

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: April 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the transition period from _____ to _____
Commission file number 1-11507

JOHN WILEY & SONS, INC.

(Exact name of Registrant as specified in its charter)

NEW YORK

State or other jurisdiction of incorporation or
organization

13-5593032

I.R.S. Employer Identification No.

111 River Street, Hoboken, NJ

Address of principal executive offices

07030

Zip Code

(201) 748-6000

Registrant's telephone number
including area code

Securities registered pursuant to Section 12(b) of
the Act: Title of each class

Class A Common Stock, par value \$1.00 per share

Class B Common Stock, par value \$1.00 per share

Name of each exchange on which
registered

New York Stock Exchange

New York Stock Exchange

Securities registered pursuant to
Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, October 31, 2006, was approximately \$1,525,648,638. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant's Class A and Class B Common Stock as of May 31, 2007 was 47,705,595 and 9,895,087 respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for use in connection with its annual meeting of stockholders scheduled to be held on September 20, 2007, are incorporated by reference into Part III of this form 10-K.

JOHN WILEY AND SONS, INC. AND SUBSIDIARIES
FORM 10-K
FOR THE FISCAL YEAR ENDED APRIL 30, 2007
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PART I

Item 1. Business

The Company, founded in 1807, was incorporated in the state of New York on January 15, 1904. (As used herein the term “Company” means John Wiley & Sons, Inc., and its subsidiaries and affiliated companies, unless the context indicates otherwise.)

The Company is a global publisher of print and electronic products, providing content and solutions to customers worldwide. Core businesses produce professional and consumer books and subscription products; scientific, technical, and medical journals, encyclopedias, books, and online products; and textbooks and educational materials, including integrated online teaching and learning resources, for undergraduate and graduate students, teachers and lifelong learners. The Company takes full advantage of its content from all three core businesses in developing and cross-marketing products to its diverse customer base of professionals, consumers, researchers, students, and educators. The use of technology enables the Company to make its content more accessible to its customers around the world. The Company maintains publishing, marketing, and distribution centers in the United States, Canada, Europe, Asia, and Australia.

Further description of the Company’s business is incorporated herein by reference in the Management’s Discussion and Analysis section of this 10-K.

Employees

As of April 30, 2007, the Company employed approximately 4,800 persons on a full-time basis worldwide.

Financial Information About Industry Segments

The note entitled “Segment Information” of the Notes to Consolidated Financial Statements and the Management’s Discussion and Analysis section of this 10-K, both listed in the attached index, are incorporated herein by reference.

Financial Information About Foreign and Domestic Operations and Export Sales

The note entitled “Segment Information” of the Notes to Consolidated Financial Statements and the Management’s Discussion and Analysis section of this 10-K, both listed in the attached index, are incorporated herein by reference.

Item 1A. Risk Factors

This section describes the major business risks to the Company and should be carefully considered.

Cautionary Statement Under the Private Securities Litigation Reform Act of 1995:

This 10-K and our Annual Report to Shareholders for the year ending April 30, 2007 report contains certain forward-looking statements concerning the Company’s operations, performance, and financial condition. In addition, the Company provides forward-looking statements in other materials released to the public as well

as oral forward-looking information. Statements which contain the words anticipate, expect, believes, estimate, project, forecast, plan, outlook, intend and similar expressions constitute forward-looking statements that involve risk and uncertainties. Reliance should not be placed on forward-looking statements, as actual results may differ materially from those in any forward-looking statements.

Any such forward-looking statements are based upon a number of assumptions and estimates that are inherently subject to uncertainties and contingencies, many of which are beyond the control of the Company, and are subject to change based on many important factors. Such factors include, but are not limited to (i) the level of investment in new technologies and products; (ii) subscriber renewal rates for the Company's journals; (iii) the financial stability and liquidity of journal subscription agents; (iv) the consolidation of book wholesalers and retail accounts; (v) the market position and financial stability of key online retailers; (vi) the seasonal nature of the Company's educational business and the impact of the used-book market; (vii) worldwide economic and political conditions; and (viii) the Company's ability to protect its copyrights and other intellectual property worldwide (ix) other factors detailed from time to time in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any such forward-looking statements to reflect subsequent events or circumstances.

Operating Costs and Expenses

The Company has a significant investment, and cost, in its employee base around the world. The Company offers competitive salaries and benefits in order to attract and retain the highly skilled workforce needed to sustain and develop new products and services required for growth. Employment and benefit costs are affected by competitive market conditions for qualified individuals, and factors such as healthcare, pension and retirement benefits costs. The Company is a large paper purchaser, and paper prices may fluctuate significantly from time-to-time. The Company attempts to moderate the exposure to fluctuations in price by entering into multi-year supply contracts and having alternative suppliers available. In general, however, any significant increase in the costs of goods and services provided to the Company may adversely affect the Company's costs of operation.

Protection of Intellectual Property Rights

Substantially all of the Company's publications are protected by copyright, held either in the Company's name, in the name of the author of the work, or in the name of the sponsoring professional society. Such copyrights protect the Company's exclusive right to publish the work in the United States and in many countries abroad for specified periods, in most cases the author's life plus 70 years, but in any event a minimum of 28 years for works published prior to 1978 and 50 years for works published thereafter. The ability of the Company to continue to achieve its expected results depends, in part, upon the Company's ability to protect its intellectual property rights. The Company's results may be adversely affected by lack of legal and/or technological protections for its intellectual property in some jurisdictions and markets.

Maintaining the Company's Reputation

Professionals worldwide rely upon many of the Company's publications to perform their jobs. It is imperative that the Company consistently demonstrates its ability to maintain the integrity of the information included in its publications. Adverse publicity, whether or not valid, may reduce demand for the Company's publications.

Trade Concentration and Credit Risk

Although the book publishing industry is concentrated in national, regional, and online bookstore chains, the Company's business is not dependent upon a single customer. No one book customer accounts for more than 7% of total consolidated revenue. The top 10 book customers, however, account for approximately 22% of total consolidated revenue and approximately 42% of total gross trade accounts receivable as of April 30, 2007.

In the journal publishing business, subscriptions are often sourced through journal subscription agents who, acting as agents for library customers, facilitate ordering and consolidate the subscription orders/billings with various publishers. Subscription agents account for approximately 19% of total consolidated revenue and no one agent accounts for more than 8% of total consolidated revenue. Subscription agents generally collect cash in advance from subscribers and remit payments to journal publishers, including the Company, prior to the commencement of the subscriptions. While at fiscal year-end the Company had minimal credit risk exposure to these agents, future calendar-year subscription receipts from these agents may depend significantly on their financial condition and liquidity. Insurance for payment on these accounts is not commercially feasible and/or available.

Changes in Regulation and Accounting Standards

The Company maintains publishing, marketing and distribution centers in Asia, Australia, Canada, Europe and the United States. The conduct of our business, including the sourcing of content, distribution, sales, marketing and advertising is subject to various laws and regulations administered by governments around the world. Changes in laws, regulations or government policies, including taxation requirements and accounting standards, may adversely affect the Company's future financial results.

Introduction of New Technologies or Products

Media and publishing companies exist in rapidly changing technological and competitive environments. Therefore, the Company must continue to invest in technological and other innovations and adapt in order to continue to add value to its products and services and remain competitive. There are uncertainties whenever developing new products and services, and it is often possible that such new products and services may not be launched or if launched, may not be profitable or as profitable as existing products and services.

Competition for Market Share and Author Relationships

The Company operates in highly competitive markets. Success and continued growth depends greatly on developing new products and the means to deliver them in an environment of rapid technological change. Attracting new authors and retaining our existing author relationships are also critical to our success. We believe the Company is well positioned to meet these business challenges with the strength of our brands, our reputation and innovative abilities.

Effects of Inflation and Cost Increases

The Company, from time to time, experiences cost increases reflecting, in part, general inflationary factors. To mitigate the effect of cost increases, the Company may take various steps to reduce development, production and manufacturing costs. In addition, the selling prices for our products may be selectively increased as marketplace conditions permit.

Ability to Successfully Integrate Key Acquisitions

The Company's growth strategy includes title, imprint and business acquisitions which complement the Company's existing businesses; the development of new products and services; designing and implementing new methods of delivering products to our customers, and organic growth of existing brands and titles. Acquisitions may have a substantial impact on costs, revenues, cash flows, and financial position such as, the Company's acquisition of Blackwell Publishing (Holdings) Ltd. ("Blackwell") more fully described in Note 4 of the annual report. Acquisitions involve risks and uncertainties, including difficulties in integrating acquired operations and in realizing expected opportunities, diversions of management resources and loss of key employees, challenges with respect to operating new businesses, debt incurred in financing such acquisitions, and other unanticipated problems and liabilities.

Attracting and Retaining Key Employees

The Company's success is highly dependent upon the retention of key employees globally. In addition, we are dependent upon our ability to continue to attract new employees with key skills to support the continued organic growth of the business.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The Company occupies office, warehouse, and distribution facilities in various parts of the world, as listed below (excluding those locations with less than 10,000 square feet of floor area, none of which is considered material property). All of the buildings and the equipment owned or leased are believed to be in good condition and are generally fully utilized.

| <u>Location</u> | <u>Purpose</u> | <u>Approx. Sq. Ft.</u> | <u>Lease Expiration</u> |
|----------------------|------------------------------|------------------------|-------------------------|
| <u>Leased</u> | | | |
| Australia | Office | 19,000 | 2007 |
| | Office | 33,000 | 2020 |
| | Warehouse | 68,000 | 2016 |
| Canada | Office & Warehouse | 87,000 | 2011 |
| | Office | 18,000 | 2010 |
| England | Warehouse | 131,000 | 2012 |
| | Office | 63,000 | 2027 |
| | Office | 17,000 | 2025 |
| United States: | | | |
| New Jersey | Corporate Headquarters | 383,000 | 2017 |
| New Jersey | Distribution Center & Office | 188,000 | 2021 |
| New Jersey | Warehouses | 380,000 | 2021 |
| Indiana | Office | 116,000 | 2009 |
| California | Office | 38,000 | 2012 |
| Massachusetts | Office | 55,000 | 2017 |
| Singapore | Office & Warehouse | 61,000 | 2008 |
| | Office | 15,000 | 2008 |
| <u>Owned</u> | | | |
| Germany | Office | 57,000 | |
| | Office | 29,000 | |
| England | Office | 50,000 | |
| Iowa | Office & Warehouse | 27,000 | |

Item 3. Legal Proceedings

The Company is involved in routine litigation in the ordinary course of its business. In the opinion of management, the ultimate resolution of all pending litigation will not have a material effect upon the financial condition or results of operations of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to the Company's security holders during the last quarter of the fiscal year ended April 30, 2007.

PART II

Item 5. Market for the Company's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

The Quarterly Share Prices, Dividends, and Related Stockholder Matters listed in the index on page 10 are incorporated herein by reference.

Item 6. Selected Financial Data

The Selected Financial Data listed in the index on page 10 is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations listed in the index on page 10 is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information appearing under the caption "Market Risk" in Management's Discussion and Analysis of Financial Condition and Results of Operations listed in the index on page 10 is incorporated herein by reference.

Item 8. Financial Statements and Supplemental Data

The Financial Statements and Supplemental Data listed in the index on page 10 is incorporated herein by reference.

JOHN WILEY & SONS, INC., AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

The following financial statements and information appearing on the pages indicated are filed as part of this report:

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Other schedules are omitted because of the absence of conditions under which they apply or because the information required is included in the Notes to Consolidated Financial Statements.

Management's Discussion and Analysis of Business, Financial Condition and Results of Operations

The Company is a global publisher of print and electronic products, providing content and solutions to customers worldwide. Core businesses produce professional and consumer books and subscription products; scientific, technical, and medical journals, encyclopedias, books, and online products; and textbooks and educational materials, including integrated online teaching and learning resources, for undergraduate and graduate students, teachers and lifelong learners. The Company takes full advantage of its content from all three core businesses in developing and cross-marketing products to its diverse customer base of professionals, consumers, researchers, students, and educators. The use of technology enables the Company to make its content more accessible to its customers around the world. The Company maintains publishing, marketing, and distribution centers in the United States, Canada, Europe, Asia, and Australia.

Business growth comes from a combination of title, imprint and business acquisitions which complement the Company's existing businesses; from the development of new products and services; from designing and implementing new methods of delivering products to our customers; and from organic growth of existing brands and titles.

Core Businesses

Professional/Trade:

The Company's Professional/Trade business acquires, develops and publishes books and subscription products in all media, in the subject areas of business, technology, architecture, culinary, psychology, education, travel, consumer reference, and general interest. Products are developed for worldwide distribution through multiple channels, including major chains and online booksellers, independent bookstores, libraries, colleges and universities, warehouse clubs, corporations, direct marketing, and Web sites. Global Professional/Trade publishing accounted for approximately 39% of total Company revenue in fiscal year 2007.

Key revenue growth strategies of the Professional/Trade business include adding value to its content, developing its leading brands and franchises, and executing strategic acquisitions. Revenue for the Company's worldwide Professional/Trade business grew at a compound annual rate of 11% over the past five years.

Publishing alliances and franchise products are central to the Company's strategy. The Company's ability to bring together Wiley's product development, sales, marketing, distribution and technological capabilities with a partner's content and brand name recognition has been a driving factor in its success. Professional/Trade alliance partners include General Mills, MTV, the Culinary Institute of America, the American Medical Association, the American Institute of Architects, Mergent, Inc., the National Restaurant Association Educational Foundation and the Leader to Leader Institute, Morningstar, and Weight Watchers, among many others.

The Company's Professional/Trade customers are professionals, consumers, and students worldwide. Highly respected brands and extensive backlists are especially well suited for online bookstores such as Amazon.com. With their unlimited "virtual" shelf space, online retailers merchandise the Company's products for longer periods of time than brick-and-mortar bookstores.

The Company promotes an active and growing Professional/Trade custom publishing program. Custom publications are typically used by organizations for internal promotional or incentive programs. Books that are specifically written for a customer or an existing Professional/Trade publication can be customized, such as having the cover art include custom imprint, messages or slogans. Of special note are customized *For Dummies* publications, which leverage the power of this well-known brand to meet the specific information needs of a wide range of organizations around the world.

Key Acquisitions: The Company's business plan includes organic growth as well as growth through acquisitions. Key Professional/Trade acquisitions in recent years include: (i) In fiscal 2007, WhatsonWhen.com, a provider of travel-related online content, technology, and services. (ii) In fiscal year 2006, the publishing assets of Sybex, Inc., a leading publisher to the global information technology professional community for nearly 30 years. Sybex published about 100 new titles a year and maintained a backlist of over 450 titles in digital photography, operating systems, programming and gaming categories. (iii) In fiscal year 2002, the Company acquired Hungry Minds Inc., a leading publisher with an outstanding collection of respected brands, with such product lines as the *For Dummies* series, the *Frommer's* and *Unofficial Guide* travel series, the *Bible* and *Visual* technology series, the *CliffsNotes* study guides, *Webster's New World* dictionaries, and *Betty Crocker* and *Weight Watchers* cookbooks.

Scientific, Technical, and Medical (STM):

The Company is a leading publisher for the scientific, technical, and medical communities worldwide including, scientists, researchers, clinicians, engineers, students and professors, and academic and corporate librarians. STM products include journals, major reference works, reference books and protocols, in print and online. STM publishing areas include the physical sciences and engineering, medical, social science and humanities, life sciences and professional. STM develops products for global distribution through multiple channels, including library consortia, subscription agents, bookstores, online booksellers, and direct sales to professional society members and other customers. Global STM represented 44% of total Company revenue in fiscal year 2007. STM's revenue grew at a compound annual rate of 9% over the past five years.

Established commercially in 1999, the Company's web-based service, *Wiley InterScience* (www.interscience.wiley.com), offers online access to more than 400 journals and 3,000 reference books, *Current Protocols* laboratory manuals and databases, as well as a suite of professional and management resources. *Wiley InterScience* is based on a successful business model that features Enhanced Access Licenses. One to three years in duration, Enhanced Access Licenses provide academic and corporate customers with multi-site online access. The Company also offers other flexible pricing options such as, Basic Access licenses, which provide click-on access title-by-title to the Company's electronic journal content. Access is also provided through *Pay-Per-View*, which serves customers who wish to purchase individual articles or chapters. With over 25 million users in 90 countries around the globe, *Wiley InterScience* is one of the world's leading providers of scientific, technical, and medical content.

Wiley InterScience takes advantage of technology to update content frequently, and it adds new features and resources on an ongoing basis to increase the productivity of scientists, professionals and students. Two examples are *EarlyView*, through which customers can access individual articles well in advance of print publication, and *MobileEditions*, which enables users to view tables of content and abstracts on wireless handheld devices and Web-enabled phones.

