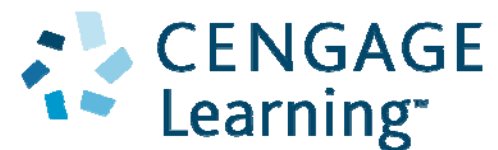


Fiscal 2009 Second Quarter Investor Call

February 12, 2009



Special Note

Safe Harbor/Forward-Looking Statements

- The following discussion will contain forward-looking statements, including statements about the outlook and prospects for Cengage Learning.
- Forward-looking statements are those which are not historical facts. These and other statements that relate to future results and events are based on Cengage Learning's current expectations and assumptions and are subject to risks and uncertainties which may cause our actual results in future periods to differ materially from those currently expected because of factors discussed in this presentation, in the management's discussion and analysis section of the Company's Second Quarter Report for The Three and Six Months Ended December 31, 2008 and the "Risk Factors" section of the Annual Report For The Fiscal Year Ended June 30, 2008 and the Second Quarter Report for the Three and Six Months Ended December 31, 2008. Please consult these documents for a more complete understanding of these risks and uncertainties. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

- This presentation contains disclosures of EBITDA, Free cash flow and Adjusted EBITDA which are non-GAAP financial measures. Please see Appendix for a definition of these measures and reconciliations to the most directly comparable financial measures prepared in accordance with GAAP.

Agenda

 Welcome / Introduction

 Key Business Developments

Ron Dunn

 Financial Results

David Faiman

 Questions & Answers

Key Business Developments

- ❁ Current business environment
- ❁ Factors limiting quarterly growth
- ❁ Our growth strategy
- ❁ Acquisitions and debt buyback
- ❁ Economic stimulus package

Current Business Environment

Academic & Professional Market

- ❁ Enrollments
- ❁ Endowments
- ❁ Financial aid
- ❁ Government funding
- ❁ Alternatives to new textbooks

Library Market

- ❁ State/local tax receipts
- ❁ Government funding
- ❁ Endowments

International Markets

- ❁ Global recession

Factors Limiting Quarterly Growth

- ❁ Timing of customer orders
- ❁ Delay in a major product revision
- ❁ Weakness in school channel sales
- ❁ Decline in library sales
- ❁ Downturn in international sales

Our Growth Strategy

**Accelerate
Development of Digital
Learning Solutions**

- ✿ Curriculum solutions
- ✿ Online courseware
- ✿ eCommerce

**Broaden e-Reference
Solutions**

- ✿ “Digital first” strategy
- ✿ End-user orientation

Focus on Innovation

- ✿ 4LTR Press
- ✿ Gale-APG synergy

Acquisitions and Debt Buyback

Acquisitions

- ❁ HighBeam Research – December 2008
- ❁ Concept Media – January 2009

Debt Buyback

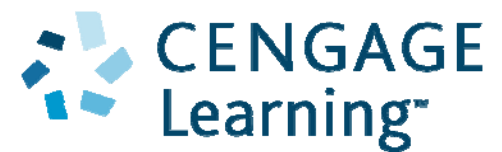
- ❁ Purchased both PIK and Senior Subordinated Discount Notes

Economic Stimulus Package



Financial Results

David Faiman



Consolidated and Combined Financial Results

2nd Quarter 2009 compared to 2nd Quarter 2008

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue ^(a)	\$ 443.9	\$ 473.9	-6.3%
EBITDA ^(a)	\$ 153.0	\$ 183.5	-16.6%
Margin	34.5%	38.7%	
Free cash flow	\$ 210.0	\$ 172.1	

Fiscal 2009 YTD compared to Fiscal 2008 YTD

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue ^(a)	\$ 1,205.2	\$ 1,103.5	9.2%
EBITDA ^(a)	\$ 548.6	\$ 490.5	11.8%
Margin	45.5%	44.4%	
Free cash flow	\$ 295.7	\$ 310.0	

^(a) Reflects \$7.7 and \$13.4 higher reduction of revenue in the prior year 2nd Quarter and Fiscal YTD, respectively, associated with purchase accounting adjustments to deferred revenue, which have a 100% flow through to EBITDA.

Second Quarter Overview

Revenue

Decline of \$30 or 6.3% reflecting:

- ✦ Growth in APG driven by acquisition of HM College
- ✦ Decline in organic revenue driven by economic slowdown internationally, fiscal spending constraints impacting Gale customers and changes in timing of customer ordering patterns within APG
- ✦ Unfavorable impact of foreign currency translation

EBITDA

Decline of \$30.5 or 16.6% reflecting:

- ✦ \$12.7 of restructuring charges (\$7.4 non-cash)
- ✦ Reduced contribution from lower revenues
- ✦ Benefit of lower employee costs attributable to previous restructuring initiatives

Free cash flow

- ✦ Net changes in working capital driven by timing of incentive payments and accounts receivable collections
- ✦ Higher cash interest payments on debt incurred in connection with acquisition of HM College

Academic & Professional Group

2nd Quarter 2009 compared to 2nd Quarter 2008

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue	\$ 309.9	\$ 304.5	1.8%
EBITDA	\$ 111.6	\$ 131.3	-15.0%
Margin	36.0%	43.1%	

