

Strong increase in our half-yearly results for 2010:

- **Gross margin: + 57.5%**
- **Operating profit: €3.3 million**
- **Net cash: €35.8 million, up by €8.1 million**

Confirmation of the Group's return to growth in profitability

ModeLabs Group confirms its return to growth in profitability thanks to the performance of both its businesses during the 1st half of 2010. Operating profit, positive for the second consecutive half-year, has risen to €3.3 million thus enabling the Group to achieve half-yearly net income of €2.3 million, in excess of the full year net income for 2009 amounting to €1.4 million.

Given the 1st half-year's operating cash flow of €6.7 million, net cash reached a new record level of €35.8 million at the end of June.

Audited IFRS consolidated financial statements (€m)	1 st half of 2010	1 st half of 2009	Change
Revenue	104.0	78.3	+ 32.7%
Gross margin	18.8	11.9	+ 57.5%
<i>Gross margin rate</i>	<i>18.1%</i>	<i>15.2%</i>	<i>+ 2.8 pts</i>
Operating costs	(15.7)	(13.0)	+ 17.2%
Non-recurring items	0.2	0	N.A.
Operating profit/(loss) (EBIT)	3.3	(1.0)	N.A.
Net financial income/(expense)	0.6	(0.7)	N.A.
Net income	2.3	(0.3)	N.A.
Net cash	35.8	27.7	+ 29.2%

Strong development of both businesses during the half-year

ModeLabs Group has experienced continuing very strong growth in its sales during the 1st half of 2010 with revenue of €104.0 million up 32.7% compared with the 1st half of 2009.

ModeLabs Manufacture has pursued its ascent with a second and totally operational manufacturing facility, an enriched product range and the deployment of its distribution network reaching 302 sales

outlets at the end of June 2010 compared with 211 at the end of December 2009 and 104 at 30 June 2009. The division achieved half-yearly revenue of €9.8 million (+ 63.8%) spurred by very strong demand for luxury mobiles in the emerging countries, particularly in Asia. China is now our foremost market, followed by Russia. According to the Merrill Lynch Capgemini report published in June 2010, in 2011 Asia may be expected to become the continent with the greatest number of millionaires.

ModeLabs Distribution has also recorded greatly increased half-yearly sales of €94.1 million (+ 30.1%) sustained by the development of its ranges of accessories (protective items, licensed products, memory cards etc.) and by the success of its sales policy in respect of mobile phones.

Significant improvement of operating profit

Both ModeLabs Manufacture and ModeLabs Distribution have contributed to the 57.5% increase in ModeLabs Group's gross margin:

- ModeLabs Manufacture's 100% luxury market positioning, combined with its enriched range of exceptional mobiles, have enabled the division to continue the growth in its gross margin rate from 22.9% for the 1st half of 2009 to 31.8% for the 2nd half of the year and now 35.3% for the 1st half of 2010.
- ModeLabs Distribution's strategy of service development, the takeoff of its licensing activities and the optimisation of its product mix have enabled the division to increase its gross margin rate by 1.7 points from 14.5% for the 1st half of 2009 to 16.3% for the 1st half of 2010.

The combination of tight control over operating costs and improved gross margin have enabled half-yearly operating profit to rise to €3.3 million compared with an operating loss of -€1.0 million for the 1st half of 2009.

ModeLabs Manufacture confirms its recovery with a new reduction in its operating loss to -€2.5 million compared with -€3.5 million for the 1st half of 2009. The division's target is to achieve an operating profit by the end of 2011.

ModeLabs Distribution achieved half-yearly operating profit of €6.8 million, i.e. 7.2% of revenue compared with 4.6% for the 1st half of 2009.

As a result, the Group achieved half-yearly net income of €2.3 million compared with a net loss of -€0.3 million for the 1st half of 2009. The half-yearly result represents an improvement over the Group's full year net income for 2009 which amounted to €1.4 million including an exceptional gain of €1.0 million.

Growth spearheading the Group's cash reserves

During the 1st half of 2010 ModeLabs Group generated €6.7 million of operating cash flow thereby reinforcing the Group's financial position disclosing net cash of €35.8 million at the end of June 2010 compared with €27.7 million at the end of June 2009. The Group's equity increased to €63.2 million.

A further improved outlook

ModeLabs Manufacture will derive the benefit, during the 2nd half of 2010, both of the first revenue contribution from the Versace Unique mobiles that were launched last May and of the entry into service of its second manufacturing facility in France. In parallel, the deployment of the division's selective distribution network will be pursued, notably in Asia. The division is also investing in the creation of new mobiles for TAG Heuer and Christian Dior which will complement the two brands' current ranges starting in 2011.

ModeLabs Distribution will conserve its sales impetus fuelled by its enlarged product offering (mp3, iPad and video games) and by its top-notch service level.

These factors lead ModeLabs Group to remain confident, assuming no exceptional change in market conditions, of continuing to develop its profitability during the 2nd half of 2010.

Next date in our calendar

- Publication of 3rd quarter revenue for 2010 on Wednesday 13 October 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

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