In 2005, the Company announced a program to digitize its entire historical journal content, dating back to the 1800s. Wiley's digitization of legacy content is designed to improve the research pathway and ensure content discovery is as seamless and efficient as possible. The backfile collection, which is available online through

Wiley InterScience, will span two centuries of scientific research and comprise over 14 million pages – one of the largest archives of its kind issued by a single publisher. As of April 30, 2007 virtually all of Wiley's existing journal content was digitized and made available to customers. The program will be expanded to include the journals acquired in the Blackwell acquisition.

Publishing alliances play a major role in STM's success. The Company publishes the journals of prestigious societies, including the American Cancer Society, the British Journal of Surgery Society and the German Chemical Society. These alliances bring mutual benefit, with the societies gaining Wiley's publishing, marketing, sales and distribution expertise, while Wiley benefits from being affiliated with prestigious societies and their members.

Key Acquisitions: Effective February 2, 2007 the Company finalized the previously announced acquisition of all of the outstanding shares of Blackwell Publishing (Holdings) Ltd. ("Blackwell"). Blackwell publishes journals and books for the academic, research and professional markets focused on science, technology, medicine and social sciences and humanities. Headquartered in Oxford, England, Blackwell also maintains publishing locations in the United States, Asia, Australia, Denmark and Germany. Approximately 50% of Blackwell's annual revenue is derived from the United States. The combination of Blackwell's publications with the Company's existing scientific, technical and medical business results in an extensive portfolio of approximately 1,250 journals. The purchase price of \$1.1 billion (£572 million) was financed with a combination of debt and cash.

Blackwell currently employs approximately 1,000 individuals worldwide with just over half located in the United Kingdom. Over 800 journal titles are published with approximately 63% being affiliated with a professional society.

Blackwell's competition has consisted mostly of large STM publishers. Blackwell has maintained a strong market share based on its content, distribution abilities and successful society relationships.

The acquisition of Blackwell will enhance Wiley's global position as a provider of must-have content and services, expand and diversify its journal portfolio, increase both print and on-line advertising revenue, increase society relationships, accelerate growth globally and enhance the delivery of on-line content.

In fiscal year 2006, the Company acquired InfoPoems Inc., a leading provider of evidence-based medicine (EBM). This acquisition along with the *Cochrane Collaboration* database provides the foundation for the Company's growing suite of EBM products designed to improve patient healthcare. EBM facilitates the effective management of patients through clinical expertise informed by best practice evidence that is derived from medical literature.

Higher Education:

The Company publishes educational materials for the higher education market in all media, focusing on courses in the sciences, geography, mathematics, engineering, accounting, business, economics, computer science, psychology, education, and modern languages. In Australia, the Company is also a leading publisher for the secondary school market.

Higher Education customers include undergraduate, graduate, and advanced placement students, educators, and lifelong learners worldwide. Product is delivered principally through college bookstores, online booksellers, and Web sites. Globally, Higher Educational generated 17% of total Company revenue in fiscal year 2007. Through organic growth and acquired products, both print and electronic, the Company's worldwide Higher Education revenue grew at a compound annual rate of 5% over the past five years.

Higher Education's mission is to help teachers teach and students learn. Our strategy is to provide value-added quality materials and services through textbooks, supplemental study aids, course and homework management tools and more, in print and electronic formats. The Higher Education web site offers online learning materials with links to more than 4,000 companion sub-sites to support and supplement textbooks.

Higher Education delivers high-quality online learning materials that offer more opportunities for customization and accommodate diverse learning styles. The prime example is *WileyPLUS*, an integrated suite of teaching and learning resources. By offering an electronic version of a text along with supplementary materials, content provided by the instructor, and administrative tools, *WileyPLUS* supports the full range of course-oriented activities, including online-planning, presentations, study, homework, and testing.

The Company also provides the services of the Wiley Faculty Network, a peer-to-peer network of faculty/professors supporting the use of online course material tools and discipline-specific software in the classroom. The Company believes this unique, reliable, and accessible service gives the Company a competitive advantage.

Higher Education is also leveraging the web in its sales and marketing efforts. The web enhances the Company's ability to have direct contact with students and faculty at universities worldwide through the use of interactive electronic brochures and e-mail campaigns.

Key Acquisition/Collaborations: Soon after the end of fiscal year 2006, Wiley became Microsoft's sole publishing partner worldwide for all Microsoft Official Academic Course (MOAC) materials. Microsoft and Wiley have begun publishing a co-branded series of textbook and e-learning products on several topics to be released under Wiley-Microsoft logos. Wiley has also assumed responsibility for the sale of existing MOAC titles. All titles will be marketed globally and available in several languages. With Microsoft's position as the world's leading software company and Wiley's global presence in higher education, the alliance is an ideal strategic fit.

In fiscal year 2003, the Company acquired the assets of Maris Technologies to support the Company's efforts to produce web-enabled products. This acquisition included the market-leading software *Edugen*, which provides the underlying technology for *WileyPLUS*. Located in Moscow, the development facility is staffed by approximately 52 programmers and designers who had been employed in the space program of the former Soviet Union. In fiscal year 2002, the Company acquired publishing assets consisting of 47 higher education titles from Thomson Learning. The titles are in such areas as business, earth and biological sciences, foreign languages, mathematics, nutrition, and psychology.

Publishing Operations

Journal Products:

The Company will now publish over 3,200 journals and other subscription-based STM and Professional/Trade products with the acquisition of Blackwell. Journals and other subscription based products accounted for approximately 39% of the Company's fiscal year 2007 revenue. The journal portfolio includes journals owned by the Company, in which case they may or may not be sponsored by a professional society, jointly owned with a professional society and those owned by such societies and published by the Company pursuant to contracts. Societies that sponsor or own such journals generally receive a royalty and/or other consideration. The Company usually enters into agreements with outside independent editors of journals that state the duties of the editors, and the fees and expenses for their services. Contributors of journal articles transfer publication rights to the Company or a professional society, as applicable.

The Company sells journal subscriptions through sales representatives; direct mail or other advertising; promotional campaigns; and memberships in professional societies for those journals that are sponsored by such societies. Journal subscriptions are primarily licensed through contracts for on-line content derived through *Wiley InterScience* and/or *Blackwell-Synergy*. The contracts are negotiated directly with customers or their subscription agents. Licenses range from one to three years in duration and typically cover calendar years.

Printed journals are generally mailed to subscribers directly from independent printers. Journal content is available online. Subscription revenue is generally collected in advance, and is deferred and recognized as earned when the related issue is shipped or made available online, or over the term of the subscription as services are rendered.

Book Products:

Book products and book related publishing revenue, such as advertising revenue and the sale of publishing rights, accounted for approximately 61% of the Company's fiscal year 2007 revenue. Materials for book publications are obtained from authors throughout most of the world through the efforts of an editorial staff, outside editorial advisors, and advisory boards. Most materials originate with their authors, or as a result of suggestion or solicitations by editors and advisors. The Company enters into agreements with authors that state the terms and conditions under which the materials will be published, the name in which the copyright will be registered, the basis for any royalties, and other matters. Most of the authors are compensated by royalties, which vary with the nature of the product and its anticipated sales potential. The Company may make advance payments against future royalties to authors of certain publications.

The Company continues to add new titles, revise existing titles, and discontinue the sale of others in the normal course of its business, also creating adaptations of original content for specific markets fulfilling customer demand. The Company's general practice is to revise its textbooks every three to five years, if warranted, and to revise other titles as appropriate. Subscription-based products are updated more frequently on a regular schedule. Approximately 35% of the Company's fiscal year 2007 U.S. book-publishing revenue was from titles published or revised in the current fiscal year.

Professional and consumer books are sold to bookstores and online booksellers serving the general public; wholesalers who supply such bookstores; warehouse clubs; college bookstores for their non-textbook requirements; individual practitioners; and research institutions, libraries (including public, professional, academic, and other special libraries), industrial organizations, and government agencies. The Company employs sales representatives who call upon independent bookstores, national and regional chain bookstores and wholesalers. Trade sales to bookstores and wholesalers are generally made on a returnable basis with certain restrictions. The Company provides for estimated future returns on sales made during the year principally based on historical experience. Sales of professional and consumer books also result from direct mail campaigns, telemarketing, online access, and advertising and reviews in periodicals.

Adopted textbooks and related supplementary material, such as *WileyPLUS*, are sold primarily to bookstores, including online bookstores, serving educational institutions. The Company employs sales representatives who call on faculty responsible for selecting books to be used in courses, and on the bookstores that serve such institutions and their students. Textbook sales are generally made on a fully returnable basis with certain restrictions. The textbook business is seasonal, with the majority of textbook sales occurring during the June through August and November through January periods. There is an active used textbook market, which adversely affects the sales of new textbooks.

Like most other publishers, the Company generally contracts with independent printers and binderies for their services. The Company purchases its paper from independent suppliers and printers. The fiscal year 2007 weighted average U.S. paper prices increased approximately 5% over fiscal year 2006. Management believes that adequate printing and binding facilities, and sources of paper and other required materials are available to it, and that it is not dependent upon any single supplier. Printed book products are distributed from both Company-operated warehouses and independent distributors.

The Company develops content in digital format that can be used for both online and print products, which results in productivity and efficiency savings, as well as enabling the Company to offer customized publishing and print-on-demand products. Book content is increasingly being made available online through *Wiley InterScience*, *WileyPLUS* and other platforms, and in eBook format through licenses with alliance partners. The Company also sponsors online communities of interest, both on its own and in partnership with others, to expand the market for its products.

The Company believes that the demand for new electronic technology products will continue to increase. Accordingly, to properly service its customers and to remain competitive, the Company anticipates it will be necessary to increase its expenditures related to such new technologies over the next several years.

The Internet not only enables the Company to deliver content online, but also helps to sell more books. The growth of online booksellers benefits the Company because they provide unlimited virtual “shelf space” for the Company’s entire backlist.

Marketing and distribution services are made available to other publishers under agency arrangements. The Company also engages in co-publishing of titles with international publishers and in publication of adaptations of works from other publishers for particular markets. The Company also receives licensing revenue from photocopies, reproductions, and electronic uses of its content as well as advertising revenue from web sites such as *Frommers.com*.

Global Operations

The Company’s publications are sold throughout most of the world through operations located in Europe, Canada, Australia, Asia, and the United States. All operations market their indigenous publications, as well as publications produced by other parts of the Company. The Company also markets publications through agents as well as sales representatives in countries not served by the Company. John Wiley & Sons International Rights, Inc. sells reprint and translations rights worldwide. The Company publishes or licenses others to publish its products, which are distributed throughout the world in many languages. Approximately 43% of the Company’s fiscal year 2007 revenue was derived from non-U.S. markets.

Competition and Economic Drivers Within the Publishing Industry

The sectors of the publishing industry in which the Company is engaged are highly competitive. The principal competitive criteria for the publishing industry are considered to be the following: product quality, customer service, suitability of format and subject matter, author reputation, price, timely availability of both new titles and revisions of existing books, online availability of published information, and timely delivery of products to customers.

The Company is in the top rank of publishers of scientific and technical journals worldwide, as well as a leading commercial chemistry publisher at the research level; one of the leading publishers of university and college

textbooks and related materials for the “hardside” disciplines, (i.e. sciences, engineering, and mathematics), and a leading publisher in its targeted professional/trade markets. The Company knows of no reliable industry statistics that would enable it to determine its share of the various international markets in which it operates.

Performance Measurements

The Company measures its performance based upon revenue, operating income, earnings per share and cash flow growth, excluding unusual or one-time events, and considering current worldwide and regional economic conditions. Because of the Company’s unique blend of businesses, industry statistics do not always provide meaningful comparisons. The Company does maintain market share statistics for publishing programs in each of its businesses. STM uses various reports to monitor competitor performance and industry financial metrics. Specifically for the journal titles, the ISI Impact Factor, published by the Institute for Scientific Information, is used as a key metric of a journal titles influence in scientific publishing. For Professional/Trade, market share statistics published by BOOKSCAN, a statistical clearinghouse for book industry point of sale data in the United States, are used. The statistics include survey data from all major retail outlets, mass merchandisers, small chain and independent retail outlets. For Higher Education, the Company subscribes to Management Practices Inc., which publishes customized comparative sales reports.

Results of Operations

Fiscal Year 2007 Summary Results

For the full year, revenue advanced 18% over prior year to \$1.2 billion, or 17% excluding the favorable impact of foreign exchange. Blackwell Publishing Ltd. ("Blackwell") contributed \$105.8 million to the revenue growth since it was acquired on February 2, 2007. The year-on-year growth reflected continued momentum in the Company's global businesses. Excluding Blackwell, revenue grew 8% to \$1.1 billion, or 7% excluding the favorable impact of foreign exchange.

Gross profit margin for fiscal year 2007 decreased to 65.9% from 67.2% in the prior year. Lower inventory and author advance provisions due to higher sales were more than offset by the adverse impact of a \$13 million acquisition accounting adjustment to revenue, and gross margins on Blackwell sales. Excluding the acquisition accounting adjustment, Blackwell's gross margin was approximately 53%. Excluding Blackwell, gross profit margin improved 40 basis points to 67.6%

Operating and administrative expenses increased 18% over the prior year, or 16% excluding the adverse impact of foreign exchange. The increase primarily reflects \$38.7 million of incremental operating expenses related to Blackwell; increased editorial/production costs, marketing and selling to support business growth; stock option costs of \$11.3 million associated with the adoption of SFAS 123R; and a \$4.4 million bad debt provision related to the bankruptcy of Advanced Marketing Services (AMS).

Amortization of intangibles increased \$7.2 million principally due to acquisitions. The Blackwell acquisition contributed approximately \$5.5 million of the increase.

Operating income improved 6% to \$161.3 million in fiscal year 2007, including operating income of \$6.5 million related to Blackwell. The operating margin for fiscal year 2007 was 13.1% or 13.7% excluding Blackwell, as compared to 14.6% in the prior year period. Improved gross margin and lower depreciation were offset by incremental expenses associated with the adoption of SFAS 123R and the AMS bad debt provision. Net interest expense and other increased \$12.9 million to \$21.8 million mainly due to finance costs associated with the Blackwell acquisition.

The effective tax rate for fiscal year 2007 was 28.6% compared to 23.3% in the prior year. Fiscal years 2007 and 2006 include tax benefits of \$5.5 million and \$6.8 million, respectively, due to the resolution and settlements of certain matters with state, federal and international tax authorities. Fiscal year 2006 also includes a \$7.5 million tax benefit associated with the reversal of a tax accrual recorded on the repatriation of dividends from European subsidiaries in the fourth quarter of fiscal year 2005. On May 10, 2005, the U.S. Internal Revenue Service issued Notice 2005-38. The notice provided for a tax benefit that fully offset the tax accrued by the Company on foreign dividends in the fourth quarter of fiscal year 2005. None of the tax benefits had a cash impact on the Company. Fiscal years 2007 and 2006 effective tax rates excluding these benefits and without Blackwell were 35.1% and 33.2%, respectively. The increase was principally due to higher taxes on non-U.S. sourced earnings. Blackwell's effective tax rate had, and is expected to have, a favorable impact on the Company's consolidated effective tax rate.

Reported earnings per diluted share and net income for fiscal year 2007 were \$1.71 and \$99.6 million, respectively. Excluding the tax benefits, earnings per diluted share for fiscal years 2007 and 2006 were \$1.62 and \$1.61, respectively. See Non-GAAP Financial Measures described below. The results for fiscal year 2007

include an incremental \$7.1 million after-tax charge, or \$0.12 per diluted share, related to the adoption of SFAS 123R. The Blackwell acquisition was dilutive to net income and earnings per diluted share by \$1.2 million and \$0.02, respectively.

