

## Annual results for 2010: improved profitability

- Buoyancy in Distribution
- Launch of a luxury smartphone in mid-2011

ModeLabs Group announces an increase of 35.2% in its activity in 2010 and improved profitability with net profit of €2.7 million compared with €1.4 million in 2009.

Audited IFRS consolidated financial statements €m	2010	2009	Change
<b>Revenue</b>	<b>240.2</b>	<b>177.7</b>	<b>+35.2%</b>
Gross margin <i>Gross margin rate</i>	41.7 17.4%	30.2 17.0%	+38.1% +0.4 pts
Operating costs	(33.2)	(28.1)	+17.6%
Current operating profit	8.6	2.1	+303.0%
Non-recurring items	(3.5)	(0.6)	n.a.
<b>Operating profit</b>	<b>5.1</b>	<b>1.5</b>	<b>+239.0%</b>
Net financial income/(expense)	(0.4)	0.1	n.a.
Corporate income tax	(2.1)	(1.4)	n.a.
<b>Net profit</b>	<b>2.7</b>	<b>1.4</b>	<b>+ 97.2%</b>
Net cash / (net borrowings)	44.5	30.8*	

\* €32.1 million including the value of the share subscription warrants issued in 2009

### A year of sustained growth

ModeLabs Group achieved 2010 revenue of €240.2 million, up 35.2% over the previous year, thanks to the performance of both its businesses.

ModeLabs Manufacture completed its first stage of development in 2010 with a rise of 27.7%, to €19.8 million, in sales of its first generation of luxury mobiles launched in 2008. Pending the launch of the new generation of mobiles of exception, planned for mid-2011, luxury mobile sales began to fall during the final quarter of the year.

ModeLabs Distribution reached a new record for sales of accessories and mobiles with a rise of 37.9% to €220.4 million. Within a buoyant market for mobiles and telecom accessories, fuelled by convergence (audio, data, games etc.) and the growing success of smartphones, ModeLabs outperformed its competitors via a judicious broadening of its product offering and its strategy of high value added services.

ModeLabs Licensing Studio, our department specialising in developing and distributing co-branded products, continued its growth via fruitful collaboration with leading brands such as Kenzo and Eden Park.

## **Significantly improved profitability under the impetus of Distribution**

ModeLabs Group's profitability rose significantly in 2010 with a 0.4% rise in gross margin rate (to 17.4%), a 239% rise in operating profit (to €5.1 million) and net profit up to €2.7 million compared with €1.4 million in 2009.

ModeLabs Distribution succeeded in maintaining a significant gross profit margin (15.7%) despite strong growth in volume, whilst ModeLabs Manufacture continued to progress with a margin rate of 36.3% compared with 29.0% in 2009.

By containing operating costs despite strong revenue growth, ModeLabs Group succeeded in quadrupling its current operating profit to €8.6 million.

ModeLabs Distribution achieved its best ever EBIT at €15.3 million or 6.9% of revenue compared with 6.0% in 2009 and 4.3% in 2008.

ModeLabs Manufacture reduced its current operating loss to -€5.0 million compared with -€6.1 million in 2009, but its negative EBIT including the impact of €3.1 million of exceptional charges essentially related to the end of the life cycle for the initial range of luxury mobiles rose to -€8.1 million compared with -€6.4 million in 2009.

Total operating profit rose to €5.1 million in 2010 compared with €1.5 million in 2009 despite the exceptional charges which did not have any cash impact in 2010.

## **Doubled operating cash flow and net cash of €44.5 million**

The steep increase in profitability provided ModeLabs Group with a new record level of +€13.4 million of operating cash flow in 2010 compared with +€7.7 million in 2009, thereby reinforcing the Group's balance sheet which, at 31 December 2010, discloses €64.4 million of equity and €44.5 million of net cash compared with €30.8 million at the end of 2009.

## **Outlook: launch of the new generation of luxury mobiles**

ModeLabs Manufacture expects a significantly diminished first half of 2011 pending the launch, in the second half of the year, of its new luxury mobiles including a smartphone developed for the Android platform. These new products will open the market for mobiles of exception to new customer categories and should enable our business to begin a new phase of growth.

In parallel, and within a telecom accessories market which continues to benefit from the convergence phenomenon extending the universe of mobiles to audio, web, video, data and game functions, ModeLabs Distribution will continue to extend its product range in order to sustain its sales volume.

## **Next dates in our calendar**

Publication of Q1 2011 revenue on 19 April 2011 after closure of the day's trading.

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## 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 around 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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