
Non-current provisions for liabilities and charges		3,297	(1,088)	4,385
Long-term borrowings and financial debt		198,040		198,040
Deferred tax liabilities		96,706	1,312	95,394
Total non-current liabilities		298,043	224	297,819
Current provisions for liabilities and charges		4,182		4,182
Trade payables		161,305		161,305
Current tax liability		785		785
Tax and social security liabilities		45,753		45,753
Other liabilities		17,966		17,966
Derivative instruments - Liabilities		263		263
Short term debt and bank loans		8,288		8,288
Total current liabilities		238,543	0	238,543
Liabilities related to assets held for sale		4,727		4,727
TOTAL LIABILITIES AND EQUITY		905,864	2,723	903,141

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2009

(in thousands of euros)

ASSETS	NOTES	2009 RESTATED	IAS 19	2009 PUBLISHED
Goodwill		4,454		4,454
Intangible assets		262,681		262,681
Property, plant and equipment		260,218		260,218
Equity holdings in affiliates		2,972		2,972
Non-current financial assets		25,248	2,174	23,074
Deferred tax assets		4,959		4,959
Total non-current assets		560,532	2,174	558,358
Inventories and work-in-progress		158,411		158,411
Advances and prepayments		6,569		6,569
Trade receivables		60,862		60,862
Other receivables		17,933		17,933
Tax refunds receivable		5,972		5,972
Prepaid expenses		13,901		13,901
Derivative instruments – Assets		1,365		1,365
Cash and cash equivalents		56,685		56,685
Total current assets		321,699	0	321,699
Assets held for sale		0		0
TOTAL ASSETS		882,230	2,174	880,057

LIABILITIES AND EQUITY		2009 RESTATED	IAS 19	2009 PUBLISHED
Share Capital		16,416		16,416
Additional paid-in capital		62,824		62,824
Revaluation reserve		197,169		197,169
Reserves		64,291	1,951	62,340
Shareholders' Equity (Group share)		340,700	1,951	338,749
Non-controlling interests		23,871		23,871
Total shareholders' equity		364,571	1,951	362,620
Non-current provisions for liabilities and charges		2,759	(802)	3,561
Long-term borrowings and financial debt		133,565		133,565
Deferred tax liabilities		99,722	1,024	98,697
Total non-current liabilities		236,046	223	235,824
Current provisions for liabilities and charges		5,337		5,337
Trade payables		176,045		176,045
Current tax liability		3,194		3,194
Tax and social security liabilities		53,473		53,473
Other liabilities		28,696		28,696
Derivative instruments - Liabilities		2,022		2,022
Short term debt and bank loans		12,846		12,846
Total current liabilities		281,613	0	281,613
Liabilities related to assets held for sale		0		0
TOTAL LIABILITIES AND EQUITY		882,230	2,174	880,057

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2009

(in thousands of euros)

	NOTES	2009 RESTATED		2009 PUBLISHED
Sales		1,020,000		1,020,000
Cost of goods sold		(410,166)		(410,166)
Gross profit		609,833	0	609,833
Distribution costs		(500,694)		(500,694)
General administrative expenses		(60,281)	(490)	(59,791)
Other current operating income and expenses		(4,948)		(4,948)
Ordinary operating income		43,911	(490)	44,401
Other operating income and expenses		(7,135)		(7,135)
Operating income		36,776	(490)	37,267
Cost of net financial debt		(7,589)		(7,589)
Other financial income and expenses		741		741
Financial income		(6,849)	0	(6,849)
Tax expense		(4,308)	169	(4,477)
Share in net income of associates		(731)		(731)
Profit (loss) from continuing operations		24,889	(322)	25,210
Profit (loss) from operations discontinued or being sold		(915)		(915)
Consolidated net income for the period		23,974	(322)	24,295
<i>of which share attributable to:</i>				
- Owners of the Group's parent company		19,403	(322)	19,725
- Non-controlling interests		4,570		4,570

CONSOLIDATED CASHFLOW STATEMENT AT 31 DECEMBER 2009

(in thousands of euros)

	NOTES	2009 RESTATED	IAS 19	2009 PUBLISHED
Net income for the period from continuing operations		24,888	(322)	25,210
Share in profit (loss) from equity affiliates		731		731
Depreciation and amortisation		42,695		42,695
Provisions		9,442		9,442
Reversals of provisions		(6,292)	490	(6,782)
Net carrying amount of asset disposals		13,145		13,145
Proceeds from asset disposals		(6,122)		(6,122)
Other calculated income and expenses		0		0
Cash flow		78,487	169	78,319
Interest income and expense		7,589		7,589
Dividends received		-		0
Net tax expense		4,308	(169)	4,477
Cash flow before tax, dividends and interest		90,384	0	90,385
Change in working capital requirement from operating activities (**)		13,106	0	13,106
Income tax paid		2,104		2,104
Net cash flow from operating activities		105,594	0	105,595
Acquisitions of intangible assets and property, plant and equipment		(39,114)		(39,114)
Disposals of intangible assets and property, plant and equipment		5,916		5,916
Acquisitions of subsidiaries		0		0
Disposals of subsidiaries		0		0
Acquisitions of other long-term investments		(3,124)		(3,124)
Disposals of other long-term investments		2,468		2,468
Net cash flow from investing activities		(33,854)	0	(33,854)
Capital increase - Etam Développement		2		2
Subsidiary capital increases subscribed to by non-controlling interests		0		0
Other operations with shareholders		(17,608)		(17,608)
Dividends paid to shareholders of Etam Développement		(1,439)		(1,439)
Dividends paid to minority shareholders of consolidated subsidiaries		0		0
Purchases/Disposals of treasury shares		273		273
Loan issues		24,845		24,845
Loan repayments		(6,010)		(6,010)
Increase / Decrease in other financial liabilities		(81,526)		(81,526)
Interest paid		(7,589)		(7,589)
Net cash flow from financing activities		(89,052)	0	(89,052)
Net cash flow including cash flow from assets held for sale		4,768		4,768
Foreign exchange impact		(837)		(837)
Increase (decrease) in net cash		(13,381)	0	(13,380)
Opening cash and cash equivalents		69,194		69,194
Closing cash and cash equivalents		55,813		55,813
(**) Breakdown of changes in working capital from operating activities				
Trade receivables (assets)		(10,321)		(10,321)
Inventories (assets)		(4,442)		(4,442)
Other receivables (assets)		(2,815)		(2,815)
Trade payables (liabilities)		16,890		16,890
Tax and social security liabilities (liabilities)		7,933		7,933
Other current liabilities		5,860	0	5,860
Change in working capital requirement from operating activities		13,106	0	13,106

Note 2.26. Changes in scope of consolidation

Apart from the liquidation of Etam Lingerie Luxembourg in Luxembourg, there were no other changes to the Group's scope of consolidation in 2010.

Note 3. Goodwill

Goodwill in net values

(in thousands of euros)

	2010		2009	
	GROSS VALUES	IMPAIRMENT	NET VALUES	NET VALUES
Goodwill on consolidated entities	12,549	8,095	4,454	4,454
Total	12,549	8,095	4,454	4,454

Goodwill: changes over the year

(in thousands of euros)

	GROSS VALUES	IMPAIRMENT	NET VALUES
At opening	12,549	8,095	4,454
Changes			
Impact of changes in consolidation scope during the year			
Impact of changes in consolidation scope in previous years			
Changes in exchange rate			
Other changes			
Total at closing	12,549	8,095	4,454

Goodwill only concerns the operating segment «Europe». Impairment testing methods are described in note 2.8 and assumptions retained are presented in note 6.2.2.

Impairment tests are carried out on each store.

Note 4. Intangible assets

Intangible assets by type

(in thousands of euros)

	2010		2009	
	GROSS VALUES	AMORTISATION AND IMPAIRMENT	NET VALUES	NET VALUES
Leasehold rights	262,294	7,411	254,883	252,583
Software	34,504	28,245	6,259	6,948
Brands and licences	1,178	-	1,178	1,185
Other intangible assets	1,452	248	1,204	1,965
Total	299,428	35,904	263,524	262,681

Intangible assets: changes over the year

(in thousands of euros)

	LEASEHOLD RIGHTS			SOFTWARE	BRANDS AND LICENCES	OTHER INTANGIBLE ASSETS
	FRANCE	OTHER EUROPEAN COUNTRIES	TOTAL			
At opening	233,992	25,155	259,147	33,149	1,185	2,091
Acquisitions	8,244	193	8,437	1,455	0	178
Revaluations recognised directly in equity	(2,475)	(621)	(3,096)	0	0	0
Impairment losses recognised as expenses	(841)	(777)	(1,618)	0	0	0
Reversals of impairment losses in the income statement	168	132	300	0	0	0
Impact of changes in scope of consolidation	0	0	0	0	0	0
Decreases by disposal	(583)	(912)	(1,495)	(327)	(7)	(33)
Changes in exchange rate	0	118	118	48	0	1
Other changes	261	240	501	179	0	(785)
Total at closing	238,766	23,528	262,294	34,504	1,178	1,452

Depreciation and impairment losses

(in thousands of euros)

	LEASEHOLD RIGHTS			SOFTWARE	BRANDS AND LICENCES	OTHER INTANGIBLE ASSETS
	FRANCE	OTHER EUROPEAN COUNTRIES	TOTAL			
At opening	0	6,564	6,564	26,201	0	126
Depreciation and amortisation recognised during the period	0	3,639	3,639	2,305	0	121
Revaluations recognised directly in equity	0	(2,100)	(2,100)	0	0	0
Impairment losses recognised as expenses	0	(225)	(225)	0	0	0
Reversals of impairment losses in the income statement	0	(131)	(131)	0	0	0
Impact of changes in scope of consolidation	0	0	0	0	0	0
Decreases by disposal	0	(458)	(458)	(283)	0	(33)
Changes in exchange rate	0	62	62	22	0	0
Other changes	0	60	60	0	0	34
Total at closing	0	7,411	7,411	28,245	0	248

Net value of intangible assets by type at historic cost

The table hereafter shows the net value of intangible assets by type as if they had been maintained at historic cost (concerns leasehold rights).

(in thousands of euros)

	2010	2009
Leasehold rights	124,534	119,442
Software	6,259	6,948
Brands and licences	1,178	1,185
Other intangible assets	1,204	1,965
Total intangible assets	133,175	129,540

Note 5. Property, plant & equipment

Property, plant and equipment by type

(in thousands of euros)

	2010		2009	
	GROSS VALUES	AND IMPAIRMENT	NET VALUES	NET VALUES
Land	49,587	335	49,252	48,686
Buildings	191,663	40,034	151,629	128,960
Store improvements	224,079	147,848	76,231	69,747
Production facilities, industrial equipment and tooling	18,591	15,878	2,713	2,905
PP&E in progress and other PP&E	37,701	26,862	10,839	9,920
Total property, plant and equipment	521,621	230,957	290,664	260,218

Property, plant and equipment: changes over the year

(in thousands of euros)

	LAND & BUILDINGS	STORE IMPROVEMENTS	PRODUCTION FACILITIES, INDUSTRIAL EQUIPMENT & TOOLING	PP&E IN PROGRESS AND OTHER PP&E
At opening	230,001	202,737	18,388	36,476
Acquisitions	4,517	22,022	390	20,693
Revaluations recognised directly in equity	12,309	0	0	0
Impairment losses recognised as expenses	0	0	0	0
Reversals of impairment losses in the income statement	0	0	0	0
Impact of changes in scope of consolidation	0	0	11	20
Decreases by disposal	(4,850)	(23,392)	(298)	(1,832)
Changes in exchange rate	30	3,488	48	745
Other changes	(757)	19,224	52	(18,401)
Total at closing	241,250	224,079	18,591	37,701

Depreciation and impairment losses

(in thousands of euros)

	LAND & BUILDINGS	STORE IMPROVEMENTS	PRODUCTION FACILITIES, INDUSTRIAL EQUIPMENT & TOOLING	PP&E IN PROGRESS AND OTHER PP&E
At opening	52,355	132,990	15,483	26,556
Depreciation and amortisation recognised during the period	6,842	30,910	524	1,784
Revaluations recognised directly in equity	(16,463)	0	0	0
Impairment losses recognised as expenses	0	4,437	0	0
Reversals of impairment losses in the income statement	0	(2,104)	0	0
Impact of changes in scope of consolidation	0	0	(5)	5
Decreases by disposal	(2,286)	(20,256)	(207)	(1,732)
Changes in exchange rate	2	1,868	22	309
Other changes	(81)	3	61	(60)
Total at closing	40,369	147,848	15,878	26,862

Net value of property, plant and equipment by type at historic cost

The table hereafter shows the net value of property, plant and equipment by type as if they had been maintained at historic cost (concerns land and buildings):

(in thousands of euros)

	2010 NET VALUES	2009 NET VALUES
Land and buildings	108,912	113,618
Store improvements	76,231	69,747
Production facilities, equipment and tooling	2,713	2,905
PP&E in progress and other PP&E	10,839	9,920
Total property, plant and equipment	198,695	196,190

Property, plant and equipment financed by finance lease

The table below indicates the proportion of the Group's property, plant and equipment acquired pursuant to finance leases.