Non-GAAP Financial Measures: The Company's management evaluates operating performance excluding unusual and/or nonrecurring events. The Company believes excluding such events provides a more effective and comparable measure of performance. Since adjusted net income and adjusted earnings per share are not measures calculated in accordance with GAAP, they should not be considered as a substitute for other GAAP measures, including net income and earnings per share as indicators of operating performance. Adjusted net income and adjusted earnings per diluted share, for fiscal years 2007 and 2006, excluding the tax benefits discussed above are as follows:

Reconciliation of Non-GAAP Financial Disclosure

| Net Income (in thousands) | For the Years Ended April 30, | |
|--|----------------------------------|-----------------|
| | 2007 | 2006 |
| As Reported | \$99,619 | \$110,328 |
| Tax (Benefit) Provision on Dividends Repatriated | - | (7,476) |
| Resolution of Tax Matters | (5,468) | (6,776) |
| <u>Adjusted</u> | <u>\$94,151</u> | <u>\$96,076</u> |

| Earnings Per Diluted Share | For the Years Ended April 30, | |
|--|----------------------------------|---------------|
| | 2007 | 2006 |
| As Reported | \$1.71 | \$1.85 |
| Tax (Benefit) Provision on Dividends Repatriated | - | (0.12) |
| Resolution of Tax Matters | (0.09) | (0.11) |
| <u>Adjusted</u> | <u>\$1.62</u> | <u>\$1.61</u> |

Fiscal Year 2007 Segment Results

Blackwell is reported below as a separate segment. In the first quarter of fiscal year 2007, the Company finalized a review of certain product prices used to settle inter-segment sales. As a result of the study, certain intersegment product prices were modified. While the modification had no effect on consolidated financial results, it did impact individual segment operating results. Below is a supplemental segment report adjusting prior year results to reflect the current modified product prices:

| Adjusted Segment Results (Amounts in millions) | For The Years Ended April 30, | | | | | |
|---|-------------------------------|----------------|-----------------------------|-----------|----------|----------------|
| | 2007 | | 2006 | | % Change | |
| | As Reported | As Reported | Inter- Segment Impact | Adjusted | Adjusted | As Reported |
| Revenue: | | | | | | |
| Professional/Trade | \$ 399.5 | \$ 380.2 | \$ (7.9) | \$ 372.3 | 7% | 5% |
| Scientific, Technical and Medical | 222.0 | 206.0 | (1.1) | 204.9 | 8% | 8% |
| Higher Education | 162.5 | 156.2 | (3.7) | 152.5 | 7% | 4% |
| European Segment | 316.1 | 292.5 | (4.1) | 288.4 | 10% | 8% |
| Blackwell | 105.8 | - | - | - | - | - |
| Asia, Australia & Canada | 132.9 | 124.0 | (0.1) | 123.9 | 7% | 7% |
| Inter-Segment Sales Eliminations | (103.9) | (114.7) | 16.9 | (97.8) | (6)% | 9% |
| Total Revenue | \$ 1,234.9 | \$ 1,044.2 | \$ - | \$1,044.2 | 18% | 18% |
| Direct Contribution to Profit: | | | | | | |
| Professional/Trade | \$ 107.6 | \$ 107.0 | \$ (5.8) | \$ 101.2 | 6% | 1% |
| Scientific, Technical and Medical | 101.0 | 96.0 | - | 96.0 | 5% | 5% |
| Higher Education | 41.2 | 40.1 | (3.4) | 36.7 | 12% | 3% |
| European Segment | 104.8 | 93.4 | 5.9 | 99.3 | 6% | 12% |
| Blackwell | 29.7 | - | - | - | - | - |
| Asia, Australia & Canada | 27.2 | 26.7 | 3.3 | 30.0 | (9)% | 2% |
| Total Direct Contribution to Profit | \$ 411.5 | \$ 363.2 | \$ - | \$ 363.2 | 13% | 13% |
| Shared Services and Admin. Costs | (250.2) | (210.5) | - | (210.5) | (19)% | (19)% |
| Operating Income | \$ 161.3 | \$ 152.7 | \$ - | \$ 152.7 | 6% | 6% |

Professional/Trade (P/T):

| Dollars in thousands | 2007 | 2006 | % change |
|----------------------|------------------|-----------|-------------|
| Revenue | \$399,461 | \$380,191 | 5% |
| Direct Contribution | \$107,575 | \$106,971 | 1% |
| Contribution Margin | 26.9% | 28.1% | |

Wiley's U.S. P/T revenue for fiscal year 2007 advanced 5% to \$399.5 million from \$380.2 million in the previous year, or 7% after adjusting for the effect of the change in inter-segment product prices. The results were driven by the cooking, travel, business, and technology programs, as well as strong global rights and advertising revenue partially offset by lower *SuDoku* sales as planned. Revenue from acquisitions in the current year contributed approximately \$2.0 million of growth over the prior year.

Adjusting for the effect of the change in inter-segment product prices direct contribution improved 6%. Also on an adjusted basis, contribution margin for fiscal year 2007 decreased 30 basis points to 26.9%. Favorable product mix and lower inventory and royalty advance provisions were more than offset by a bad debt provision related to the bankruptcy of Advanced Marketing Services of \$4.4 million and stock option costs associated with the adoption of SFAS 123R of \$1.4 million.

Frommer's reached a milestone during Wiley's bicentennial year, as the well-known travel-guide brand celebrated its 50th anniversary with the publication of new editions and titles in its *Day by Day* and Pauline Frommer series. Several finance, business, and leadership titles stood out among the year's publications, including *True North* by Bill George, a follow-up to *Authentic Leadership; The Only Three Questions That Count*, by Ken Fisher, long-time Forbes columnist and Chairman and CEO of Fisher Investments; the third book in the best-selling *Little Book* series, *Little Book of Common Sense Investing* by John Bogle; *The Science of Success: How Market-Based Management Built the World's Largest Private Company* by Charles Koch, Chairman and CEO of Koch Industry; and *Chocolates on the Pillow Aren't Enough: Reinventing the Customer Experience* by the Chairman and CEO of Loewe's Hotels, Jonathan Tisch.

Previously published titles continued to build momentum, including *Weight Watchers New Complete Cookbook* and *The Bon Appetit Cookbook. Hedgehogging* by Barton Biggs; *The Little Book That Beats The Market* by Joel Greenblatt; *Empire of Debt: The Rise of an Epic Financial Crisis* by William Bonner and Addison Wiggin; *The Invisible Employee: Realizing the Hidden Potential in Everyone* by Adrian Gostick and Chester Elton; and *Stock Investing For Dummies, 2nd Edition* by Paul Mladjenovic were all featured on major bestseller lists in 2007 along with perennial Wiley bestsellers, *Five Dysfunctions of a Team* by Patrick Lencioni; *Investing For Dummies*, by Eric Tyson; J.K. Lasser's *Income Tax 2006*; and *SuDoku For Dummies* by Andrew Heron and Andrew Stuart.

P/T's online business had an excellent year with strong advertising sales. Wiley acquired Whatsonwhen.com, a provider of travel-related online content, technology, and related services during the second quarter. The acquisition is already enhancing Wiley's extensive travel-related content business, which includes the integrated online and print *Frommer's*, *For Dummies*, and *Unofficial Guides* brands. Nearly 1,400 articles adapted from *For Dummies* text were delivered to Yahoo! Tech during the year. Yahoo! Tech provides consumers with advice and information on technology. Wiley significantly increased the number of Podcasts offered on its websites during the fiscal year.

In March, Wiley acquired the publishing assets of Anker Publishing, including approximately 100 backlist titles and a quarterly newsletter (*Department Chair*) which covers professional development for faculty and administrators in higher education.

During the year, Wiley signed an agreement with Microsoft to publish business books under a Microsoft Executive Circle series. P/T also signed a multi-year publishing agreement with the Lincoln Center for the Performing Arts, Inc. for a minimum of 15 books that will draw on Lincoln Center's community of artists, extensive archives, and educational expertise. Another alliance was formed during the fall with Essential Learning Partnership, a provider of web-based continuing education for clinical professionals in psychology, counseling, and social work, to enable clinicians to purchase training courses using Wiley titles to meet license requirements.

Scientific, Technical and Medical (STM):

| Dollars in thousands | 2007 | 2006 | % change |
|----------------------|------------------|-----------|-------------|
| Revenue | \$222,050 | \$206,008 | 8% |
| Direct Contribution | \$101,070 | \$96,009 | 5% |
| Contribution Margin | 45.5% | 46.6% | |

U.S. STM revenue for fiscal year 2007 increased 8% to \$222.1 million from \$206.0 million in the previous year. Revenue growth was driven by journal subscriptions, non-subscription revenue, such as advertising and the sale of journal reprints, and STM reference books. New businesses and publication rights acquired during the year, such as *InfoPOEMS*, *Dialysis & Transplantation*, *The Hospitalist*, *the Journal of Orthopedic Research*, *Clinical Cardiology* and *Carpe Diem* contributed approximately \$5.0 million of the top-line growth for the year.

Direct contribution to profit for fiscal year 2007 increased 5% to \$101.1 million. Contribution margin decreased to 45.5% from 46.6% in the prior year. The decline in margin was primarily due to the higher cost of imported products and higher royalties due to product mix. STM results were also affected by costs associated with the adoption of SFAS 123R of approximately \$1.2 million.

Customers continue to take advantage of *Wiley InterScience's* content. The number of visits grew by nearly 24% during fiscal year 2007 compared to the previous year. *Pay-Per-View* and Article Select sales were strong around the world.

During the year, the Company embarked on an aggressive program to further exploit its intellectual content by digitizing selected landmark STM books. Consequently, the number of online books downloaded from *Wiley InterScience* grew by 30% during the year. The program includes the digitization of more than 750 volumes from at least 21 book series. Series editors include such eminent and pioneering scientists as Nobel Laureates Ilya Prigogine and Jean-Marie Lehn, and National Medal of Science Winner Stuart Rice. The Book Series is available as individual volumes, complete series, or multiple series, with discounts offered based on the number of volumes purchased. Wiley currently publishes approximately 2,800 online books, with approximately 40-50 new titles added every month. With the addition of the 750 back volumes, total online book content will comprise over one million pages.

During the year, Wiley signed publishing agreements with several scholarly societies, including the Mt. Sinai School of Medicine, the International Society of Magnetic Resonance in Medicine, the Society of Biochemistry

and Molecular Biology, and the American College of Rheumatology. The Company also expanded its partnership with Skyscape, Inc., a leading provider of interactive, intelligent health solutions for desktop and mobile devices, to make InfoPOEMs evidence-based medicine summaries available to Skyscape's customer base of more than 575,000 medical professionals.

Earlier in the year, Wiley signed an agreement with the New York Public Library to provide public online access to over 300 peer-reviewed journals that until now have been available principally through academic or corporate collections. The objectives of this pilot project are to accumulate usage data on high-level journal content in a public library setting. This is Wiley's first such license for journal content with a major public library in North America.

Higher Education:

| Dollars in thousands | 2007 | 2006 | % change |
|----------------------|------------------|-----------|-------------|
| Revenue | \$162,480 | \$156,235 | 4% |
| Direct Contribution | \$41,173 | \$40,065 | 3% |
| Contribution Margin | 25.3% | 25.6% | |

U.S. Higher Education revenue in fiscal year 2007 increased 4% to \$162.5 million, or 7% after adjusting for the effect of the change in inter-segment product prices. Strong growth in accounting, driven by new editions sold through *WileyPLUS*, social sciences and sales of Microsoft Official Academic Course (MOAC) titles were partially offset by softness in mathematics, science, and engineering.

Direct contribution to profit for fiscal year 2007 improved 3%, or 12% adjusted for the effect of the change in inter-segment product prices. The improvement was due to revenue growth and lower costs driven by off-shoring composition, improved vendor terms, lower inventory provisions and lower costs associated with the delivery of electronic product, partially offset by incremental stock option costs associated with the adoption of SFAS 123R of \$1.1 million. Contribution margin adjusted for the effect of the change in inter-segment prices improved 120 basis points to 25.3%

WileyPLUS sales for fiscal year 2007 increased 90% over the prior year. Digital-only, i.e., not accompanied by a textbook, accounted for 20% of *WileyPLUS* sales. Marketing programs in the UK and Asia are helping to establish a presence for *WileyPLUS* in those regions. *WileyPLUS* Assignment Editions were officially launched in the Australian and New Zealand markets.

Soon after the end of the fiscal year, Higher Education enhanced and re-launched its *WileyPLUS* online presence at www.wileyplus.com. Redesigned with intuitive navigation and user-focused content, the site will offer introductory information and demos, along with resources for current student and faculty users. The Wiley Faculty Network, a peer-to-peer network to help instructors better utilize technology, experienced a 50% increase in the number of attendees to its Guest Lectures throughout the fiscal year.

Early in the year, Wiley became Microsoft's sole publishing partner worldwide for all MOAC materials. Microsoft and Wiley are collaborating on a new co-branded series of textbook and e-learning products on several topics. Wiley also assumed responsibility for the sale of existing MOAC titles. Sales of MOAC titles have surpassed the expectations of both Wiley and Microsoft.

The *National Geographic Collegiate Atlas*, which Wiley publishes as part of its alliance with the National Geographic Society (NGS), was awarded the Best Book/Atlas at the American Congress on Surveying and Mapping design competition. Earlier in the year, Higher Education launched *Wiley Visualizing*, a series of introductory textbooks developed in exclusive partnership with the NGS that integrate rich visuals and media with text to enhance learning. Marketplace response to the new textbook series has been very positive. Higher Education also announced partnerships with the CFA Institute, a global membership organization of investment practitioners and educators, to publish finance titles under the CFA Institute Investment Series brand. Earlier in the year, Wiley and the George Lucas Educational Foundation, a non-profit organization dedicated to innovation and improvement in education, signed an agreement to co-produce a series of six textbooks employing “project-based” learning, which, has been demonstrated to increase self-direction and improve research and problem-solving skills.

Europe:

| Dollars in thousands | 2007 | 2006 | % change | % excluding FX |
|----------------------|------------------|-----------|-------------|-------------------|
| Revenue | \$316,125 | \$292,462 | 8% | 4% |
| Direct Contribution | \$104,796 | \$93,415 | 12% | 11% |
| Contribution Margin | 33.2% | 31.9% | | |

Wiley Europe's revenue for fiscal year 2007 increased 8% to \$316.1 million, or 5% after adjusting for the effect of the change in inter-segment product prices and favorable foreign exchange. The revenue growth was principally driven by journal subscriptions and STM reference books partially offset by lower *SuDoku For Dummies* sales, as planned.

Direct contribution for the full year increased 12% over the prior year, or 4% after adjusting for the effect of the change in inter-segment product prices and favorable foreign exchange. Higher royalties due to product mix and a \$1.2 million charge for stock option costs associated with the adoption of SFAS 123R were partially offset by improved costs associated with electronic revenue. Also on an adjusted basis, the contribution margin decreased 30 basis points to 34.1% from 34.4% in the prior year.

The year ended on a positive note with indigenous books showing strength. P/T sales picked up momentum in continental Europe during the fourth quarter with much of the growth coming from technology books. STM journal subscriptions continued to increase in all disciplines, particularly chemistry, which includes the *Angewandte Chemie* journals published on behalf of the German Chemical Society.

Early in the year, Wiley Europe announced the formation of a multi-year publishing partnership with the Dana Centre, an extension of the Science Museum in London. Written by leading technology journalists and experts in the U.K., the books will examine technology-related news stories from around the world; explore their implications on everyday life; and provide predictions for the future. The Dana Centre is well known for its innovative and thought-provoking events and debates on contemporary science, technology, and culture.

Wiley Europe also signed a contract with the Strategic Management Society to publish a new journal, *Strategic Entrepreneurship*, extending its relationship with the Society. Wiley Europe signed a co-publishing agreement during the fourth quarter for a new book series with the Royal Microscopy Society, aiming to deliver three titles per year. Earlier in the year, an agreement was reached with the Royal Meteorological Society (RMetS), a leading professional and learned society, to publish all five of its journals. This agreement expands an existing

relationship, establishing Wiley as the exclusive publisher of all the RMetS journals. Wiley and the RMetS have worked together since 1980, when they launched the *International Journal of Climatology*.

During the year, Wiley Europe renewed its contract with National Health Service in the U.K. for the Cochrane National Site License. In July, Wiley-VCH re-launched the pro-physik.de portal with a number of new customer-oriented features, such as enhanced search capabilities. Wiley Europe acquired the *European Transactions on Telecommunications* journal, which it has been publishing under a collaborative agreement for years. Wiley and the British Journal of Surgery Society renewed their contract.

Wiley Europe has been exploring new business opportunities with telecommunications companies. As a result, it extended its publishing partnership with Symbian to include the formation of a new Symbian Academy program for accredited Higher Education institutions, drawing on content from across all of Wiley's publishing programs.

Blackwell:

| Dollars in thousands | 2007 |
|----------------------|-----------|
| Revenue | \$105,761 |
| Direct Contribution | \$29,699 |
| Contribution Margin | 28.1% |

Blackwell's operating results have been included in the consolidated results of the Company since the effective date of the acquisition February 2, 2007. Blackwell revenue and direct contribution for fiscal year 2007 was \$105.8 million and \$29.7 million, respectively. Included in the results are approximately \$5.5 million of amortization charges for intangible assets related to the acquisition. While not included in direct contribution, financing costs charged to interest expense for the acquisition were approximately \$16.7 million in the quarter. The acquisition was dilutive to EPS by approximately \$0.02 in the quarter and the fiscal year.

Since completing the acquisition, we have made significant progress integrating Blackwell with Wiley's global STM business. We have validated many of the key assumptions that underlie our acquisition plan. During the fourth quarter of fiscal year 2007, we announced the global organization structure for the merged business, which will include Blackwell and Wiley colleagues on the leadership team. Plans have been approved to merge global sales, marketing and content management which will result in significant synergies. As planned, we are capitalizing on Blackwell's successful off-shoring and outsourcing of various content management, manufacturing and shared support services.

Our current priorities are to finalize plans for the implementation of a single web platform; complete the integration of technology infrastructure resources; and to complete the transition to a common financial reporting, distribution and customer service infrastructure. By the end of fiscal year 2008, we expect to have implemented the action plans and initiatives that will deliver the synergies that underpin our acquisition plan.

