

TAL Education Group Announces Unaudited Financial Results for the First Fiscal Quarter Ended May 31, 2011

- Quarterly Net Revenues Increased by 62.7% Year-Over-Year*
- Quarterly Net Income Attributable to TAL Increased by 66.9% Year-Over-Year*
- Quarterly Non-GAAP Net Income Increased by 157.6% Year-Over-Year*

(Beijing – July 26, 2011)—TAL Education Group (NYSE: XRS) (“TAL” or the “Company”), a leading K-12 after-school tutoring services provider in China, today announced its unaudited financial results for the quarter ended May 31, 2011, which is the first quarter of TAL’s fiscal year 2012.

Financial Highlights for the First Quarter of Fiscal Year 2012

- Net revenues increased by 62.7% year-over-year to US\$33.2 million from US\$20.4 million in the same period of the prior fiscal year.
- Net income from continuing operations increased by 55.0% year-over-year to US\$4.6 million from US\$3.0 million in the same period of the prior fiscal year.
- Net income attributable to TAL increased by 66.9 % year-over-year to US\$4.6 million from US\$2.7 million in the same period of the prior fiscal year.
- Non-GAAP¹ net income attributable to TAL, which excluded share-based compensation expenses, increased by 157.6% year-over-year to US\$7.1million from US\$2.7 million in the same period of the prior fiscal year.
- Basic and diluted net income per American Depositary Share (“ADS”)² were US\$0.06 and US\$0.06, respectively. Non-GAAP basic and diluted net income per ADS, in each case excluding share-based compensation expenses, were US\$0.09 and US\$0.09, respectively.
- Total student enrollments during the first quarter of fiscal year 2012 increased by 23.3% year-over-year to approximately 122,650.
- Total physical network grew to 199 learning centers as of May 31, 2011 from 104 learning centers as of May 31, 2010.

Financial and Operating Data—the First Quarter of Fiscal Year 2012 (in thousands of US\$, except per ADS data, student enrollments and percentages)

¹ As used in this press release, non-GAAP operating costs and expenses, non-GAAP cost of revenues, non-GAAP selling and marketing expenses, non-GAAP general and administrative expenses, non-GAAP income from operations, non-GAAP net income attributable to TAL, non-GAAP basic and non-GAAP diluted net income per ADS are defined to exclude share-based compensation expense from operating costs and expenses, cost of revenues, selling and marketing expenses, general and administrative expenses, income from operations, net income attributable to TAL and earnings per ADS, respectively. See “About Non-GAAP Financial Measures” and “Reconciliation of Non-GAAP Measures To The Most Comparable GAAP Measures” at the end of this press release.

² Each ADS represents two Class A common shares.

	Three Months Ended May 31,		
	<u>2010</u>	<u>2011</u>	<u>Pct. Change</u>
Net revenues	20,426	33,222	62.7%
Net income attributable to TAL	2,742	4,576	66.9%
Non-GAAP net income attributable to TAL	2,742	7,063	157.6%
Operating income	3,220	3,442	6.9%
Non-GAAP operating income	3,220	5,929	84.1%
Net income per ADS attributable to TAL – basic	0.05	0.06	36.7%
Net income per ADS attributable to TAL – diluted	0.05	0.06	34.2%
Non-GAAP net income per ADS attributable to TAL – basic	0.05	0.09	111.0%
Non-GAAP net income per ADS attributable to TAL – diluted	0.05	0.09	107.1%
Total student enrollments in small class, one-on-one, and online courses	99,509	122,650	23.3%

“We are excited by the continued growth of our business, particularly the strong traction we have demonstrated in cities outside of our core markets of Beijing and Shanghai. Small class revenues from cities outside of Beijing and Shanghai already contributed over 8.3% of total small class net revenues in this quarter versus only 2.7% during the same period of the previous year. The rapid growth we are achieving in these cities is encouraging, and gives us an early indication that the investments we made in the previous fiscal year in content development, school head and teacher training, and optimizing our organization structure to support our continued nationwide expansion are already paying off.

With these preparation measures in place, we started the new fiscal year by accelerating investment in our learning center network, adding 67 new learning centers in the quarter. These new learning centers are smaller on average than our centers have been historically, giving us an opportunity to increase new center utilization levels more quickly as we aggressively expand our geographic coverage. We are encouraged by the early results of this ‘smaller center strategy’ and will continue to actively evaluate the pace of our ongoing center roll-out as enrollments ramp over the coming quarters,” said TAL’s Chairman and Chief Executive Officer, Mr. Bangxin Zhang.