(in thousands of euros)

	2010			2009
	GROSS VALUES	AMORTISATION AND IMPAIRMENT	NET VALUES	NET VALUES
Land	24,281	335	23,946	24,107
Buildings	77,327	4,438	72,889	48,942
Store improvements	0	0	0	
Production facilities, equipment and tooling	39	38	1	0
PP&E in progress and other PP&E	4,079	3,806	273	586
Total Property, plant and equipment acquired under finance lease arrangements	105,726	8,617	97,109	73,635

Difference between total minimum lease payments and their present value

(in thousands of euros)

	2010		2009	
	MINIMUM PAYMENTS	PRESENT VALUE OF MINIMUM PAYMENTS	MINIMUM PAYMENTS	PRESENT VALUE OF MINIMUM PAYMENTS
Payments due in less than 1 year	9,922	8,413	7,559	6,833
Payments due in more than 1 year but less than 5 years	21,721	14,618	27,953	26,811
Payments due in more than 5 years	35,613	34,660	11	10
Total minimum payments	67,256	57,691	35,523	33,654
Interest included in the minimum payments	(9,565)		(1,869)	
Present value of minimum payments	57,691	57,691	33,654	33,654

Note 6. Impairment testing of non financial assets

The impairment testing methods for non financial assets are set out in Note 2.8

Note 6.1. Assumptions used for impairment tests

In order to calculate the value in use of a cash generating unit the discount rate before tax applied to projected cash flows is 9.84% in 2010 and 9.87% in 2009.

The cashflow growth rate is determined for each operating segments and adapted to each business within this segment.

Note 6.1.1. Impairment tests for store fittings

Impairment tests based on the discounted future cash flows generated by the stores cover fittings and improvements to store concepts, i.e. those assets which are not measured using the revaluation method. For these tests, cash flows are estimated over an explicit seven-year period. The terminal value is not taken into account.

A change of 100 points in the discount rate used does not have a significant impact on the Group's financial statements.

Note 6.1.2. Goodwill impairment test

The Group uses a growth rate to infinity beyond the period concerned of 2% to assess goodwill impairment allocated to each cash generating unit. No irreversible goodwill impairment was recorded by the Group as of 31 December 2010.

A change of 100 points in the discount rate used does not have a significant impact on the Group's financial statements.

Note 7. Investment in affiliates

In the first half of 2010, as the commercial prospects for MOA were uncertain, the Group deemed it prudent to write down part of MOA's goodwill and to take into account a risk factor on this shareholding in excess of where it stood in 2009.

In December 2010, MOA signed a partnership with the Rand Frères group, the French leader in fashion jewellery, according to which:

- Rand Frères entered MOA's capital in the amount of 50%, via an increase of MOA capital; and
- the two partners intend to create a shared subsidiary which will house their current 'concessions' and 'trading' activities.

The positive effects MOA expects to result from the partnership with the Rand Frères group are the following:

- Refocusing on the original core business and means of developing the brand and products;
- Improved efficiency in the 'concessions' business;
- Arrival of a reference shareholder in the form of a family group with a long-term development strategy;
- Development of the jewellery range at MOA;
- International synergy.

The value of the Group's shareholding in MOA as of 31 December 2010 amounted to:

(in thousands of euros)

	2010		2009
	GROSS VALUES	IMPAIRMENT	NET VALUES
Share in net assets of affiliates at 1 January	2,972		3,703
Share in profit (loss) for the year	(771)	(1,400)	(731)
Dividends paid			0
Capital increase	1,000		1,000
Impact of changes in scope of consolidation			0
Changes in exchange rate			0
Other changes	(1)		(1)
Total at closing	3,200	(1,400)	2,972

Impairment of MOA

In its results for the first half of 2010, the Group recognised an impairment on MOA's goodwill of €1,400,000. This impairment resulted from the difference between the amount of this interest as of 31 December 2009, less the Group's share in MOA's losses from the first half of 2010 and its recoverable value determined based on its value in use at 30 June 2010.

The value in use of an asset is the present value of the future cash flows expected to be derived from continuing use of that asset or cash-generating unit and its ultimate disposal.

At 31 December 2010, MOA's value in use, determined based on a discount rate after tax of 11.59% and a growth rate to extrapolate the projected cash flows to infinity of 2%, did not cause the Group to recognise an additional impairment on MOA's goodwill.

Summarised financial statements of MOA

The financial statements presented below are drawn up using French GAAP. The accounting methods used by the affiliate are not significantly different and therefore do not need to be restated under IFRS.

(in thousands of euros)

	2010*	2009
Simplified statement of financial position		
Total non-current assets	7,944	8,961
Total current assets	6,589	6,536
Total assets	14,533	15,497
Shareholders' equity	162	2,341
Financial liabilities	8,950	8,309
Accounts payable	5,420	4,847
Total liabilities	14,532	15,497
Simplified income statement		
Sales	15,357	16,207
Operating profit (loss)	(1,058)	(1,489)
Net income for the period	(2,199)	(1,998)

* non-audited financial statements

Note 8. Non-current financial assets

Non-current financial assets by type

(in thousands of euros)

	2010		2009
	GROSS VALUES	IMPAIRMENT	NET VALUES
Investments in affiliates	312	157	156
Loans and other receivables	1,468	143	1,323
Security deposits paid	18,345	86	17,826
Supplementary pension scheme	0	0	5,943
Total non-current financial assets	20,125	386	25,248

Non-current financial assets: changes over the year

(in thousands of euros)

	INVESTMENTS IN AFFILIATES	LOANS AND OTHER RECEIVABLES	SECURITY DEPOSITS PAID
31 December 2009	156	1,323	17,826
Acquisitions		1	1,723
Disposals/Repayments	0		(1,293)
Impact of changes in market value			
Impact of changes in scope of consolidation			0
Changes in exchange rate		1	3
Other changes			0
31 December 2010	156	1,325	18,259

Breakdown of equity investments

	% INTEREST	NET VALUE OF SHARES
ETAM Corporation	100%	140
EIS Tunisia	100%	8
EIS Maghreb	100%	8
31 December 2010		156

Note 9. Inventories

(in thousands of euros)

	2010		2009	
	GROSS VALUES	IMPAIRMENT	NET VALUES	NET VALUES
Raw materials and other supplies	26,994	8,399	18,595	14,888
Goods in process	7,791	0	7,791	7,141
Finished products	94,813	7,735	87,078	50,665
Merchandise goods	126,767	19,717	107,050	87,826
Inventory losses		2,050	(2,050)	(2,109)
TOTAL	256,365	37,901	218,464	158,411

Inventories: changes over the year

(in thousands of euros)

	2010		2009	
	GROSS VALUES	IMPAIRMENT	NET VALUES	NET VALUES
Balance at 31 December 2009	187,463	29,052	158,411	155,886
Changes in gross inventories	59,793	0	59,793	1,467
Changes in the provision for impairment	0	7,934	(7,934)	2,975
Impact of changes in scope of consolidation	0	0	0	0
Changes in exchange rate	9,189	915	8,274	(2,235)
Other changes	(80)	0	(80)	318
Balance at 31 December 2010	256,365	37,901	218,464	158,411

Note 10. Trade receivables

Receivables on the balance sheet mainly include:

- Receivables due from affiliates at the end of the period (sales transferred at the beginning of the following period);
- Receivables due from department stores in China, which benefit from payment terms for paying sales less commissions to the Group and,
- Receivables from international franchises.

As of 31 December 2010, the breakdown of sales receivables is as follows:

(in thousands of euros)

	2010		2009	
	GROSS VALUES	ALLOWANCES	NET VALUES	NET VALUES
Affiliates	3,918	176	3,742	5,026
International franchises	11,129	961	10,168	7,731
Department stores	59,589	2,573	57,016	47,202
Other customers	394		394	903
Total trade receivables	75,030	3,710	71,320	60,862

The credit risk is mainly linked to international franchises. The Group's policy is to hedge its exposure by obtaining bank guarantees for significant outstanding amounts.

The table below shows the due dates of receivables from international franchises:

(in thousands of euros)

	2010			2009		
	GROSS VALUES	ALLOWANCES	NET VALUES	GROSS VALUES	ALLOWANCES	NET VALUES
Not yet due	5,998	9	5,989	2,734	66	2,668
Outstanding for 30 days or less	2,124		2,124	1,996	0	1,996
Outstanding for more than 30 but less than 180 days	1,836	33	1,803	2,685	92	2,593
Outstanding for more than 180 but less than 360 days	275	17	258	98	34	64
Outstanding for 360 days or more	896	902	(6)	1,319	909	410
TOTAL	11,129	961	10,168	8,831	1,100	7,731

The table below shows the due dates of receivables from affiliates:

(in thousands of euros)

	2010			2009		
	GROSS VALUES	ALLOWANCES	NET VALUES	GROSS VALUES	ALLOWANCES	NET VALUES
Not yet due	3,008		3,008	4,322	0	4,322
Outstanding for 30 days or less	327		327	206	0	206
Outstanding for more than 30 but less than 180 days	100		100	137	0	137
Outstanding for more than 180 but less than 360 days	106		106	347	0	347
Outstanding for 360 days or more	377	176	201	106	92	13
TOTAL	3,918	176	3,742	5,118	92	5,026

The table below shows the due dates of receivables from department stores:

(in thousands of euros)

	2010			2009		
	GROSS VALUES	ALLOWANCES	NET VALUES	GROSS VALUES	ALLOWANCES	NET VALUES
Not yet due	45,819	310	45,509	26,021	215	25,806
Outstanding for 30 days or less	6,641	11	6,630	6,397	36	6,361
Outstanding for more than 30 but less than 180 days	3,436	944	2,492	14,614	257	14,357
Outstanding for more than 180 but less than 360 days	468	32	436	477	141	335
Outstanding for 360 days or more	3,619	1,276	2,343	1,498	1,154	343
TOTAL	59,983	2,573	57,410	49,006	1,804	47,202

Note 11. Other receivables

(in thousands of euros)

	2010			2009
	MATURITY		NET VALUES	NET VALUES
	LESS THAN 1 YEAR	MORE THAN 1 YEAR		
Tax and social security receivables	11,669	220	11,889	11,068
Current accounts receivable	277		277	539
Provisions on current accounts receivable	0		0	0
Receivables on disposals of fixed assets	0		0	183
Provisions on receivables on disposals of fixed assets	0		0	0
Miscellaneous debtors	8,971	1,197	10,168	7,963
Provisions on miscellaneous debtors	(486)	(10)	(496)	(1,820)
Total other receivables	20,431	1,407	21,838	17,933

Note 12. Prepaid expenses

(in thousands of euros)

	2010		2009
	MATURITY		NET VALUES
	LESS THAN 1 YEAR	MORE THAN 1 YEAR	NET VALUES
Prepaid rental payments	14,047	0	13,052
Other expenses	758	263	849
Total prepaid expenses	14,805	263	13,901

Note 13. Net cash and cash equivalents

(in thousands of euros)

	2010	2009
Cash and cash equivalents on the asset statement of financial position	67,449	56,685
Bank overdrafts and accrued interest	(1,587)	(872)
Total cash and cash equivalents in the cash flow statement	65,862	55,813

Note 14. Shareholders' equity

Note 14.1. Share capital

Note 14.1.1. Changes in share capital over the period

ETAM Développement was authorised, by the eighth resolution of the extraordinary shareholders' meeting held on 31 May 2010, to reduce the registered capital by a maximum nominal amount of €4,355,685 through the buyback of shares with a view to their cancellation, of a maximum number of 2,857,142 shares representing 26.53% of Etam Développement's share capital, at the price of €35 per share. Following this shareholders' meeting, the management decided to implement the share capital reduction through an offer to buyback shares in the company with a view to their cancellation.

