

## FY 2006 results 63.9% increase in gross margin

---

- **Operating profit: + 24.6%**
- **Net profit: + 35.6%**

*Paris, March 22, 2007 (code "MDL", ISIN code FR0010060665, SBF 250)* – the CDM (Customized Design Manufacturer) ModeLabs Group, announces its results for FY 2006, which closed on December 31.

Consolidated accounts (€ millions)	2006*	2005	Variation
<b>Revenue</b>	<b>213.5</b>	150.9	<i>+ 41.5%</i>
<b>Gross margin</b>	<b>33.2</b>	20.2	<i>+ 63.9%</i>
<b>Operating profit</b>	<b>10.8</b>	8.7	<i>+ 24.6%</i>
<b>Net profit</b>	<b>7.4</b>	5.4	<i>+ 35.6%</i>
<b>Net financial debt / (cash)</b>	<b>(19.0)</b>	3.9	
<b>Shareholder equity</b>	<b>90.5</b>	20.8	

\* Including ModeLabs, ModeLabs Group, ModeLabs UK, Phonix, World GSM six months and Innovi Technologies Ltd nine months.

ModeLabs Group went public in April 2006, which was also the first full business year since the introduction of the On Demand<sup>1</sup> strategy announced at the end of 2005, that consists in creating added-value products for market segments showing the greatest potential. The group developed products both under license and labeled with its own brand and continued to strengthen its partnerships with operators, manufacturers and retailers.

ModeLabs Group also accelerated its international growth. The business of the group's UK and Italian subsidiaries grew significantly. Synergy with the Innovi Technologies subsidiary in Hong Kong was strengthened and a new subsidiary, ModeLabs Inc., was created in the United States in the course of 2006.

---

<sup>1</sup> mobiles, accessories and services developed by ModeLabs Group in order to create exclusive premium products for brands and MVNOs.

### ***Continued growth***

The group continued to grow at a rate significantly higher than the market. Consolidated revenue increased by 41.5% over the previous financial year to €213.5 million. Growth

excluding external acquisitions totaled 22.9%, on a West European mobile market that progressed by 5%<sup>2</sup> in 2006. All business activities contributed to this development.

Revenue from international markets, mainly in Europe, rose by 72% over 2005 and now accounts for 50,5% of total group sales.

### ***Development of the "On Demand" business and rise in gross margin***

2006 was the first complete business year during which the On Demand offering for mobiles was available. The company launched seven complete new offers based on a range of brands: MyWay (February and September), Elite (March and October), Airness (May), Virgin Mobile (October) and MTV (October).

The gross margin rose by 63.9% over 2005 to €33.2 million. In 2006, the gross margin rate increased for the second time to 15.5% of revenue, compared with 13.4% in 2005, as a consequence of the development of new high added-value products.

### ***Operating profit: + 24.6%***

On December 31, 2006, operating costs totaled €22.4 million, compared with €12.1 million on December 31, 2005, representing an increase of €10.2 million, or 84.1%. This increase is due to the creation of new structures needed to support growth and, first and foremost, the investment program required to launch the new On Demand activities to extend the distribution networks outside France.

Investments focused mainly on marketing, the sales force and SG&A resources.

The combined effects of the sharp increase in the gross margin and investment in the development of the operating structures resulted in an operating profit of €10.8 million, up by 24.6% over 2005.

### ***A stronger balance sheet***

With net cash totaling €19 million and €90.5 million of equity on December 31, 2006, ModeLabs Group has a very healthy balance sheet.

The strong net profits boosted the gross self-financing margin to €9.4 million.

The variation in working capital requirement of €16.8 million was the result, on the one hand, of investments to fund growth (€6.8 million) and, on the other, the exceptionally high levels of customer debt (€10 million) due to the activity in November and December 2006, when the period closed.

---

<sup>2</sup> Source: Gartner

The increase of capital by €59 million as a result of the introduction onto the stock exchange helped to finance external growth operations to the tune of €19 million.

### **Outlook**

ModeLabs Group is continuing to roll out its "Mobile On Demand" strategy and to grow its portfolio of licenses with new international brands, such as Levi's and Hummer, in order to further increase its product range in 2007. The new products focus on innovation and perceived value for the customer.

*Stéphane Bohbot, President of the Executive Board and founder of ModeLabs Group, declared: "After going public in April, 2006 was an important step in the deployment of the Mobile On Demand strategy. We increased our revenue significantly by a full 41.5% on a European mobile market that grew by 5% and we achieved our forecasts in terms of profits. With a 63.9% rise in gross margin, ModeLabs Group has demonstrated that it occupies the right market position thanks to its high added-value products. Moreover, we have prepared our paths for future growth and have already achieved some success, in the UK in particular. Our ambition for 2007 is to improve the profitability of our products even further and to continue our investment drive. We expect to experience two contrasting half-years. Our investment program means that profits will not rise significantly before the second half of the year. We expect to maintain our position as the leading customized design manufacturer and to extend our portfolio of licenses to include some prestige brands."*

### **Next appointment**

April 19, 2007

Publication of revenue for Q1 2007

### **About ModeLabs Group**

ModeLabs Group, the creator of the "Mobile On Demand"<sup>TM</sup> offering and key player in the new generation of the (CDM-Customized Design Manufacturer) mobile telephony industry, designs, develops and distributes mobile phones, accessories and services intended for operators, distributors and major-brand manufacturers in an integrated, flexible way.

A combination of marketing expertise, cutting-edge technological know-how and flexible "fabless" organization has helped ModeLabs Group respond to a growing need for telecom market segmentation by providing consumer brands, MVNO operators and distributors with the opportunity to create their own range of mobile phones, accessories and services.

ModeLabs Group is listed on the Eurolist of Euronext-Paris (code "MDL", ISIN code : FR0010060665, SBF 250).

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

### **CONTACTS**

Investor relations

Françoise Grand  
ModeLabs Group  
Tel: +33 1 42 12 12  
francoise.grand@modelabs.com

Press relations

Bruno Lorthiois  
Alexis Nugues  
HDL Communication  
Tel: +33 1 58 65 00 72  
blorthiois@hdlcom.com

**Glossary:**

**On-Demand:**

Tailor-made handsets, accessories and services developed by ModeLabs Group in order to create exclusive premium products for brands and MVNOs.

**Custom:**

OEM mobiles and accessories that are packaged, marketed, promoted and/or sold by ModeLabs Group.

**Standard:**

OEM mobiles and accessories sold by ModeLabs Group through its distribution network.