



Educomp Solutions Ltd.

January 27, 2009

Q3 FY'09 (October - December, 2008)



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Standalone Performance Review Q3 FY'09 Vs. Q3 FY'08



- **Net Income from operations up 103.1% from Rs 71.5cr to Rs 145.3cr** driven by strong growth across key business segments
- **EBITDA¹ up 100.1% from Rs 33.4cr to Rs 66.8cr**
- **EBIDTA Margins¹ down from 46.7% to 46.0%**
- **EBIT up 96.3% from Rs 24.3cr to Rs 47.6cr**
- **PAT up 65.9% from Rs 19.0cr to Rs 31.5cr**

¹ Excluding prior period items and foreign exchange gain. After considering foreign exchange loss mainly on account of Mark to Market for zero coupon FCCB due July, 2012

Consolidated Performance Review Q3 FY'09 Vs. Q3 FY'08



- **Net Income from operations up 130.7% from Rs 82.2cr to Rs 189.6cr** driven by strong growth across key business segments and new initiatives/ acquisitions
- **EBITDA¹ up 97.3% from Rs 36.5cr to Rs 72.0cr**
- **EBIDTA Margins¹ down from 44.4% to 38.0%**
- **EBIT up 89.4% from Rs 26.9cr to Rs 51.0cr**
- **PAT* up 61.3% from Rs 19.7cr to Rs 31.8cr**

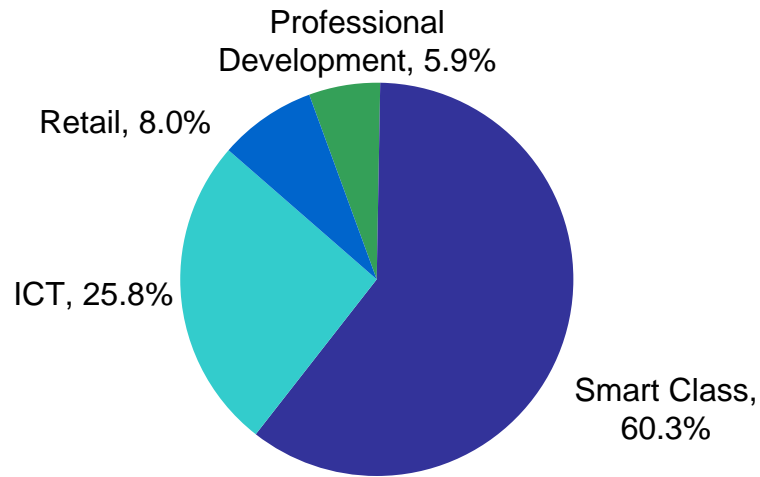
**Given the seasonal nature the industry, the results of any quarter may not be a true indicative of annual performance. Historically company has observed the following seasonality i.e. Quarter I amounts to approximate 10 to 12% of the total revenue, Quarter II amounts to approximate 18 to 20% of the total revenue, Quarter III amounts to approximate 25 to 30% and Quarter IV amounts to approximate 38 to 47% of the total revenue.*

* After considering share of associate and minority interest

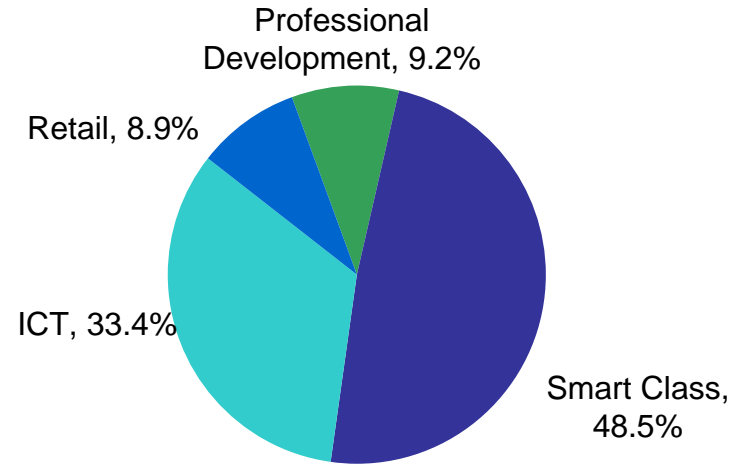
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Revenue Break-Up On Standalone basis

Q3 FY'09



Q3 FY'08



Balance Sheet Snapshot

Figures in Rs cr	As on Dec 31'2008
Networth	371.4
Debt	835.4
Minority Interest	78.8
Total Liabilities	1285.6
Net Fixed Assets (including Goodwill)	782.2
Net Current Assets	426.6
Investments	76.8
Total Assets	1285.6

Major Items of Debt

Figures in Rs cr	As on Dec 31'2008
Educomp Solutions Ltd. (including cash credit)	99.2
FCCB (on restated rupee value)	380.3
Educomp Infrastructure & School Management Ltd.	250.0
Educomp Asia Pacific Pte. Ltd. (on restated rupee value)	104.5

- Debtor days are at 170 days on account of the business model of ICT. The contracts for Gujarat and Karnataka involve deferred payment spread over the period of the projects.
- Debt/Equity (without FCCB & minority interest) is 1.26X, Debt/ Equity (with FCCB & minority interest) is 2.54X