After the operation, 2,835,916 shares, representing 26.34% of Etam Développement's registered capital, were applied to the offer, amounting to 99.26% of the maximum number of shares referred to by the offer. On 8 July 2010, the 2,835,916 shares acquired were cancelled. The share

capital was thus reduced by €4,323,326 and the registered capital henceforth amounts to €12,169,313, divided into 7,982,547 shares.

Note 14.1.2. Double voting rights

The General Shareholders' Meeting of 24 March 1997 amended the Company's Articles of Association and ruled that double voting rights should be allocated to all fully paid-up registered shares held by the same shareholder for at least four years, as well as bonus registered shares issued in the event of a capital increase by capitalising retained earnings, income, or additional paid-in capital for shares benefiting from this right. The double voting right ceases to exist for any shares converted into bearer shares or transferred, excluding any transfers between registered shareholders as the result of an inheritance or donation within a family.

There is no requirement to report the crossing of thresholds other than those mentioned in Article L. 233-7 of the French Commercial Code.

Note 14.1.3. Authorised unissued share capital at 31 December 2010

AUTHORISATION	DATE OF THE EGM	EXPIRY DATE	NOMINAL AMOUNT OF AUTHORISED CAPITAL INCREASE	INCREASE(S) MADE OVER THE YEAR	RESIDUAL AMOUNT AT PRESENT DATE
Authorisation to increase share capital with preferential subscription rights ⁽¹⁾	19 June 2009	18 August 2011	€20,000,000	-	€20,000,000
Authorisation to increase share capital without preferential subscription rights ⁽¹⁾ by means of a public offer	19 June 2009	18 August 2011	€15,000,000	-	€15,000,000
Authorisation to increase share capital without preferential subscription rights by means of a private placement reserved for qualified investors or a restricted circle of investors	19 June 2009	18 August 2011	20% of share capital per year	-	20% of share capital per year
Authorisation to increase share capital by capitalising retained earnings, income, or additional paid-in capital	19 June 2009	18 August 2011	Amount of retained earnings, income and additional paid-in capital	-	Amount of retained earnings, income and additional paid-in capital
Authorisation to increase share capital for the purpose of remunerating contributions in kind	19 June 2009	18 August 2011	10% of share capital	-	10% of share capital
Authorisation to issue stock options	17 June 2008	16 August 2011	2% of share capital ⁽²⁾	-	2% of share capital
Authorisation to award bonus shares	17 June 2008	16 August 2011	10% of share capital	-	10% of share capital

(1) Referred subscription right

(2) Taking into account all shares granted, even previously

Note 14.1.4. Authorisation to purchase treasury shares

Note 14.1.4.1. Share buyback offer

The management was authorised, by the eighth resolution of the extraordinary shareholders' meeting held on 31 May 2010, to reduce the registered capital by a maximum nominal amount of €4,355,685 through the buyback of shares with a view to their cancellation, of a maximum number of 2,857,142 shares representing 26.53% of Etam Développement SCA's share capital, in accordance with Articles L. 225-204 and 225-207 of the French Commercial Code, at the price of €35 per share. This price was deemed fair by Accuracy, an independent expert appointed by Etam Développement SCA based on Article 261-1 I 3° of the AMF's General Regulations.

Following this shareholders' meeting, Etam Développement SCA's management decided to implement the share capital reduction through an offer to buyback shares in the company with a view to their cancellation, in accordance with Article 225-207 of the French Commercial Code. The share buyback offer was intended to offer company shareholders' the option of selling, at a significant premium, all or part of their shares, given the low volume of daily exchanges.

After the operation, 2,835,916 shares, representing 26.34% of Etam Développement SCA's registered capital, were applied to the offer, amounting to 99.26% of the maximum number of shares referred to by the offer. In accordance with Article R. 225-158 of the French Commercial Code and the authority granted to it by the general shareholders meeting on 31 May 2010, on 8 July 2010 the management cancelled the 2,835,916 acquired shares, thus reducing

the share capital by €4,323,326. The share capital henceforth amounts to €12,169,313, divided into 7,982,547 shares.

Note 14.1.4.2. Share buyback programme

On 31 May 2010, the general shareholders' meeting authorised the Company's managers to buy shares in the Company up to the legal limit, without ever being able to hold more than 10% of the Company's share capital, it being specified that the number of shares bought by the Company to be held and used at a later date as payment or exchange within the framework of a merger, demerger or contribution may not exceed 5% of share capital.

The Company did not buy or sell any treasury shares during the year, other than within the framework of the share buyback offer mentioned above.

Number of shares registered at the close of the financial year: 0

Value at purchase price: -

Par value: -

To date, the Company does not hold any treasury shares.

Note 14.2. Dividend

Dividends paid out to individuals who are French tax residents are eligible for the 40% deduction pursuant to article 158-3 2° of the French General Tax Code.

Pursuant to article 243 bis of the French General Tax Code we show hereafter the list of the dividends paid out for the past three fiscal years:

YEAR	DIVIDEND PER SHARE	DISTRIBUTIONS ELIGIBLE FOR TAX EXEMPTION		DISTRIBUTIONS NOT ELIGIBLE FOR TAX EXEMPTION
		DIVIDEND	OTHER INCOME DISTRIBUTED ONLY TO THE GENERAL PARTNERS	
2007	€0.50	€5,963,979.00	€1,379,922.42	-
2008	€0.00	€0.00	€1,438,693.44	-
2009	€0.00	€0.00	€1,627,929.38	
2010*	€0.00	€0.00	€1,636,351.61	

* Subject to the General Meeting's vote of 20 May 2011

At the next General Shareholders' Meeting, it will be suggested that no dividend be paid out.

Note 14.3. Stock option plans

Stock options

The Company did not award any stock options to its corporate officers or employees in 2010.

The beneficiary of stock options granted in prior years under the "Options 2001" plan exercised its options during the first half of 2010.

There are no Etam Développement award plans other than those mentioned below.

"Options 2001"

The extraordinary shareholders' meeting of 17 September 2001 (first resolution) authorised management to award, in one or more issues, for a period of 38 months from 17 September 2001, stock options (hereinafter referred to as "Options 2001") to management, senior staff or corporate officers serving the company or one of its French or foreign subsidiaries, up to a limit of 2% of existing share capital at the date of the meeting, or 236,479 Options 2001.

This authorisation was only used in favour of one beneficiary who is no longer part of the management team.

Management formally closed the authorisation provided under the "Options 2001" plan on 16 November 2004.

Summary of options awarded, exercised and outstanding at 31 December 2010 under the "Options 2001" plan

	SHARE SUBSCRIPTION OPTIONS				SHARE PURCHASE OPTIONS			
	2001	2002	2003	2004	2003	2002	2003	2004
Grant date	17/09/01	-	-	-	-	-	-	-
Vesting date	17/09/01	-	-	-	-	-	-	-
Expiry date	17/09/11	-	-	-	-	-	-	-
Number of options granted	90,000	-	-	-	-	-	-	-
Number of beneficiaries	1	-	-	-	-	-	-	-
Share purchase or subscription price	€9.31	-	-	-	-	-	-	-
Number of options exercised	90,000	-	-	-	-	-	-	-
Total options in circulation at 31.12.2010	0	0	0	0	0	0	0	0

"Options 2008"

The extraordinary shareholders' meeting of 17 June 2008 (seventeenth resolution) authorised management to award, in one or more issues, for a period of 38 months from 17 June 2008, stock options (hereinafter referred to as "Options 2008") to employees, to certain employees and/or certain staff categories and/or corporate officers as defined by law, both of the company and affiliated French and foreign subsidiaries in accordance with Article L. 225-180 of the French Commercial Code, up to a limit of 2% of existing share capital at the date of the meeting, or 363,681 Options 2008.

Management did not use this authorisation in 2010.

Note 14.4. Bonus share awards

"2008 Bonus shares"

The extraordinary shareholders' meeting of 17 June 2008 (eighteenth resolution) authorised management to award, in one or more issues, for a period of 38 months from 17 June 2008, stock options (hereinafter referred to as "2008 Bonus shares") to employees, to certain employees and/or certain staff categories and/or corporate officers as defined by law, both of the company and affiliated French and foreign subsidiaries in accordance with Article L. 225-197-1 et seq. of the French Commercial Code, up to a limit of 10% of the Company's share capital.

Management did not use this authorisation in 2010.

Note 14.5. Revaluation reserves

Changes in revaluation reserves during the year are summarised in the table below:

(in thousands of euros)

	LEASEHOLD RIGHTS	LAND AND BUILDINGS	TOTAL REVALUATION RESERVES
At 1st January 2009	138,994	61,240	200,234
Increases	7,381	10,828	18,209
Decreases	(8,427)	(4,516)	(12,943)
Transferred to total retained earnings	(4,806)	(3,525)	(8,331)
Balance at 31 December 2009	133,142	64,027	197,169
Increases	4,375	28,773	33,148
Decreases	(5,370)	0	(5,370)
Transferred to total retained earnings	(1,797)	(832)	(2,629)
Balance at 31 December 2010	130,350	91,968	222,318

Note 15. Provisions for liabilities and charges

Note 15.1. Analysis by category

Non-current provisions for liabilities and charges

(in thousands of euros)

	2009	CHANGE IN SCOPE	INCREASES	REVERSED	NOT REVERSED	OTHER CHANGES	TRANSLATION GAINS OR LOSSES	2010
Provisions for litigation with customers and suppliers	226			246			20	0
Provisions for pension, retirement and long-service awards	2,527		1,362	67	164	9,456	1	13,115
Provisions for tax	0							0
Provisions for other risks	6						1	7
Total	2,759	0	1,362	313	164	9,456	22	13,122

Current provisions for liabilities and charges

(in thousands of euros)

	2009	CHANGE IN SCOPE	INCREASES	REVERSED	NOT REVERSED	OTHER CHANGES	TRANSLATION GAINS OR LOSSES	2010
Provisions for litigation with employees and social security administrations	2,601		1,422	1,591	531			1,901
Provisions for litigation with customers and suppliers	1,300		2,882	192	250			3,740
Provisions for pension, retirement and long-service awards	436		114	141		2,050		2,459
Provisions for other risks and charges	1,001		271	81	391	94	0	894
Total	5,337	0	4,689	2,005	1,172	2,144	0	8,993

Note 15.2. Schedule of provisions for pensions and similar obligations by type

(in thousands of euros)

	2010	2009
Pensions	49	32
Retirement bonuses	3,474	1,983
Supplementary pension scheme	11,099	0
Long-service awards	568	538
Other benefits	384	410
Total provisions for pensions and other similar benefits	15,574	2,963

Expenses recorded for the year for all these employee benefits (including interest expense related to the discounting of obligations) are included in "Salaries and benefits" on the income statement, as detailed in Note 19.