Since the acquisition closed, Wiley and Blackwell have renewed society journal contracts and announced the launch of new journals and new partnerships. New publications include *Clinical and Translational Science*, which will focus on the rapidly expanding field of translational studies, a complex medical discipline emerging at the intersection of applied bench research and clinical medicine; *Regulation & Governance*, a specialized international journal addressing the world's most pressing audit and risk challenges; *Asian Social Work and Policy Review*, the Korean Academy of Social Welfare's official publication; and *Archives of Drug Information*, a new, freely available peer-reviewed journal featuring the results of drug studies. This journal will help to address

requests for transparency voiced by societies, health care practitioners, patients, media, and the government to disclose clinical trial information.

Asia, Australia and Canada:

| Dollars in thousands | 2007 | 2006 | % change | % excluding FX |
|----------------------|------------------|-----------|-------------|-------------------|
| Revenue | \$132,992 | \$123,950 | 7% | 5% |
| Direct Contribution | \$27,217 | \$26,747 | 2% | (4%) |
| Contribution Margin | 20.5% | 21.6% | | |

Wiley's fiscal year 2007 revenue in Asia, Australia, and Canada advanced 7% to \$133.0 million, or 5% excluding favorable foreign exchange. Growth was driven by strong P/T sales in all regions and the sale of rights, partially offset by disappointing school sales in Australia. Direct contribution for the full year increased 2% to \$27.2 million, but decreased 15% after adjusting for the effect of the change in inter-segment product prices and favorable foreign exchange. The decline was principally due to product mix and investments in the development of indigenous publishing programs.

WileyPLUS gained ground with new adoptions across Asia, Australia, and Canada. Microsoft Official Academic Course (MOAC) books are eliciting much interest, especially in Malaysia and India.

Wiley Canada delivered mixed results throughout the year, showing strength in its P/T business, but falling short in Higher Education. P/T's growth was driven by demand for local real estate titles and front-list releases, as well as strong demand for *For Dummies* titles. An indigenous title, *Beyond the Crease* by hockey player Martin Brodeur, has been selling well globally. Sales of *WileyPLUS* have exceeded expectations in Canada.

Shared Service and Administrative Costs

Shared services and administrative costs for fiscal year 2007 increased 19% to \$250.2 million, or 17% excluding the unfavorable impact of foreign exchange. Blackwell contributed \$23.2 million to the increase in fiscal year 2007 operating expenses. In addition, the increase reflects costs due to business growth and performance, stock options costs of \$6.1 million associated with the adoption of SFAS 123R, and higher occupancy costs, mainly due to new facilities, partially offset by lower depreciation expense.

Fiscal Year 2006 Summary Results

For the full year, revenue advanced 7% over prior year to \$1.0 billion, or 8% excluding foreign currency effects. The year-on-year growth was driven by all of Wiley's businesses around the world. Gross profit margin for fiscal year 2006 was 67.2% compared with 66.6% in the prior year. Improvements in STM, Higher Education and the European segment were partially offset by lower gross margins in Professional/Trade and other segments.

Operating and administrative expenses increased 8% over the prior year. Foreign exchange accounted for approximately \$1.9 million of the increase. Editorial, sales, marketing and distribution costs to support revenue growth, and investments in technology were partially offset by lower costs associated with certification of internal controls as required by Sarbanes-Oxley 404. Operating and administrative expenses as a percent of revenue were 51% in both years.

Operating income advanced 8% to \$152.7 million in fiscal year 2006 or 9% excluding adverse foreign currency effects. Revenue growth and improved gross margins were partially offset by higher amortization due to acquisitions. Operating margin was 14.6% compared with 14.5% in fiscal year 2005. The operating margin increase reflects improvement in gross margin due to product mix, partially offset by higher amortization of intangibles. Net interest expense and other increased \$3.1 million to \$8.8 million, mainly due to higher interest rates.

The Company's effective tax rate was 23.3% in fiscal year 2006. Excluding the tax charges and benefits described in the non-GAAP financial disclosure, the effective tax rate for fiscal year 2006 increased to 33.2% as compared to 32.7% in fiscal year 2005. The increase was mainly due to higher effective foreign tax rates.

Earnings per diluted share and net income for fiscal year 2006 on a US GAAP basis were \$1.85 and \$110.3 million, respectively. Excluding the tax adjustments, which are further described below, earnings per diluted share and net income for fiscal year 2006 on a Non-GAAP basis rose 10% to \$1.61 and 5% to \$96.1 million, respectively. Growth in earnings per diluted share reflects favorable operating performance and the Company's share repurchase program.

Non-GAAP Financial Measures: The Company's management evaluates performance excluding unusual and/or nonrecurring events. The Company believes excluding such events provides a more effective and comparable measure of performance. Since adjusted net income and adjusted earnings per share are not a measure calculated in accordance with GAAP, it should not be considered as a substitute for other GAAP measures, including net income and earnings per share, as reported, as an indicator of operating performance.

Adjusted net income and adjusted earnings per diluted share excluding the tax charges and benefits are as follows:

Reconciliation of Non-GAAP Financial Disclosure

| <u>Net Income (in thousands)</u> | For the Years Ended | |
|--|---------------------|-----------------|
| | 2006 | 2005 |
| As Reported | \$110,328 | \$83,841 |
| Tax (Benefit) Provision on Dividends Repatriated | (7,476) | 7,476 |
| Resolution of Tax Matters | (6,776) | - |
| <u>Adjusted</u> | <u>\$96,076</u> | <u>\$91,317</u> |

| <u>Earnings Per Diluted Share</u> | For the Years Ended | |
|--|---------------------|---------------|
| | 2006 | 2005 |
| As Reported | \$1.85 | \$1.35 |
| Tax (Benefit) Provision on Dividends Repatriated | (0.12) | 0.12 |
| Resolution of Tax Matters | (0.11) | - |
| <u>Adjusted</u> | <u>\$1.61</u> | <u>\$1.47</u> |

Pursuant to guidance issued by the Internal Revenue Service in May 2005, the Company recorded a tax benefit of approximately \$7.5 million, or \$0.12 per diluted share, in the first quarter of fiscal year 2006, and reduced income taxes due on the fiscal year 2005 repatriation of earnings from its European subsidiaries. As previously discussed in the Company's Annual Report filed on Form 10-K for fiscal year 2005, the tax benefit offsets a tax charge of \$7.5 million recorded in the fourth quarter of fiscal year 2005, neither of which had a cash impact to the Company.

A \$6.8 million, or \$0.11 per diluted share, tax benefit related to the favorable resolution of certain tax matters with tax authorities was also reported for the full year ending April 30, 2006. The Company's management excludes these tax items for comparative purposes so as to not distort the underlying operating performance of the Company.

Cash flow provided by operating activities in fiscal year 2006 of \$242.6 million was used to fund investing activities (\$113.6 million), inclusive of \$31.4 million for the acquisition of publishing assets; to acquire 2.8 million shares of treasury stock (\$108.9 million); repay debt (\$32.5 million); and for cash dividends to shareholders (\$21.1 million).

Fiscal Year 2006 Segment Results

Professional/Trade (P/T):

| Dollars in thousands | 2006 | 2005 | % change |
|----------------------|-----------|-----------|-------------|
| Revenue | \$380,191 | \$350,338 | 9% |
| Direct Contribution | \$106,971 | \$102,326 | 5% |
| Contribution Margin | 28.1% | 29.2% | |

Revenue growth of Wiley's U.S. P/T business accelerated throughout fiscal year 2006, culminating in a strong fourth quarter. Revenue for the full year advanced 9% to \$380 million, while fourth quarter revenue reached a record \$106 million, 13% over the same period in the prior year. Virtually all of P/T's publishing categories and sales channels contributed to the strong results, with standout performances by the technology, business, finance and architectural programs, as well as global rights and website advertising. P/T's finance and leadership programs, as well as the Sybex technology titles it acquired in May 2005, and the popularity of the *SuDoku for Dummies* series helped to deliver the record-setting results. The Sybex acquisition contributed approximately \$9 million to revenue.

Direct contribution to profit was up 5% for the year. The improvement in top-line results was partially offset by higher cost of sales mainly due to product mix.

A number of successful titles contributed to the year's results, notably *The Little Book That Beats the Market* by Joel Greenblatt; *SuDoku For Dummies*, Volumes 1-3 by Andrew Herron and Edmund James; *Weight Watcher's New Complete Cookbook*; *Betty Crocker Cookbook: Everything You Need to Know to Cook Today*; and *Hedgehogging* by Barton Biggs. Several perennial favorites and new titles also made significant contributions, including *Five Dysfunctions of a Team* by Patrick Lencioni; his new title, *Silos, Politics, and Turf Wars*; *Automatic Wealth* by Michael Masterson; and *The Party of the Century: The Fabulous Story of Truman Capote and His Black and White Ball* by Deborah Davis. A new series, *Frommer's Day by Day*, and the first *Frommers.com* Podcast, successfully extended this key brand.

Media attention was particularly focused on a number of titles tied to current affairs (*Bird Flu* by Marc Siegel and *The Global Class War* by Jeff Faux); popular products (*The Bear Necessities of Business: Building a Company with Heart* by Maxine Clark and Amy Joyner at the flagship Build-a-Bear store); or movies (*Party of the Century* by Deborah Davis which capitalized on the success of the movie, *Capote*), as well as well-known authors (*The Poker Face of Wall Street*, Aaron Brown and *Hedgehogging* by Barton Biggs). Aggressive marketing kept Wiley brands and titles in the public eye, including a major advertising campaign for *Little Book That Beats the Market* in *The Wall Street Journal* and *Bloomberg* radio; the annual *For Dummies* month promotions; and a pay-per-view webcast with Amazon.com, featuring author Pat Lencioni.

More than 800 articles were adapted from the *For Dummies* text for licensing with Yahoo Tech, a new website that provides consumers with advice and information on technology. An agreement with Microsoft was signed to license content from seven of Wiley's top cookbooks, including *How to Cook Everything* by Mark Bittman, *Cooking at Home with The Culinary Institute of America*, and *Mr. Boston: Official Bartender's and Party Guide* by Mr. Boston, Anthony Giglio, and Steven McDonald).

Scientific, Technical and Medical (STM):

| Dollars in thousands | 2006 | 2005 | % change |
|----------------------|-----------|-----------|-------------|
| Revenue | \$206,008 | \$190,515 | 8% |
| Direct Contribution | \$96,009 | \$88,899 | 8% |
| Contribution Margin | 46.6% | 46.7% | |

Wiley's U.S. STM business delivered consistently excellent results throughout fiscal year 2006, growing revenue over prior year by 8% to \$206 million. Direct contribution to profit also rose by 8% for the year.

Subscription and non-subscription revenue from journal backfiles, advertising, and commercial reprints contributed significantly to growth. The reference book program completed its second year of strong growth driven by strong title output and global market strength. STM also benefited from recent acquisitions of *Dialysis and Transplantation*, a medical journal and *InfoPOEMs*, a provider of evidence-based medicine content.

Wiley InterScience, the Company's online service, reached a milestone midway through the fiscal year: more than one million journal articles are now available online. The value of this growing body of literature to the global research community can be quantified in the concurrent increase in the number of users, as well as the number of manuscripts submitted for publication. In fiscal year 2006, U.S. STM received approximately 9% more journal manuscripts and published 8% more journal pages than the previous year. More people gained access to *Wiley InterScience* by taking advantage of alternate purchasing programs, such as *Pay-Per-View*, which began offering individual article sales from the growing backfile collection during this year. At the end of the fiscal year, Wiley participated with Microsoft in the launch of Windows Live Academic Search pilot, which improves the search capabilities of journal content from Wiley and ten other major STM publishers.

Important publications during the year include the inaugural issue of a pharmaceutical-company sponsored Chinese-language digest version of *Hepatology*; the *Physics and Astronomy Backfile*, which includes the oldest journal published by Wiley, *Annalen der Physik*, founded in 1799; the first two issues of the *Journal of Hospital Medicine*; and a refurbished *Annals of Neurology*. Also released during the fourth quarter were the new 18th edition of the *Merck Manual*; the 8th edition of *The Wiley Registry of Mass Spectral Data*; and a wide array of single and multi-volume reference works.

During the fourth quarter, the Company reached an agreement with the Institute of Electrical and Electronics Engineers of Japan to publish a new English-language journal, *IEEJ Transactions*; extended its long-term publishing agreement for the *Journal of Research in Science Teaching*; and began publication of the *Journal of Orthopedic Research* in partnership with the Orthopedic Research Society.

Higher Education:

| Dollars in thousands | 2006 | 2005 | % change |
|----------------------|-----------|-----------|-------------|
| Revenue | \$156,235 | \$150,905 | 4% |
| Direct Contribution | \$40,065 | \$38,221 | 5% |
| Contribution Margin | 25.6% | 25.3% | |

Wiley's U.S. Higher Education business increased 4% to \$156 million in fiscal year 2006. Continuing to build on the strength experienced in the third quarter, fourth quarter revenue advanced 15% to \$23 million compared to the previous year's quarter. Higher Education's direct contribution margin for the year improved 30 basis points to 25.6% mainly due to lower composition costs and inventory provisions.

The mathematics, life sciences, engineering and computer science programs performed extremely well during the year, with strong showings by Tortora/*Principles of Anatomy and Physiology*; Black/*Microbiology*; Voet/*Fundamentals of Biochemistry*; Hughes-Hallet/*Calculus*; Anton/*Calculus*; Munson/*Fluid Mechanics*; and Horstman/*Big Java*.

WileyPLUS continued to gain traction during fiscal year 2006, as more students and faculty around the world chose to use its customizable multi-format suite of content, teaching and learning tools to help them do homework, study for tests, assess coursework, and administer classes.

Soon after the end of the fiscal year, Wiley became Microsoft's sole publishing partner worldwide for all Microsoft Official Academic Course (MOAC) materials. Microsoft and Wiley will collaborate on a new co-branded series of textbook and e-learning products for the higher education market, to be released under Wiley-Microsoft logos. Wiley will also assume responsibility for the sale of existing MOAC titles. The new series will offer topics covering Windows Vista, Microsoft Office Systems 2007, and the Windows Server codenamed "Longhorn." All titles will be marketed globally and available in several languages. With Microsoft's position as the world's leading software company and Wiley's global presence in higher education, the alliance is an ideal strategic fit.

Earlier in the year, Higher Education extended its global alliance with the National Geographic Society to create new products sold exclusively with Wiley textbooks and *WileyPLUS*.

Europe:

| Dollars in thousands | 2006 | 2005 | % change | % excluding FX |
|----------------------|-----------|-----------|-------------|-------------------|
| Revenue | \$292,462 | \$268,857 | 9% | 12% |
| Direct Contribution | \$93,415 | \$86,226 | 8% | 11% |
| Contribution Margin | 31.9% | 32.1% | | |

Fiscal Year 2006 was another strong year for Wiley's European-based companies, with revenue for the year advancing 9% over the prior year to \$292 million, or 12% excluding foreign currency effects. Virtually all of Wiley Europe's businesses, product lines, and markets contributed to the performance. Strong performance was exhibited in P/T and STM book publishing, as well as journals. Global sales from the *SuDoku For Dummies* series contributed to the increase in P/T revenue. Direct contribution margin was essentially in line with the prior year's results.

Best-selling books included products as diverse as the second edition of *Encyclopedia of Inorganic Chemistry*, edited by R. Bruce King, and the enormously popular *SuDoku For Dummies* and *Kakuro For Dummies*. The power of the *For Dummies* brand was evidenced by the publication of a six-figure print run of a custom mini-book for the World Cup, *Winning on Betfair For Dummies*. The German *For Dummies* program published 51 new titles and 49 reprints during fiscal year 2006.

The expansion of Wiley Europe's publishing portfolio opened up new markets and customer groups. The technology channel saw strong growth throughout the fiscal year 2006 with a series of agreements with major telecommunications corporations. In February 2006, the Company entered a popular new market with the acquisition of Fernhurst Books, a best-selling list of manuals and guides on sailing, boating, and other nautical sports. The first seven titles of the Securities and Investment Institute series published during fiscal year 2006.

Wiley Europe's new journals, *small*, an interdisciplinary journal on nanoscience and nanotechnology embracing materials science, physics, chemistry and biosciences and the related engineering areas *ChemMedChem*; and the *Biotechnology Journal*, all performed well. *Chemistry-An Asian Journal*, an alliance between Wiley-VCH, the German Chemical Society, and several major Asian chemical societies, gained traction during the year as new societies signed on, including The Singapore National Institute of Chemistry and the Chemical Society located in Taipei.

The *Cochrane Collaboration*, an evidence-based medicine collection, available through *Wiley InterScience*, finished fiscal year 2006 strongly reflecting Wiley's ability to increase revenue through the Company's multiple sales channels. To extend Wiley's product offering in evidence-based medicine, Wiley Europe and Duodecim Medical Publications Limited of Helsinki, Finland announced an expanded agreement to grant Wiley the exclusive publishing, sales, and distribution rights of its English language version of *Evidence-Based Medicine Guidelines (EBM Guidelines)*. The guidelines are designed to be read on small screens, and are available via the Internet and through Personal Digital Assistants (PDA) devices.