Mr. Joseph Kauffman, Chief Financial Officer, continued, “We are pleased to announce another strong quarter in which our results solidly exceeded the high end of our revenue guidance. We grew net revenues by 62.7% in the quarter while at the same time growing

non-GAAP operating income by 84.1% and non-GAAP net income by 157.6%. Given the current momentum in our businesses we are increasing our full fiscal year 2012 total net revenues guidance to between US\$154.8 million and US\$160.4 million, representing revenue growth of approximately 40% to 45% versus the fiscal year ended February 28, 2011. Over the coming quarters, our focus will continue to be on investing in our learning center network, teacher and management training, content development, and marketing initiatives to support the roll-out of our businesses, while at the same time bolstering our key headquarters functions to ensure the ongoing effective management of our expansion.”

Financial Results for the First Quarter of Fiscal Year 2012

Net Revenues

For the first quarter of fiscal year 2012, TAL reported net revenues of US\$33.2 million, representing a 62.7% increase from US\$20.4 million in the first quarter of fiscal year 2011. The increase was mainly driven by higher average selling price and an increased number of total student enrollments. Average selling prices (ASPs), defined as total net revenue divided by total student enrollments, increased by 32.2% from US\$205 in the first quarter of fiscal year 2011 to US\$271 in the same quarter of fiscal year 2012 mainly driven by an increase in the hourly rate and the number of hours per class. Total student enrollments increased by 23.3% to approximately 122,650 from approximately 99,509 in the same period one year ago.

Operating Costs and Expenses

Operating costs and expenses were US\$29.9 million, a 73.9% increase from US\$17.2 million in the first quarter of fiscal year 2011. Non-GAAP operating costs and expenses, which exclude share-based compensation expenses, were US\$27.4 million, a 59.4% increase from US\$17.2 million in the first quarter of fiscal year 2011.

Cost of revenues increased by 53.9% to US\$18.1 million, from US\$11.8 million in the first quarter of fiscal year 2011. The increase in cost of revenues was primarily due to an increase in teachers' costs and related study materials to support a greater number of courses opened and the increased rental and other staff costs to support the greater number of learning centers in operation. Non-GAAP cost of revenues, which excludes share-based compensation expenses, increased by 52.0% to US\$17.9 million, from US\$11.8 million in the first quarter of fiscal year 2011.

Selling and marketing expenses increased by 158.6% to US\$4.3 million, from US\$1.7 million in the first quarter of fiscal year 2011. The increase was primarily due to an increase in sales and marketing staff to support our expanded program and service offering, increased advertising expenses for marketing promotion, and an increase in share-based compensation of our sales and marketing staff. Non-GAAP selling and marketing expenses, which exclude share-based compensation expenses, increased by 133.2% to US\$3.9 million, from US\$1.7 million in the first quarter of fiscal year 2011.

General and administrative expenses increased by 99.0% to US\$7.5 million, from US\$3.7

million in the first quarter of fiscal year 2011. The increase was mainly due to an increase in share-based compensation expenses for our general and administrative staff and an increase in the total number of general and administrative staff to support our expanded operations, as well as increased audit and related consulting fees in the first quarter of fiscal year 2012. Non-GAAP general and administrative expenses, which exclude share-based compensation expenses, increased by 49.8% to US\$5.6 million, from US\$3.7 million in the first quarter of fiscal year 2011.

Total share-based compensation expenses that were allocated to related operating costs and expenses amounted to US\$2.5 million in the first quarter of fiscal year 2012. The Company did not incur share-based compensation expenses in the corresponding period of the previous fiscal year.

Gross Profit

Gross profit increased by 74.6% to US\$15.1 million, from US\$8.6 million in the first quarter of fiscal year 2011.

Income from Operations

Income from operations increased by 6.9% to US\$3.4 million, from US\$3.2 million in the first quarter of fiscal year 2011. Non-GAAP income from operations, which excludes share-based compensation expenses, increased by 84.1% to US\$5.9 million, from US\$3.2 million in the first quarter of fiscal year 2011.

Income Tax Expense

Income tax expense was US\$1.1 million in the first quarter of fiscal year 2012, as compared to US\$0.3 million in the first quarter of fiscal year 2011, mainly because in calendar year 2010 the exemption period of one of TAL's entities expired and it has become subject to a still preferential, but higher tax rate from calendar year 2011.

Net Income from Continuing Operations

Net income from continuing operations increased by 55.0% to US\$4.6 million, from US\$3.0 million in the first quarter of fiscal year 2011.