Note 15.2.1. Pension, retirement bonuses and long-service awards

in thousands of euros

	BONUSES BELGIUM		RETIREMENT BONUSES FRANCE		LONG-SERVICE AWARDS FRANCE	
	2010	2009	2010	2009	2010	2009
Change in obligation during the year						
Obligation at the beginning of the year	278	528	1,983	1,608	538	496
Current service cost during the year	4	9	146	116	43	40
Interest expense	15	30	103	100	28	31
Additional contributions	0	2				
Benefits paid	(1)	(2)	(151)	(28)	(37)	(30)
Actuarial gains/(losses)	13	(1)	1,392	187	(4)	1
Plan termination		(235)			0	0
Change in benefits					0	0
Restatements		(51)				
Transfer						
Obligation at the end of the year	309	278	3,474	1,983	568	538
Hedging financial assets						
Value at the beginning of the year	(246)	(459)				
Acquisitions/disposals/liquidations		0				
Foreign exchange differences	(11)	(20)				
Transfer	(4)	(17)				
Changes in consolidation scope	(0)	12				
Earnings recognised from plan assets	1	2				
Additional contributions		235				
Actuarial gains/(losses)		0				
Benefits paid						
Value at the end of the year	(260)	(246)				
Component of the annual expense						
Current service cost during the year	4	9	146	116	43	40
Interest expense	15	30	103	100	28	31
Expected return on plan asset	(11)	(20)		0	0	0
Amortisation of past service cost		0		0	0	0
Amortisation of actuarial (losses) and gains		0		0	(4)	1
Gains/(losses) on liquidation		0		0	0	0
Gains/(losses) on curtailment				0	0	0
Restatements		(51)				
Adjustments related to non-recognition of a surplus		0		0	0	0
Expense recorded for the year	8	(33)	249	216	67	72
Reconciliation of net obligation/(assets) and year-end provision						
Total obligations	309	278	3,474	1,983	568	538
Value of hedging financial assets	(260)	(246)				
Unrecognised actuarial (losses)/gains		0	0	0	0	(0)
Unrecognised past service cost						
Other						
Provisions/(assets) at the end of the year	49	32	3,474	1,983	568	538

in thousands of euros

	BONUSES		RETIREMENT BONUSES		LONG-SERVICE AWARDS	
	BELGIUM		FRANCE		FRANCE	
	2010	2009	2010	2009	2010	2009
Change in provisions on statement of financial position						
Provisions at the start of the year	32	68	1,983	1,608	538	496
Expense recorded for the year	8	(33)	249	216	67	72
Actuarial gains/(losses) by equity	13	11	1,392	187		
Additional contributions	(4)	(15)				
Benefits paid	0		(151)	(28)	(37)	(30)
Restatements			0	0	0	0
Change in benefits						
Provisions at the end of the year	49	32	3,474	1,983	568	538
Principal actuarial assumptions						
Discount rate	4.75%	5.25%	4.75%	5.20%	4.75%	5.20%
Rate of return on plan assets	3.60%	4.25%	0.00%	0.00%	0.00%	0.00%
Rate of salary increase (average)	4.00%	4.00%	3.00%	2.50%	3.00%	2.50%
Inflation rate	2.00%	2.00%	2.00%	0.00%	0.00%	0.00%
Number of employees	3	3	3,988	3,994	3,988	3,994
Remaining work years			19.33	19.57	23.99	24.2
Social Security and other payroll taxes			39.50%	39.50%	39.50%	39.50%
Retirement age			65 years	65 years	65 years	65 years

Employee turnover rates are determined as follows:

For COMPANS and GOUSSAINVILLE

(managers, supervisors and non-managerial employees)

AGE BRACKET		ANNUAL RATE OF TURNOVER
FROM	TO (INCLUSIVE)	
Age 16	Age 34	6.50%
Age 35	Age 44	3.50%
Age 45	Age 54	3.00%
Age 55	and above	0.00%

For ELAN INDUSTRIE

(managers, supervisors and non-managerial employees)

AGE BRACKET		ANNUAL RATE OF TURNOVER
FROM	TO (INCLUSIVE)	
Age 16	Age 44	4.00%
Age 45	Age 54	1.00%
Age 55	and above	0.00%

For other companies**Managers not working in stores**

AGE BRACKET		ANNUAL RATE OF TURNOVER
FROM	TO (INCLUSIVE)	
Age 16	Age 32	10.50%
Age 33	Age 44	15.00%
Age 45	Age 49	9.50%
Age 50	Age 54	8.50%
Age 55	Age 59	6.00%
Age 60	and above	0.00%

Non-managerial staff not working in stores

AGE BRACKET		ANNUAL RATE OF TURNOVER
FROM	TO (INCLUSIVE)	
Age 16	Age 27	11.00%
Age 28	Age 49	20.00%
Age 50	and above	0.00%

Employees working in stores - excluding hostesses

AGE BRACKET		ANNUAL RATE OF TURNOVER
FROM	TO (INCLUSIVE)	
Age 16	Age 29	19.00%
Age 30	Age 34	14.00%
Age 35	Age 39	10.00%
Age 40	Age 49	9.00%
Age 50	Age 59	6.00%
Age 60	and above	0.00%

Hostesses

SENIORITY		ANNUAL RATE OF TURNOVER
FROM	TO (INCLUSIVE)	
0 years	3 years	57.50%
4 years	14 years	19.00%
15 years	29 years	9.00%
30 years	and above	0.00%

Note 15.2.2. Supplementary pension scheme

in thousands of euros

FRANCE	2010	2009
Change in obligation		
Obligation at the beginning of the period	5,827	6,501
Current service cost	515	437
Interest expense	379	361
Actuarial (losses)/gains	16,042	7
Contributions made by employees	0	0
Benefits paid	(403)	(789)
Acquisition	0	0
Disposal	0	0
Change in benefits	1,320	0
Intra-group transfer	0	0
Curtailements	0	(690)
Plan termination	0	0
Other	481	0
Foreign exchange differences	0	0
Obligation at the end of the period	24,161	5,827
Change in the fair value of assets		
Fair value at beginning of period	(11,769)	(12,154)
Employer contributions	0	0
Employee contributions	0	0
Benefits paid	403	789
Expected return on plan assets	(471)	(547)
Actuarial (losses)/gains	5	142
Acquisition	0	0
Disposal	0	0
Change in benefits	0	0
Intra-group transfer	0	0
Curtailements	0	0
Plan termination	0	0
Other	0	0
Foreign exchange differences	0	0
Fair value at end of period	(11,832)	(11,769)
Expense recorded for the year		
Current service cost	515	437
Interest expense	379	361
Expected return on plan assets	(471)	(547)
Amortisation of past service cost	90	0
Amortisation of actuarial (losses)/gains	0	0
Gains/(losses) on liquidation	0	0
Gains/(losses) on curtailment	0	(690)
Other	481	0
Retirement (expense)/income for the year	995	(439)
Change in provisions		
(Provision) / Assets at beginning of period	(5,943)	(2,930)
Expense recorded for the year	995	(439)
Benefits paid by employer	0	0
Employer contributions	0	0
Other adjustments (acquisition, disposal, etc.)	0	0
Recognition of differences for year under SORIE	16,047	(2,574)
Foreign exchange differences	0	0
Intra-group transfer	0	0
Provisions/Assets at end of year	11,099	(5,943)
Reconciliation of the net obligation and the provision		
Net (obligation)/surplus	12,329	(5,943)
Unrecognised actuarial losses/(gains)	0	0
Unrecognised past service cost	(1,230)	0
Adjustments related to non-recognition of a surplus	0	0
(Provison)/Assets at end of year	11,099	(5,943)

Other valuation assumptions related to the supplementary pension plan:

VALUATION ASSUMPTIONS		
Discount rate	4.75%	5.20%
Rate of return on plan assets	3.50%	4.00%
Inflation	2.00%	2.00%
Salary increase		
- up to 55 years old	Inflation +1%	Inflation +3%
- +55 years old	Inflation +1%	Inflation +0.5%
Technical rate	1.75%	2.50%
ARRCO contribution rate	6.00%	6.00%
AGIRC contribution rate	16.00%	16.00%
Salary at beginning of career	1.2 times historical 'PASS'	1.2 times historical 'PASS'
Rate of growth of 'PASS'	Inflation +0.50%	Inflation +0.50%
Change in the value of a point (ARRCO/AGIRC)	Inflation +0.25%	Inflation +0.25%
Change in reference salary (ARRCO/AGIRC)	Inflation +0.50%	Inflation +0.50%
Demographic parameters		
Age at start of career	23 years old	23 years old
Retirement age	Nominative data - at minimum liquidation age with no discount (according to 2010 reform)	Nominative data - at minimum liquidation age with no discount
Life table when active	TH 00-02/TF 00-02	TH 00-02/TF 00-02
Life table when retired	TPGH05/TPGF05	TPGH05/TPGF05
Rate of revaluation of payments	1.50%	0.00%
Loading	2.00%	2.00%
Reversibility	60%	60%
Age of spouse	Actual age if known otherwise spouse older by 3 years	Spouse older by 3 years
Payment periods	Quarterly	Quarterly
Term	Arrears	Arrears
Number of beneficiaries	130	148
Remaining work years	4	14
Rate of turnover		
- below 30 years old	13%	13%
- 30 - 35 years old	10%	10%
- 35 - 40 years old	5%	5%
- 40 - 50 years old	2%	2%
- + 50 years old	0.00%	0.00%

Interest-rate sensitivity of obligations is as follows:

in thousands of euros

RATE	RETIREMENT BONUSES	LONG-SERVICE AWARDS	SUPPLEMENTARY SCHEME
2010			
4.25%	3,653	589	24,733
4.75%	3,474	568	24,161
5.25%	3,311	548	23,646
2009			
4.70%	2,122	558	5,370
5.20%	1,983	538	5,827
5.70%	1,857	520	6,335

Significant actuarial differences are generated in the retirement bonus and supplementary pension plans. This is due primarily to the change of assumptions for the retirement of senior management staff, which was, in 2009 in particular, a continuation of the employment contract until death.

Note 15.2.3. Other benefits

As provided by Italian law, the amounts below concern employee benefits which are fully vested. The benefits are paid when the employee leaves the company, for whatever reason. The provision for 2010 was €384 thousand (€410 thousand in 2009).

Note 16. Debt

Note 16.1. Analysis of net debt

Group net debt broke down as follows:

(in thousands of euros)

AT 31 DECEMBER	2010	2009
Medium-long term borrowings provided by lending institutions	174,306	100,000
Finance leases	57,691	33,598
Short-term lines of credit and bank overdrafts	531	4,222
Other financial debts	12,806	11,482
Accrued interest	1,056	873
Less financing implementation costs	(7,415)	(3,763)
Total gross financial debt	238,975	146,411
Cash and cash equivalents	(67,449)	(56,685)
Net financial debt	171,526	89,726

Note 16.2. Gross debt per currency

(in thousands of euros)

	2010	2009
Euros	233,242	136,937
US Dollars		
Yuan	5,734	9,474
Other currencies		
Total gross financial debt	238,975	146,411

Note 16.3. Main borrowings and credit lines

At 31 December 2010, the Group's debt consisted primarily of the "Club Deal" multilateral medium-term loan, a medium-term loan implemented under the 2010 share buyback offer and finance leases.

The Club Deal loan was taken out on 8 July 2009 by Etam Finances SNC, representing a total of €245 million over an initial period of three years, with an extension option for two extra years.

In May 2010, the Group obtained the approval of all of its banking partners for the early application of the two-year extension option by Etam Finances SNC, thus moving the Club Deal maturity to 8 July 2014.