Cash & Cash Equivalents (including Commercial Paper and Certificate of Deposit) – Rs 294.2cr

Cash and bank balances	Figures in Rs cr
Cash in hand	0.5
Cheques in hand	41.9
Cash Credit Account	3.0
Bank Balance	209.9
TOTAL	255.3

* Apart from this, there is an short term investment of Rs.38.9cr in Commercial Paper and Certificate of Deposit in Commercia Bank, San Jose

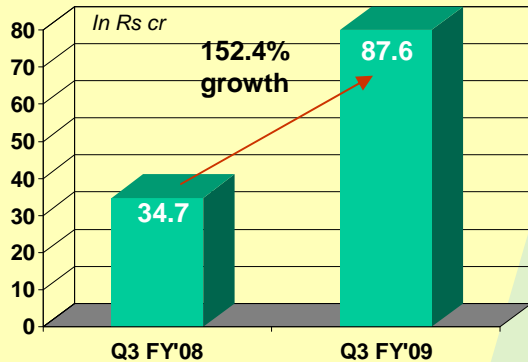
Detailed Break-up of Cash & Cash Equivalents

Cash and bank balances	Figures in Rs cr
Cash in hand	0.5
Cheques in hand	41.9
Bank Balance	
-With Scheduled Canks	
-In Current Account	
<i>State Bank Of Patiala</i>	24.9
<i>ICICI Bank</i>	5.4
<i>Axis bank</i>	6.9
<i>HDFC Bank</i>	11.3
<i>Citibank</i>	2.6
<i>Others</i>	9.9
-In Cash Credit Account	3.0
-In Fixed Deposits	
<i>HDFC Bank</i>	10.2
<i>State Bank Of Patiala</i>	6.0
<i>Kotak Mahindra</i>	2.5
<i>Standard Chartered</i>	3.2
<i>ICICI Bank</i>	0.7
<i>Citibank</i>	1.2
<i>Others</i>	5.1
-With Foreign Banks	
-In current account	
<i>-DBS Bank, Singapore</i>	2.7
<i>-Commercia bank</i>	0.3
<i>-Sampath Bank, Colombo, Sri Lanka</i>	0.02
-In Call Deposits (Commerica Bank, San jose, USA)	75.1
-In Fixed Deposits (SBI London, London, UK)	42.2
TOTAL	255.3

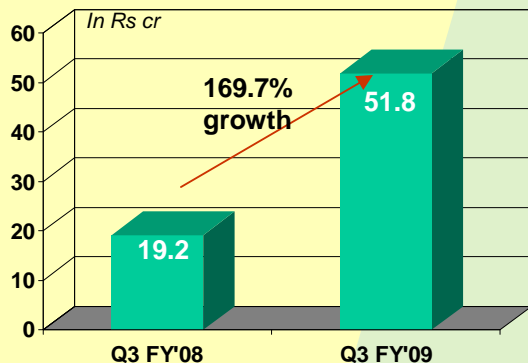
Apart from this, there is an short term investment of Rs.38.9cr in Commercial Paper and Certificate of Deposit in Commercia Bank, San Jose

Key Developments during Q3 FY'09

Revenue Growth



EBIT



Additional number of schools signed :	212
- <i>BOOT</i>	- 182
- <i>Outright Buy</i>	- 30
Additional number of schools implemented:	200
- <i>BOOT</i>	-170
- <i>Outright Buy</i>	- 30
Cumulative number of schools signed:	1,479
Cumulative number of schools implemented:	1,433
Cumulative number of students:	1.7mn
Strength of Sales Team:	Approx. 180
Sales Initiatives:	Conducted an ICSE conference in Ahmedabad addressing about 800 ICSE School Principals
YoY Revenue Growth:	152.4%
EBIT Margin during the quarter:	59.2%
Capex during the quarter (Standalone):	Rs 60.64cr



Key new schools added include:

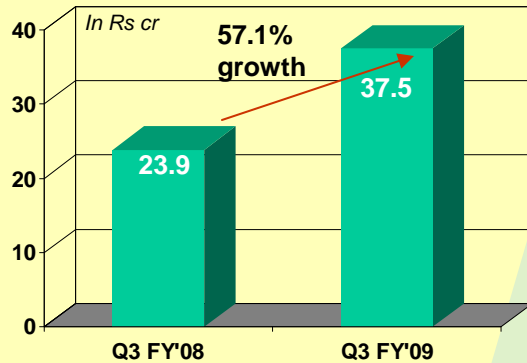
St. Columbus (Delhi)
Sacred Heart (Ludhiana)
Arwachin Bharti (Delhi)
St. Marks (Bangalore)
St. Thomas (Chennai)
Springdales (Amritsar)
D'Paul International (Vizag)
Hitech International (Hyderabad)
NJ Chowdhary, Mehsana (Gujarat)

Durga Ram Public School, Fatehabad (Haryana)
Santa Maria H.S. School, Urakkam (Kerala)
Akshaya Higher Secondary School, Oddanshatran (TN)
Venkateshara High School, Gobichettipalaya (TN)
SBRL, Mainpuri (UP)
Indo-British School, Nabha (Punjab)
Hari Parshad Agarwal Public School, Seoni (MP)
St. Joseph's School, Banka (Bihar)
Doon Valley Public School, Nalagarh (HP)
First Step School, Chhindwara (MP)