Fiscal 2009 YTD compared to Fiscal 2008 YTD

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue	\$ 930.9	\$ 791.2	17.7%
EBITDA	\$ 469.7	\$ 400.3	17.3%
Margin	50.5%	50.6%	

Second Quarter Overview

Revenue

Growth of \$5.4 or 1.8% reflecting:

- Growth from our acquisition of HM College
- Decline in organic revenue driven by a (i) change in customer ordering patterns, (ii) delay in revision of one title series and (iii) lower school sales

EBITDA

Decline of \$19.7 or 15% reflecting:

- \$11.3 restructuring charges (\$7.4 non-cash)
- \$4.8 unfavorable impact of foreign currency transactions
- Higher employee costs associated with our acquisition of HM College

Gale

2nd Quarter 2009 compared to 2nd Quarter 2008

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue	\$ 79.9	\$ 91.4	-12.6%
EBITDA	\$ 39.7	\$ 44.8	-11.4%
<i>Margin</i>	<i>49.7%</i>	<i>49.0%</i>	

Fiscal 2009 YTD compared to Fiscal 2008 YTD

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue	\$ 156.0	\$ 167.3	-6.8%
EBITDA	\$ 76.1	\$ 80.2	-5.1%
<i>Margin</i>	<i>48.8%</i>	<i>47.9%</i>	

Second Quarter Overview

Revenue

Decline of \$11.5 or 12.6% reflecting:

- Decline across all product types driven by fiscal spending constraints on customers related to the economic environment and tightening of customer budgets for one-time purchases

EBITDA

Decline of \$5.1 or 11.4% reflecting:

- Reduced contribution from lower revenues
- Benefit of lower employee costs attributable to previous restructuring initiatives

International

2nd Quarter 2009 compared to 2nd Quarter 2008

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue	\$ 51.2	\$ 80.4	-36.3%
EBITDA	\$ 6.1	\$ 23.1	-73.6%
Margin	11.9%	28.7%	

Fiscal 2009 YTD compared to Fiscal 2008 YTD

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue	\$ 110.1	\$ 143.9	-23.5%
EBITDA	\$ 14.4	\$ 33.2	-56.6%
Margin	13.1%	23.1%	

Second Quarter Overview

Revenue

Decline of \$29.2 or 36.3% reflecting:

- ❁ 13.7% unfavorable impact of foreign currency translation
- ❁ Decreases in Asia driven by the weakening economic environment and the effect on sales from strengthening of the US dollar
- ❁ Decline in Australia driven by lower export sales to North America school market and enrollment declines in the distance learning business
- ❁ Decline in EMEA due to lower sales of English language teaching products

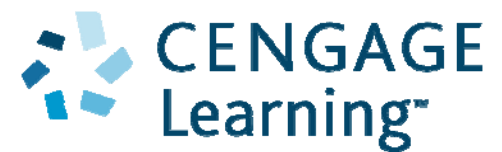
EBITDA

Decline of \$17 or 73.6% reflecting:

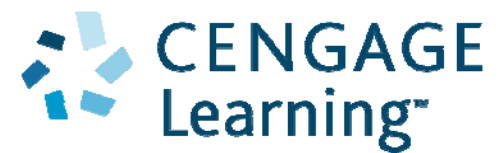
- ❁ 12.2% unfavorable impact of foreign currency translation
- ❁ Reduced contribution from lower revenues
- ❁ \$1.4 of restructuring charges



Questions & Answers



Appendix



Non-GAAP Financial Measures

We believe that certain non-GAAP financial measures provide additional means of analyzing the current period's results against the corresponding prior period's results. However, these non-GAAP measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with GAAP.

"EBITDA": We evaluate earnings based upon operating income (loss) before the amortization and impairment of identifiable intangible assets, depreciation, amortization of pre-publication costs, impairment of goodwill and for Fiscal 2008, the allocation of corporate management costs from TOC. We believe that this measure provides an additional means of analyzing the results of operating activities by eliminating the effects of financing and accounting decisions. Our measure of EBITDA is consistent with our measure of Segment Operating Profit. Segment Operating Profit is presented pursuant to the requirements in Statement of Financial Accounting Standard No. 131, *Disclosures about Segments of an Enterprise and Related Information* in Note 14, "Segment Information" of our Second Quarter Report for the Three and Six Months Ended December 31, 2008. Reconciliations of this non-GAAP financial measure to the most directly comparable financial measure calculated and presented in accordance with GAAP are included on pages 18 and 19 of this presentation.

"Free cash flow": This measure of cash flows represents net cash (used in) provided by operating activities of continuing operations less cash expenditure for additions to pre-publication costs and additions to property, equipment and capitalized software for internal use, net of dispositions. We view these investments as income-producing assets that are important to the growth of our business. We believe that this measure gives us and our investors additional perspective of cash flows from operating activities. Reconciliations of this non-GAAP financial measure to the most directly comparable financial measure calculated and presented in accordance with GAAP are included on pages 20 and 21 of this presentation.

