

PRESS RELEASE

H1 2011 RESULTS
OPERATING INCOME SHOULD BE POSITIVE IN 2011

Paris, October 10, 2011. Demos, a worldwide leader in the training industry, has published its half-year results as at June 30, 2011. Its financial statements are governed by French accounting standards and were approved by the Group's Board of Directors on October 7, 2011.

<i>In thousands of euros – French GAAP</i>	H1 2011	H1 2010	Change
Revenue	47,663	47,577	+ 0.2%
Purchases consumed	(28,073)	(25,538)	+ 9.9%
<i>% of revenue</i>	<i>58.9 %</i>	<i>53.7 %</i>	
Personnel costs	(21,876)	(19,937)	+ 9.7%
<i>% of revenue</i>	<i>45.9 %</i>	<i>41.9 %</i>	
Operating income	(2,780)	1,513	ns
<i>% of revenue</i>	<i>ns</i>	<i>3.2 %</i>	
Financial income	(157)	(338)	- 53.6%
Non-recurring item	(434)	(206)	+ 110.7%
Net income from consolidated companies	(2,640)	401	ns
Net income (group share)	(3,822)	(557)	ns

Demos Group consolidated revenue for the first half of 2011 amounted to €47.6 million, up a slight 0.2% on the first six months of 2010.

Figures for company's Catalogue business line were down over the period as it suffered from an unfavorable basis for comparison in calendar terms and a drop in training requests from SME customers. This slowdown in activity was, however, offset by a marked upturn in demand from major corporate clients for the same type of training.

Demos' Tailored training, e-Learning and Outsourcing businesses continued to perform well.

Overseas (41% of Group invoicing for the first half of 2011), activity in the United Kingdom and the United States continued to thrive (+19.3%) and drive growth outside of France.

Ongoing investment and stronger sales dynamic in the second quarter

Penalized by the drop in gross margin and hike in personnel costs, Demos posted a negative operating income of €-2,780 thousand for the first half of 2011 after a profit of €1,513 thousand for the first six months of 2010.

The €1.9 million drop in gross margin is essentially due to the unwelcome trends in its product mix over the period: downturn in its Catalogue business (which traditionally generates the highest margins) in favor of Tailored training, and drop in average sales prices for Tailored training as a result of the increasing proportion of large-scale training projects.

At the same time, personnel costs increased €1.9 million:

- €0.8 million in France, primarily linked to the reinforcement of the sales and marketing teams, in particular in the French regional agencies;
- €0.8 million linked to the increase in staff numbers in France and overseas to handle the sustained growth in Demos' Outsourcing and Tailored training businesses (principally within its production teams);
- €0.3 million linked to the Group's different support functions.

Lastly, the increase in rental payments following the opening of the new offices in La Défense and new premises in Lyon, and in external consulting fees linked to various market surveys also weighed on the Group's operating income in the first half of 2011.

Net of financial income (€-157 thousand), extraordinary income (€-434 thousand) and a tax gain of €730 thousand for losses carried forward, Demos' net income from consolidated companies stood at €-2,640 thousand compared to a profit of €401 thousand one year earlier. After the straight-line amortization of goodwill (statements drawn up in accordance with French accounting standards), Group net income for the first half of 2011 amounted to €-3,822 thousand compared to €-557 thousand for the first six months of 2010.

On June 30, 2011, Demos' consolidated shareholders' equity stood at €25.7 million. The Group's net debt, which is traditionally higher at the end of the first half due to seasonal trends in activity, stood at €17.9 million compared with €12.5 million at the end of June 2010.

A new sales structure focused on the needs and priorities of customers since September 1, 2011

Given the current slump in the market in France, the investments made by Demos over the past year obviously impacted on the Group's bottom line for the first half of 2011. In order to rectify the situation and ensure a return to the activity and margin levels which its standards dictate, Demos carried out a thorough review of its sales model for France in the second quarter of the year. This analysis led to the implementation of a new structure at the end of the summer.

Based on its success with its major corporate accounts since 2010, Demos Group's new centralized sales model has two priority targets: develop proximity relationships with clients so as to accurately identify and respond to their needs, and capitalize more on the sales synergies between business lines. This new organization and its implementation have not incurred any additional costs for the Group.

The past few months have also seen Demos working to further enhance its marketing strategy by placing particular emphasis on direct and digital marketing campaigns.

Outlook: new uptick in growth in the second half of the year and positive operating income for 2011 as a whole

All of these sales initiatives and the corrective measures taken within the Group's subsidiaries around the world that are currently operating at a loss mean that Demos can now look to the second half of 2011 with confidence and ambition. While the first benefits are already apparent in the third quarter of the year which will be marked by a recovery in growth, the full impact of the new sales structure will only be felt as of the final quarter.

All the more encouraging is the ongoing success of its Tailored training, e-Learning and Outsourcing business lines which have seen orders flood in from major national and global companies for several months.

Given the strong seasonal trends that affect its business model and the expected rebound in the second half of the year, the operating loss suffered over the first six months should not compromise Demos' ability to generate a positive operating income for 2011 as a whole.

Demos will publish its revenues for the third quarter of 2011 on November 16 after the markets have closed.

More investor information is available on the company's website, www.demosgroup.com.

About the Demos Group

An industry leader playing a key role in the business knowledge economy

The Demos Group is a global player in professional training. Demos' core business provides commercial, public, and not-for-profit organizations and individuals continuing professional development through formal classroom-based, and/or distance learning training programs enhanced by learning technologies. In addition, the Group offers a full range of services associated with the knowledge economy, such as management and human capital consulting, skills management, and the dissemination of educational material.

A successful business model that can be implemented internationally

Demos operates in 16 countries and in all major French cities. Its demonstrated ability to combine strong organic growth with effective acquisitions enables its continued international and local market growth. The diversity of Demos' services, its demanding quality standards, its continued focus on innovative research and its flexible business model make it a market leader in professional training.

Consistent and profitable growth

Demos Group generated revenues of €102.2 million (+6.3%) and an operating income of €5.7 million (+28.3%) in 2010. Net income from consolidated companies, i.e. before the straight-line amortization of goodwill (French GAAP), amounted to €3.2 million. After goodwill amortization (€2.2 million), Group net income increased 79% year-on-year to stand at €1.0 million.

Contacts :

Demos

Emmanuel Courtois
Chief Operating Officer
ecourtois@demos.fr

Actus Finance

Mathieu Omnes
Investor relations
+33(1) 72 74 81 87
momnes@actus.fr

Actus Finance

Alexandra Prisa
Press relations
+33(1) 53 67 35 79
aprisa@actus.fr