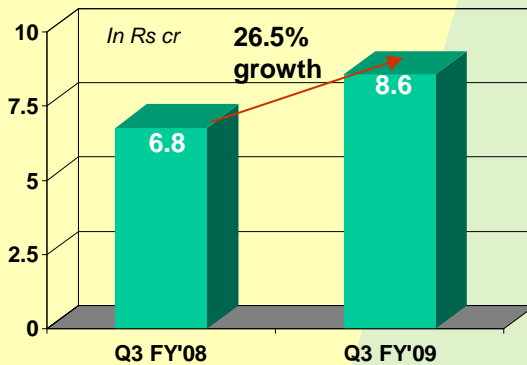


Key Developments during Q3 FY'09

Revenue Growth



EBIT

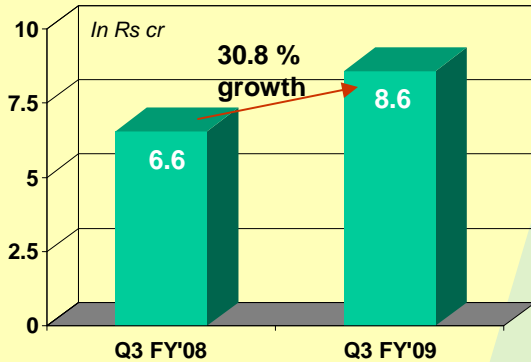


Additional Number of schools signed:	1055
- <i>BOOT</i>	- 347
- <i>Out right Buy</i>	- 708
Total Contract Value:	Rs 53.1cr
Cumulative number of schools covered:	9,970
Cumulative number of students covered:	Approx. 5.5 million
Key States	Chhatisgarh (347) Karnataka (708)
Strength of Sales and Project Management Team:	40+
YoY Revenue Growth:	57.1%
EBIT Margin during the quarter:	22.8%
Capex during the quarter (Standalone):	Rs 1.78cr

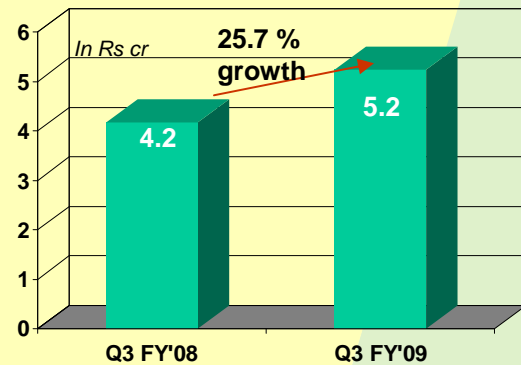


Key Developments during Q3 FY'09

Revenue Growth



EBIT



Teachers trained during the quarter: 105,333

Cumulative number of teachers trained: 1.3mn

YoY growth in teachers trained (cumulative): 50.3%

Strength of Teacher Training Team: 180+

Sales Initiatives:

Signed a services agreement with Michael & Susan Dell Foundation, a US based private charitable foundation, to create a model to transform learning levels of poor children served by private schools in Hyderabad for an amount of Rs. 4.78cr for a term starting September 01, 2008 till March 31, 2012

YoY Revenue Growth: 30.8%

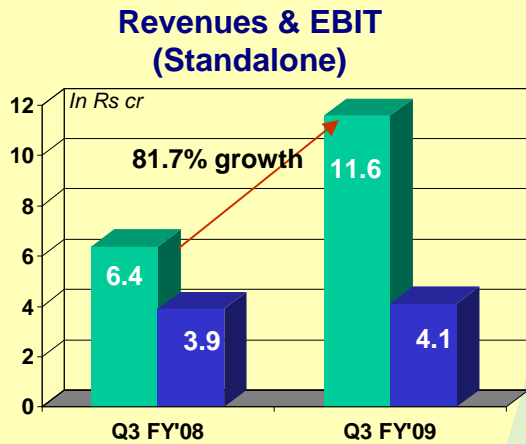
EBIT Margin during the quarter: 61.0%

Capex during the quarter: Not Applicable



Key Developments during Q3 FY'09

Standalone



Revenues for the quarter (Figures in Rs cr)

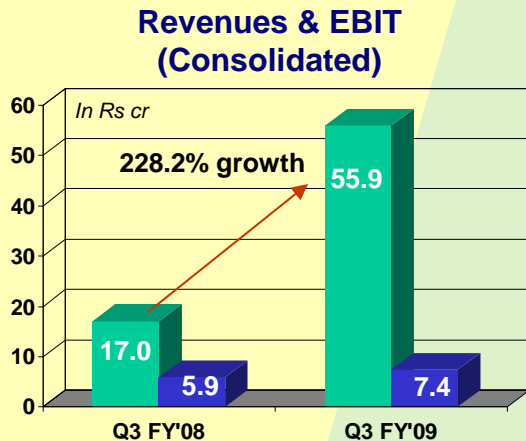
Mathguru	2.9
Roots-to-Wings	2.2
Miscellaneous (Licensing/ Retail/ ETEN*)	6.5
TOTAL	11.6

Operational Highlights (Roots-to-Wings)

Number of pre-schools	105
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- Roots-to-Wings has been awarded 'Emerging Franchisor of the Year 2008' for excellence in Franchising and Business Development, by Franchise India Holdings Ltd.