This Club Deal breaks down into two tranches:

- Tranche A is a medium-term loan totalling €100 million over three years, with amortisation of €25 million in July 2012 and €25 million in July 2013.
- Tranche B is a revolving line of credit totalling €145 million maximum, and can be used in either euros or dollars.

At 31 December 2010, the amount drawn on Tranche A was €100 million. The amount drawn on Tranche B was €25 million.

On 13 April 2010, the Etam Group took out a €50 million loan for a duration of four years by Etam Finances SNC, redeemable in one-quarter amounts on each yearly anniversary date. This "Crédit OPRA" financing benefits from documentation and financial terms identical to those of the Club Deal.

Under the Club Deal and the "Crédit OPRA", the Group has undertaken to comply identically with the following on both contracts:

- certain financial ratios (consolidated debt ratio, financial debt ratio and interest coverage ratio) until the loan matures;
- customary legal covenants.

The Group's financial ratios are tested and calculated once a year on the basis of the consolidated financial statements at year-end 31 December. All financial ratios and legal covenants were complied with at 31 December 2010.

The margin applied to the Club Deal loan is adjusted annually based on changes in the financial debt ratio.

The Group also has financing under finance leases of which the outstanding amount at 31 December 2010 stood at €57.7 million.

In December 2010, the Etam Group refinanced the historical finance lease relating to its administrative headquarters in Clichy, for a new amount of €52 million representing the market value of the building as stated by experts. This new finance lease is redeemable over a period of 12 years.

The Group also has confirmed or unconfirmed bilateral credit lines with banks in a number of countries including France, allowing it to make adjustments to its borrowings and cash balances.

Lastly, €6.2 million of the financial debt corresponds to the price adjustment relative to the acquisition, in November 2009, of 10% of Modasia's share capital.

Note 16.4. Maturity of contractual obligations

(in thousands of euros)

	AMOUNTS AUTHORISED AT 31/12/2010	LESS THAN 1 YEAR	1 TO 3 YEARS	LONGER
Medium-long term lines of bank credit	294,803	12,526	75,527	206,750
Finance leases	57,691	8,413	7,523	41,755
Short-term lines of credit Europe	1,250	1,250		
Short-term lines of credit China	18,136	18,136		
Unconfirmed overdrafts and lines	13,000	13,000		
Total	384,881	53,325	83,051	248,505

Note 16.5. Liquidity risk

After the extension option was exercised, the Club Deal matures on 8 July 2014. The redeemable "Crédit OPRA" matures in April 2014. Moreover, these two financing plans will become payable if the Group fails to adhere to the financial ratios described in Note 16.3.

The implementation in December 2010 of a new €52 million finance lease relating to the Group's administrative headquarters for a period of 12 years has also allowed the Group to increase its liquidity reserve.

Maturity of outstanding gross debt due at 31 December 2010 was as follows:

(in thousands of euros)

	OUTSTANDING AMOUNT 31/12/2010	LESS THAN 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	LONGER
Medium-long term lines of credit provided by lending institutions	174,306	12,526	75,030	86,750	0
Finance leases	57,691	8,413	7,523	7,095	34,660
Short-time credit facilities and overdrafts	531	531			
Other financial debts	12,806	989	7,979	1,934	1,905
Accrued interest	1,056	1,056			
Financing implementation costs	(7,415)	(1,817)	(3,633)	(945)	(1,020)
Total gross financial debt	238,975	21,698	86,899	94,834	35,545

In addition to scheduled repayment of financial debt and related interest, analysis of the Group's liquidity risk takes into account other liabilities, in particular trade payables.

At 31 December 2010, the Group's financial liabilities (excluding derivative instruments) were due to mature as follows:

(in thousands of euros)

	OUTSTANDING AMOUNT AT 31/12/2010	ASSOCIATED CASH FLOWS	< 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	LONGER
Non-derivative financial liabilities						
Medium-long term lines of credit provided by lending institutions	174,306	197,600	18,318	88,021	91,261	0
Finance leases	57,691	67,256	9,922	10,919	10,802	35,613
Short-term lines of credit and bank overdrafts	531	542	542	0	0	0
Other financial debts and accrued interest	13,862	13,862	2,045	7,979	1,933.94	1,905
Financing implementation costs	(7,415)	(6,395)	(1,817)	(3,633)	(945)	0
Total gross financial debt	238,975	272,866	29,011	103,285	103,052	37,518
Trade payables and other creditors	321,552	321,552	321,552			
Total financial liabilities	560,528	594,418	350,563	103,285	103,052	37,518

Trade accounts payable and other payables are part of the Group's normal operating cycle.

Note 16.6. Foreign exchange risk

The Group's exposure to foreign exchange risk relates mainly to purchases made in US dollars concerning supplies of goods for the various store chains. Management of foreign exchange risk is centralised at the level of the Group's Finance Department for all store chains.

Outstanding foreign exchange risk hedging contracts denominated in US dollars amounted to USD 134 million at 31 December 2010 to cover procurement budgets and current orders in US dollars.

At 31 December 2009, the outstanding amount totalled USD 82 million.

The Group is therefore exposed to future fluctuations in the euro/dollar exchange rate, and an unfavourable change in the value of the euro could have a negative impact on margins.

Note 16.7. Interest rate risk

In order to hedge its exposure to interest rate risk, the Group uses financial instruments allowing it to fix and/or cap the rate of interest paid on a significant portion of its debt. Management of interest rate risk is centralised and is based on the use of simple products, swaps and/or options, eligible for hedge accounting.

At 31 December 2010, the Group had the following hedges in place with its main partner banks:

- Fixed-rate payer swaps against 3-month Euribor on a notional amount of €120 million until 1 July 2014.
- Fixed-rate payer swaps against 3-month Euribor on 1 December 2011 for 7 to 10 years for a notional amount of €20 million.

Based on financial debt as at 31 December 2010, a 1% rise in interest rates would increase the annual interest charge on gross debt by €1,125 thousand and the annual interest charge on net debt by €832 thousand.

Any changes in fair value of these cash flow hedges are recognised in shareholders' equity.

Note 16.8. Derivative instruments at market value

To hedge its exposure to foreign exchange risk, the Group uses various forward or optional instruments qualified as derivatives under IFRS accounting standards. At 31 December 2010, the derivatives qualifying for hedge accounting mainly cover future purchases in foreign currencies. They are recognised at market value as assets on the balance sheet, under the heading "Derivative instruments – Assets".

(in thousands of euros)

	2010	INTEREST RATE INSTRUMENTS	CURRENCY INSTRUMENTS	2009
Derivative assets	1,972	844	1,128	1,365
Derivative assets at fair value through income statement	(189)		(189)	205
Derivative assets - Cash flow hedges	2,161	844	1,317	1,159
Derivative assets - Fair value hedges			-	
Derivative liabilities	5,688	2,094	3,594	2,023
Derivative liabilities at fair value through income statement	-			703
Derivative liabilities - Cash flow hedges	5,688	2,094	3,594	1,320
Derivative liabilities - Fair value hedges	-			
Total	(3,716)	(1,250)	(2,466)	(658)

The term of derivatives hedging currency risk is less than one year.

Interest rate derivatives cover the period from 1 July 2009 to 1 July 2012.

Note 16.9. Commitments related to operating leases

Certain companies of the Group rent property and/or equipment under non-cancellable operating leases maturing in more than one year. In some instances, rent is subject to an escalation clause.

Future lease payments, by minimum commitment period, are as follows:

(in thousands of euros)

	2010	2009
Payments due in less than one year	76,872	67,397
Payments due in 1 to 5 years	86,747	88,269
Payments due in more than 5 years	10,599	10,590
Total	174,218	166,256

Note 16.10. Contingent liabilities and other contractual commitments

Off-balance-sheet commitments:

(in thousands of euros)

	2010			TOTAL	2009 TOTAL
	MATURITY				
	< 1 YEAR	1 TO 5 YEARS	> 5 YEARS		
Total commitments given	7,630	597	1,625	9,852	12,227
Other commitments					
- Guarantees given on financing granted to subsidiaries				0	8,211
- Joint and several guarantees given in connection with the sale of leasehold rights or businesses	293	157	-	450	980
- Other commitments	7,337	440	1,625	9,402	3,036
Total commitments received	370	1,443	7,337	9,150	8,640
- First or second security interest guaranteeing inventories	130	1,383	6,997	8,510	7,339
- Other commitments received	240	60	340	640	1,301

The Group uses the procedures necessary to identify and monitor off-balance-sheet commitments as well as to identify security interests/liens related to operations or financing activities.

Note 17. Other liabilities

(in thousands of euros)

	2010		NET VALUES	2009 NET VALUES
	MATURITY			
	LESS THAN 1 YEAR	MORE THAN 1 YEAR		
Advances and prepayments on orders	4,944	0	4,944	3,799
Suppliers of tangible assets	13,181	345	13,526	10,037
Current accounts payable	50	0	50	51
Prepaid income	7,133	0	7,133	6,452
Miscellaneous liabilities	10,302	1,074	11,376	8,357
Total other liabilities	35,610	1,419	37,029	28,696

NOTES TO THE INCOME STATEMENT

Note 18. Segment information

(in thousands of euros)

	EUROPE		CHINA		CONSOLIDATED	
	2010	2009	2010	2009	2010	2009
External sales	752,021	742,961	382,520	277,039	1,134,541	1,020,000
Inter-segment sales						
Total sales	752,021	742,961	382,520	277,039	1,134,541	1,020,000
Gross profit	449,382	444,517	222,128	165,316	671,510	609,833
Distribution costs	(386,021)	(367,040)	(182,160)	(133,654)	(568,181)	(500,694)
General administrative expenses	(42,705)	(46,900)	(9,083)	(13,380)	(51,788)	(60,281)
Other current operating income and expenses	(1,357)	(3,472)	(53)	(1,476)	(1,410)	(4,948)
Ordinary operating income	19,300	27,105	30,832	16,806	50,132	43,911
Other operating income and expenses	(5,452)	(7,135)		0	(5,452)	(7,135)
Operating income	13,847	19,970	30,832	16,806	44,679	36,777
Financial income / (expense)	(8,935)	(7,006)	840	157	(8,096)	(6,849)
Income tax expense	(4,935)	(5,066)	(4,898)	758	(9,833)	(4,308)
Share in profit (loss) of equity affiliates	(2,171)	(731)		0	(2,171)	(731)
Net income for the period from continuing operations	(2,194)	7,167	26,773	17,722	24,579	24,889
Discontinued operations / operations being sold		(915)			0	(915)
Consolidated profit (loss) for the period	(2,194)	6,252	26,773	17,722	24,579	23,974
Other information						
Segment assets	773,622	730,309	227,167	151,922	1,000,789	882,231
Segment liabilities	568,790	425,509	132,079	92,150	700,868	517,659
Investments in intangible assets	9,801	4,951	269	17	10,070	4,968
Investments in property, plant and equipment	27,542	22,048	20,081	16,816	47,623	38,864
Amortisation	(31,854)	(31,571)	(14,239)	(11,124)	(46,093)	(42,695)
Impairment losses recognised in the income statement	(3,296)	(3,356)	0	0	(3,296)	(3,356)
Expenses without cash impact, excluding amortisation and depreciation	(4,874)	(4,974)	(941)	(1,765)	(5,815)	(6,739)

Note 18.1. Europe by brand

(in thousands of euros)

	ETAM EUROPE		123		CENTRAL SERVICES, REAL ESTATE SERVICES AND INTERCOMPANY ELIMINATIONS ⁽¹⁾		TOTAL EUROPE	
	2010	2009	2010	2009	2010	2009	2010	2009
(External sales)	586,864	568,801	165,158	174,138	0	21	752,021	742,961
Inter-segment sales							0	0
Total sales	586,864	568,801	165,158	174,138	0	21	752,021	742,961
Gross profit	349,316	338,900	97,780	101,486	2,287	4,131	449,382	444,517
Distribution costs	(299,672)	(283,346)	(96,251)	(96,237)	9,902	12,542	(386,021)	(367,040)
General administrative expenses	(26,732)	(28,356)	(7,463)	(8,093)	(8,510)	(10,451)	(42,705)	(46,900)
Other current operating income and expenses	(4,335)	(3,513)	(1,146)	(1,979)	4,124	2,020	(1,357)	(3,472)
Ordinary operating income	18,576	23,685	(7,080)	(4,822)	7,804	8,241	19,300	27,105
Other operating income and expenses	(4,059)	(3,681)	(384)	(717)	(1,010)	(2,736)	(5,452)	(7,135)
Operating income	14,517	20,004	(7,464)	(5,539)	6,794	5,505	13,847	19,970
Financial income							(8,935)	(7,006)
Income tax expense							(4,935)	(5,066)
Share in profit (loss) of equity affiliates	(2,171)	(731)					(2,171)	(731)
Net income for the period from continuing operations							(2,194)	7,167
Discontinued operations / operations being sold		(915)					0	(915)
Non-current segment assets	289,775	284,145	77,647	83,671	195,367	171,503	562,789	539,318

(1) In order to give a better analysis of the operating performance of each of the Group's brands, the Group's real estate division is now isolated from brand operations.