Net Income Attributable to TAL Education Group

Net income attributable to TAL increased by 66.9% to US\$4.6 million, from US\$2.7 million in the first quarter of fiscal year 2011. Non-GAAP net income attributable to TAL, which excludes share-based compensation expenses, increased by 157.6% to US\$7.1 million, from US\$2.7 million in the first quarter of fiscal year 2011.

Basic and Diluted Net Income per ADS

Basic and diluted net income per ADS were US\$0.06 and US\$0.06, respectively, in the first quarter of fiscal year 2012. Non-GAAP basic and diluted net income per ADS, which excludes share-based compensation expenses, were US\$0.09 and US\$0.09, respectively.

Capital Expenditures

Capital expenditures for the quarter were US\$1.7 million.

Cash and Cash Equivalents

As of May 31, 2011, the Company had US\$191.3 million of cash and cash equivalents and US\$24.7 million of term deposits, as compared to US\$173.2 million of cash and cash equivalents and US\$25.9 million of term deposit as of February 28, 2011.

Deferred Revenue

As of May 31, 2011, the Company's deferred revenue balance was US\$63.3 million versus US\$50.7 million as of February 28, 2011.

Business Outlook

Based on the Company's current estimates, total net revenues for the second quarter of fiscal year 2012 are expected to be between US\$46.1 million and US\$47.7 million, representing an increase of 42% to 47% on a year-over-year basis.

The Company expects its total net revenues for the full fiscal year ending February 29, 2012 will be in the estimated range of US\$154.8 million to US\$160.4 million, representing an increase of approximately 40% to 45% compared to the fiscal year 2011.

These estimates reflect the Company's current expectation, which is subject to change.

Conference Call

The Company will host a conference call and live webcast to discuss its financial results for the first fiscal quarter of fiscal year 2012 ended May 31, 2011 at 8:00 am Eastern Daylight Time on July 26, 2011 (8:00 pm Beijing time on July 26, 2011).

The dial-in details for the live conference call are as follows:

- | | |
|--|----------------------------------|
| - U.S. Toll Free Number: | 1-800-320-2978 |
| - International Dial-in Number: | 1-617-614-4923 |
| - Mainland China Toll Free Number (North): | 10-800-852-1490, 10-800-712-2655 |
| - Mainland China Toll Free Number (South): | 10-800-130-0399, 10-800-120-2655 |
| - Hong Kong Toll Free Number: | 800-96-3844 |
| - U.K. Toll Free Number: | 080-8234-7616 |
| Conference ID: | XRS |

A live and archived webcast of the conference call will be available on the Investor Relations section of TAL's website at en.xueersi.org.

A telephone replay of the call will be available after the conclusion of the conference call

through August 2, 2011.

The dial-in details for the replay are as follows:

- U.S. Toll Free Number 1-888-286-8010
 - International Dial-in Number 1-617-801-6888
- Conference ID: 37055508

Safe Harbor Statement

This announcement contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. Among other things, the outlook for the second quarter of fiscal year 2012 and the full fiscal year 2012 and quotations from management in this announcement, as well as TAL Education Group’s strategic and operational plans, contain forward-looking statements. The Company may also make written or oral forward-looking statements in its reports filed with, or furnished to, the U.S. Securities and Exchange Commission, in its annual reports to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Company’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: its ability to continue to attract students to enroll in its courses; its ability to continue to recruit, train and retain qualified teachers; its ability to improve the content of its existing course offerings and to develop new courses; its ability to maintain and enhance its brand; its ability to maintain and continue to improve its teaching results; and its ability to compete effectively against its competitors. Further information regarding these and other risks is included in the Company’s reports filed with, or furnished to the Securities and Exchange Commission. TAL Education Group does not undertake any obligation to update any forward-looking statement, except as required under applicable law. All information provided in this press release and in the attachments is as of the date of this press release, and TAL Education Group undertakes no duty to update such information, except as required under applicable law.

About TAL Education Group

TAL Education Group, which operates under the brand “Xueersi,” is a leading K-12 after-school tutoring service provider in China associated with high teaching quality and outstanding student academic performance. Its tutoring services cover the core subjects in China's school curriculum, including mathematics, English, Chinese, physics, chemistry and biology, and are delivered through three formats: small class, one-on-one, and online courses. The Company's network includes 199 physical learning centers as of May 31, 2011, located in ten key cities in China: Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Wuhan, Xi’an,

Chengdu, Nanjing and Hangzhou. It also operates www.eduu.com, a leading online education platform in China. The Company's ADSs trade on the New York Stock Exchange under the symbol "XRS."