Consolidated



- Consolidated Revenues of Retail & Consulting segment include revenues from subsidiaries to the extent of Rs 44.3cr (Main Subsidiaries are Learning.com (USA), Ask n Learn (Singapore), Educomp Infrastructure & School Management Ltd. (India), Eurokids International Ltd. (India))

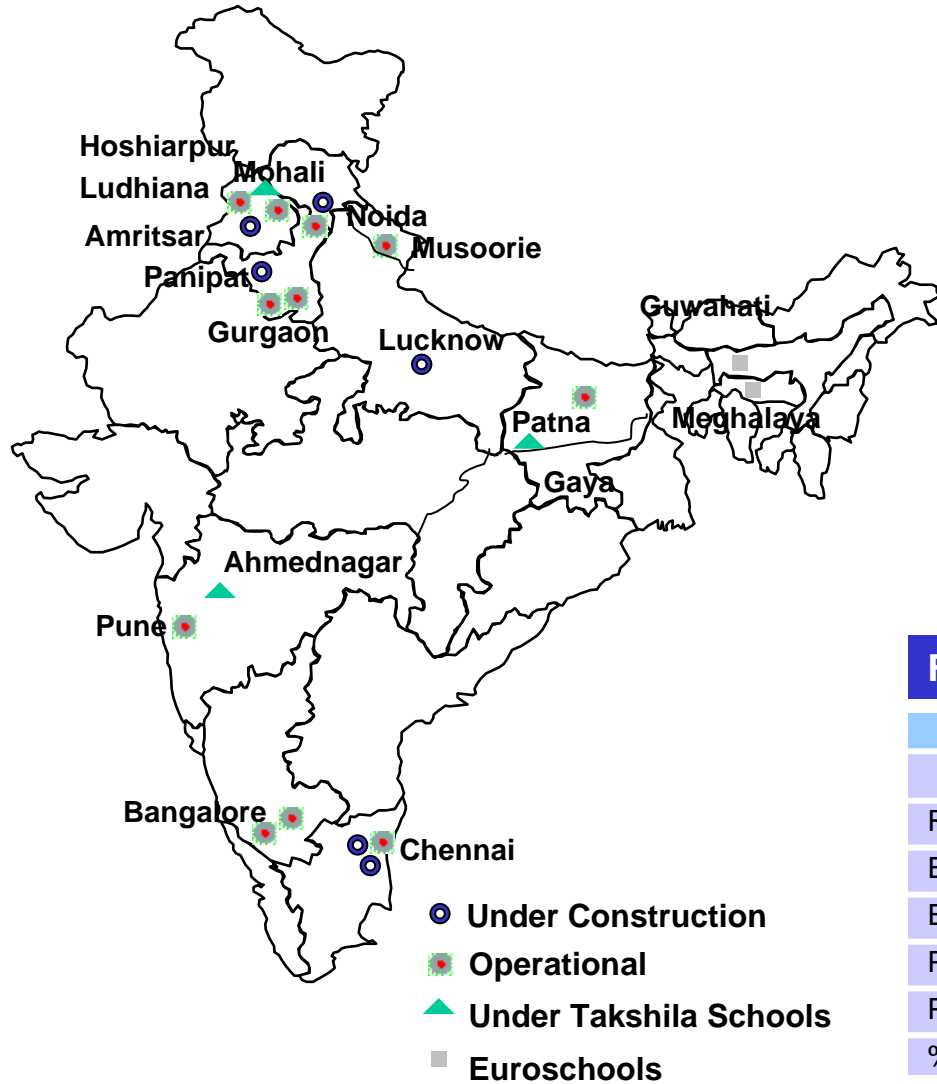


* ETEN is Educomp Tele Education Network, our new vocational initiative using satellites for Accountancy Training

Licensing Revenues pertain to license fee received from Educomp Infrastructure & School Management Services on account of Educomp IP

K-12 Initiatives: Widening Geographical Reach

Presence being expanded to 17 cities



Key Developments during Q3 FY'09

Total operational schools:	11
Total number of students:	14,000+
Schools under construction:	6 schools, one each in Lucknow, Noida, Panipat, Amritsar and two in Chennai (Porur and DLF-OMR) Admissions process has already begun in Panipat, Amritsar and Chennai
	3 schools under Takshila Management Services Pvt Ltd. (JV) are in construction phase in Hoshiarpur, Gaya and Ahmednagar Moreover, agreements for 5 additional schools on Dry Management basis have been signed by Eurokids India, in which Educomp has 50% holding.

