Learning Tree International, Inc.
Fiscal 2008 Second Quarter Conference Call

Remarks by Mr. Nicholas Schacht, President and Chief Executive Officer

May 6, 2008

As a reminder, except for historical statements, the matters addressed in this conference call are forward-looking statements. Please do not put undue reliance on these forward-looking statements, since they are based on key assumptions about future risks and uncertainties. Although we believe that our assumptions are reasonable, inevitably some will prove to be incorrect. As a result, our actual future results can be expected to differ from those discussed in this call, and those differences may be material. We are not undertaking any obligation to update forward-looking statements.

To help you assess the major risks in our business, we have identified many, but not all, of them in Item 1A of our Form 10-K. Please read those risk factors carefully. Some of the factors discussed in Item 1A that could affect us include risks associated with:

- The timely development, introduction, and customer acceptance of our courses;
- Competition;
- International operations, including currency fluctuations;
- Changing economic and market conditions;
- Technology development and new technology introduction;
- Efficient delivery and scheduling of our courses;
- Adverse weather conditions, strikes, acts of war or terrorism and other external events; and
- Attracting and retaining qualified personnel.

I am pleased to begin today's presentation by covering our performance in our second quarter and first six months of fiscal 2008, which ended March 28, 2008. During our second quarter, we realized increases in our revenues, gross profit margin, and net income compared to our second quarter in fiscal 2007. After discussing our results, I will speak further about our growth initiatives, and provide some forward-looking information about our third quarter of fiscal 2008. After my presentation, we will open the floor for questions and discussion. Bob Waldron, our Chief Financial Officer, will join me in the Q&A section of this conference call.

For your convenience, we have posted the text of these prepared remarks in the Investor Relations section of our website. Go to: http://www.learningtree.com/investor.

First, some highlights of our operating results for our second quarter of fiscal 2008:

- Revenues increased to $39.2 million from $37.6 million, an improvement of 4.3% from the same quarter of our prior fiscal year. Note however, that three calendar-related factors, which I'll discuss in more detail in a moment, reduced the number of days available for training in our second quarter this fiscal year by approximately 10% compared with the second quarter of fiscal 2007. Also note that because of seasonality effects, the second quarter of our fiscal year is historically our lowest revenue quarter of our fiscal year;

- Gross Profit increased to 54.9% of revenues from 54.2% for the same quarter of our prior fiscal year;
- Operating Expenses were 53.1% of revenues compared to 51.4% for the same quarter of our prior fiscal year;
- As a result of these factors, Income from Operations was $0.7 million compared to $1.0 million in the same quarter of our prior fiscal year;
- Due to higher interest income, favorable foreign exchange transaction gains and a lower effective tax rate, net income increased to $1.3 million compared to $1.1 million in our second quarter of fiscal 2007; and
- Earnings per share on a diluted basis were $0.08 compared to $0.07 in the second quarter of fiscal 2007.

And, for our first six months of fiscal 2008,

- Revenues increased to $90.1 million, compared to $80.3 million for the same period in fiscal 2007, an increase of 12.2%;
- Gross Profit increased to 57.8% of revenues from 55.7% for the first six months of our prior fiscal year;
- Operating Expenses increased to 47.6% of revenues from 46.8% for the first six months of our prior fiscal year;
- Income from Operations increased to $9.2 million from $7.1 million, an increase of 28.4% over the same period of our prior fiscal year;
- Net income was $7.2 million compared to $5.5 million in our first six months of fiscal 2007, an increase of 32.6%;
- Earnings per share on a diluted basis were $0.44 compared to $0.33 in the same period of fiscal 2007; and
- Net working capital decreased by $24.0 million compared to our net working capital balance on September 28, 2007. This decline was due to the reclassification of $26.3 million of auction rate securities from current assets (where they are included in working capital) to non-current assets (where they are not). The balance of $26.3 million we now report as non-current available for sale securities has been decreased by a $4.3 million temporary impairment that we recognized in our second quarter. I'll discuss that impairment and the overall subject of auction rate securities later in this presentation.

