



INVESTOR UPDATE (FEBRUARY 02, 2009)

Dear Shareholder,

Over the last one week, we have reached out to you with detailed clarifications on the rumours and allegations about Educomp (also uploaded on our website at www.educomp.com/clarification.aspx) and discussed these with you in a dedicated teleconference call on Jan 21st. In our Q3FY09 earnings call, I shared with you our goal of making Educomp one of India's leading companies in terms of corporate governance. I am pleased to share with you an update on the actions we have taken to quell the false and baseless rumours about the company and bring the perpetrators of these rumours to justice and initiatives to improve our corporate governance, transparency and disclosure standards.

Corporate Governance Initiatives: We are actively working on a slew of initiatives to further enhance Educomp's corporate governance, transparency and disclosure standards. As a first step, we will be announcing the **appointment of Grant Thornton** as internal auditors shortly.

Transparency and corporate disclosure: Many of you will recall that starting from our investor update in Q2FY09, we have pushed the envelope in terms of corporate disclosure, transparency and sharing detailed information about our business performance. In Q3FY09, we took this a step further by sharing specific information about our cash balances, recent SmartClass wins and subsidiary accounts. We thank you for your feedback in requesting for these changes and welcome any additional feedback to help us improve upon this further.

In our earnings call, I announced two other initiatives, that we hope, will go a long way in Educomp setting the benchmark in corporate disclosure and transparency – a) promoter group will disclose its intention to sell shares, if any, in advance, at the beginning of each quarter and b) Independent certification by NSDL and CSDL on the issue of pledge of shares by promoter group

Educomp Solutions Limited

514, Udyog Vihar, Phase III, Gurgaon – 122001, Haryana (India), Tel : +91-124-4529000 Fax : +91-124-4529039
Regd. Off. 1211 Padma Tower-1, 5 Rajendra Place, New Delhi-110008, India.
Ph: 25755920,25762725,25753258,25766484 Fax: 91-11-25766775 | www.educomp.com

Educomp will act and work with the government and regulators proactively: The recent developments in India have bred suspicion about the accounting standards and impacted credibility of Indian firms in general among investors. Given that backdrop, the timing of the recent rumours about Educomp and indications from market related data, give us reasons to believe that this might have been the handiwork of market operators to drive down the stock price of the Company and profit from the ensuing panic selling.

We have proactively offered fullest cooperation and willingness to voluntarily offer to have our books and records inspected if needed so that we can get a clean chit and move on with our business.

While our focus is on building our business, we believe, we now have the additional responsibility and opportunity to play the lead both in terms of setting new standards in corporate governance, transparency and disclosure, but also to give a strong message to such market operators and rumour mongers that we will make it part of our core business to protect the reputation of our Company at all costs and that we will act swiftly and comprehensively to defend the interests of our customers, shareholders, employees, suppliers and vendors.

In the last week, we have taken the following actions:

- 1. Lodged complaint with Economic Offences Wing (EOW, Delhi):** we are engaged actively with the EOW regarding the anonymous emails. With the help of service providers, we have received the IP addresses of some of the people who have spread the unsubstantiated rumours and the investigation is progressing well
- 2. Met with SEBI and Ministry of Corporate Affairs:** We have proactively reached out to SEBI and the Ministry of Corporate Affairs requesting that they investigate the matter.

And, finally, as we put the rumours behind us, we have reached an important milestone this quarter (10.4 million learners!): In 2005, we set ourselves the audacious goal of reaching out to 10 million learners by 2010. At that time, we had revenues of less than 30 crores and a student base of less than 2 million. We are delighted to inform you that our products and services are now used by 10.4 million

Educomp Solutions Limited



learners across the world and that we have reached this milestone earlier than planned. With a broad-based portfolio of education products, services, solutions and brands, and a leadership position in multiple segments, Educomp is now gearing up for its next phase of growth. Our 4,500 employees and senior management team join me in thanking you for your support so far. While we put this issue behind us, we look forward to your continued support as we move towards an exciting Q4FY09 in the short term and in making Educomp one of the Top 5 K12 education companies in the world.

Best Regards,

Shantanu Prakash

(Chairman and Managing Director)

Educomp Solutions Limited

514, Udyog Vihar, Phase III, Gurgaon – 122001, Haryana (India), Tel : +91-124-4529000 Fax : +91-124-4529039
Regd. Off. 1211 Padma Tower-1, 5 Rajendra Place, New Delhi-110008, India.
Ph: 25755920,25762725,25753258,25766484 Fax: 91-11-25766775 | www.educomp.com