Financial Highlights – FY'09

Company Level Financials (Figures in Rs cr)		
	9M	Q3
Revenues*	30.0	12.9
EBIDTA	23.2	10.4
EBIDTA Margin	77%	81%
PAT	14.3	5.2
PAT Margin	48%	40%
% Holding of Educomp	69.38%	

* Operational Income only, excludes other income



- Launch of India brand ' Raffles Educomp International'
- Lease agreements signed for Raffles International Colleges in Delhi and Bangalore
- The schools are expected to be operational by the next academic session
- Negotiation underway for acquisition of Raffles, Mumbai in the JV





- EuroKids runs 400+ Preschools having Pan India presence and caters to 25,000+ kids from age 2-4
- Owned pre-schools: 28
- Company is in the process of making IPR registrations in Middle East and South East Asia for pre-schools
- Entered into arrangements for commencement of 5 Euroschools (K12 schools); one each in Meghalaya, Guwahati, Bangalore and two in Maharashtra, by June 2009 on Dry Management Basis
- Recipient of 'Best Franchisor Award, 2008' at "Franchise India 2008"
- For more information visit [www: eurokidsindia.com](http://www.eurokidsindia.com)

Financial Highlights FY'09¹

(Financials post Oct 15, 08 when Eurokids became a subsidiary)

Company Level Financials (Figures in Rs cr)

Revenues* (From 15 Oct' 08 to 31 Dec'08)	5.4
EBIDTA	0.19
PAT	0.03
% Holding of Educomp	50.00%

¹ Educomp entered into the JV with Eurokids on October 15, 2008, thus financials have been considered from that date onwards

* Operational Income only, excludes other income

- Premier provider of web-enhanced curriculum and assessment to provide educators with innovative, web-delivered curriculum solutions

- Key Highlights
 - ✓ *2.5 million students served*
 - ✓ *7,500 schools served*
 - ✓ *Presence in over 800 school districts in U.S*

- EasyTech, a K-8 technology literacy curriculum by Learning.com, has been awarded the ISTE Seal of Alignment by the International Society for Technology in Education ISTE

- For more information visit [www: learning.com](http://www.learning.com)



Financial Highlights – FY'09

Company Level Financials (Figures in Rs cr)		
	9M ¹	Q3
Revenues* (From 16 May' 08 – 31 Dec' 08)	37.6	16.4
PAT	7.3	1.6
PAT Margin	19%	10%
% Holding of Educomp	57.10% ²	

* Operational Income only, excludes other income

¹Since the date of acquisition of learning.com on 16th May 2008

²51% on fully diluted basis

- Premier Pan-Asian provider of Education solutions and services which actively helps schools, regional Ministries of Education and corporate clients create innovative content and systems to meet diverse teaching and learning needs
- Presence in over 140 schools and working with National University of Singapore, Regional Universities like MOE Singapore, Brunei, Indonesia
- Ask n Learn emerged as the second fastest growing technology company from Singapore at the 2008 Deloitte's Technology Fast 500 Awards
- For more information visit [www: Asknlearn.com](http://www.Asknlearn.com)