Second Quarter Participants

Our second quarter participants and attendee days were significantly affected by three calendar-related factors when compared to our second quarter of fiscal 2007. These three factors combined to create an effective reduction of approximately 10% in the number of days available for training in our second quarter this year compared with the prior year.

- First, in this fiscal year, New Year's Day occurred on a Tuesday, and we did not conduct any course events the first week of January. In contrast, during fiscal

2007 we were able to conduct courses that week because New Year's Day occurred on a Monday.

- Second, in this fiscal year, Easter fell in our second quarter, while it fell in our third quarter in fiscal 2007. Our number of scheduled course events and participants are historically much lower in the week immediately prior to and the week immediately after Easter.
- Third, because of our 52/53-week accounting calendar, in this fiscal year revenue from events starting on Monday, March 31 will be recorded in our third quarter, while last year all our March revenues were recorded in our second quarter.

It should be noted that only the second of these factors will affect the number of available days for training in our third quarter because there will be nothing corresponding to the New Year's week impact, and the March 31st factor is balanced by a similar effect that will occur with June 30th moving out of our third and into our fourth quarter this year.

Our revenues for the second quarter of fiscal year 2008 increased by 4.3% compared to the same quarter in fiscal year 2007. The increase in revenues primarily results from a 4.3% positive effect of changes in foreign exchange rates and a 5.2% increase in revenue per attendee day due to the effect of price increases and product mix. These increases were partially offset by a 5.2% decrease due to fewer attendee-days as a result of the reduced number of days available for training, as I just discussed.

Overall, during our second quarter of fiscal 2008, we trained a total of 20,343 course participants, a 0.7% decrease from the 20,484 participants we trained in the same quarter last year. As with the number of attendee days, the number of course participants in our second quarter this year was negatively affected by the reduced number of days available for training in our second quarter.

During our second quarter of fiscal 2008, in management courses we provided 22,492 attendee-days of training during the quarter, a 5.9% decrease compared to 23,892 attendee-days in the same quarter of the prior year. In IT courses, we provided 50,927 attendee-days of training during the quarter, a 4.9% decrease from the 53,529 attendee-days in our second quarter of fiscal 2007. Overall, we provided a total of 73,419 attendee-days of training, a 5.2% decrease from the 77,421 attendee-days in our second quarter of fiscal 2007. The number of attendee-days of training in our second quarter this fiscal year was affected both by the calendar-related reduction in the number of days available for training and also by an approximately 4.7% reduction in the average number of days per event as a result of an unusually high proportion of 1- and 2-day onsite course events executed during the quarter.

In our second quarter of fiscal 2008, average revenue per participant was 5.1% higher than in the same quarter of the prior fiscal year, primarily due to the effect of changes in foreign exchange rates and price increases, partly offset by an increased proportion of participants in shorter course events, which have a lower average revenue per participant than longer course events.

Second Quarter Results from Operations

I will now discuss our operations in our second quarter of fiscal 2008 and how they compare with the same quarter of our prior fiscal year.

Cost of Revenues. Cost of revenues decreased to 45.1% of revenues in our second quarter of fiscal 2008 compared to 45.8% in our second quarter of fiscal 2007, and our gross profit percentage accordingly increased to 54.9% compared to 54.2% in the same period in the prior year. Changes in foreign exchange rates did not materially affect our gross profit percentage, since exchange rate changes increased our cost of revenues by approximately the same percentage as they increased our revenues in the quarter.

The improvement in cost of revenues as a percentage of revenues in our second quarter of fiscal year 2008 reflects an 8.2% increase in average revenue per event offset by a 6.5 % increase in average cost per event. The increase in our average revenue per event is the result of a 3.0% increase in average participants per event and the increase in average revenue per participant discussed earlier. The increase in average cost per event principally results from the effect of changes in foreign exchange rates and the fact that our fixed costs were allocated to fewer events than in the same quarter of the prior year.

