

## Annual results for 2009: return to profit

- A growing contribution from luxury mobiles
- Increased leadership in the distribution market
- 15.8% gross margin growth fuelled by both businesses
- Record net cash of €30.8 million (+ €13.6 million)

## A favourable outlook

ModeLabs Group announces net profit of €1.4 million for 2009 compared with a loss of €(31.6) million for 2008, a performance fuelled by the renewed focus on the Group's two strategic businesses:

- Modelabs Manufacture which has continued to grow its production and sale of high added value luxury mobiles,
- Modelabs Distribution which has increased its leadership within a market temporarily affected by the economic crisis.

The Group's strategic emphasis of a balanced business model, combining an activity with high potential (Manufacture) and a mature activity nevertheless benefiting from a strong competitive position (Distribution), has thus borne its fruit in the form of renewed profitability.

IFRS consolidated financial statements* <i>in millions of euro</i>	2009	2008
Revenue	177.7	182.2
Gross margin	30.2	26.1
<i>Gross margin rate</i>	<i>17.0%</i>	<i>14.3%</i>
Operating costs	(28.1)	(28.0)
Non-recurring items	(0.6)	(4.1)
Operating profit/(loss)	1.5	(6.0)
Net financial income/(expense)	0.1	(0.8)
Result of discontinued operations	1.2	(28.3)
Income tax	(1.4)	3.3
Net profit/(loss)	1.4	(31.6)
Net cash	30.8	17.2

\* Not audited

## **Dynamic performance in 2009 despite a difficult environment**

ModeLabs Group recorded revenue of €177.7 million for 2009, a fall of 2.5% compared to 2008 which included exceptional distribution revenue of €18 million. After adjustment for this item, revenue for 2009 was up 8.2% compared to 2008.

ModeLabs Manufacture saw its revenue increase by 9.8%. The business was historically focused on Lifestyle (fashion) mobiles but is now concentrated on the Luxury segment which represents 90% of the division's sales.

This growth has been underpinned by the success of the MERIDIIST (for TAG Heuer) and DiorPhone (for Christian Dior) mobiles in turn supported by the continuous deployment of the division's worldwide selective distribution network. As promised, the growth achieved in 2009 enabled the division's operating loss to be reduced by half from €(12.0) million in 2008 to €(6.4) million in 2009.

ModeLabs Distribution saw its revenue increase by 8.1% after adjustment for the exceptional revenue recorded in 2008. The reinforcement of the division's partnerships with manufacturers, keen at a time of crisis to consolidate their relationship with the key distributors, has enabled ModeLabs Distribution to strengthen its leadership.

Sales were sustained as much for mobiles as for accessories with particular enthusiasm for products dedicated to the iPhone. ModeLabs also, during 2009, launched ModeLabs Licensing Studio in response to the growing demand for co-branded products that certain manufacturers believe may ultimately account for 10% of the total French market. The first project, associating Samsung and the Zadig & Voltaire fashion brand, has been an undisputed success.

The division thus achieved one of its best years in terms of profitability with operating profit of 6.0% compared with 4.3% in 2008, an improvement of 35%.

## **Gross margin up by 15.8% thanks to both the Group's businesses**

ModeLabs Group's gross margin rate increased by 2.7 points to 15.8% thanks to:

- The doubling of the gross margin rate for ModeLabs Manufacture which now essentially produces luxury mobiles,
- The excellent performance of ModeLabs Distribution whose gross margin rate increased by 1.5 points to 15.7%.

## **Net profit of €1.4 million for 2009 compared with a net loss of €(31.6) million for 2008**

The improvement in gross margin, associated with tight cost control, has enabled the Group to record an operating profit of €1.5 million for 2009 compared with a loss of €(6) million in 2008 partly attributable to non-recurring launch costs for the luxury mobile business.

Net profit for 2009 amounts to €1.4 million, compared with a net loss of €(31.6) million in 2008 combining the impact of the operating loss and the costs associated with the disposal of a loss-making subsidiary.

## Net cash in excess of €30 million at the end of 2009

As at 31 December, 2009 the Group discloses €61.8 million of shareholders' equity and net cash of €30.8 million, up €13.6 million compared with 31 December 2008. The Group's cash position has thus been reinforced both by improved working capital management and by the favourable operating cash flow impact amounting to €7.7 million.

The solidity of the Group's balance sheet is a gauge for its future development.

## A favourable outlook

Thanks to its strategy of product enhancement by ModeLabs Manufacture and the positive trend in revenue for ModeLabs Distribution, the Group is very confident that it will achieve its objective of an increase in net profit for 2010 compared to 2009.

The strength of the sales achieved in the first two months of 2010 allows the Group to anticipate a two figure increase in its revenue for the 1<sup>st</sup> quarter.

ModeLabs Manufacture intends to continue enhancing its luxury mobile range and will launch the first VERSACE telephone in mid-2010.

In parallel ModeLabs Distribution, which continues to innovate – in particular by enriching its range of accessories – will once again provide an appreciative level of profitability within a market whose upturn has materialised faster than expected.

**Next dates in our calendar:** publication of 1<sup>st</sup> quarter revenue for 2010 on 14 April 2010.

### About ModeLabs Group:

ModeLabs Group, creator of tailor-made handsets and telecom distributor, is a new generation player in the mobile phone sector. The company designs, develops and markets mobile phone handsets, accessories and services in an integrated and flexible manner for mobile phone operators, retailers and major brands. Its activities are structured within two strategic divisions:

- *ModeLabs Manufacture* integrates conception and design expertise and technological know-how to give luxury (TAG Heuer, Dior, VERSACE) brands the opportunity to create their own range of mobile phones, and ensures qualitative and selective distribution over three continents in department stores, fashion stores and watch and jewellery stores;
- *ModeLabs Distribution*, specialist and leader in France in the distribution of mobile phones and accessories, is present in each distribution sector: networks, MVNO, mass merchandisers, multi-specialists, telecom specialists, other retailers and e-business.

**ModeLabs Group is listed on the NYSE Euronext-Paris Eurolist**

**Isin: FR 0010060665, Mnemo: MDL, Reuters: MDLB.PA, Bloomberg: MDL:FP**

**For more information: [www.modelabs.com](http://www.modelabs.com)**

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