Note 18.2. Reconciliation of segment assets and liabilities

Segment assets are reconciled to the Group's total assets as follows:

(in thousands of euros)

	2010			2009		
	EUROPE	CHINA	TOTAL	EUROPE	CHINA	TOTAL
Leasehold rights	254,883	0	254,883	252,583		252,583
Software	5,861	397	6,259	6,751	198	6,948
Brands and licences	1,178	0	1,178	1,185		1,185
Other intangible assets	1,204	1	1,205	1,964	1	1,965
Total intangible assets	263,126	398	263,524	262,483	199	262,681
Land	49,252	0	49,252	48,686		48,686
Buildings	151,629	0	151,629	128,960		128,960
Store improvements	57,709	18,481	76,190	56,519	13,228	69,747
Production facilities, industrial equipment and tooling	2,459	294	2,753	2,758	147	2,905
PP&E in progress and other PP&E	6,021	4,819	10,840	6,404	3,516	9,920
Total property, plant and equipment	267,070	23,594	290,664	243,327	16,891	260,218
Goodwill	4,454	0	4,454	4,454	0	4,454
Equity holdings in affiliates	1,800	0	1,800	2,972	0	2,972
Non-current financial assets	19,739	0	19,739	25,248	0	25,248
Deferred tax assets	6,600	7,226	13,826	834	4,125	4,959
Total non-current segment assets	562,789	31,219	594,008	539,318	21,214	560,532
Inventories and work-in-progress	113,603	104,861	218,464	92,805	65,606	158,411
Advances and prepayments	2,689	3,626	6,315	4,080	2,489	6,569
Trade receivables	18,996	52,324	71,320	18,324	42,538	60,862
Other receivables	14,670	7,168	21,838	17,156	777	17,933
Tax refunds receivable	4,321	34	4,355	5,972	0	5,972
Prepaid expenses	14,853	215	15,068	13,749	152	13,901
Derivative instruments – Assets	1,972	0	1,972	1,365	0	1,365
Cash and cash equivalents	39,730	27,719	67,449	37,539	19,146	56,685
Assets held for sale	0	0	0	0	0	0
Total current segment assets	210,834	195,948	406,782	190,991	130,708	321,699
Total assets	773,622	227,167	1,000,789	730,309	151,922	882,231

Segment liabilities are reconciled to the Group's total liabilities as follows:

(in thousands of euros)

	2010			2009		
	EUROPE	CHINA	TOTAL	EUROPE	CHINA	TOTAL
Non-current provisions for liabilities and charges	13,122	0	13,122	2,533	226	2,759
Long-term borrowings and financial debt	212,347	4,930	217,277	129,172	4,393	133,565
Deferred tax liabilities	107,776	0	107,776	99,722	0	99,722
Total non-current segment liabilities	333,245	4,930	338,175	231,427	4,619	236,046
Current provisions for liabilities and charges	8,993	0	8,993	5,337		5,337
Trade payables	127,730	98,995	226,724	118,144	57,901	176,045
Current tax liability	491	4,271	4,762	1,917	1,277	3,194
Tax and social security liabilities	49,546	8,253	57,799	46,898	6,575	53,473
Other liabilities	22,202	14,827	37,029	11,999	16,697	28,696
Derivative instruments - Liabilities	5,688	0	5,688	2,022	0	2,022
Short term debt and bank loans	20,895	803	21,698	7,765	5,081	12,846
Liabilities related to assets held for sale	0	0	0	0	0	0
Total current segment liabilities	235,545	127,149	362,693	194,082	87,531	281,613
Total Liabilities	568,790	132,079	700,868	425,509	92,150	517,659

Note 19. Expenses analysed by nature

(in thousands of euros)

	2010	2009
Rent and occupancy expenses	195,210	171,454
Tax	11,330	14,855
Personnel costs	220,703	208,716
Other expenses	182,555	159,164
Total	609,798	554,189

Note 20. Provisions for impairment in value

(in thousands of euros)

	ALLOCATIONS		REVERSALS	
	2010	2009	2010	2009
Goodwill	1,400	0	0	0
Intangible assets - amortisation	6,065	5,999	0	0
Intangible assets - impairment	1,392	3,054	430	531
PP&E - depreciation	40,028	36,696	0	0
PP&E - impairment	4,438	3,015	2,104	2,182
Non-current financial assets	19	0	0	0
Inventories	31,422	25,242	23,488	28,222
Other current assets	1,466	2,314	2,303	1,385
Other liabilities and charges	6,075	3,373	3,645	3,657
Total	92,305	79,693	31,970	35,977

Note 21. Other current operating income and expenses

(in thousands of euros)

	2010	2009
External real estate occupancy revenues	3,155	1,788
Capital gains / (losses) on disposals of non-current assets	(2,229)	(4,478)
Impairment on PP&E and intangible assets	(3,517)	(3,146)
Other net income (expenses)	1,181	889
Other current operating income and expenses	(1,410)	(4,948)

Note 22. EBITDA calculation

(in thousands of euros)

	2010		2009	
Ordinary operating income	(a)	50,132		43,911
	Allocations	Reversals	Allocations	Reversals
Goodwill	0	0	0	0
Intangible assets - amortisation	6,065	0	5,999	0
Intangible assets - impairment	1,392	430	3,054	531
PP&E - depreciation	40,028	0	36,696	0
PP&E - impairment	4,438	2,104	3,015	2,182
Impairment (operating P&L)	(354)	(575)	(664)	(453)
Subtotal depreciation/impairment	(b)	49,610		45,840
Inventory impairment	31,422	23,488	25,242	28,222
Other current assets	1,466	2,303	2,314	1,385
Subtotal net impairment losses	(c)	7,097		(2,051)
Provisions for liabilities and charges	6,075	3,645	3,373	3,657
Provisions for liabilities and charges (operating P&L)	(2,720)	(1,402)	(1,344)	0
Provisions for liabilities and charges (financial P&L)			(13)	0
Provisions for taxes (accounted as tax expense)			0	(77)
Subtotal provisions for liabilities and charges	(d)	1,112		(1,564)
Capital gains / (losses) on disposals of non-current assets	(e)	(2,229)	(2,229)	(4,478)
EBITDA = (a) + (b) + (c) + (d) - (e)	(f)	110,180		90,614

Note 23. Other operating income and expenses

(in thousands of euros)

	2010	2009
Staff reduction programme	(1,484)	(3,741)
Streamlining of store network ⁽¹⁾	(1,683)	(2,690)
CAP ETAM	(3,167)	(6,431)
Supplier dispute	(2,285)	
Closure of Germany lingerie business		(704)
TOTAL	(5,452)	(7,135)

CAP ETAM

Following the managers' and management committee's decision in October 2008 to refocus the Group's business activities (by discontinuing Etam's ready-to-wear business in Belgium and Italy and its lingerie business in Germany and India) the Group reviewed its action plans so as to weather the economic crisis and improve its operating profitability over the medium term.

In the first quarter of 2009, the «Cap Etam 2010» action plan was launched as part of the review conducted with the support of an internationally renowned management consulting firm. The plan, which contained a number of measures to cut costs and enhance productivity, is being gradually rolled out over 2009 and 2010 with the aim of enabling the Group to improve its competitive position, profitability and cash flow in the long term.

The cost of implementing the «Cap Etam 2010» plan is by nature non-current and material with regard to the Group's ordinary operating income, and can be considered a fundamental reorganisation.

Supplier litigation

Conclusion of a dispute with a work supplier, of long duration and significant and unusual in nature for the group. Originally, the judgement ruled in favour of Etam and this dispute appeared resolved.

Note 24. Financial income

(in thousands of euros)

	2010	2009
Interest on bank borrowings	(8,834)	(6,588)
Interest on finance leases	(795)	(1,224)
Income from marketable securities	0	0
Gains from sale of marketable securities	436	225
Charges from sale of marketable securities	(5)	(2)
Cost of net debt	(9,198)	(7,589)
Foreign exchange gains (losses)	1,145	386
Other	(43)	354
Other financial income and expenses	1,102	740
Financial income/(expense)	(8,096)	(6,849)

Note 25. Income tax

Note 25.1. Analysis of income tax expense

(in thousands of euros)

	2010	2009
Taxes payable	(8,486)	(5,510)
Deferred taxes	2,660	1,125
CVAE	(4,007)	0
Adjustment of prior year taxes payable	0	77
Income tax expense for the year	(9,833)	(4,308)
Pre-tax income from continuing operations	34,412	29,197
Nominal tax rate for the Group based on pre-tax income from continuing operations	28.6%	14.8%

Current taxes

The current tax expense corresponds to income tax for the period payable to tax authorities of various countries based on local tax rates and requirements. Since 1 January 2000, Etam Développement has maintained its decision to file a consolidated return under the tax integration system provided in Article 233 A of the French General Tax Code for taxable income of the company and of French subsidiaries over which it has at least 95% control.

Deferred taxes

The accounting method used for deferred tax recognition is explained in Note 2.15.

The baseline tax rate in France is 33.33%.

The French Social Security funding law no. 99-1140 of 29 December 1999 provided for a surcharge equal to 3.3% of the baseline tax due. Therefore the legal tax rate for French companies increased by 1.1% to 34.43%.

The “CVAE” tax

In France, the 2010 Finance Act introduced a new tax: the “Cotisation sur la Valeur Ajoutée des Entreprises” (contribution on the added value of businesses), known as the CVAE. In order to achieve consistency with the treatment of analogous taxes within the Group, the Group qualified the CVAE as an income tax with respect to IAS 12. As a result, it is recognised under “Income taxes”.