Asia, Australia and Canada:

| Dollars in thousands | 2006 | 2005 | % change | % excluding FX |
|----------------------|-----------|-----------|-------------|-------------------|
| Revenue | \$123,950 | \$108,649 | 14% | 12% |
| Direct Contribution | \$26,747 | \$24,868 | 8% | 3% |
| Contribution Margin | 21.6% | 22.9% | | |

Wiley's revenue in Asia, Australia, and Canada advanced 14% over the previous year to \$124 million, or 12% excluding foreign currency effects. Higher Education and secondary school publishing in Australia and P/T sales in Asia and Canada drove the improvement over the prior year. Direct contribution to profit for the year increased 8%, or 3% excluding foreign currency effects. Revenue growth was partially offset by product mix in Canada and Asia.

Wiley Asia experienced growth across all product lines, particularly in India, Japan and China. Wiley Canada's P/T performance was very strong and its Higher Education program was solid. In Australia, all three businesses delivered strong results.

At the end of the third quarter of fiscal year 2006, Wiley Asia acquired the remaining outstanding shares of Wiley Dreamtech (India) Private LTD. The acquisition is an important step in the Company's plans to grow Wiley's presence in India, extending its sales and marketing reach and building local publishing capabilities in an important and rapidly growing market. Wiley acquired a majority interest in Dreamtech in 2001 as part of its highly successful acquisition of Hungry Minds, Inc.

Considerable success was achieved in Canada with the sale of *WileyPLUS*, demonstrating the product's global appeal. The number of titles available with *WileyPLUS* more than doubled from fiscal year 2005, giving the sales force opportunity to sell it into more course areas. During fiscal year 2006, Wiley Canada added to its

indigenous P/T program by becoming a key publisher in the regional real estate markets. Sales throughout the year in real estate investing, home inspection, property management, tax, and other subcategories were very strong, as the Company added a number of titles to its portfolio.

Liquidity and Capital Resources

The Company's cash and cash equivalents balance was \$55.8 million at the end of fiscal year 2007, compared with \$60.8 million a year earlier. Cash provided by operating activities in fiscal year 2007 declined \$22.0 million to \$220.6 million. Included in cash provided by operating activities is a use specifically related to Blackwell operations post-acquisition of approximately \$20 million.

Cash used for working capital included lower accounts and royalties payable, primarily due to the timing of annual journal royalty payments related to Blackwell operations and the recognition of non-cash Blackwell related subscription revenue. Cash for calendar year journal subscriptions is typically received from November through January. Revenue is recognized evenly over the calendar year subscription. Due to the timing of the acquisition, most cash for the current calendar year subscriptions was received by Blackwell prior to the acquisition and was retained in the acquired business. Additional working capital changes were driven by higher income tax payments and the timing of vendor payments partially offset by improved trade collections, lower inventory growth and higher accrued interest.

Pension contributions in fiscal year 2007 were \$8.3 million, compared to \$7.0 million in the prior year. The Company anticipates making pension contributions in fiscal year 2008 of approximately \$34.4 million, including approximately \$23 million of payments into the Blackwell pension plan in accordance with the terms of the acquisition agreement.

Cash used for investing activities for fiscal year 2007 was approximately \$1.0 billion compared to \$113.6 million in fiscal year 2006. The Company invested \$972.9 million in the acquisition of publishing businesses, assets and rights compared to \$31.4 million in the prior year. Significant current year acquisitions included Blackwell for approximately \$1.1 billion in cash plus liabilities assumed less cash acquired; the acquisition of an online provider of travel-related content, technology and services; the assets of a publisher of two medical journals and a publisher of three advertising based medical journals. As part of the Blackwell acquisition on February 2, 2007, the Company acquired \$42.3 million in marketable securities which were all sold by the Company during the fourth quarter of fiscal year 2007. In fiscal year 2005, the Company purchased \$15.2 million of marketable securities and subsequently sold \$5.2 million. The remaining \$10.0 million were sold during fiscal year 2006.

Cash used for property, plant and equipment and product development increased in fiscal year 2007 versus the prior year. The additions to property, plant and equipment were for computer hardware and software to support customer products and improve productivity and approximately \$7.0 million associated with additional publishing facilities in the United Kingdom. Additions in fiscal year 2006 were principally for computer hardware and software.

Cash provided by financing activities was \$810.2 million in fiscal year 2007, as compared to cash used of \$157.3 million in fiscal year 2006. Cash used for financing activities in fiscal 2007 included the Blackwell acquisition, the repayment of debt facilities and dividend payments to shareholders. In fiscal 2006, cash was used primarily to purchase treasury stock, repay debt and pay dividends to shareholders.

In conjunction with the acquisition of Blackwell on February 2, 2007, the Company and certain subsidiaries entered into a new Credit Agreement with Bank of America and Royal Bank of Scotland as Co-Lead Arrangers in the aggregate amount of \$1.35 billion. The financing is comprised of a six-year Term Loan (Term Loan) in the amount of \$675 million and a \$675 million five-year revolving credit facility (Revolver) which can be drawn in multiple currencies. The agreement provides financing to complete the acquisition, refinance the existing revolving debt of the Company, as well as meet future seasonal operating cash requirements. The Company has the option of borrowing at the following floating interest rates: (i) at the rate as announced from time to time by Bank of America as its prime rate or (ii) at a rate based on the London Bank Interbank Offered Rate (LIBOR) plus an applicable margin ranging from .37% to 1.05% for the Revolver and .45% to 1.25% for the Term Loan depending on the Company's consolidated leverage ratio, as defined. In addition, the Company will pay a facility fee ranging from .08% to .20% on the Revolver depending on the Company's consolidated leverage ratio, as defined. The Company has the option to request an increase of up to \$250 million in the size of the facility in minimum amounts of \$50 million. The credit agreement contains certain restrictive covenants similar to those in the Company's prior credit agreements related to an interest coverage ratio, funded debt levels and restricted payments, including a limit on dividends paid and share repurchases. The Term Loan matures on February 2, 2013 and the Revolver will terminate on February 2, 2012.

Simultaneous with the execution of the new Credit Agreement, the Company terminated all of its previous credit agreements and paid in full amounts outstanding under those agreements by utilizing funds from the new Credit Agreement. In connection with the early termination of the previous credit agreements, the Company wrote off approximately \$0.5 million of unamortized origination fees in the fourth quarter of fiscal year 2007.

As of April 30, 2007 the Company had approximately \$1.0 billion of debt outstanding with approximately \$375.1 million of unused borrowing capacity.

On February 16, 2007, the Company entered into an interest rate swap agreement, designated by the Company as a cash flow hedge as defined under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The hedge will fix a portion of the variable interest due on **a portion of** the new Term Loan. Under the terms of the interest rate swap, the Company will pay a fixed rate of 5.076% and will receive a variable rate of interest based on three month LIBOR (as defined) from the counterparty which will be reset every three months for a four-year period ending February 8, 2011. The notional amount of the rate swap is initially \$660 million which will decline through February 8, 2011, based on the expected amortization of the Term Loan. It is management's intention that the notional amount of the interest rate swap be less than the Term Loan outstanding during the life of the derivative.

Current year financing activities include the repurchase of approximately 205,700 shares of Company stock at an average price of approximately \$35.38. On February 4, 2005, the Company repurchased one million shares of its Class A stock at a price of \$32.45 per share from several entities associated with the Bass group of Fort Worth, Texas. The transaction was paid out of existing cash balances. Under the current share repurchase program approved by the Company's Board of Directors in June 2005 the Company has authorization to purchase up to approximately 1.9 million additional shares of its Class A Common Stock as of April 30, 2007.

The Company increased its quarterly dividend to shareholders by 11% to \$0.10 per share versus \$0.09 per share in the prior year.

The Company's operating cash flow is affected by the seasonality of its U.S. Higher Education business and receipts from its journal subscriptions. Journal receipts occur primarily from November through January from companies commonly referred to as journal subscription agents. Reference is made to the Credit Risk section,

which follows, for a description of the impact on the Company as it relates to journal agents' financial position and liquidity. Sales in the U.S. higher education market tend to be concentrated in June through August, and again in November through January. The Company normally requires increased funds for working capital from May through September.

Working capital at April 30, 2007 was negative \$193.4 million. Working capital is negative as a result of including, in current liabilities, deferred revenue related to subscriptions for which cash has been received. This deferred revenue will be recognized into income as the products are shipped or made available online to the customers over the term of the subscription. Current liabilities as of April 30, 2007 include \$305.4 million of such deferred subscription revenue.

The Company has adequate cash and cash equivalents available, as well as short-term lines of credit to finance its short-term seasonal working capital requirements. The Company does not have any off-balance-sheet debt.

Projected product development and property, equipment and technology capital spending for fiscal year 2008 is forecast to be approximately \$90 million and \$60 million, respectively, including incremental ongoing spending associated with Blackwell and significant one-time integration-related capital spending to merge the operations of the two businesses. These investments will be funded primarily from internal cash generation, the liquidation of cash equivalents, and the use of short-term lines of credit.

A summary of contractual obligations and commercial commitments, excluding interest charge on debt, as of April 30, 2007 is as follows:

| Dollars in millions | Total | Payments Due by Period | | | |
|-----------------------------|-----------|------------------------|-----------|-----------|---------------|
| | | Within Year 1 | 2-3 Years | 4-5 Years | After 5 Years |
| Contractual Obligations | | | | | |
| Total Debt | \$1,000.2 | \$22.5 | \$114.7 | \$525.5 | \$337.5 |
| Non-Cancelable Leases | 295.8 | 38.8 | 71.4 | 60.5 | 125.1 |
| Minimum Royalty Obligations | 121.2 | 27.8 | 46.8 | 30.7 | 15.9 |
| Other Commitments | 28.2 | 28.2 | - | - | - |
| Total | \$1,445.4 | \$117.3 | \$232.9 | \$616.7 | \$478.5 |

Included in other commitments above is approximately \$23.0 million to be paid into the Blackwell pension plan in accordance with the terms of the acquisition agreement.

Market Risk

The Company is exposed to market risk primarily related to interest rates, foreign exchange, and credit risk. It is the Company's policy to monitor these exposures and to use derivative financial investments and/or insurance contracts from time to time to reduce fluctuations in earnings and cash flows when it is deemed appropriate to do so. The Company does not use derivative financial instruments for trading or speculative purposes.

Interest Rates:

The Company had \$1.0 billion of variable rate loans outstanding at April 30, 2007, which approximated fair value. On February 16, 2007, the Company entered into an interest rate swap agreement, designated as a cash flow hedge as defined under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The hedge will fix a portion of the variable interest due on **a portion of** the new Term Loan. Under the terms of the interest rate swap, the Company will pay a fixed rate of 5.076% and will receive a variable rate of interest based on three month LIBOR (as defined) from the counter party which will be reset every three months for a four-year period ending February 8, 2011. The notional amount of the rate swap is initially \$660 million which will decline through February 8, 2011, based on the expected amortization of the Term Loan. It is management's intention that the notional amount of the interest rate swap be less than the Term Loan outstanding during the life of the derivative. Through the period ending April 30, 2007 the Company recognized a gain in the hedge contract of approximately \$0.4 million which is reflected in interest expense. At April 30, 2007, the aggregate fair value of the interest rate swap is a net loss of \$2.5 million as reflected in Other Long Term Liabilities in the Consolidated Statements of Financial Position. A hypothetical 1% change in interest rates for the \$340 million of unhedged variable rate debt would affect net income and cash flow by approximately \$2.2 million.

Foreign Exchange Rates:

The Company is exposed to foreign exchange movements primarily in sterling, euros, Canadian and Australian dollars, and certain Asian currencies. Under certain circumstances, the Company may enter into derivative financial instruments in the form of foreign currency forward contracts as a hedge against specific transactions, including inter-company purchases. The Company does not use derivative financial instruments for trading or speculative purposes.

Credit Risk:

The Company's business is not dependent upon a single customer; however, the industry is concentrated in national, regional, and online bookstore chains. Although no one book customer accounts for more than 7% of total consolidated revenue, the top 10 book customers account for approximately 22% of total consolidated revenue and approximately 42% of total gross trade accounts receivable at April 30, 2007.

In the journal publishing business, subscriptions are primarily sourced through journal subscription agents who, acting as agents for library customers, facilitate ordering by consolidating the subscription orders/billings of each subscriber with various publishers. Cash is generally collected in advance from subscribers by the subscription agents and is remitted to the journal publisher, including the Company, generally prior to the commencement of the subscriptions. Although at fiscal year-end the Company had minimal credit risk exposure to these agents, future calendar-year subscription receipts from these agents are highly dependent on their financial condition and liquidity. Subscription agents account for approximately 19% of total consolidated revenue and no one agent accounts for more than 8% of total consolidated revenue. Insurance for these accounts is not commercially feasible and/or available.

Critical Accounting Policies

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Management continually evaluates the

basis for its estimates; however, actual results could differ from those estimates, which could affect the reported results from operations.

Financial Reporting Release No. 60, released by the Securities and Exchange Commission, requires all companies to discuss critical accounting policies or methods used in the preparation of financial statements. Note 2 of the “ Notes to Consolidated Financial Statements” includes a summary of the significant accounting policies and methods used in preparation of our Consolidated Financial Statements. Set forth below is a discussion of the Company’s more critical accounting policies and methods.

Revenue Recognition: In accordance with SEC Staff Accounting Bulletin No. 104, “Revenue Recognition in Financial Statements,” the Company recognizes revenue when the following criteria are met: persuasive evidence that an arrangement exists; delivery has occurred or services have been rendered; the price to the customer is fixed or determinable; and collectibility is reasonably assured. If all of the above criteria have been met, revenue is principally recognized upon shipment of products or when services have been rendered. Subscription revenue is generally collected in advance, and is deferred and recognized as earned when the related issue is shipped or made available online over the term of the subscription. Where a product has been sold with multiple deliverables the Company follows EITF No. 00-21 “Accounting for Revenue Relationships with Multiple Deliverables” to determine the timing of revenue recognition. Collectibility is evaluated based on the amount involved, the credit history of the customer, and the status of the customer’s account with the Company.

Allowance for Doubtful Accounts: The estimated allowance for doubtful accounts is based on a review of the aging of the accounts receivable balances, the historical write-off experience, and a credit evaluation of the customer. A change in the evaluation of a customer’s credit could affect the estimated allowance. The allowance for doubtful accounts is shown as a reduction of accounts receivable in the accompanying consolidated balance sheets and amounted to \$11.2 million and \$6.6 million at April 30, 2007 and 2006, respectively.

Sales Return Reserve: The estimated allowance for sales returns is based on a review of the historical return patterns associated with the various sales outlets, as well as current market trends in the businesses in which we operate. Sales return reserves, net of estimated inventory and royalty costs, are reported as a reduction of accounts receivable in the Consolidated Statement of Financial Position and amounted to \$56.1 million and \$55.8 million at April 30, 2007 and 2006, respectively. A one percent change in the estimated sales return rate could affect net income by approximately \$3.8 million. A change in the pattern or trends in returns could affect the estimated allowance.

Reserve for Inventory Obsolescence: Inventories are carried at cost or market whichever is lower. A reserve for inventory obsolescence is estimated based on a review of damaged, obsolete, or otherwise unsaleable inventory. The review encompasses historical unit sales trends by title; current market conditions, including estimates of customer demand; and publication revision cycles. A change in sales trends could affect the estimated reserve. The inventory obsolescence reserve is reported as a reduction of the inventory balance in the Consolidated Statement of Financial Position and amounted to \$32.2 million and \$30.7 million as of April 30, 2007 and 2006, respectively.

Allocation of Acquisition Purchase Price to Assets Acquired and Liabilities Assumed: In connection with acquisitions, the Company allocates the cost of the acquisition to the assets acquired and the liabilities assumed based on estimates of the fair value of such items including goodwill and other intangible assets. Such estimates include expected cash flows to be generated by those assets and the expected useful lives based on historical experience, current market trends, and synergies to be achieved from the acquisition and expected tax

basis of assets acquired. For significant acquisitions, the Company uses independent appraisers to confirm the reasonableness of such estimates.

Goodwill and Other Intangible Assets: Goodwill is the excess of the purchase price paid over the fair value of the net assets of the business acquired. Other intangible assets principally consist of branded trademarks, acquired publication rights and non-compete agreements. In accordance with SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment, or more often if events or circumstances occur which would more likely than not reduce the fair value of a reporting unit below its carrying amount. Other finite-lived intangible assets continue to be amortized over their useful lives. Acquired publication rights with definitive lives are amortized on a straight-line basis over periods ranging from 5 to 40 years. Non-compete agreements are amortized over the terms of the individual agreement.

Impairment of Long-Lived Assets: Depreciable and amortizable assets are only evaluated for impairment upon a significant change in the operating or macroeconomic environment. In these circumstances, if an evaluation of the undiscounted cash flows indicates impairment, the asset is written down to its estimated fair value based on discounted future cash flow.