"Adjusted EBITDA": In order to evaluate the results of operating activities excluding the effect of significant non-recurring transactions and giving effect to the run rate impact of cost saving initiatives, acquisitions and disposals, we calculate Adjusted EBITDA pursuant to the terms of our credit agreement. A reconciliation of this non-GAAP financial measure to the most directly comparable financial measure calculated and presented in accordance with GAAP is included on page 22 of this presentation.

EBITDA Reconciliation – 2nd Quarter

	Three Months Ended December 31,	
	2008	2007
Total segment operating profit / EBITDA	\$ 153.0	\$ 183.5
Less:		
Amortization of pre-publication costs	(33.7)	(32.4)
Depreciation	(16.0)	(14.7)
Amortization of identifiable intangible assets	(45.4)	(55.1)
Operating income from continuing operations	<u>\$ 57.9</u>	<u>\$ 81.3</u>

EBITDA Reconciliation – Year To Date

	Successor		Predecessor	
	Six Months Ended December 31, 2008	Period July 5, 2007 to December 31, 2007	Period July 1, 2007 to July 4, 2007	Cumulative Period Ended December 31, 2007
Total segment operating profit / EBITDA	\$ 548.6	\$ 485.0	\$ 5.5	\$ 490.5
Less:				
Amortization of pre-publication costs	(87.0)	(76.1)	(0.9)	(77.0)
Allocation of management costs from TOC	-	-	(0.8)	(0.8)
Depreciation	(30.8)	(28.2)	(0.7)	(28.9)
Amortization of identifiable intangible assets	(91.2)	(109.9)	(0.3)	(110.2)
Operating income from continuing operations	<u>\$ 339.6</u>	<u>\$ 270.8</u>	<u>\$ 2.8</u>	<u>\$ 273.6</u>

Free Cash Flow Reconciliation – 2nd Quarter

	Three Months Ended December 31,	
	2008	2007
Net cash provided by operating activities of continuing operations	\$ 259.4	\$ 211.5
Additions to pre-publication costs	(31.8)	(29.6)
Additions to property, equipment and capitalized software for internal use, net of dispositions	(17.6)	(9.8)
Free cash flow	<u>\$ 210.0</u>	<u>\$ 172.1</u>
 Supplemental reconciliation of free cash flow to net change in cash and cash equivalents for the period:		
Free cash flow	\$ 210.0	\$ 172.1
Acquisitions of businesses, net of related financing arrangements	(27.6)	(2.4)
Proceeds from settlement of derivative financial instruments	12.9	-
Repayments of long-term debt	(33.7)	(34.6)
Cash flows from discontinued operations	(1.7)	0.3
Proceeds from sale of businesses and other divestitures	2.7	2.0
Debt issuance costs	-	(0.2)
Other, net	(0.9)	0.1
Net increase in cash and cash equivalents for the period	<u>\$ 161.7</u>	<u>\$ 137.3</u>

Free Cash Flow Reconciliation – Year To Date

	Successor		Predecessor	Cumulative Period Ended December 31, 2007
	Six Months Ended December 31, 2008	Period July 5, 2007 to December 31, 2007	Period July 1, 2007 to July 4, 2007	
Net cash provided by operating activities of continuing operations	\$ 376.6	\$ 377.5	\$ 6.5	\$ 384.0
Additions to pre-publication costs	(59.1)	(55.6)	-	(55.6)
Additions to property, equipment and capitalized software for internal use, net of dispositions	(21.8)	(18.4)	-	(18.4)
Free cash flow	<u>\$ 295.7</u>	<u>\$ 303.5</u>	<u>\$ 6.5</u>	<u>\$ 310.0</u>

Supplemental reconciliation of free cash flow to net change in cash and cash equivalents for the period:

Free cash flow	\$ 295.7		\$ 310.0
Acquisitions of businesses, net of related financing arrangements	(66.5)		74.1
Proceeds from settlement of derivative financial instruments	36.2		-
Repayments of long-term debt	(77.5)		(34.6)
Cash flows from discontinued operations	(2.6)		0.5
Proceeds from sale of businesses and other divestitures	34.7		2.0
Debt issuance costs	(16.2)		(90.9)
Change in cash overdrafts	-		(22.8)
Repayments from notes payable to TOC, net	-		(5.2)
Other, net	(3.4)		0.5
Net increase in cash and cash equivalents for the period	<u>\$ 200.4</u>		<u>\$ 233.6</u>

Adjusted EBITDA Reconciliation

	Twelve Months Ended December 31, 2008
Net income	\$ (426.1)
Adjustments:	
Net loss on discontinued operations	115.1
Interest expense	587.2
Interest income	(4.1)
Provision for income taxes	1.0
Depreciation	61.6
Amortization and impairment of identifiable intangible assets	193.0
Amortization of pre-publication costs	140.7
Purchase accounting impact on deferred revenue	0.3
Gain on early extinguishment of debt	(58.8)
Management fee	10.2
Transaction costs	4.8
Pro forma EBITDA from acquisitions	10.5
Non-cash equity-based compensation	9.0
Impairment of goodwill	39.2
Non-recurring items and other	22.0
Adjusted EBITDA	<u>\$ 705.6</u>