

This was a rewarding year for Apollo Group and its stakeholders. We began to reap the benefits of the substantial investment and management decisions we made over the last couple of years, and we are very pleased with advances we have achieved in both our campus and our corporate operations.

Financially, our achievements resulted in net income of \$408.8 million, or \$2.35 per diluted share, on consolidated revenue of \$2.7 billion, a 9.9% increase over fiscal 2006. Average quarterly degreed enrollments grew by 10.5%, and we ended the fiscal year with 313,700 students enrolled in our degree programs. We continue to generate positive cash flow as well, and ended the year with \$339 million in unrestricted cash.

In 2007, we continued our investments in University of Phoenix. These included developing approximately 20 new academic programs, hiring additional enrollment counselors and support staff, enhancing instructional technology, refining Internet advertising, allocating more dollars for institutional branding, and enhancing our corporate infrastructure to support continued growth. While these investments have suppressed margins slightly, we believe they are the right initiatives to pursue in order for us to create long-term value for our shareholders.

We also invested actively in our people during the last year. We strengthened our management team, particularly in the finance area, and added additional talent and expertise to our board of directors. We additionally fortified our financial controls and corporate governance, making Apollo Group a stronger company today and better poised for growth into the future. As a result of our improved controls and governance, we were able to remedy the material weaknesses identified in last year's audit. Importantly, we reported no material weaknesses in internal controls this year.

We enter fiscal 2008 with positive momentum. We will continue to invest and execute in accordance with our strategic plan to best position Apollo Group for long-term sustainable growth in both domestic and international markets. In October, we announced the formation of Apollo Global, a \$1 billion joint venture with The Carlyle Group, for the purpose of pursuing investments in the international education services sector. Carlyle's expertise and track record make it a significant partner for our global expansion. The joint venture will utilize the portfolio of core competencies available within Apollo Group, while leveraging Carlyle's education services experience, industry and political relationships, and strategic assets in the global education sector.

Our Apollo Global team will pursue an array of international opportunities we have, while we keep a firm hand on our goals and growth plans for our high-return core domestic businesses. A prime example of our domestic emphasis is the approximately 20 new academic programs launched in fiscal 2007 as well as the 40 new programs currently in development, which we intend to launch over the next several quarters. With recent approval from the Higher Learning Commission, University of Phoenix is now poised to offer its first Doctor of Philosophy (Ph.D.) degrees through its School of Advanced Studies. The ability to confer Ph.D. degrees is an important milestone for the University and further validates the University's academic excellence.

We also continue to make productivity and efficiency gains in the areas of marketing, lead generation, and student acquisition. These factors were the primary drivers of our recent acquisition of Aptimus. This acquisition allows us to bring the management of our online marketing investments back in-house. Aptimus and its technology provide Apollo with better control over its online brands and the flexibility and talent to invest in significant innovation. Being on the leading edge of digital media and Internet marketing communications will enable us to communicate more effectively with prospective students and other constituents online.

Overall, this was a year of substantial positive transformation for Apollo Group, and we thank all of our shareholders and employees for their continued support. The demand for higher education continues to be strong, and we are very confident about Apollo Group's bright future.