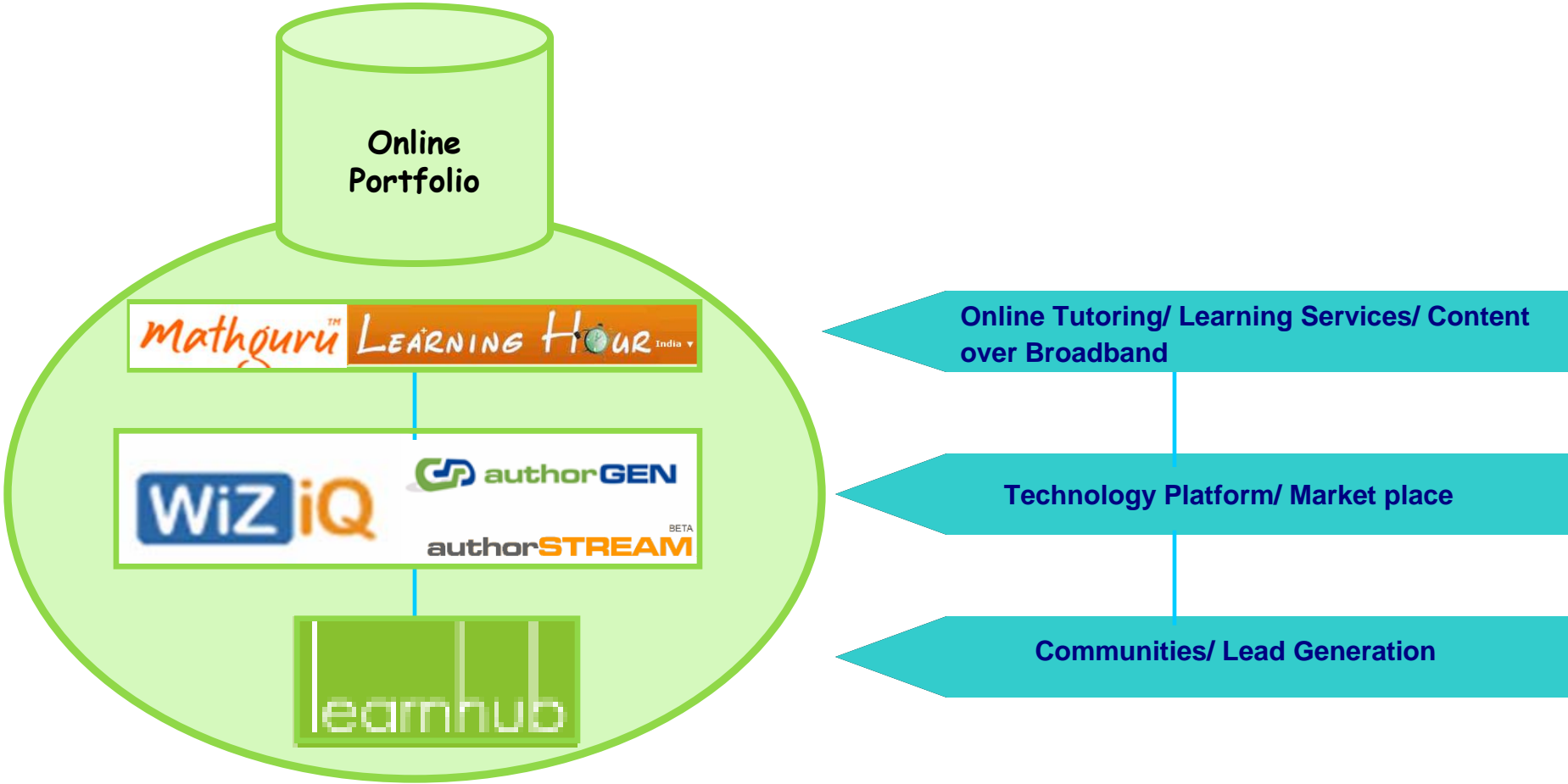
Financial Highlights – FY'09

Company Level Financials (Figures in Rs cr)

	9M	Q3
Revenues*	18.2	6.6
EBIDTA	2.9	1.5
EBIDTA Margin	16%	23%
Educomp's Share in Company	100%	

* Operational Income only, excludes other income

Educomp leverages the strong synergies amongst various online offerings to create integrated online solutions



■ Mathguru.com

- ✓ Objective : Math Learning for Grades 6 to 12
- ✓ Modules Developed: Approx. 15,000



■ Wiziq.com

- ✓ Objective: Web-based platform for students and teacher to discover, transact and deliver educational services and connect in real time with audio-video and whiteboard capabilities
- ✓ 178,000+ registered users in 9M FY'09
- ✓ 1,273,000+ unique visitors in 9M FY'09



■ Authorstream

- ✓ Objective: Powerful online presentation sharing engine that allows web users to upload and share Microsoft presentation
- ✓ 130,000+ registered users in 9M FY'09
- ✓ 5,861,000+ unique visitors in 9M FY'09
- ✓ Presentations uploaded: Approx. 66,000



■ LearnHub.com

- ✓ Objective : Online Educational Communities
- ✓ Signed first UK clients: Waltham College and Stirling University, 150 leads/ month each
- ✓ Sponsored a seminar series in IP College, Delhi University.
- ✓ Sitemap uploaded on Google, Yahoo & MSN. Number of pages indexed: 125,000 (Google), 63,238 (Yahoo)
- ✓ Reached 50,000 registered users



K12 tutoring company offering a complete suite of tutoring services to students

■ **One of the Largest Online Tutoring services provider for India**

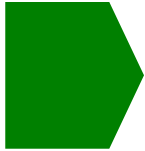
- ✓ Offers 1-to-1 online tutoring in all curriculums from Grade 6-12 primarily in Middle East and India in which students and tutors can communicate with each other using voice, video and digital whiteboards
- ✓ Approx. 5,000 registered users in Middle East
- ✓ Exploring partnerships in US & Australia
- ✓ Using WiziQ Technology

■ **First of their kind 'Concept Tutoring' Centres**

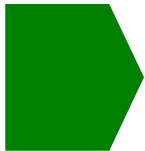
- ✓ 7 centers operational: 6 in NCR and 1 in Ludhiana
- ✓ Subjects Taught: Maths, Sciences, English, Accounts, Economics, Smart Maths, Vedic Maths, Memory Retention
- ✓ Curriculum: CBSE
- ✓ Grades: 8th to 12th Grade



■ **For more information visit [www: learninghour.com](http://www.learninghour.com)**



•Educomp has filed a complaint with the Economic Offences Wing of the Delhi police against malicious and anonymous reports regarding the fudging of its accounts



•The company has approached SEBI to investigate against the bear cartels behind the stock hammering



•The company has approached Department of Company Affairs to investigate against the rumours in order to protect investors' interest

Discussions for Appointment of Auditors

- *Company is in discussions with Grant Thornton for their appointment as the internal auditors of Educomp Solutions Ltd and statutory auditor of Educomp Infrastructure & School Management Services Ltd. from the next fiscal year*

Disclosure of Shareholding & Intention to Sell

- *Disclosure of the intention of sale of shares (if any) in advance and shareholding at the end of every quarter by the Promoter Group*

Disclosure of Share Pledging

- *Approaching NSDL & CDSL/Depository or any other applicable authority to get a certificate to confirm non-pledging of any of its shares*

Expansion of the Board

- *Expansion of the Board of Directors to include prominent educationists & other eminent persons as independent directors*