During our second quarter of fiscal 2008, we presented 1,575 events, a 3.6% decrease from the 1,633 events conducted during the same period in fiscal 2007.

Course Development Expense. During our second quarter of fiscal 2008, our spending on course development was $2.6 million compared with $1.9 million in the same quarter of our prior year. This resulted in course development expense of 6.6% of revenues in our second quarter of this fiscal year compared to 5.1% during the same quarter of our prior year. Our higher spending in the current fiscal year is principally due to our strategic initiative to significantly increase the number of course titles we offer. Our increased course development activity during our second quarter was for work on titles that will be introduced primarily during our third and fourth quarters. I will discuss our title growth initiative later in this presentation.

In our second quarter of fiscal 2008, we introduced 2 new IT course titles and 1 new management course title. Our library of instructor-led courses numbered 163 titles at the end of our second quarter of fiscal 2008 compared with 159 titles at the same point a year earlier. At the end of our second quarter this year we had 46 management titles in our course library, the same as at the end of our second quarter in fiscal 2007. Our library of IT titles numbered 117 at the end of our second quarter, compared to 113 a year earlier.

Sales and Marketing Expense. Sales and marketing expense in our second fiscal quarter was $10.5 million, or 26.8% of revenues, compared with $10.0 million, or 26.5% for the same quarter in the prior fiscal year. The increase in sales and marketing expense was principally due to the effect of changes in foreign exchange rates, increases in personnel-related expenses and advertising costs, partly offset by reduced direct marketing expenses as a result of our ongoing refinements to our marketing business intelligence analysis, which resulted in our mailing fewer catalogs than in the same period in fiscal 2007.

General and Administrative Expense. G&A expense in our second quarter was 19.7% of revenues compared with 19.8% in the same quarter of our prior year. G&A expense in our second quarter was $7.7 million compared to $7.4 million in our second quarter last year. The increase in expenditure was principally due to changes in foreign exchange rates, higher professional services fees and higher stock option compensation expense, partially offset by lower personnel-related expenses.

Results from Operations. As a result of these factors, in the second quarter of fiscal 2008 we achieved income from operations of $0.7 million, or 1.8% of revenues, compared to income from operations of $1.0 million, or 2.8% of revenues, in the same quarter of our prior year.

Other Income (Expense), Net. In our second quarter of fiscal 2008, Other Income Net was $1.5 million compared with $0.9 million in the same quarter of fiscal 2007. This increase primarily resulted from foreign exchange gains of $0.3 million compared to losses of $8,000 in the same quarter of the prior year, and net interest income of $1.1 million compared to $0.9 million in the same period of the prior year. The increase in our interest income primarily reflects higher outstanding cash balances and higher interest rates compared to those in the prior year, as well as the effect of changes in foreign exchange rates.

Pre-Tax Income. As a result of the preceding factors, our pre-tax income in our second quarter of fiscal 2008 was $2.2 million, compared to pre-tax income of $1.9 million in the second quarter of fiscal 2007.

Income Taxes. For our second quarter of fiscal 2008, our effective tax rate was 39.6%, compared to 40.8% in the second quarter of fiscal 2007.

Net Income. In summary, our net income for our second quarter of fiscal 2008 was $1.3 million, or 3.4% of revenues, compared to net income of $1.1 million, or 3.0%, in our second quarter of fiscal 2007.

Liquidity and Capital Resources
During the six months ended March 28, 2008, the total of cash and available for sale securities decreased by $3.4 million to $85.1 million from $88.5 million at September 28, 2007. As mentioned earlier, we have reclassified $26.3 million of available for sale securities from current to non-current assets.