Note 25.2. Tax consolidation: tax savings achieved by the group and list of participating companies

(in thousands of euros)

	2010	2009
Income tax due by Group companies if taxed separately	13,663	19,136
Income tax due by the tax-consolidated Group	0	(1,025)
Income tax savings (additional expense) for the year	13,663	18,111
Consolidated companies for tax purposes		
ETAM DEVELOPPEMENT	0	0
ETAM SA	0	0
ELAN INDUSTRIES	0	0
NORTEX SA	0	0
SARL ENTREPOTS COMPANS	0	0
ENTREPOTS GOUSSAINVILLE	0	0
123 SAS (formerly Financière Jaurès SAS)	0	0
ETAM DESTOCK (formerly Financière Barbusse SAS)	0	0
FINANCIERE CASTERES	0	0
NORPIERRE SAS (formerly SAS RUE DE CLICHY)	0	0
ETAM FORMATION SAS	0	0
ETAM SCE	0	0
ETAM PRET A PORTER (formerly Sci Nimelyon)	0	0
ETAM LINGERIE	0	0
UNDIZ	0	0
COVI DEUX SAS	0	0
Number of companies consolidated	16	16

Note 25.3. Analysis of income tax expense

(in thousands of euros)

	2010	2009
Net income for the period from continuing operations	24,579	24,889
Taxes payable	(8,486)	(5,510)
Deferred taxes	2,660	1,125
CVAE	(4,007)	0
Adjustment of prior year taxes payable	0	77
Pre-tax income from continuing operations	34,412	29,197
Impairment of goodwill	0	0
Elimination of intra-group income	750	1,791
Asset impairment not deductible for tax purposes	0	0
Other	2,505	2,150
Total permanent differences (i.e. expenses not deductible for tax purposes)	3,255	3,941
Income eligible for tax exemption or a reduced tax rate	1,203	(11,052)
Taxable income of continuing operations eligible for current tax rate	38,870	22,087
Current tax rate applicable in France	34.43%	34.43%
Theoretical tax at current rate applicable in France	(13,383)	(7,604)
Effect on theoretical tax of:		-
- the difference between French and foreign tax rates	6,067	1,431
- unused tax losses for the year	(548)	(247)
- utilisation of tax loss carry-forwards	0	609
- changes in deferred tax rates	645	412
- CVAE net of tax	(2,628)	0
- taxes without basis	152	1,092
- other	(138)	0
Total	3,550	3,297
Income tax at normal tax rate	(9,833)	(4,308)
Income tax at reduced tax rate		
Group income tax expense	(9,833)	(4,308)
Operating income	44,679	36,776
Financial income / (expense)	(8,096)	(6,849)
Share in profit (loss) of equity affiliates	(2,171)	(731)
Pre-tax income from continuing operations	34,412	29,197
Income tax expense at current rate	(7,316)	(6,173)
Current tax rate of the Group	21.3%	21.1%

Note 25.4. Source of deferred tax assets and liabilities

(in thousands of euros)

	2010			2009		
	ASSETS	LIABILITIES	NET	ASSETS	LIABILITIES	NET
Intangible assets	2,258	(55,042)	(52,784)	162	(55,500)	(55,338)
Property, plant and equipment	3,382	(42,514)	(39,132)	2,162	(33,208)	(31,046)
Inventories	2,792	0	2,792	1,288	0	1,288
Financial instruments	1,282	0	1,282	432	(204)	228
Other assets	405	(4,001)	(3,596)	247	(1,290)	(1,043)
Provisions for obligations to employees	5,008		5,008	272	(1,652)	(1,380)
Provisions for price increases	0	(7,103)	(7,103)	-	(5,933)	(5,933)
Exceptional amortisation	16	(3,791)	(3,775)	17	(3,519)	(3,502)
Other provisions for liabilities and charges	53	(280)	(227)	38	(221)	(183)
Other liabilities	7,576	(4,287)	3,289	3,715	(1,593)	2,122
Tax loss carry-forwards	283	0	283	0	0	0
Other deferred taxes	14	0	14	24	0	24
Net deferred tax assets (liabilities)	23,069	(117,018)	(93,949)	8,357	(103,120)	(94,763)
Deferred tax assets on the statement of financial position			13,826			4,959
Deferred tax liabilities on the statement of financial position			(107,776)			(99,722)
Net balance			(93,949)			(94,763)

Note 25.5. Change in deferred tax assets and liabilities

(in thousands of euros)

	NET AS OF 31.12.09 (b)	RECOGNISED IN INCOME	DIRECTLY IN EQUITY	CHANGE IN CONSOLID. SCOPE	OTHER MOVEMENTS	TRANSLATION DIFFERENCES	NET AS OF 31.12.10 (b)
Intangible assets	(55,338)	552	1,680	0	324	(2)	(52,784)
Property, plant and equipment	(31,046)	3,086	(11,105)	0	(283)	216	(39,132)
Inventories	1,288	1,340	0	0	(1)	165	2,792
Financial instruments	228	74	980				1,282
Other assets	(1,043)	(1,246)			(1,333)	26	(3,596)
Provisions for obligations to employees	(1,380)	375	6,001		12	0	5,008
Provisions for price increases	(5,933)	(1,170)					(7,103)
Exceptional amortisation	(3,502)	(272)			(1)		(3,775)
Other provisions for liabilities and charges	(183)	(41)	(6)		3		(227)
Other liabilities	2,122	(311)	0		1,350	128	3,289
Tax loss carry-forwards	0	269			14		283
Other deferred taxes	24	4			(14)		14
Net deferred tax assets (liabilities)	(94,763)	2,660	(2,450)	0	71	533	(93,949)

Note 25.6. Unrecognised deferred tax assets

Total tax loss carry-forwards not recognised on the balance sheet represent a potential tax savings of €27.9 million in 2010 (€29.8 million in 2009).

(in thousands of euros)

	GROSS VALUE	TOTAL DEFERRED TAX ASSET	DEFERRED TAX ASSET RECOGNISED	UNRECOGNISED DEFERRED TAX ASSET
Tax loss carry-forwards	81,967	27,897	0	27,897
Other	0	0	0	0
Total	81,967	27,897	0	27,897

Deferred tax assets are recognised on the balance sheet based on business plans developed for each subsidiary. These plans are consistent with those used to perform impairment tests.

Note 26. Earnings per share

(in thousands of euros)

		2010	2009
Weighted average number of shares outstanding at December 31	(a)	10,797,630	10,760,072
Treasury shares deducted from equity	(b)	1,654,284	0
Weighted average number of shares in circulation during the period	(c)=(a)- (b)	9,143,346	10,760,072
Weighted average number of diluted shares	(d)	-	12,708
Weighted average number of ordinary shares (diluted)	(e)=(c)+(d)	9,143,346	10,772,780
Net income for the period attributable to owners of the parent		17,963	19,403
Proposed distribution to general partners		(1,636)	(1,628)
Net income for the period attributable to owners of the parent used to determine basic and diluted earnings per share		16,326	17,775
- Basic earnings per share (in euros)		1.786	1.652
- Diluted earnings per share (in euros)		1.786	1.65
Net income for the period from continuing operations		24,579	24,889
Proposed distribution to general partners		(1,636)	(1,628)
Net income for the period from continuing operations used to determine basic and diluted earnings per share		22,943	23,261
- Basic earnings per share (in euros)		2.51	2.16
- Diluted earnings per share (in euros)		2.51	2.16
Net income for the period from continuing operations, excluding non-current items		23,415	27,453
Proposed distribution to general partners		(1,636)	(1,628)
Net income for the period from continuing operations excluding non-current items used to determine basic and diluted earnings per share		21,778	25,825
- Basic earnings per share (in euros)		2.38	2.40
- Diluted earnings per share (in euros)		2.38	2.40
Net income from operations discontinued or being sold		0	(915)
- Basic earnings per share (in euros)		0.000	0.085
- Diluted earnings per share (in euros)		0.000	0.085

Note 26.1. Group portion of net income from continuing operations excluding non-recurring items

(in thousands of euros)

	2010	2009
Net income for the period from continuing operations	24,579	24,889
of which share of net income for the period from continuing operations attributable to:		
- Owners of the Group's parent company	17,963	20,319
- Non-controlling interests	6,617	4,570
Non-current items - group share	(5,452)	(7,135)
of which share of non-current items attributable to:		
- Owners of the Group's parent company	(5,452)	(7,135)
- Non-controlling interests	-	-
Net income for the period attributable to owners of the parent from continuing operations excluding non-current items	23,415	27,453

Note 27. Transactions with related parties

Note 27.1. Compensation paid to senior executives

Compensation allocated to the general partners, the members of the Management Committee and the Supervisory Board and to the Boards of Directors of the subsidiaries.

(in thousands of euros)

	2010				TOTAL	2009
	MANAGEMENT COMMITTEE	GENERAL PARTNERS	SUPERVISORY BOARD	BOARDS OF DIRECTORS		
Short-term benefits (compensation, bonuses, non-cash benefits, etc.)	2,193	2,568			4,761	5,917
Directors' fees	2	25	122	7	156	289
Long-term and post-employment benefits (pensions, long-service awards, etc.)	0	0	0	0	0	0
Stock options	0	0	0	0	0	0
Total	2,195	2,593	122	7	4,917	6,206

The part of retirement and related provisions related to executives as of 31 December 2010 was as follows:

(in thousands of euros)

	2010	2009
Severance pay upon retirement	1,274	67
Supplementary pension scheme	21,271	2,068
Total	22,545	2,135

In 2010, no senior executive was the beneficiary of any purchase- or subscription-type stock options.

In addition, the Group negotiated termination packages with some of these executives to be paid upon leaving the Group. The total commitment amounted to €2,437 million in 2010, compared with €3,110 million in 2009 and €3,155 million in 2008.

Note 27.2. Unconsolidated equity interests

The Group did not conclude any material transactions with its unconsolidated associates in 2010 or 2009.

Note 27.3. Related parties with notable influence on the group

As indicated in Article 23 of the by-laws, the general partners are entitled to 1% of the net income eligible for distribution in any given year. This

payment is deducted from the net income eligible for distribution. The distribution of the share of the profits allocated to the general partners takes place within a three-month period following approval of the financial statements by the General Shareholders' Meeting.

A total of €1,636 thousand was distributed in 2010, €1,439 thousand was distributed in 2009, €1,380 thousand was distributed in 2008.

Except for the transaction described above, the Group did not conclude any significant transactions with related parties in 2010 other than the ordinary business transactions described in Note 27.4 below.

Note 27.4. Interests in associates

MOA, a company in which Etam holds a 25% interest, distributes fashion accessories to a network of retailers. It pays a royalty to the Group for products distributed by the Etam network. This royalty represents a percentage of MOA's sales in the stores.

Transactions with MOA were as follows in 2010:

(in thousands of euros)

	2010	2009
Royalties	3,926	4,233
Small equipment purchases	0	0
Cash advance (Loan)	330	520
Trade payables	(508)	(617)

Note 27.5. Companies included in the consolidated group

Transactions with companies fully or proportionally consolidated include mostly:

- sales and purchases of goods,
- services performed,
- brand use royalties,
- interest income and expenses on current accounts,
- dividends

Note 28. Exceptional events and disputes

As of the date of this report, no exceptional event or dispute occurred that might have a significant impact on the Group's business, financial position, income, assets or outlook, or on its subsidiaries.

Note 29. Exchange rates

	2010		2009	
	AVERAGE	31-DÉC	AVERAGE	31-DÉC
CNY	0.110772	0.113353	0.104702	0.101678
HKD	0.097015	0.096287	0.092595	0.089518
RON	0.237498	0.234632	0.23587	0.236055
INR	0.016493	0.016734	0.014975	0.014916
SGD	0.553095	0.583567	0.494324	0.495197
PLN	0.250426	0.251572	0.232408	0.243635
CHF	0.72273	0.799744	0.662406	0.674036

Note 30. Statutory auditor fees

(in thousands of euros)

	CONSTANTIN				KPMG			
	AMOUNT (EXCL. VAT)		%		AMOUNT (EXCL. VAT)		%	
	2010	2009	2010	2009	2010	2009	2010	2009
Audit								
- Statutory auditors, certification, review of separate and consolidated financial statements ⁽¹⁾	395.69	405.50	100.0%	98.4%	395.17	356.36	99.7%	94.5%
- Issuer	90.06	85.39	22.8%	20.7%	79.74	111.81	20.1%	29.7%
- Fully consolidated subsidiaries	305.63	320.11	77.2%	77.7%	315.43	244.55	79.6%	64.9%
- Additional work	-	6.49	0.0%	1.6%	1.30	20.61	0.3%	5.5%
- Issuer		-	0.0%	0.0%		1.50	0.0%	0.4%
- Fully consolidated subsidiaries		6.49	0.0%	1.6%	1.30	19.11	0.3%	5.1%
Sub-total	395.69	411.99	100.0%	100.0%	396.47	376.97	100.0%	100.0%
Other Services								
- Legal, tax, HR	-	-	-	-	-	-	-	-
- Information technology	-	-	-	-	-	-	-	-
- Internal audit	-	-	-	-	-	-	-	-
- Other (specify if > 10% of the audit fee)	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-
TOTAL	395.69	411.99	100%	100%	396.47	376.97	100%	100%

(1) including services rendered by independent experts or the network upon request by the statutory auditor as part of the certification of the accounts.