Revenue Recognition

Company recognizes revenue on accrual basis. It derives its revenue from providing educational services comprising of ICT, Smart Class, Professional Development, technology/ content licensing, sale of educational products and technology equipments. Revenue recognition is as follows:

- **ICT & Smart Class projects:** Recognized ratably over the period of the contract/contractual obligations
- **Professional Development:** Recognized after the professional development services have been rendered to the customer
- **Sale of educational products and technology equipment:** Recognized on transfer of property in goods which generally coincides with dispatch/ delivery to the customer
- **Online educational services:** Recognized upon receipt of subscription fee (non-refundable)
- **Licensing content revenue:** Recognized when the product/ technology/ content is delivered and accepted
- **Interest on fixed deposits:** Recognized using the time proportion method, based on interest rates implicit in the transaction. Dividends income is recognized when the right to receive the same is established.

Fixed assets/ Depreciation & Amortization

- Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Costs include all expenses incurred to bring the assets to its present location and condition for intended use
- Fixed assets purchased for utilization and implementing the contractual obligations **in the projects undertaken under ICT, Turnkey and Smart Class are depreciated on a straight-line basis over the period of contractual obligation ranging from 3-6 years**
- Depreciation on **other tangible fixed assets is provided at the written down value method** at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956
- **Leasehold improvements are amortized on the straight-line basis** over the primary period of lease
- **Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase**

Intangible Assets

- Stated at cost of acquisition less accumulated amortization.
- Amortization on the Intangible assets is provided on **pro-rata basis on the straight-line method** based on management's estimate of useful life, i.e.
 - 3 years for software
 - 4 years for Knowledge-based content/Smart class software and
 - Period of licence for licenced intangible asset

Earning Per Share (EPS)

- **Basic EPS:** Calculated by dividing the net profit or loss for the year attributable to equity shareholders after tax (and including post tax effect of any extra-ordinary item) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue to existing shareholders
- **Diluted EPS:** For the purpose of calculation, the net profits or loss attributable to equity shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential equity shares, if any

Investments

- **Long-term Investments** are stated at cost, less provision for other than temporary diminution in value
- **Short term investments** are carried at lower of cost and quoted value/ fair value, computed category-wise

Amount in Rs cr

Income Statement

Particulars	Q3 FY'09	Q3 FY'08	% Chg YoY	9M FY'09	9M FY'08	% Chg YoY
Net Income from operations	189.6	82.2	130.7%	407.7	162.4	151.0%
EBITDA (before Minority Interest)	72.0	36.5	97.3%	177.5	74.1	139.7%
EBIT	51.0	26.9	89.4%	125.5	52.2	140.2%
PAT after Share of Associate & Minority Interest	31.8	19.7	61.3%	77.2	38.7	99.3%
Basic and Diluted EPS before Extraordinary items	18.4	11.5	60.9%	44.7	23.0	94.1%
Basic and Diluted EPS after Extraordinary items	17.9	9.7	85.6%	43.5	16.9	156.9%

Key Ratios

Key Ratios (as a % of Net Income from Operations)	Q3 FY'09	Q3 FY'08	9M FY'09	9M FY'08
EBIDTA Margin	38.0%	44.4%	43.5%	45.6%
PAT Margin	16.8%	24.0%	18.9%	23.8%

Income Statement

Amount in Rs cr

Particulars	Q3 FY'09	Q3 FY'08	% Chg YoY	9M FY'09	9M FY'08	% Chg YoY
Net Income from Operations	145.3	71.5	103.1%	312.8	144.0	117.3%
Total Expenditure	78.4	38.1	105.7%	157.4	74.3	111.8%
Purchase of Raw Material	53.2	50.5	5.2%	69.3	69.4	-0.2%
(Increase)/ Decrease in stock in trade	(18.5)	(28.1)	-34.0%	(19.6)	(32.9)	-40.4%
Staff Cost	17.2	9.5	80.8%	42.9	22.7	89.2%
Selling, Distribution, Administration & Other Expenses	26.6	6.2	332.0%	64.9	15.1	329.4%
EBITDA	66.8	33.4	100.1%	155.4	69.7	123.1%
Prior period items	0.2	-	NA	0.2	-	NA
Depreciation & Amortisation	19.2	9.1	110.2%	48.3	21.3	126.4%
Finance Charges	2.4	1.3	92.0%	5.6	2.6	115.5%
OPBT	45.0	23.0	95.7%	101.3	45.7	121.6%
Other Income*	1.7	5.9	-71.5%	9.9	13.4	-26.3%
PBT	46.7	28.9	61.7%	111.2	59.2	88.0%
Tax Expense	15.2	9.9	53.5%	37.5	20.6	82.5%
PAT	31.5	19.0	65.9%	73.7	38.6	90.9%
Basic and Diluted EPS before Extraordinary items	18.3	11.0	65.3%	42.7	22.9	86.0%
Basic and Diluted EPS after Extraordinary items	17.8	9.3	91.3%	41.5	16.8	146.4%

