

First Half 2007 Results

Sales: €106.4 Million, a +7.6 % growth
Operating profit of €1 Million

Paris, 31 August 2007, (code « MDL, code ISIN : FR0010060665, SBF 250) - ModeLabs Group, the creator of customized mobiles (CDM - Customized Design Manufacturer), announces its results for the first half year 2007.

For the first half year, Modelabs Group reports an operating profit of 1 million euros. This result is impacted both by a strong growth of its Mobile "On Demand" business, which is a positive driving force for Group profitability, and by the slackness of its Bluetooth accessories business, which affects performance over the period.

Consolidated accounts - IFRS (in millions of euros)	30 JUNE 2007	30 JUNE 2006 *	% change
Sales	106.4	98.9	+ 7.6 %
Gross margin	15.6	14.6	+ 6.4 %
Operating profit	1.0	4.5	- 76.8 %
Net profit	0.1	3.1	- 95.5 %
Net financial debt / (cash)	(21.0)	(40.4)	
Equity capital	90.8	87.4	

* Includes Modelabs Group, Modelabs, Modelabs UK, Modelabs HK, Phonix and Modelabs Technologies Ltd. (ex Innovi) 3 months.

Growth in "On Demand" business brings a positive contribution to improving group profitability

Modelabs Group continued the development of its "On Demand" business. Growth of "On Demand" Mobiles over the first half year was of +164 % compared to the first half year in fiscal 2006.

The increasing significance of its "On Demand" businesses in the sales breakdown (26.8 % in the first half year 2007 versus 22.2 % in the first half year 2006) as well as a good level of gross margin, of above 30%, were the main driving forces of the Group's profitability.

Delay in development of "On Demand" Bluetooth accessories impacted half year performance

Delay in the marketing of a new range of Bluetooth products, due to a holdup in the development and the adjustment to these products, had a negative impact on sales of this business segment. Sales are down -30.7 % compared to the same period last year. Sales of the old range of earphones were not strong enough to compensate for the backlog in product launch, neither in volume nor in terms of margin.

Ongoing investment plan in sales, marketing and engineering to develop "On Demand" business

Modelabs Group continued the deployment of its Marketing and Sales forces initiated in 2006. Engineering teams have expanded to ensure the development of new products.

With the combined effects of an increase in gross margin of its "On Demand" businesses, the under performance of the Bluetooth accessories business and significant operational investments, Modelabs Group posted a operating profit of €1M at June 30 2007.

Further details on Net result

Financial income is reported at €99,000. This includes income from short term investments amounting to €175,000 and the effects of revaluing dollar-denominated debt for an amount of - €72,000. In compliance with IFRS standard, financial income from assets invested over a longer term are not accounted in the result over the period but carried directly into capital equity: this amounted to €100,000.

Taxation charges for the period were -€714,000 following the apportionment of profit between different countries.

An exceptional charge resulting from the deconsolidation of a historical, non-strategic, equity stake has impacted net profit for an amount of -€259,000.

Balance Sheet Situation

With net liquidities of €21.0 M and equity capital of €90.8M at 30 June 2007, Modelabs Group displays a healthy balance sheet.

Operating cash flow reached +€9.8 million thanks to the improvement of working capital requirements.

Prospects

Modelabs Group proceeds with its strategy of developing a brand portfolio with major players, enabling a further increase in its Premium product offerings.

The launch of "On Demand" products on an international level, particularly with the Hummer and Levi's brands, will generate an increase in activity at the end of fiscal 2007 and fully in 2008.

The implementation during the first half year of the integration of Bluetooth businesses on the mobile "On Demand" model and the resulting cost synergies should produce economies as early as 2008 and kick start a movement of new innovative products.

This integration, combined with good profitability in the "On Demand" portfolio, will make a significant contribution to the improvement of the Group's operating margin ratio.

Stéphane Bohbot, Chairman of the Board, said:

"Profit in this half year has been burdened by the under performance of our Bluetooth accessories business. We have implemented a recovery plan and expect to see its positive benefits by 2008.

Investments in our Marketing, Sales and Engineering teams ensure a larger scale of product offerings and distribution channels. They will accelerate our growth and further increase the profitability of our "On Demand" businesses."

Prochain rendez-vous

18 octobre 2007

Publication du chiffre d'affaires des 9 premiers mois 2007

About ModeLabs

ModeLabs Group, the pioneer of the "Mobile On DemandTM" offer, is a customized design manufacturer (CDM) specialized in mobile phones using new generation technology. The company designs, develops and markets mobile phone handsets, accessories and services in an integrated and flexible manner for mobile phone operators, retailers and mass market brands.

Thanks to the combination of its marketing expertise, its cutting-edge technological know-how and its flexible "fabless" organisation, ModeLabs Group is meeting the growing demand for Telecom market segmentation by giving mass market brands, operators/MVNO or distributors the opportunity to create their own range of mobile phones, accessories and services.

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

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Glossary:

On-Demand:

Mobiles, 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.