Recent Accounting Standards: In July 2006, the FASB issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109 "Accounting for Income Taxes". FIN 48 provides guidance on recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that a company has taken or expects to take on a tax return. FIN 48 is effective for the Company as of May 1, 2007. The Company is currently assessing the impact, if any, of FIN 48 on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements" ("SFAS 157"). SFAS 157 provides a new single authoritative definition of fair value and provides enhanced guidance for measuring the fair value of assets and liabilities and requires additional disclosures related to the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS 157 is effective for the Company as of May 1, 2008. The Company is currently assessing the impact if any, of SFAS on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158"). SFAS 158 requires balance sheet recognition of the funded status of pension and postretirement benefit plans. Under SFAS 158, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting standards must be recognized as a component of accumulated other comprehensive income (loss) within stockholders' equity, net of tax effects, until they are amortized as a component of net periodic benefit cost. In addition, the measurement date and the date at which plan assets and the benefit obligation are measured are required to be the company's fiscal year end, which is the date currently used by the Company. The Company adopted SFAS 158 as of April 30, 2007. The adoption of SFAS 158 resulted in a decrease to Shareholders' Equity and an increase to the accrued pension liability and other long-term liabilities of approximately \$14.1 million before tax. The adoption of SFAS 158 did not have an impact on the Company's results of operations and cash flows, or any of the Company's financial agreements or covenants.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108), to address diversity in practice in quantifying financial statement misstatements. SAB

108 requires that the Company quantify misstatements based on their impact on each of our financial statements and related disclosures. SAB 108 was effective as of April 30, 2007. The adoption of SAB 108 did not have an impact on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 provides companies with an option to irrevocably elect to measure certain financial assets and financial liabilities at fair value on an instrument-by-instrument basis with the resulting changes in fair value recorded in earnings. The objective of SFAS 159 is to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by using different measurement attributes for financial assets and liabilities. The Company is currently evaluating the impact of SFAS 159 to determine the effect, if any, it will have on the consolidated financial position and results of operations. The Company is required to adopt SFAS 159 as of May 1, 2008.

There have been no other new accounting pronouncements issued during fiscal year 2007 that have had, or are expected to have an impact on the Company's consolidated financial statements.

**"Safe Harbor" Statement Under the
Private Securities Litigation Reform Act of 1995**

This report contains certain forward-looking statements concerning the Company's operations, performance, and financial condition. Reliance should not be placed on forward-looking statements, as actual results may differ materially from those in any forward-looking statements. Any such forward-looking statements are based upon a number of assumptions and estimates that are inherently subject to uncertainties and contingencies, many of which are beyond the control of the Company, and are subject to change based on many important factors. Such factors include, but are not limited to (i) the level of investment in new technologies and products; (ii) subscriber renewal rates for the Company's journals; (iii) the financial stability and liquidity of journal subscription agents; (iv) the consolidation of book wholesalers and retail accounts; (v) the market position and financial stability of key online retailers; (vi) the seasonal nature of the Company's educational business and the impact of the used-book market; (vii) worldwide economic and political conditions; and (viii) the Company's ability to protect its copyrights and other intellectual property worldwide (ix) other factors detailed from time to time in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any such forward-looking statements to reflect subsequent events or circumstances.

Results by Quarter (Unaudited)

Dollars in millions, except per share data

| | 2007 | | 2006 | | | | | |
|-------------------------------|------|----------------|--------------|----------------|--------------|------|----|------|
| Revenue | | | | | | | | |
| First Quarter | \$ | 263.4 | \$ | 236.7 | | | | |
| Second Quarter | | 284.5 | | 262.7 | | | | |
| Third Quarter | | 296.8 | | 278.2 | | | | |
| Fourth Quarter (a) | | 390.2 | | 266.6 | | | | |
| Fiscal Year | \$ | 1,234.9 | \$ | 1,044.2 | | | | |
| Operating Income (b) | | | | | | | | |
| First Quarter | \$ | 35.0 | \$ | 32.2 | | | | |
| Second Quarter | | 42.0 | | 43.5 | | | | |
| Third Quarter | | 50.7 | | 54.1 | | | | |
| Fourth Quarter (a) | | 33.6 | | 22.9 | | | | |
| Fiscal Year | \$ | 161.3 | \$ | 152.7 | | | | |
| Net Income (a-e) | | | | | | | | |
| First Quarter (c) | \$ | 21.9 | \$ | 27.9 | | | | |
| Second Quarter (d) | | 29.9 | | 27.0 | | | | |
| Third Quarter (e) | | 33.4 | | 40.9 | | | | |
| Fourth Quarter (a) | | 14.4 | | 14.5 | | | | |
| Fiscal Year | \$ | 99.6 | \$ | 110.3 | | | | |
| Income Per Share (a-e) | | | | | | | | |
| | | Diluted | Basic | Diluted | Basic | | | |
| First Quarter (c) | \$ | 0.38 | \$ | 0.39 | \$ | 0.46 | \$ | 0.47 |
| Second Quarter (d) | | 0.52 | | 0.53 | | 0.45 | | 0.46 |
| Third Quarter (e) | | 0.57 | | 0.59 | | 0.69 | | 0.71 |
| Fourth Quarter (a) | | 0.25 | | 0.25 | | 0.25 | | 0.25 |
| Fiscal Year | | 1.71 | | 1.75 | | 1.85 | | 1.90 |

- (a) Effective February 2, 2007, the Company finalized the acquisition of Blackwell Publishing (Holdings) Ltd. ("Blackwell"). See Note 17 to the Consolidated Financial Statements for details on the operating results of Blackwell during fiscal year 2007.
- (b) Effective May 1, 2006, the Company adopted SFAS 123R which requires that companies recognize share-based compensation to employees in the Statement of Income based on the fair value of the share-based awards. The adoption of SFAS 123R resulted in the recognition of an incremental share-based compensation expense of \$11.3 million (\$7.0 million after taxes) or \$0.12 per diluted share for the full year ended April 30, 2007, or on a quarterly basis, approximately \$3 million (\$2 million after tax) or \$0.03 per diluted share.
- (c) In the fourth quarter of fiscal year 2005, the Company elected to repatriate approximately \$94 million of dividends from its European subsidiaries under the American Jobs Creation Act of 2004, which became law in October 2004. The law provided for a favorable one-time tax rate on dividends from foreign subsidiaries. The tax accrued on the dividend in the fourth quarter of fiscal year 2005 was approximately \$7.5 million, or \$0.12 per diluted share. Pursuant to guidance issued by the Internal Revenue Service in May 2005, the Company recorded a tax benefit in the first quarter of fiscal year 2006 reversing the accrued tax recorded in the previous year. Neither the first quarter fiscal year 2006 tax benefit nor the corresponding fourth quarter fiscal year 2005 tax accrual had a cash impact on the Company.
- (d) In the second quarter of fiscal year 2007, the Company recognized a net tax benefit of \$4.2 million, or \$0.07 per diluted share. This benefit coincided with the resolution and settlement of certain tax matters with authorities in the U.S. and abroad.
- (e) In the third quarter of fiscal year 2007, the Company recognized a net tax benefit of \$1.3 million, or \$0.02 per diluted share. In the third quarter of fiscal year 2006, the Company recognized a net tax benefit of \$6.8 million, or \$0.11 per diluted share. These benefits coincide with the resolution and settlements of certain tax matters with authorities in the U.S. and abroad.

Quarterly Share Prices, Dividends, and Related Stockholder Matters

The Company's Class A and Class B shares are listed on the New York Stock Exchange under the symbols JWa and JWb, respectively. Dividends per share and the market price range by fiscal quarter for the past two fiscal years were as follows:

| | Class A Common Stock | | | Class B Common Stock | | |
|-----------------------|----------------------|-----------------|-----------------|----------------------|----------------|-----------------|
| | Dividends | Market Price | | Dividends | Market Price | |
| | | High | Low | | High | Low |
| 2007 | | | | | | |
| First Quarter | \$ 0.10 | \$ 36.39 | \$ 32.62 | \$ 0.10 | \$36.44 | \$ 32.61 |
| Second Quarter | 0.10 | 36.15 | 31.86 | 0.10 | 36.01 | 31.76 |
| Third Quarter | 0.10 | 41.00 | 35.12 | 0.10 | 40.78 | 35.14 |
| Fourth Quarter | 0.10 | 39.24 | 36.75 | 0.10 | 39.05 | 36.95 |
| 2006 | | | | | | |
| First Quarter | \$0.090 | \$43.30 | \$35.65 | \$0.090 | \$43.09 | \$35.85 |
| Second Quarter | 0.090 | 45.23 | 36.69 | 0.090 | 45.10 | 37.50 |
| Third Quarter | 0.090 | 41.33 | 37.50 | 0.090 | 41.01 | 37.82 |
| Fourth Quarter | 0.090 | 39.63 | 35.83 | 0.090 | 39.25 | 36.01 |

As of April 30, 2007, the approximate number of holders of the Company's Class A and Class B Common Stock were 1,213 and 121 respectively, based on the holders of record and other information available to the Company.

The Company did not repurchase any common stock during the fourth quarter of fiscal year 2007.

The Company's credit agreement contains certain restrictive covenants related to the payment of dividends and share repurchases. Under the most restrictive covenant, approximately \$111 million was available for such restricted payments. Subject to the foregoing, the Board of Directors considers quarterly the payment of cash dividends based upon its review of earnings, the financial position of the Company, and other relevant factors.

Selected Financial Data

For the Years Ended April 30,

| Dollars in thousands (except per share data) | 2007 (a) | 2006 | 2005 | 2004 | 2003 |
|---|--------------------|-------------|-----------|-----------|-------------|
| Revenue | \$1,234,936 | \$1,044,185 | \$974,048 | \$922,962 | \$853,971 |
| Operating Income | 161,279 | 152,679 | 141,381 | 129,379 | 120,261 (a) |
| Net Income (c) | 99,619 | 110,328 | 83,841 | 88,840 | 87,275 (b) |
| Working Capital (d) | (193,446) | (35,801) | (2,393) | 17,641 | (60,814) |
| Total Assets | 2,531,115 | 1,026,009 | 1,032,569 | 998,946 | 972,240 |
| Long-Term Debt | 977,721 | 160,496 | 196,214 | 200,000 | 200,000 |
| Shareholders' Equity | 529,508 | 401,840 | 396,574 | 415,064 | 344,004 |

Per Share Data

Income Per Share (c)

| | | | | | |
|---------|---------------|--------|--------|--------|------------|
| Diluted | \$1.71 | \$1.85 | \$1.35 | \$1.41 | \$1.38 (b) |
| Basic | \$1.75 | \$1.90 | \$1.38 | \$1.44 | \$1.42 (b) |

Cash Dividends

| | | | | | |
|----------------|---------------|--------|--------|--------|--------|
| Class A Common | \$.40 | \$.36 | \$.30 | \$.26 | \$.20 |
| Class B Common | \$.40 | \$.36 | \$.30 | \$.26 | \$.20 |

- (a) Effective February 2, 2007, the Company finalized the acquisition of Blackwell. See Note 17 to the Consolidated Financial Statements for details on the operating results of Blackwell during fiscal year 2007.
- (b) In the fourth quarter of fiscal year 2002 Wiley finalized its commitment to relocate the Company's headquarters to Hoboken, N.J. The relocation was completed in the first quarter of fiscal year 2003. The amounts reported above include an unusual charge associated with the relocation of approximately \$2.5 million, or \$1.5 million after tax equal to \$0.02 per diluted share in fiscal year 2003.
- (c) Tax benefits included in fiscal year results are as follows:
- Fiscal year 2007 includes a \$5.5 million tax benefit, or \$0.09 per diluted share. This benefit coincides with the resolution and settlements of certain tax matters with authorities in the U.S. and abroad.
 - In the third quarter of fiscal year 2006, the Company recognized a net tax benefit of \$6.8 million, or \$0.11 per diluted share, related to the favorable resolution of certain matters with tax authorities.
 - In the fourth quarter of fiscal year 2005, the Company elected to repatriate approximately \$94 million of dividends from its European subsidiaries under the American Jobs Creation Act of 2004, which became law in October 2004. The law provided for a favorable one-time tax rate on dividends from foreign subsidiaries. The tax accrued on the dividend in the fourth quarter of fiscal year 2005 was approximately \$7.5 million, or \$0.12 per diluted share. Pursuant to guidance issued by the Internal Revenue Service in May 2005, the Company recorded a tax benefit in the first quarter of fiscal year 2006 reversing the accrued tax recorded in the previous year. Neither the first quarter fiscal year 2006 tax benefit nor the corresponding fourth quarter fiscal year 2005 tax accrual had a cash impact on the Company.
 - In fiscal year 2004, the Company recognized a net tax benefit of \$3.0 million, or \$0.05 per diluted share, related to the favorable resolution of certain state and federal tax matters, and an adjustment to accrued foreign taxes.
 - Fiscal year 2003 includes a one-time tax benefit of \$12.0 million, or \$0.19 per diluted share, relating to an increase in the tax-deductible net asset basis of a European subsidiary's assets.
- (d) Working capital is reduced or negative as a result of including in current liabilities the deferred revenue related to journal subscriptions for which the cash has been received. The deferred revenue will be recognized into income as the journals are shipped or made available online to the customers over the term of the subscription.

Financial Statements and Supplementary Data

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To our Shareholders
John Wiley and Sons, Inc.:

The management of John Wiley and Sons, Inc. and subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f).

Under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in *Internal Control – Integrated Framework* issued by COSO, our management concluded that our internal control over financial reporting was effective as of April 30, 2007.

We acquired Blackwell Publishing (Holdings) Ltd. ("Blackwell") on February 2, 2007 and we excluded from our SOX 404 assessment of the effectiveness of our internal control over financial reporting as of April 30, 2007, Blackwell's internal control over financial reporting associated with total assets of \$1,485.0 million and total revenue of \$105.8 million included in our consolidated financial statements as of and for the fiscal year ended April 30, 2007.

Our management's assessment of the effectiveness of our internal control over financial reporting as of April 30, 2007 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

The Company's Corporate Governance Principles, Committee Charters, Business Conduct and Ethics Policy and the Code of Ethics for Senior Financial Officers are published on our web site at www.wiley.com under the "About Wiley--Investor Relations--Corporate Governance" captions. Copies are also available free of charge to shareholders on request to the Corporate Secretary, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030-5774.

/s/ William J. Pesce

William J. Pesce
President and Chief Executive Officer

/s/ Ellis E. Cousens

Ellis E. Cousens
Executive Vice President and
Chief Financial and Operations Officer

/s/ Edward J. Melando

Edward J. Melando
Vice President, Controller and
Chief Accounting Officer

June 28, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Shareholders
of John Wiley & Sons, Inc.:

We have audited the accompanying consolidated statements of financial position of John Wiley & Sons, Inc. (the "Company") and subsidiaries as of April 30, 2007 and 2006, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended April 30, 2007. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule (as listed in the index to Item 8). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of John Wiley & Sons, Inc. and subsidiaries as of April 30, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended April 30, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 of the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123R, "Share-Based Payment," as of May 1, 2006.

As discussed in Note 14 of the consolidated financial statements, the Company adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" on April 30, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of April 30, 2007, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 28, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP
New York, New York

June 28, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Stockholders
John Wiley & Sons, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting that John Wiley and Sons, Inc. (the "Company") and subsidiaries maintained effective internal control over financial reporting as of April 30, 2007, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment, and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of April 30, 2007, is fairly stated, in all material respects, based on criteria established in Internal Control – Integrated Framework issued by COSO. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2007, based on criteria established in Internal Control – Integrated Framework issued by COSO.