Key Ratios

Key Ratios (as a % of Net Income from Operations)	Q3 FY'09	Q3 FY'08	9M FY'09	9M FY'08
EBIDTA Margin	46.0%	46.7%	49.7%	48.4%
PAT Margin	21.7%	26.6%	23.6%	26.8%
Total Expenditure	54.0%	53.3%	50.3%	51.6%
Consumption of Raw material	23.8%	31.4%	15.9%	25.4%
Staff Cost	11.9%	13.3%	13.7%	15.8%
Selling, Distribution, Administration & Other expenses	18.3%	8.6%	20.7%	10.5%

Amount in Rs cr

Revenues	Q3 FY'09	Q3 FY'08	% Chg YoY	9M FY'09	9M FY'08	% Chg YoY
Professional Development	8.6	6.6	30.8%	21.3	19.0	11.8%
Smart Class	87.6	34.7	152.4%	203.4	77.5	162.4%
ICT Solutions	37.5	23.9	57.1%	57.6	38.8	48.7%
Retail & Consulting	11.6	6.4	81.7%	30.5	8.7	252.2%
Total Net Sales/ Income from Operations	145.3	71.5	103.1%	312.8	144.0	117.3%

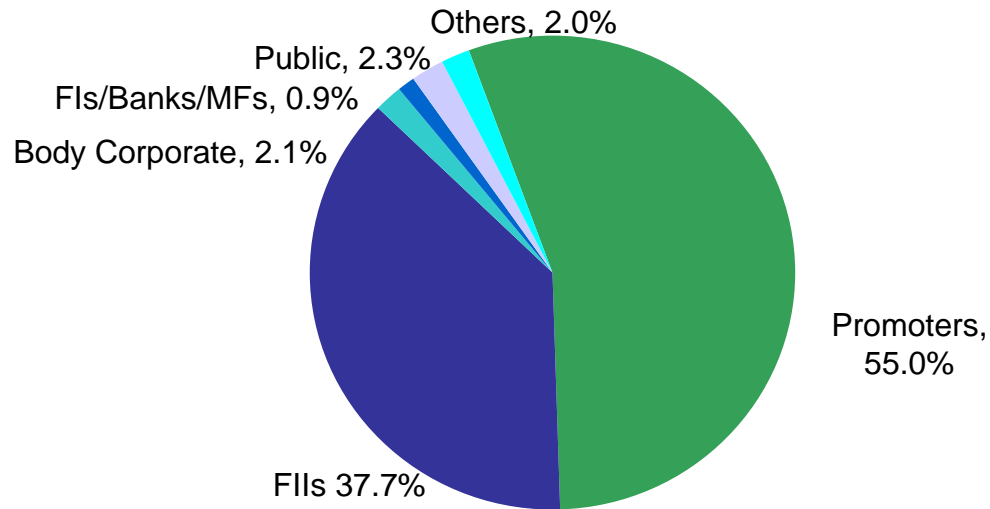
PBIT	Q3 FY'09	Q3 FY'08	% Chg YoY	9M FY'09	9M FY'08	% Chg YoY
Professional Development	5.2	4.2	25.7%	13.7	11.4	20.6%
Smart Class	51.8	19.2	169.7%	122.2	43.1	183.6%
ICT Solutions	8.6	6.8	26.5%	15.5	11.0	40.7%
Retail & Consulting	4.1	3.9	5.3%	16.2	5.0	224.9%
	69.7	34.0	104.8%	167.5	70.4	137.9%
Less: Interest (Net)	2.4	1.3	92.0%	5.6	2.6	115.5%
Other un-allocable expenses (net of un- allocable)	20.6	3.9	428.9%	50.7	8.7	485.4%
Total Profit before Tax	46.7	28.9	61.7%	111.2	59.2	88.0%

PBIT Margins	Q3 FY'09	Q3 FY'08	9M FY'09	9M FY'08
Professional Development	61.0%	63.5%	64.3%	59.6%
Smart Class	59.2%	55.4%	60.1%	55.6%
ICT Solutions	22.8%	28.3%	26.8%	28.3%
Retail & Consulting	35.3%	60.8%	52.9%	57.4%

Revenue Break up	Q3 FY'09	Q3 FY'08	9M FY'09	9M FY'08
Professional Development	5.9%	9.2%	6.8%	13.2%
Smart Class	60.3%	48.5%	65.0%	53.8%
ICT Solutions	25.8%	33.4%	18.4%	26.9%
Retail & Consulting	8.0%	8.9%	9.8%	6.0%

As on 31st December 2008

Equity Shares Outstanding-17,283,570



**For any Investor Relations queries
please contact:**

Ms. Sangeeta Gulati, CFO

Educomp Solutions Limited

Educomp Towers,

514, Udyog Vihar Phase III

Gurgaon – 122 001, Haryana

Email: investor.relations@educomp.com

Ph: 0124 - 4529000



Forward Looking Statement

Certain statements in this document with words or phrases such as “will”, “should”, etc., and similar expressions or variation of these expressions or those concerning our future prospects are forward looking statements. Actual results may differ materially from those suggested by the forward looking statements due to a number of risks or uncertainties associated with the expectations. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy and changes in government policies. The company may, from time to time, make additional written and oral forward looking statements, including statements contained in the company’s filings with the stock exchanges and our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company.

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