About Non-GAAP Financial Measures

In evaluating its business, TAL considers and uses the following measures defined as non-GAAP financial measures by the SEC as supplemental metrics to review and assess its operating performance: non-GAAP operating costs and expenses, non-GAAP cost of revenues, non-GAAP selling and marketing expenses, non-GAAP general and administrative expenses, non-GAAP income from operations, non-GAAP net income attributable to TAL, non-GAAP basic and non-GAAP diluted net income per ADS. To present each of these non-GAAP measures, the Company excludes share-based compensation expenses. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. For more information on these non-GAAP financial measures, please see the table captioned "Reconciliations of non-GAAP measures to the most comparable GAAP measures" set forth at the end of this release.

TAL believes that these non-GAAP financial measures provide meaningful supplemental information regarding its performance and liquidity by excluding share-based expenses that may not be indicative of its operating performance from a cash perspective. TAL believes that both management and investors benefit from these non-GAAP financial measures in assessing its performance and when planning and forecasting future periods. These non-GAAP financial measures also facilitate management's internal comparisons to TAL's historical performance and liquidity. TAL computes its non-GAAP financial measures using the same consistent method from quarter to quarter and from period to period. TAL believes these non-GAAP financial measures are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision making. A limitation of using non-GAAP measures is that these non-GAAP measures exclude share-based compensation charge that has been and will continue to be for the foreseeable future a significant recurring expense in the Company's business. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from each non-GAAP measure. The accompanying tables have more details on the reconciliations between GAAP financial measures that are most directly comparable to non-GAAP financial measures.

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TAL Education Group
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In U.S. dollars)

	As of February 28, <u>2011</u>	As of May 31, <u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$173,165,661	\$191,259,979
Term deposits	25,870,071	24,696,694
Available-for-sale securities	465,709	414,787
Inventory	117,827	116,787
Deferred tax assets-current	1,082,932	1,393,447
Prepaid expenses and other current assets	4,746,929	7,910,621
Total current assets	<u>205,449,129</u>	<u>225,792,315</u>
Property and equipment, net	7,515,325	8,416,533
Deferred tax assets-non-current	668,096	1,447,735
Rental deposit	2,818,126	3,246,962
Intangible assets, net	656,785	494,279
Goodwill	662,583	672,063
Total assets	<u><u>\$217,770,044</u></u>	<u><u>\$240,069,887</u></u>

LIABILITIES AND EQUITY

Current liabilities

Accounts payable (including accounts payable of the consolidated VIEs without recourse to TAL Education Group of 736,655 and 753,286 as of February 28, 2011 and May 31, 2011, respectively)	\$911,254	\$1,032,688
Deferred revenue (including deferred revenue of the consolidated VIEs without recourse to TAL Education Group of 34,169,473 and 44,606,828 as of February 28, 2011 and May 31, 2011, respectively)	50,678,025	63,278,640
Amounts due to related parties (including amounts due to related parties of the consolidated VIEs without recourse to TAL Education Group of 79,893 and 81,036 as of February 28, 2011 and May 31, 2011, respectively)	79,893	81,036
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to TAL Education Group of 5,729,657 and 6,314,606 as of February 28, 2011 and May 31, 2011, respectively)	8,053,980	9,765,877

Income tax payable (including income tax payable of the consolidated VIEs without recourse to TAL Education Group of 2,650,269 and 2,080,559 as of February 28, 2011, and May 31, 2011, respectively)	2,877,887	2,825,103
Total current liabilities	<u>62,601,039</u>	<u>76,983,344</u>
Deferred tax liabilities-non-current (including deferred tax liabilities-non-current of the consolidated VIEs without recourse to TAL Education Group of 85,248 and 75,006 as of February 28, 2011, and May 31, 2011, respectively)	117,781	127,059
Total liabilities	<u>62,718,820</u>	<u>77,110,403</u>
TAL Education Group Shareholders' Equity		
Class A common shares	27,600	27,600
Class B common shares	125,000	125,000
Additional paid-in capital	112,055,718	114,543,157
Statutory reserve	8,240,697	8,240,697
Retained earnings	32,727,630	37,303,652
Accumulated other comprehensive income	1,874,579	2,719,378
Total TAL Education Group's equity	<u>155,051,224</u>	<u>162,959,484</u>
Total liabilities and equity	<u>\$217,770,044</u>	<u>\$240,069,887</u>

TAL Education Group
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In U.S. dollars, except shares, ADS, per share and per ADS data)