Note 31. Scope of consolidation

COMPANY	REGISTERED OFFICE	SIREN REGISTRATION NUMBER	% CONTROL	% INTEREST
Fully consolidated companies				
French companies				
ETAM DEVELOPPEMENT SCA	75 - PARIS	308 382 035	PARENT COMPANY	PARENT COMPANY
ETAM SA	92 - CLICHY	552 015 307	100.00%	100.00%
ELAN INDUSTRIES	92 - CLICHY	344 825 245	99.96%	99.96%
NORTEX SA	92 - CLICHY	552 036 121	100.00%	100.00%
ETAM PRÊT A PORTER (formerly SCI Nimelyon)	92 - CLICHY	337 598 866	100.00%	100.00%
SARL ENTREPOTS COMPANS	77 - COMPANS	411 699 473	100.00%	100.00%
ENTREPOTS GOUSSAINVILLE	92 - CLICHY	432 220 275	100.00%	100.00%
123 SAS (formerly Financière Jaurès)	92 - CLICHY	444 600 464	100.00%	100.00%
ETAM DESTOCK (formerly Financière Barbusse)	92 - CLICHY	444 600 134	100.00%	100.00%
FINANCIERE CASTERES SAS	92 - CLICHY	444 600 274	100.00%	100.00%
NORPIERRE SAS (formerly SAS RUE DE CLICHY)	92 - CLICHY	450 967 783	100.00%	100.00%
ETAM FORMATION (formerly SAS Rue de Paris)	92 - CLICHY	450 989 306	100.00%	100.00%
ETAM SCE (formerly SAS Rue Martre)	92 - CLICHY	450 966 445	100.00%	100.00%
ETAM FINANCES SNC	92 - CLICHY	479 494 379	100.00%	100.00%
ETAM LINGERIE SAS	92 - CLICHY	478 355 753	100.00%	100.00%
UNDIZ SAS (formerly COVI SAS)	92 - CLICHY	478 356 116	100.00%	100.00%
COVI DEUX SAS	92 - CLICHY	479 598 336	100.00%	100.00%
Foreign companies				
ETAM SA Belgique	Brussels - Belgium		100.00%	100.00%
FONCIERE ETEL (formerly ETAMIL)	Brussels - Belgium		100.00%	100.00%
ETAMINT	Brussels - Belgium		100.00%	100.00%
ETAM Luxembourg	Luxembourg		100.00%	100.00%
1.2.3. Luxembourg	Luxembourg		100.00%	100.00%
MODASIA	Luxembourg		80.85%	76.00%
IFEM	Madrid - Spain		99.00%	99.00%
1.2.3. GmbH	Krefeld - Germany		100.00%	100.00%
ETAMIL GmbH	Oberhausen - Germany		100.00%	100.00%
INTERMODA	Shanghai - China		100.00%	76.00%
SHANGHAI AIGE	Shanghai - China		100.00%	76.00%
E.I.S. Chine	Shanghai - China		100.00%	100.00%
ELEGANT TIME INTERNATIONAL LTD	Hong Kong - China		100.00%	76.00%
ELEGANT SHANGHAI TRADING CO.LTD	Shanghai - China		100.00%	76.00%
SHANGHAI INTERMAY CLOTHING Co. Ltd	Shanghai - China		100.00%	76.00%
TAIZHOU AIGE CLOTHING Co. Ltd	Taizhou - China		100.00%	76.00%
DECORATION CO.	Shanghai - China		100.00%	76.00%
ETAM Italie	Milan - Italy		100.00%	99.99%
U.B.O.	New Delhi - India		60.00%	60.00%
IFLEM	Lisbon - Portugal		100.00%	99.00%
ETAM SINGAPOUR	Singapore		100.00%	100.00%
ETAM POLAND SP	Warsaw - Poland		100.00%	100.00%
GROUPE ETAM SUISSE	Geneva - Switzerland		100.00%	100.00%
EIS ROUMANIE	Bucharest - Romania		100.00%	100.00%
Companies consolidated under the proportional consolidation method				
French companies				
AMEC	93 - SAINT OUEN	412 783 078	50.00%	50.00%
GECIDIMMO	93 - SAINT OUEN	390 335 297	50.00%	50.00%
SCI BORDEAUX	93 - SAINT OUEN	399 271 238	100.00%	50.00%
Companies consolidated under the equity method				
French companies				
MOA	75 - PARIS	441 217 395	25.00%	25.00%

Note 32. Subsequent events

There are no significant events to report after the closing date.



CHAPTER 4: Statutory auditors' reports

Report of the statutory auditors on the full-year financial statements	98
Report of the statutory auditors on the consolidated financial statements	99



KPMG Audit
Immeuble KPMG
1, cours Valmy
92923 Paris La Défense Cedex
France



Member of
Deloitte Touche Tohmatsu
Constantin Associés
114 rue Marius Auphan
92532 Levallois Perret Cedex
France

REPORT OF THE STATUTORY AUDITORS ON THE FULL-YEAR FINANCIAL STATEMENTS

Year ended 31 December 2010

To the Partners and Shareholders,

In the performance of the audit assigned to us by your Shareholders' Meeting, we present our report for the financial year ended 31 December 2010 on the:

- review of the full-year financial statements of Etam Développement S.C.A. as they appear in this report;
- explanation of our assessment;
- specific verification as provided by law.

The full-year financial statements were prepared by the managers. Our responsibility is to express an opinion on these financial statements based on our audit.

Opinion on full-year financial statements

We conducted our audit in accordance with generally accepted accounting standards in France. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, or by other selection methods, the evidence supporting the information in the financial statements. It also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall presentation of the financial statements.

We believe that our audits provide a reasonable basis for our opinion as stated below.

We certify that the full-year financial statements are, with regard to French accounting rules and principles, fair and accurate, and present a true reflection of the assets, financial position and the results of the company at the end of this financial year.

Explanation of our assessment

In accordance with article L.823-9 of the French Commercial Code regarding the explanation of our assessment, we bring the following elements to your attention.

Note 2.1.2 to the full-year financial statements explains the accounting rules and methods used to evaluate investments in associates.

As part of our assessment of the rules and principles followed by your company, we have verified the appropriateness of the accounting methods described above and the information provided in the notes to the full-year financial statements, and we have confirmed that they have been correctly applied.

The assessments thus made form part of our audit procedure for the full-year financial statements overall, and have contributed to our forming an opinion, as expressed at the beginning of this report.

Specific verification

We have also made specific verifications, in accordance with professional standards applicable in France.

We have no comment to make with respect to the fair presentation and the consistency with the full-year financial statements of the information provided in the management report and in the documents addressed to shareholders and general partners on the financial condition and the full-year financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code on compensation and benefits paid to the executive directors and any other commitments in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements, and where applicable, with the information obtained by your Company from the companies controlling your Company or controlled by your Company. Based on this work, we certify the accuracy and fair presentation of this information.

The Independent Auditors

Paris La Défense, 13 April 2011

Neuilly-sur-Seine, 13 April 2011

KPMG Audit

Department of KPMG S.A.

Eric Ropert

Partner

Constantin Associés

Jean-Marc Bastier

Partner



KPMG Audit
Immeuble KPMG
1, cours Valmy
92923 Paris La Défense Cedex
France



Member of
Deloitte Touche Tohmatsu
Constantin Associés
114 rue Marius AUFAN
92532 Levallois Perret Cedex
France

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

To the Partners and Shareholders,

In the performance of the audit assigned to us by your Shareholders' Meeting, we present our report for the financial year ended 31 December 2010 on the:

- review of the consolidated financial statements of Etam Développement S.C.A. as they appear in this report;
- explanation of our assessment;
- specific verifications required by law.

The consolidated financial statements were prepared by the managers. Our responsibility is to express an opinion on these financial statements based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with generally accepted accounting standards in France. These standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, or by other selection methods, the evidence supporting the information in the consolidated financial statements. It also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall presentation of the financial statements.

We believe that our audits provide a reasonable basis for our opinion as stated below.

We certify that the consolidated financial statements are, with regard to IFRS guidelines as adopted by the European Union, fair and accurate, and present a true reflection of the assets, financial position and the results of all the companies included in the consolidation.

Without qualifying our opinion, we draw your attention to Notes 2.1 "Basis of preparation of the financial statements" and 2.25 "Impact of changes in accounting method" to the financial statements which disclose the change in accounting method regarding the decision to immediately recognise actuarial differences in other components of comprehensive income.

Explanation of our assessment

In accordance with article L.823-9 of the French Commercial Code regarding the explanation of our assessment, we bring to your attention the following elements.

As mentioned in the first part of this report, Notes 2.1 and 2.25 to the consolidated financial statements disclose the change in accounting method that took place during the year, following application of the option offered by the amendment to IAS 19 *Employee benefits*

– *Actuarial differences, group plans and information to provide*, permitting recognition in equity of all actuarial gains and losses found when assessing defined benefit pension plans, during the period in which they arise.

In accordance with IAS 8 *Accounting methods, changes in accounting estimates and errors*, the comparative information for the years 2008 and 2009, presented in the consolidated financial statements, has been restated in order to retrospectively take into account the application of this amendment. As a consequence, the comparative information differs from the consolidated financial statements published for 2009 and 2008.

As part of our assessment of the accounting principles used by your group, we reviewed the correct restatement of the financial statements for 2009 and 2008 and the related information given in Notes 2.1 and 2.25 to the consolidated financial statements.

The company has elected to use the accounting method of revaluing all leasehold rights and similar property and its real estate. It undertakes, therefore, regular revaluations of its assets, according to the procedures described in Notes 2.6.1 and 2.7.1 in the annex of the consolidated financial statements. We have examined the rules and principles of these revaluations as well as the documentation provided, we have tested by sampling the reasonableness of these methods and we have verified the appropriateness of notes 2.6.1 and 2.7.1.

The assessments thus made form part of our audit procedure for the consolidated financial statements overall, and have contributed to our forming an opinion, as expressed at the beginning of this report.

Specific verification

In accordance with professional standards applicable in France, we have also verified the information relating to the Group which has been provided in the management report of the general partners in charge of management.

We have no comment to make with respect to its accuracy or consistency with the consolidated financial statements.

The Independent Auditors

Paris La Défense, 13 April 2011

KPMG Audit

Department of KPMG S.A.

Eric Ropert

Partner

Neuilly-sur-Seine, 13 April 2011

Constantin Associés

Jean Marc Bastier

Partner

DECLARATION BY PHYSICAL PERSONS WHO ASSUME RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

I hereby attest that, to the best of my knowledge, the accounts for the 2010 financial year have been established in accordance with applicable accounting standards and give a true reflection of the assets, financial position and the results of the company and all the companies included in the consolidation, and that the attached management report, from page 4 to page 25, presents a faithful statement of the sales, earnings and the financial position of the company and all the companies included in the consolidation, as well as a description of the main risks and uncertainties.

Paris, 13 April 2011

The Management

Pierre Milchior

Laurent Milchior

Marie-Claire Tarica

www.etamdeveloppement.com



Limited partnership with a share capital of €12,169,313
Registered office: 67/73, rue de Rivoli – 75001 PARIS
308 382 035 R.C.S. PARIS