All of our available for sale securities have been comprised of auction rate securities. In view of recent developments in the market for those instruments, let me take a moment to address our holdings and classification of those investments. Our auction rate securities are long-term debt instruments backed by municipal bonds and student loans. All of our auction rate securities had AAA or AA ratings when purchased, and none of our auction rate securities are backed by mortgage-related debt. Historically, our auction rate securities have been highly liquid, using a Dutch auction process that resets the applicable interest rates every 7, 28 or 35 days to provide liquidity at fair value. However, as a result of recent liquidity issues in the global credit and capital markets, the auctions for all of our remaining auction rate securities since February 11, 2008 have failed. We do not believe that the failure of these auctions permanently affects the value of the collateral underlying our auction rate securities, in no small part because we continue to earn and receive interest at contractually set rates. Additionally, we are able to finance our operations indefinitely without recourse to our investment in auction rate securities, even if those investments were to remain illiquid for an extended period of time.

Based on a valuation performed by an independent expert, we have concluded there was a temporary impairment in the fair value of our auction rate securities of $4.3 million at March 28, 2008. We consider this impairment to be temporary because we believe we will be able to redeem these securities at face value in the foreseeable future. Accordingly, for our second quarter of fiscal 2008 we recorded a reduction of $2.6 million on an after-tax basis for the impairment of the auction rate securities to the Other Comprehensive Income account on our balance sheet. This adjustment does not affect our reported Net Income.

At the end of our second quarter on March 28, 2008, we held $28.5 million of auction rate securities, after recognizing the effect of the $4.3 million temporary impairment. For reasons I will discuss in a moment, we classified $2.2 million of our auction rate securities as current assets at the end of our second quarter and $26.3 million as non-current assets. This compares to $38.8 million in auction rate securities at September 28, 2007, all of which were classified as current assets.

During our second quarter we redeemed $10.7 million of auction rate securities at face value. Further, since the end of our second quarter, the issuers have also redeemed $2.2 million of our auction rate securities at face value. We have classified the securities which were redeemed after the close of our second quarter as current assets as of March 28, 2008. Because we have been unable to liquidate the remaining $26.3 million of auction rate securities, and because of continued liquidity issues in the global credit and capital markets, we have classified our remaining auction rate securities as non-current assets as of March 28, 2008.

As a result of the reclassification of our auction rate securities, partly offset by an increase in cash and cash equivalents of $6.9 million, our net working capital decreased by $24.0 million compared to our net working capital balance at September 28, 2007.

We did not repurchase any shares of our common stock during the quarter.

Revenue Growth Initiatives

We are excited about our goal of returning to historic levels of growth and profitability, and the initiatives we have undertaken to achieve that goal. Our growth initiatives aim to increase our revenues and leverage our fixed cost infrastructure with the additional objective of further increasing our profitability. We believe that these initiatives, which all build on our proven, core business model, will allow us to achieve significantly increased revenues and improved profitability in the coming years.

We began some of our revenue growth initiatives late in fiscal 2007, and are continuing to introduce and test other ideas. Here is a brief overview of some of the initiatives we now have underway:

1. *Increasing the size of our course library*. We believe that the market for training managers and IT professionals continues to be robust and that sufficient demand exists to support a broader and deeper library of Learning Tree courses. Accordingly, we expect to develop a significantly greater number of new course titles over the next three years than in preceding years. Over the past two fiscal years, we have introduced on average about 27 new course titles per year. From fiscal 2008 through fiscal 2010, we plan to introduce an average of more than 50 new titles per year. In fiscal 2008 alone we are on track to introduce more than 55 new titles. We expect that approximately 60% of our new course titles will be on IT topics, and approximately 40% on management topics.
2. *Increasing the return from our direct marketing expenditures.* As we have discussed in past conference calls, we have been applying advanced business intelligence techniques to the selection and evaluation of the market segments we target. While in past quarters we have primarily realized the benefit of these efforts in terms of eliminating unprofitable direct mail segments and thereby reducing our catalog quantities and expenses, we have now also begun using these techniques to define and test new marketing approaches aimed at increasing our sales from both existing and new customers.
3. *Increasing the productivity of our salespeople.* To improve the productivity of our sales efforts, we have also begun applying the business intelligence techniques that have proven successful in our direct marketing programs to the processes by which we select and prioritize sales leads for our telesales staff.
4. *Introducing blended and virtual learning programs.* This fiscal year, we launched a research and development program to experiment with various blended and virtual learning formats. We believe such approaches may be successful in providing our customers the proven benefits of classroom-based, instructor-led learning while adding the flexibility and potential time savings available through today’s on-line learning technologies. We have successfully completed the delivery of blended-learning management course pilot events in which our attendees experienced both virtual and real classroom environments while covering the standard content of a Learning Tree management course. In addition, we have begun offering Webinars on various topics, including the on-line delivery of our RealityPlus™ management course scenarios.

We have provided a more detailed discussion of these and other growth initiatives in an audio/ slideshow format which is available on our web site at www.learningtree.com/investor.

Future Outlook
As we have for the past 33 years, we continue to emphasize excellence in educating and training managers and IT professionals from government and commercial organizations around the world. We believe that quality is a significant differentiator in the eyes of our customers, and that Learning Tree's proven long-term record of exceptional performance is a reason for their tremendous loyalty. It is worth noting that all of our top 100 customers from five years ago continue to be Learning Tree customers today. We continue our emphasis on excellence by focusing on our core strengths: our expert instructors, proprietary content library, state-of-the-art classrooms, application of technology to education, and worldwide course delivery systems.

Effect of Exchange Rates. Approximately half of our business annually is conducted in currencies other than U.S. dollars and fluctuations in exchange rates will affect future revenues and expenses when translated into dollars. We expect to report a favorable effect of approximately 3% due to changes in foreign exchange rates in our third quarter of fiscal 2008 and for the full fiscal year, which will have the effect of increasing both our revenues and our expenses in those periods compared to the corresponding periods in fiscal 2007.

Third Quarter 2008 Revenues
We currently expect to report revenues in our third fiscal quarter ending June 27, 2008 of between $46.0 million and $48.0 million, compared to $42.7 million in the same quarter of the prior year.

Third Quarter Gross Profit. We expect to report a gross profit percentage in our third quarter of fiscal 2008 of between 57.0% and 58.5% compared to 57.1% in our third quarter of fiscal 2007.

Third Quarter Operating Expenses. We expect to report overall operating expenses for our third quarter of fiscal 2008 between $21.0 and $22.0 million, compared to $19.3 million in the same quarter a year earlier.

Third Quarter Operating Income. As a result of the above factors, we expect to report third quarter operating income between $4.0 million and $7.0 million.

Third Quarter Interest Income. We expect to report third quarter interest income of approximately $0.9 million.

Third Quarter Pre-Tax Income. Overall, we expect to report pre-tax income for our third quarter of fiscal 2008 between $5.0 million and $8.0 million, compared with pre-tax income of approximately $6.0 million in the third quarter of the prior year.

Effective Tax Rate. Our current estimated effective tax rate for our third quarter of fiscal 2008 is approximately 37.7%.

Summary following discussion

Over the last 33 years, Learning Tree has built a strong position as the world's leading, vendor-independent provider of training for managers and technology professionals. Our instructors, our content, our classrooms and our worldwide delivery systems continue to raise the standards for quality and effectiveness in the industry. The goal of our quality processes and training methods is that each and every individual we train acquires the skills and knowledge needed to succeed in his or her job. We remain committed to the proposition that the long-term success of our customers depends in part on their investment in technology and in the training of their personnel to leverage that investment.

We are excited about the continued improvement in our performance, and we are committed to continued improvements in both our revenues and our profitability. We look forward to continuing to help our customers maximize the productivity and the effectiveness of their people.