



PRESS RELEASE

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2010 preliminary net income and new development plan

DANE-ELEC Memory, manufacturer and distributor of digital products, is pleased to announce its provisional results for financial year 2010 along with the group's new plan to rejuvenate its activities and set it rapidly on the path to a new sustainable growth cycle.

Weak results that call for strong measures

Faced with a particularly complicated business climate for electronic products, 2010 was a difficult year for Dane-Elec Memory, with very high tensions both upstream (sourcing difficulties and higher purchasing prices) and downstream (erratic consumption and pressure on sales prices) weighing hard on the group's activities and margins.

Despite the growth in sales up until September, Dane-Elec Memory's yearly revenues came in at just over € 158 million compared to € 181 million in 2009. Factoring in the different elements linked to its new plan (see below), the group's yearly losses are expected to exceed the € 200 million mark. The statutory auditors' review is underway.

Lastly, the group's high working capital requirement, particularly its substantial inventories (€ 35 million at the end of June, i.e. the equivalent of revenues for 75 days in the year), has limited both its room for maneuver in financial terms and its development potential.

Back to basics...

Since 2009, Dane-Elec Memory's management has undertaken a number of measures to streamline its operations (closure of certain subsidiaries, downsizing). To date, however, these measures have not been sufficient, prompting the group's decision, as of the 4th quarter of 2010, to implement a major new plan to rejuvenate its historic activities. The aim is a return to the basics (market expertise / fast turnaround times / flexibility) which, over the past 25 years, have earned Dane-Elec Memory its place as a recognized player on the global electronic products market.

From now on, the group intends to focus on a limited and competitive range of products (Flash memory cards, USB keys, Dram memory chips, portable digital players), capitalizing on its ability to set itself apart from its competitors thanks to its licensing policy (Duracell, Batman™, Harry Potter™, Hello Kitty, Burton, Santa Cruz, Birdhouse, Quiksilver, Roxy, etc.) and innovative range of accessory services (noLimit Memory digital storage, digital zPen).

Since January 1, Dane-Elec's product catalogue has been honed down to its best-sellers (from 150 to 60). Inventories have been dramatically reduced (only 50% of products), with the group giving priority to on-demand sourcing. Finally, as announced last December, Dane-Elec Memory has taken the strategic decision to withdraw from the market for multimedia hard drives except for its innovative my-Ditto product range (see below).

This same policy of strict management and renewed focus also applies to group subsidiary, Intervalle, which, as a provider of IT products for businesses, constitutes a key entry point onto France's VSE/SME market.

... underpinned by the right measures...

Dane-Elec Memory's new business plan goes hand-in-hand with a series of stringent and vital measures intended to better adapt its cost structure to its legal activities over the long term.

The group is set to overhaul its organization, making it simpler and more efficient. As an example, its activities in Europe will now be piloted from France (sourcing, invoicing, etc.), while local entities (Spain, Netherlands, United Kingdom, etc.) will focus on its commercial development. The group is also pulling out of those markets that it believes lack the necessary potential (Israel, Dubai, and South America excluding Brazil).

This new organization, currently being deployed across the group, will lead to a substantial drop in Dane-Elec Memory's human resources requirements. Staff cut-backs have already begun in certain subsidiaries overseas, and the group's management is currently in talks with its social partners in France over its restructuring plan. Once the plan is complete, the group's total payroll may be reduced to around 150 from 263 on June 30, 2010 and 233 on December 31, 2010.

... and the right financing

Dane-Elec Memory's short-term financing needs will essentially be covered by the positive impact of the drastic cut in its working capital requirement. Because the target is to reduce its legal inventories to 30 days of revenue, the group has no additional short-term financing needs.

At the same time, Dane-Elec Memory's financial partners continue to lend their full support. The talks that began in 2010 are ongoing, and should shortly result in the definition of the terms and conditions that will apply to their short- and medium-term financing. The group will notify the market of the outcome of these talks in due course.

On March 8, 2011, the group disposed of € 6.7 million in unused and available credit lines. The fact that they remain untouched since the start of the year is a clear indication of Dane-Elec's careful management of its cash position.

High hopes for my-ditto

Alongside its plan to revamp its long-standing business activities, Dane-Elec Memory's other priority is to ensure that my-ditto is assigned the necessary means to accelerate its development.

A breakthrough product on the market for network-attached storage drives (NAS), my-ditto is an innovative solution which:

- automatically manages data storage and back-up;
- centralizes data which can then be accessed from anywhere, whether travelling, at home or in the office;
- is fast becoming the home multimedia center, enabling users to take full advantage of their TV, laptop, iPhone and iPad content.

my-ditto has major sales potential on both the B2C and B2B markets. Not only has it won numerous awards (CES 2010, European Consumer Choice, Macworld Expo 2011), but its reviews by the specialist trade press and by ordinary consumers are very positive and it has recently been chosen for distribution by a major name in consumer electronics in Japan.

After a year in 2010 devoted to building my-ditto's economic model (positioning, marketing, targets, etc.) and major investments in R&D, 2011 will focus on its commercial launch and development. In order to exploit its full potential and give it the best possible operational structure, Dane-Elec Memory's my-ditto division activity will soon take the form of a subsidiary with its own R&D, marketing and sales teams.

As a wholly-controlled subsidiary of Dane-Elec Memory, the new entity will benefit from the back office resources (administrative and financial) and financing of its parent company in 2011. Beyond that, the group will review all of the options that will allow it to continue financing the activity whilst at the same time generating maximum value for its shareholders.

An early recovery forecast for summer 2011

Having mobilized all of the group's forces during the strategic review carried out in the second half of 2010, Dane-Elec Memory is now focused on the rapid execution of its new plan.

Based upon its new scope, the group expects to generate revenues of around € 130 million in 2011. Following the measures put in place, and extraordinary items aside, the group hopes to rebalance its monthly operating results as of the summer and see a return to profitability in the second half of the year.

Dane-Elec's ongoing commitment to this dynamic strategy should also mean a growth in revenues and earnings for 2012 as a whole.

Next publication: final results for 2010 on Thursday 28 April after the close of trading.

About DANE-ELEC Memory

Founded in France in 1985 by David Haccoun and Nessim Bodokh, Dane-Elec Memory is an international company specialized in the manufacture and distribution of digital products: Dram memories and storage and hand-held products.

As a global player, Dane-Elec Memory operates in Europe, the United States, Asia, and the Middle East. It also has a hand-held product distribution subsidiary, Intervalle, in France.

In 2010, Dane-Elec Memory generated revenues of € 158 million.

Dane-Elec Memory is listed on the NYSE Euronext in Paris (ISIN: FR000036774, MNEMO: DAN) since 1997 and has been awarded the label of Innovative Company by France's National Agency for Industrial Innovation, OSEO innovation. Its shares are traded on the CAC Small index.

*To receive free financial information about Dane-Elec Memory
by e-mail go to www.dane-elec.fr*

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