The Company acquired Blackwell Publishing (Holdings) Ltd. ("Blackwell") effective February 2, 2007 and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of April 30, 2007 Blackwell's internal control over financial reporting associated with total assets of \$1,485.0 million and total revenues of \$105.8 million included in the consolidated financial statements of the Company as of and for the fiscal year ended April 30, 2007. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal controls over financial reporting of Blackwell.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of the Company as of April 30, 2007 and 2006, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended April 30, 2007, and our report dated June 28, 2007 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
New York, New York

June 28, 2007

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

John Wiley & Sons, Inc., and Subsidiaries

April 30

Dollars in thousands

| | 2007 | 2006 |
|--|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 55,750 | \$ 60,757 |
| Accounts receivable | 201,407 | 158,275 |
| Inventories | 112,863 | 88,578 |
| Deferred income tax benefits | 16,734 | 5,536 |
| Prepaid and other | 18,683 | 13,162 |
| Total Current Assets | <u>405,437</u> | <u>326,308</u> |
| Product Development Assets | 79,830 | 65,641 |
| Property, Equipment and Technology | 126,712 | 102,123 |
| Intangible Assets | 1,166,289 | 302,384 |
| Goodwill | 704,143 | 198,416 |
| Deferred Income Tax Benefits | 16,568 | 3,809 |
| Other Assets | 32,136 | 27,328 |
| Total Assets | <u>\$ 2,531,115</u> | <u>\$ 1,026,009</u> |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Accounts and royalties payable | \$ 125,824 | \$ 97,231 |
| Deferred revenue | 305,405 | 143,923 |
| Accrued income taxes | 9,353 | 24,226 |
| Accrued pension liability | 2,139 | 6,074 |
| Other accrued liabilities | 133,662 | 90,655 |
| Current portion of long-term debt | 22,500 | - |
| Total Current Liabilities | <u>598,883</u> | <u>362,109</u> |
| Long-Term Debt | 977,721 | 160,496 |
| Accrued Pension Liability | 112,271 | 56,068 |
| Other Long-Term Liabilities | 41,174 | 35,627 |
| Deferred Income Taxes | 271,558 | 9,869 |
| Shareholders' Equity | | |
| Preferred Stock, \$1 par value: Authorized - 2 million, Issued - zero | - | - |
| Class A Common Stock, \$1 par value: Authorized - 180 million, Issued - 69,387,799 and 69,034,423 | 69,388 | 69,035 |
| Class B Common Stock, \$1 par value: Authorized - 72 million, Issued - 13,802,463 and 14,155,839 | 13,803 | 14,156 |
| Additional paid-in capital | 100,013 | 69,587 |
| Retained earnings | 673,254 | 596,474 |
| Accumulated other comprehensive gain (loss): | | |
| Foreign currency translation adjustment | 57,224 | 25,740 |
| Minimum pension liability adjustment | - | (18,071) |
| Unamortized pension and retiree medical, net of tax | (30,465) | - |
| Unrealized gain (loss) on interest rate swap | (1,802) | - |
| Unearned deferred compensation | - | (3,512) |
| | <u>881,415</u> | <u>753,409</u> |
| Less Treasury Shares At Cost (Class A - 21,735,471 and 22,142,176; Class B - 3,902,576 and 3,902,576) | <u>(351,907)</u> | <u>(351,569)</u> |
| Total Shareholders' Equity | <u>529,508</u> | <u>401,840</u> |
| Total Liabilities and Shareholders' Equity | <u>\$ 2,531,115</u> | <u>\$ 1,026,009</u> |

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

| John Wiley & Sons, Inc., and Subsidiaries Dollars in thousands, except per share data | For the years ended April 30 | | |
|--|------------------------------|-------------|-----------|
| | 2007 | 2006 | 2005 |
| Revenue | \$1,234,936 | \$1,044,185 | \$974,048 |
| Costs and Expenses | | | |
| Cost of sales | 420,952 | 342,314 | 325,061 |
| Operating and administrative expenses | 632,029 | 535,694 | 496,726 |
| Amortization of intangibles | 20,676 | 13,498 | 10,880 |
| Total Costs and Expenses | 1,073,657 | 891,506 | 832,667 |
| Operating Income | 161,279 | 152,679 | 141,381 |
| Interest income and other, net | 4,411 | 1,125 | 1,505 |
| Interest expense | (26,188) | (9,960) | (7,223) |
| Net Interest Expense and Other | (21,777) | (8,835) | (5,718) |
| Income Before Taxes | 139,502 | 143,844 | 135,663 |
| Provision for Income Taxes | 39,883 | 33,516 | 51,822 |
| Net Income | \$99,619 | \$110,328 | \$83,841 |
| Income Per Share | | | |
| Diluted | \$1.71 | \$1.85 | \$1.35 |
| Basic | \$1.75 | \$1.90 | \$1.38 |
| Cash Dividends Per Share | | | |
| Class A Common | \$0.40 | \$0.36 | \$0.30 |
| Class B Common | \$0.40 | \$0.36 | \$0.30 |
| Average Shares | | | |
| Diluted | 58,287 | 59,792 | 62,093 |
| Basic | 56,932 | 58,071 | 60,721 |

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

John Wiley & Sons, Inc., and Subsidiaries

For the years ended April 30

Dollars in thousands

| | 2007 | 2006 | 2005 |
|---|--------------------|------------------|------------------|
| <u>Operating Activities</u> | | | |
| Net Income | \$ 99,619 | \$ 110,328 | \$ 83,841 |
| Noncash Items | | | |
| Amortization of intangibles | 20,676 | 13,498 | 10,880 |
| Amortization of composition costs | 38,722 | 36,473 | 36,026 |
| Depreciation of property, equipment and technology | 28,926 | 32,031 | 31,447 |
| Stock-based compensation (net of tax) | 12,559 | 4,854 | 3,632 |
| Excess tax benefits from stock-based compensation | (4,455) | - | - |
| Reserves for returns, doubtful accounts, and obsolescence | 6,931 | 12,961 | 1,250 |
| Deferred income taxes | 3,604 | 5,009 | 17,283 |
| Pension expense, net of contributions | 8,297 | 8,429 | (3,914) |
| Earned Royalty Advances and Other | 40,736 | 21,987 | 21,461 |
| Changes in Operating Assets and Liabilities | | | |
| Increase/(Decrease), excluding acquisitions | | | |
| Accounts receivable | 1,167 | (20,519) | (3,072) |
| Net taxes payable | (6,424) | (5,830) | 21,362 |
| Inventories | (4,060) | (12,111) | 3,994 |
| Deferred revenue | (15,872) | 390 | 14,044 |
| Other accrued liabilities | 11,543 | 9,834 | 5,436 |
| Accounts and royalties payable | (22,465) | 26,443 | 883 |
| Other | 1,090 | (1,135) | (1,067) |
| Cash Provided by Operating Activities | <u>220,594</u> | <u>242,642</u> | <u>243,486</u> |
| <u>Investing Activities</u> | | | |
| Additions to product development assets | (76,225) | (70,921) | (64,407) |
| Additions to property, equipment and technology | (31,445) | (21,355) | (26,826) |
| Blackwell acquisition, net of cash acquired | (953,197) | - | - |
| Acquisition of other publishing businesses, assets and rights | (19,712) | (31,354) | (22,527) |
| Purchase of marketable securities | - | - | (15,203) |
| Sale of marketable securities | 42,334 | 10,000 | 5,203 |
| Cash Used for Investing Activities | <u>(1,038,245)</u> | <u>(113,630)</u> | <u>(123,760)</u> |
| <u>Financing Activities</u> | | | |
| Repayment of long-term debt | (620,678) | (336,298) | (50,000) |
| Borrowings of long-term debt | 1,458,400 | 303,754 | 45,992 |
| Purchase of treasury stock | (7,278) | (108,867) | (94,786) |
| Debt financing costs | (8,315) | - | - |
| Cash dividends | (22,839) | (21,103) | (18,125) |
| Proceeds from exercise of stock options and other | 6,462 | 5,173 | 3,444 |
| Excess tax benefits from stock-based compensation | 4,455 | - | - |
| Cash Provided by (Used for) Financing Activities | <u>810,207</u> | <u>(157,341)</u> | <u>(113,475)</u> |
| Effects of Exchange Rate Changes on Cash | <u>2,437</u> | <u>(315)</u> | <u>1,123</u> |
| Cash and Cash Equivalents | | | |
| Increase (decrease) for year | (5,007) | (28,644) | 7,374 |
| Balance at beginning of year | 60,757 | 89,401 | 82,027 |
| Balance at end of year | \$ <u>55,750</u> | \$ <u>60,757</u> | \$ <u>89,401</u> |
| Cash Paid During the Year for | | | |
| Interest | \$ 12,294 | \$ 8,001 | \$ 5,611 |
| Income taxes, net | \$ 40,422 | \$ 33,829 | \$ 12,094 |

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
AND COMPREHENSIVE INCOME**

| John Wiley & Sons, Inc., and Subsidiaries | Common Stock Class A | Common Stock Class B | Additional Paid-in Capital | Retained Earnings | Treasury Stock | Unearned Deferred Comp- ensation | Accumulated Other Comp- rehensive Income (Loss) | Total Share- holder's Equity |
|--|-------------------------------------|-------------------------------------|---|------------------------------|---------------------------|---|--|---|
| Dollars in thousands | | | | | | | | |
| Balance at May 1, 2004 | \$ 68,465 | \$ 14,725 | \$ 45,887 | \$ 441,533 | \$ (155,609) | \$ (2,134) | \$ 2,197 | \$ 415,064 |
| Shares Issued Under Employee Benefit Plans | | | 5,753 | | 1,353 | | | 7,106 |
| Purchase of Treasury Shares | | | | | (94,786) | | | (94,786) |
| Exercise of Stock Options, including taxes | | | 3,838 | | 790 | | | 4,628 |
| Class A Common Stock Dividends Declared | | | | (14,938) | | | | (14,938) |
| Class B Common Stock Dividends Declared | | | | (3,187) | | | | (3,187) |
| Other | 519 | (518) | | | | (940) | | (939) |
| Comprehensive Income: | | | | | | | | |
| Net income | | | | 83,841 | | | | 83,841 |
| Foreign currency translation adjustments | | | | | | | 10,408 | 10,408 |
| Minimum liability pension adjustments, net of a \$5,770 tax benefit | | | | | | | (10,623) | (10,623) |
| Total Comprehensive Income | | | | | | | | 83,626 |
| Balance at May 1, 2005 | \$ 68,984 | \$ 14,207 | \$ 55,478 | \$ 507,249 | \$ (248,252) | \$ (3,074) | \$ 1,982 | \$ 396,574 |
| Shares Issued Under Employee Benefit Plans | | | 6,795 | | 2,348 | | | 9,143 |
| Purchase of Treasury Shares | | | | | (108,867) | | | (108,867) |
| Exercise of Stock Options, including taxes | | | 7,314 | | 3,202 | | | 10,516 |
| Class A Common Stock Dividends Declared | | | | (17,252) | | | | (17,252) |
| Class B Common Stock Dividends Declared | | | | (3,851) | | | | (3,851) |
| Other | 51 | (51) | | | | (438) | | (438) |
| Comprehensive Income: | | | | | | | | |
| Net income | | | | 110,328 | | | | 110,328 |
| Foreign currency translation adjustments | | | | | | | (2,791) | (2,791) |
| Minimum liability pension adjustments, net of a \$5,547 tax charge | | | | | | | 8,478 | 8,478 |
| Total Comprehensive Income | | | | | | | | 116,015 |
| Balance at May 1, 2006 | \$ 69,035 | \$ 14,156 | \$ 69,587 | \$ 596,474 | \$ (351,569) | \$ (3,512) | \$ 7,669 | \$ 401,840 |
| Shares Issued Under Employee Benefit Plans | | | 8,149 | | 2,976 | | | 11,125 |
| Purchase of Treasury Shares | | | | | (7,278) | | | (7,278) |
| Exercise of Stock Options, including taxes | | | 5,663 | | 3,964 | | | 9,627 |
| Stock-based compensation expense | | | 20,126 | | | | | 20,126 |
| Class A Common Stock Dividends Declared | | | | (18,806) | | | | (18,806) |
| Class B Common Stock Dividends Declared | | | | (4,033) | | | | (4,033) |
| Other | 353 | (353) | (3,512) | | | 3,512 | | - |
| Adoption of FASB Statement No. 158, net of a \$6,025 tax benefit | | | | | | | (8,078) | (8,078) |
| Comprehensive Income: | | | | | | | | |
| Net income | | | | 99,619 | | | | 99,619 |
| Foreign currency translation adjustments | | | | | | | 31,484 | 31,484 |
| Minimum liability pension adjustment, net of a \$3,217 tax benefit | | | | | | | (4,316) | (4,316) |
| Unrealized loss on interest rate swap, net of a \$1,086 tax benefit | | | | | | | (1,802) | (1,802) |
| Total Comprehensive Income | | | | | | | | 124,985 |
| Balance at April 30, 2007 | \$ 69,388 | \$ 13,803 | \$ 100,013 | \$ 673,254 | \$ (351,907) | \$ - | \$ 24,957 | \$ 529,508 |

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 – Description of Business

The Company, founded in 1807, was incorporated in the state of New York on January 15, 1904. (As used herein the term “Company” means John Wiley & Sons, Inc., and its subsidiaries and affiliated companies, unless the context indicates otherwise).

The Company is a global publisher of print and electronic products, providing content to customers worldwide. Core businesses include professional and consumer books and subscription products; scientific, technical, and medical journals, encyclopedias, books, and online products; and educational materials for undergraduate and graduate students and lifelong learners. The Company has publishing, marketing, and distribution centers in the United States, Canada, Europe, Asia, and Australia.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Company. Investments in entities in which the Company has at least a 20%, but less than a majority interest, are accounted for using the equity method of accounting. Investments in entities in which the Company has less than a 20% ownership and in which it does not exercise significant influence are accounted for using the cost method of accounting. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year’s presentation.

Use of Estimates: The preparation of the Company’s financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition: In accordance with SEC Staff Accounting Bulletin No. 104, “Revenue Recognition in Financial Statements,” the Company recognizes revenue when the following criteria are met: persuasive evidence that an arrangement exists; delivery has occurred or services have been rendered; the price to the customer is fixed or determinable; and collectibility is reasonably assured. If all of the above criteria have been met, revenue is principally recognized upon shipment of products or when services have been rendered. Subscription revenue is generally collected in advance, and is deferred and recognized as earned when the related issue is shipped or made available online over the term of the subscription. Where a product has been sold with multiple deliverables the Company follows EITF No. 00-21 “Accounting for Revenue Relationships with Multiple Deliverables” to determine the timing of revenue recognition. Collectibility is evaluated based on the amount involved, the credit history of the customer, and the status of the customer’s account with the Company.

Cash Equivalents: Cash equivalents consist of highly liquid investments with an original maturity of three months or less and are stated at cost plus accrued interest, which approximates market value.

Allowance for Doubtful Accounts: The estimated allowance for doubtful accounts is based on a review of the aging of the accounts receivable balances, the historical write-off experience, and a credit evaluation

of a customer. A change in the evaluation of a customer's credit could affect the estimated allowance. The allowance for doubtful accounts is shown as a reduction of accounts receivable in the accompanying consolidated balance sheets and amounted to \$11.2 million and \$6.6 million at April 30, 2007 and 2006, respectively.

Sales Return Reserves: The process which the Company uses to determine its sales returns and the related reserve provision charged against revenue is based on applying an estimated return rate to current year sales. This rate is based upon an analysis of actual historical return experience in the various markets and geographic regions in which the Company does business. The Company collects, maintains and analyzes significant amounts of sales returns data for large volumes of homogeneous transactions. This allows the Company to make reasonable estimates of the amount of future returns. All available data is utilized to identify the returns by market and as to which fiscal year the sales returns apply. This enables management to track the returns in detail and identify and react to trends occurring in the marketplace, with the objective of being able to make the most informed judgments possible in setting reserve rates. Sales return reserves, net of estimated inventory and royalty costs, are reported as a reduction of accounts receivable in the Consolidated Statement of Financial Position and amounted to \$56.1 million and \$55.8 million at April 30, 2007 and 2006, respectively.

Reserve for Inventory Obsolescence: Inventories are carried at cost or market, whichever is lower. A reserve for inventory obsolescence is estimated based on a review of damaged, obsolete, or otherwise unsaleable inventory. The review encompasses historical unit sales trends by title; current market conditions, including estimates of customer demand; and publication revision cycles. The inventory obsolescence reserve is reported as a reduction of the inventory balance in the Consolidated Statement of Financial Position and amounted to \$32.2 million and \$30.7 million as of April 30, 2007 and 2006, respectively.

Allocation of Acquisition Purchase Price to Assets Acquired and Liabilities Assumed: In connection with acquisitions, the Company allocates the cost of the acquisition to the assets acquired and the liabilities assumed based on estimates of the fair value of such items, including goodwill and other intangible assets. Such estimates include discounted estimated cash flows to be generated by those assets and the expected useful lives based on historical experience, current market trends, and synergies to be achieved from the acquisition and expected tax basis of assets acquired. For major acquisitions, the Company may use an independent appraiser to confirm the reasonableness of such estimates.

Inventories: Inventories are stated at cost or market, whichever is lower. U.S. book inventories aggregating \$73.9 million and \$67.0 million at April 30, 2007 and 2006, respectively, are valued using the last-in, first-out (LIFO) method. All other inventories are valued using the first-in, first-out (FIFO) method.

Product Development Assets: Product development assets consist of composition costs and royalty advances to authors. Costs associated with developing any publication are expensed until the product is determined to be commercially viable. Composition costs, primarily representing the costs incurred to bring an edited commercial manuscript to publication including typesetting, proofreading, design and illustration, etc., are capitalized and generally amortized on a double-declining basis over estimated useful lives, ranging from 1 to 3 years. Royalty advances to authors are capitalized and, upon publication, are recovered as royalties are earned by the authors based on sales of the published works. Author advances are periodically reviewed for recoverability and a reserve for loss is maintained, if appropriate.

Advertising Expense: Advertising costs are expensed as incurred. The Company incurred \$39.8 million, \$36.9 million and \$35.7 million in advertising costs in fiscal years 2007, 2006 and 2005, respectively.