	For the Three Months Ended May 31,	
	<u>2010</u>	<u>2011</u>
Net revenues	\$ 20,425,548	\$ 33,222,435
Cost of revenues	11,787,095	18,139,350
Gross profit	<u>8,638,453</u>	<u>15,083,085</u>
Operating expenses (note 1)		
Selling and marketing	1,672,419	4,324,975
General and administrative	3,745,583	7,452,070
Total operating expenses	<u>5,418,002</u>	<u>11,777,045</u>
Government subsidies	-	135,681
Income from operations	<u>3,220,451</u>	<u>3,441,721</u>
Interest income	131,533	867,692
Interest expense	(24,700)	-
Other (expenses)/income	(33,057)	1,388,233
Gain from sales of available-for-sale securities	6,429	-
Income before income tax provision	3,300,656	5,697,646
Provision for income tax	<u>(347,510)</u>	<u>(1,121,624)</u>
Net income from continuing operations	<u>2,953,146</u>	<u>4,576,022</u>
Net (loss) from discontinued operations, net of taxes	<u>(210,836)</u>	<u>-</u>
Net income	<u>2,742,310</u>	<u>4,576,022</u>
Total net income attributable to TAL Education Group	<u>\$ 2,742,310</u>	<u>\$ 4,576,022</u>

TAL Education Group
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In U.S. dollars, except shares, ADS, per share and per ADS data)

	For the Three Months Ended May 31,	
	<u>2010</u>	<u>2011</u>
Net income per common share		
Basic from continuing operations	\$ 0.02	\$ 0.03
Basic from discontinued operations	(0.00)	-
Basic	<u>0.02</u>	<u>0.03</u>
Diluted from continuing operations	0.02	0.03
Diluted from discontinued operations	(0.00)	-
Diluted	<u>0.02</u>	<u>0.03</u>
Net income per ADS (note 2)		
Basic from continuing operations	0.05	0.06
Basic from discontinued operations	(0.00)	-
Basic	<u>0.05</u>	<u>0.06</u>
Diluted from continuing operations	0.05	0.06
Diluted from discontinued operations	(0.00)	-
Diluted	<u>\$ 0.05</u>	<u>\$ 0.06</u>
Weighted average shares used in calculating net income per common share		
Basic	120,000,000	152,600,000
Diluted	125,000,000	155,432,285

Notes:

Note 1: Share-based compensation expenses are included in the operating costs and expenses as follows:

	For the Three Months Ended May 31	
	2010	2011
Cost of revenues	\$ -	\$ 222,442
Selling and marketing	-	425,532
General and administrative	-	1,839,465
Total	\$ -	\$ 2,487,439

Note 2: Each ADS represents two Class A common shares.

TAL Education Group
Reconciliation of Non-GAAP Measures to the Most Comparable GAAP Measures
(In U.S. dollar, except share, ADS, per share and per ADS data)

	For the Three Months Ended	
	May 31,	
	2010	2011
Cost of revenues	\$ 11,787,095	\$ 18,139,350
Share-based compensation expense in cost of revenues	-	222,442
Non-GAAP cost of revenues	<u>11,787,095</u>	<u>17,916,908</u>
Selling and marketing expenses	1,672,419	4,324,975
Share-based compensation expense in selling and marketing expenses	-	425,532
Non-GAAP selling and marketing expenses	<u>1,672,419</u>	<u>3,899,443</u>
General and administrative expenses	3,745,583	7,452,070
Share-based compensation expense in general and administrative expenses	-	1,839,465
Non-GAAP general and administrative expense	<u>3,745,583</u>	<u>5,612,605</u>
Operating costs and expenses	17,205,097	29,916,395
Share-based compensation expense in operating costs and expenses	-	2,487,439
Non-GAAP operating costs and expenses	<u>17,205,097</u>	<u>27,428,956</u>
Income from operations	3,220,451	3,441,721
Share based compensation expenses	-	2,487,439
Non-GAAP income from operations	<u>3,220,451</u>	<u>5,929,160</u>
GAAP net income attributable to TAL Education Group	2,742,310	4,576,022
Share based compensation expenses	-	2,487,439
Non-GAAP net income attributable to TAL Education Group	<u>\$ 2,742,310</u>	<u>\$ 7,063,461</u>

Net income per ADS

- Basic	\$ 0.05	\$ 0.06
- Diluted	0.05	0.06

Non-GAAP net income per ADS

- Basic	0.05	0.09
- Diluted	\$ 0.05	\$ 0.09

ADSs used in calculating net income per ADS

- Basic	60,000,000	76,300,000
- Diluted	62,500,000	77,716,143

Note:

(1) The Non-GAAP adjusted net income per share and per ADS are computed using Non-GAAP adjusted net income and the same number of shares and ADSs used in GAAP basic and diluted EPS calculation.