Property, Equipment and Technology: Property, equipment and technology is recorded at cost. Major renewals and improvements are capitalized, while maintenance and repairs are expensed as incurred.

Costs incurred for computer software developed or obtained for internal use are capitalized during the application development stage and expensed as incurred during the preliminary project and post-implementation stages. Costs incurred during the application development stage include costs of materials and services, and payroll and payroll-related costs for employees who are directly associated with the software project. Such costs are amortized over the expected useful life of the related software generally 3 to 5 years. Maintenance, training, and upgrade costs that do not result in additional functionality are expensed as incurred.

Buildings, leasehold improvements, and capital leases are amortized over the lesser of the estimated useful lives of the assets up to 40 years, or over the duration of the lease, using the straight-line method. Furniture and fixtures are depreciated principally on the straight-line method over estimated useful lives ranging from 3 to 10 years. Computer equipment is amortized on a straight-line basis over estimated useful lives ranging from 3 to 5 years.

Goodwill and Other Intangible Assets: Goodwill is the excess of the purchase price paid over the fair value of the net assets of the business acquired. Other intangible assets principally consist of brands, trademarks, acquired publication rights, customer relationships and non-compete agreements. Goodwill and indefinite-lived intangible assets are not amortized but are reviewed at least annually for impairment, or more often if events or circumstances occur that would more likely than not reduce the fair market value of a reporting unit below its' carrying amount. The Company evaluates the recoverability of indefinite-lived intangible assets by comparing the fair value of the intangible asset to the carrying value. For goodwill impairment, the Company uses a two-step impairment test approach at the reporting unit level. In the first step the fair value for the reporting unit is compared to its book value including goodwill. In the case that the fair value of the reporting unit is less than the book value, a second step is performed which compares the implied fair value of the reporting unit's goodwill to the book value of the goodwill. The fair value for the goodwill is determined based on the difference between the fair values of the reporting units and the net fair values of the identifiable assets and liabilities of such reporting units. If the fair value of the goodwill is less than the book value, the difference is recognized as impairment.

Finite-lived intangible assets are amortized over their useful lives and management evaluates the estimated life in accordance with SFAS 142. The most significant factors in determining the life of these intangibles is the history and longevity of the brands, trademarks or titles acquired, combined with the strength of cash flows. Acquired publishing rights that have an indefinite life are typically characterized by intellectual property with a long and well-established revenue stream resulting from strong and well-established imprint/brand recognition in the market.

Acquired publication rights, trademarks, customer relationships and brands with finite lives are amortized on a straight-line basis over periods ranging from 5 to 40 years. Non-compete agreements are amortized over the terms of the individual agreement.

Impairment of Long-Lived Assets: Depreciable and amortizable assets are only evaluated for impairment upon a significant change in the operating or macroeconomic environment. In these circumstances, if an evaluation of the undiscounted cash flows indicates impairment, the asset is written down to its estimated fair value based on discounted future cash flows.

Derivative Financial Instruments: The Company, from time to time, enters into forward exchange and interest rate swap contracts as a hedge against foreign currency asset and liability commitments, and anticipated transaction exposures, including intercompany purchases. The Company accounts for its derivative instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Accordingly, all derivatives are recognized as assets or liabilities and measured at fair value. Derivatives that are not determined to be effective hedges are adjusted to fair value with a corresponding effect on earnings. The Company does not use financial instruments for trading or speculative purposes.

Foreign Currency Gains/Losses: The Company translates the results of operations of its international subsidiaries using average exchange rates during each period, whereas balance sheet accounts are translated using exchange rates at the end of each period. Currency translation adjustments are recorded as a component of accumulated other comprehensive income (loss) in shareholders' equity. Included in operating and administrative expenses were net foreign exchange transaction losses/(gains) of approximately \$0.2 million, \$0.2 million, and \$(1.8) million in fiscal years 2007, 2006, and 2005, respectively.

Shared-Based Compensation: In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). SFAS 123R requires that companies recognize share-based compensation to employees in the Statement of Income based on the fair value of the share-based awards. The Company adopted SFAS 123R on May 1, 2006, the beginning of the Company's 2007 fiscal year.

Prior to the adoption of SFAS 123R, the Company accounted for stock-based compensation using the "intrinsic value" method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and using the disclosure-only provisions of SFAS 123, as amended by SFAS 148. Under this approach, the value of restricted stock awards was expensed over their requisite service periods and the imputed cost of stock options were disclosed only in footnotes to the financial statements.

The Company adopted SFAS 123R effective May 1, 2006 using the modified prospective approach. Under this approach, awards that are granted, modified or settled after May 1, 2006 are measured and expensed in accordance with SFAS 123R. Unvested awards that were granted prior to May 1, 2006 are expensed and recognized in the Company's results of operations, prospectively. No previous periods are restated.

The adoption of SFAS 123R resulted in the recognition of an incremental share-based compensation expense of \$11.3 million (\$7.0 million after taxes) for the twelve months ended April 30, 2007, which is reflected in operating and administrative expenses. For the prior year periods, this portion of stock-based compensation was reflected in the Company's disclosures, but was not recognized in the consolidated income statements. For comparative purposes, the following adjusted net income and earnings per share for the twelve months ended April 30, 2007, 2006 and 2005 reflect the amounts which would have been

reported in the income statement if the provisions of SFAS 123R were in effect at that time.

(In thousands, except per share amounts)

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--|------------------------|------------------|-----------------|
| Net Income, as Reported | \$99,619 | \$110,328 | \$83,841 |
| Add: Stock-Based Compensation Expense Included in Reported Net Income, Net of Taxes | 12,559 | 4,854 | 3,632 |
| Deduct: Total Stock-Based Compensation Expense Determined Under Fair-Value Based Method for all Awards, Net of Taxes (1) | <u>(12,559)</u> | <u>(10,942)</u> | <u>(8,991)</u> |
| Adjusted Net Income | <u>\$99,619</u> | <u>\$104,240</u> | <u>\$78,482</u> |
| Reported Earnings Per Share: | | | |
| Diluted | \$1.71 | \$1.85 | \$1.35 |
| Basic | \$1.75 | \$1.90 | \$1.38 |
| Adjusted Earnings Per Share: | | | |
| Diluted | \$1.71 | \$1.74 | \$1.26 |
| Basic | \$1.75 | \$1.80 | \$1.29 |

(1) Total stock-based compensation expense for all awards presented in the table above is net of taxes of \$7.6 million, \$6.6 million and \$5.4 million for the years ended April 30, 2007, 2006 and 2005, respectively.

Pursuant to the provisions of SFAS 123R effective May 1, 2006, the Company records share-based compensation as a charge to earnings reduced by the estimated cost of anticipated forfeited awards. As such, share-based compensation expense is only recognized for those awards that are expected to ultimately vest. Stock-based compensation expense associated with performance restricted share awards is recognized based on management's best estimates of the achievement of the performance goals specified in such awards and the estimated number of shares that will be earned. The cumulative effect on current and prior periods of a change in the estimated number of performance share awards, or estimated forfeiture rate is recognized as an adjustment to earnings in the period of the revision.

Concurrent with the adoption of SFAS 123R the Company accelerated the recognition of compensation expense related to post-adoption awards granted to near-retirement and retirement-eligible employees to reflect accelerated vesting as provided in the Company's Key Employee Stock Plan. The impact of the change was not significant.

Recently Issued Accounting Pronouncements: In July 2006, the FASB issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109 "Accounting for Income Taxes". FIN 48 provides guidance on recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that a company has taken or expects to take on a tax return. FIN 48 is effective for the Company as of May 1, 2007. The Company is currently assessing the impact, if any, of FIN 48 on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements" ("SFAS 157"). SFAS 157 provides a new single authoritative definition of fair value and provides enhanced guidance for measuring the fair value of assets and liabilities and requires additional disclosures related to the extent to which companies measure assets and liabilities at fair value, the information used to measure fair

value, and the effect of fair value measurements on earnings. SFAS 157 is effective for the Company as of May 1, 2008. The Company is currently assessing the impact, if any, of SFAS 157 on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158 “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)” (“SFAS 158”). SFAS 158 requires balance sheet recognition of the funded status of pension and postretirement benefit plans. Under SFAS 158, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting standards must be recognized as a component of accumulated other comprehensive income (loss) within shareholders’ equity, net of tax effects, until they are amortized as a component of net periodic benefit cost. In addition, the measurement date and the date at which plan assets and the benefit obligation are measured are required to be the company’s fiscal year end, which is the date currently used by the Company. The Company adopted SFAS 158 as of April 30, 2007. The adoption of SFAS 158 resulted in a decrease to Shareholders’ Equity and an increase to the accrued pension liability and other long-term liabilities of approximately \$14.1 million before tax. The adoption of SFAS 158 did not have an impact on the Company’s results of operations and cash flows, or any of the Company’s financial agreements or covenants.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements” (“SAB 108”), to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires that the Company quantify misstatements based on their impact on each of our financial statements and related disclosures. SAB 108 was effective as of April 30, 2007. The adoption of SAB 108 did not have an impact on the Company’s consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS 159”). SFAS 159 provides companies with an option to irrevocably elect to measure certain financial assets and financial liabilities at fair value on an instrument-by-instrument basis with the resulting changes in fair value recorded in earnings. The objective of SFAS 159 is to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by using different measurement attributes for financial assets and liabilities. The Company is currently evaluating the impact of SFAS 159 to determine the effect, if any, it will have on the consolidated financial position and results of operations. The Company is required to adopt SFAS 159 as of May 1, 2008.

There have been no other new accounting pronouncements issued during fiscal year 2007 that have had, or are expected to have a material impact on the Company’s consolidated financial statements.

Note 3 – Income Per Share

A reconciliation of the shares used in the computation of net income per share for the years ended April 30 follows (in thousands):

| | 2007 | 2006 | 2005 |
|--|--------|--------|--------|
| Weighted Average Shares Outstanding | 57,191 | 58,405 | 60,886 |
| Less: Unearned Deferred Compensation Shares | (259) | (334) | (165) |
| Shares Used for Basic Income Per Share | 56,932 | 58,071 | 60,721 |
| Dilutive Effect of Stock Option and Other Stock Awards | 1,355 | 1,721 | 1,372 |
| Shares Used for Diluted Income Per Share | 58,287 | 59,792 | 62,093 |

For the years ended April 30, 2007, 2006, and 2005 options to purchase Class A Common Stock of 2,587,569, 1,007,000 and zero shares, respectively, have been excluded from the shares used for diluted income per share as their inclusion would have been antidilutive.

Note 4 - Acquisitions

Fiscal Year 2007:

Blackwell Acquisition:

Effective February 2, 2007 the Company finalized the previously announced acquisition of all of the outstanding shares of Blackwell Publishing (Holdings) Ltd. ("Blackwell"). Blackwell publishes journals and books for the academic, research and professional markets focused on science, technology, medicine and social sciences and humanities. Headquartered in Oxford, England, Blackwell also maintains publishing locations in the United States, Asia, Australia, Denmark and Germany. Approximately 50% of Blackwell's annual revenue is from the United States. The combination of Blackwell's publications with the Company's existing scientific, technical and medical business results in an extensive portfolio of approximately 1,250 journals. Blackwell has over 800 journal titles with approximately 63% being affiliated with a professional society. The purchase price included \$1.1 billion (£572 million) of cash plus liabilities assumed less cash acquired.

Blackwell's competition has consisted mostly of large STM publishers. Blackwell has maintained a strong market share based on its content, distribution abilities, successful society relationships and pricing.

The acquisition of Blackwell will enhance Wiley's global position as a provider of must-have content and services, expand and diversify its journal portfolio, increase both print and on-line advertising revenue, increase society relationships, accelerate growth globally and enhance the delivery of content on-line through *Wiley InterScience*. The infrastructure of the Wiley and Blackwell organizations will be combined based on opportunities to generate synergies and cost savings and best practices in the industry.

The Company accounted for the acquisition using the purchase method of accounting in accordance with the provisions of SFAS No. 141, "Business Combinations" ("SFAS 141"). The Company included the operations of Blackwell in its consolidated financial statements from February 2, 2007 through April 30, 2007. The total purchase price was preliminarily allocated to Blackwell's tangible and identifiable

intangible assets and liabilities based on their estimated fair values as of February 2, 2007 as set forth below (in thousands):

| | |
|---------------------------------------|--------------|
| Current Assets | \$ 332,000 |
| Product Development Assets | 21,000 |
| Property, Equipment and Technology | 15,300 |
| Intangible Assets | 843,300 |
| Goodwill | 485,900 |
| Other Noncurrent Assets | 7,500 |
| Total Assets Acquired | \$ 1,705,000 |
| Deferred Revenue | \$ 172,300 |
| Other Current Liabilities | 125,400 |
| Noncurrent Deferred Taxes Liabilities | 256,500 |
| Other Noncurrent Liabilities | 29,800 |
| Total Liabilities Assumed | \$ 584,000 |
| Net Assets Acquired | \$ 1,121,000 |

The purchase price allocation above includes approximately \$3.5 million of accrued direct acquisition costs consisting of regulatory filing fees, legal and accounting fees and other external costs directly related to the acquisition. Included in current assets above is \$188.9 million of cash acquired. The primary areas of purchase price allocation that are not yet finalized consist of Blackwell-related severance and exit costs. Adjustments to amounts recorded as of the close of the acquisition related to the finalization of Blackwell-related severance and exit costs will result in adjustments to goodwill or will be recorded in post-acquisition operating results, depending on the nature and timing of such adjustments.

Unaudited Pro Forma Financial Information

The following unaudited pro forma statement of operations information gives effect to the Blackwell acquisition and related financing as if it had occurred at the beginning of each of the fiscal years presented. The pro forma information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition and the \$1.35 billion Credit Agreement had taken place at the beginning of each of the periods presented nor is it indicative of future financial performance. The pro forma financial information for each of the periods presented includes the recurring effect from the amortization of acquired intangible assets and the increase in interest expense associated with the Credit Agreement. Cost savings from future synergies are not reflected in the pro forma financial information.

The unaudited pro forma statement of operations for the year ended April 30, 2007 combines the historical results of Wiley for the year ended April 30, 2007, which includes post-acquisition Blackwell results for the period from February 2, 2007 to April 30, 2007, and the historical results of pre-acquisition Blackwell for the period from April 1, 2006 to December 31, 2006. The unaudited pro forma statement of operations for the year ended April 30, 2006 combines the historical results of Wiley for the year ended April 30, 2006 and, due to differences in our reporting periods, the historical results of Blackwell, for the twelve months ended March 31, 2006.

**For the Years
Ended April 30,**

| In thousands, except per share data | 2007 | 2006 |
|---------------------------------------|--------------------|-------------|
| Revenue | \$1,558,887 | \$1,431,958 |
| Net Income | \$108,301 | \$116,777 |
| Net Income Per Common Share - Basic | \$1.90 | \$2.01 |
| Net Income Per Common Share - Diluted | \$1.86 | \$1.95 |

Goodwill and Acquisition Related Intangible Assets

All of the Blackwell goodwill acquired of \$485.9 million was recorded within the Blackwell segment. None of the goodwill is expected to be deductible for tax purposes. The balances and weighted average amortization period assigned to each intangible asset class of acquisition related intangible assets as of February 2, 2007 were as follows:

| In thousands | Weighted Average Amortization Period (in years) | Cost of Blackwell Acquisition Related Intangible Assets |
|-----------------------------|---|---|
| Acquired Publication Rights | 37 | \$629,900 |
| Trademarks and Trade Names | Indefinite | 143,400 |
| Customer Relationships | 20 | 70,000 |
| Total | | \$843,300 |

The total amortization expense for Blackwell acquisition related intangible assets was \$5.5 million for the year ended April 30, 2007, and is included in the caption "Amortization of intangibles" on the Company's consolidated Statements of Income. Estimated future amortization expense related to acquisition for the next five years is \$22.0 million per year.

Identifiable intangible assets – Acquired publication rights represent the rights to publish current and new editions of journal and book titles. Acquired journal publishing rights are segregated into owned, non-owned and joint owned titles. The right to publish a joint or non-owned journal is determined based upon individual negotiated contractual arrangements, typically with membership organizations referred to as "Societies" which specialize in the particular field or discipline. Owned journal publishing rights of approximately \$487.8 million are expected to have an estimated useful life of 40 years. Joint and non-owned journal publishing rights are expected to have estimated useful lives of 40 and 30 years, respectively. Trademarks and trade names are expected to have an indefinite life due to the fact that the Blackwell name will be used by the Company on an ongoing basis, the name is important to the Company's business and it is long established and well recognized. Customer relationships are expected to have an estimated useful life of approximately 20 years. Book publishing rights are expected to have estimated useful lives of 10 to 15 years.

The fair value of intangible assets was based on a valuation conducted by a third party specialist on behalf of Wiley's management using income approach methodologies. The discount rates used to determine present value of net cashflows ranged from 9.5% to 15%. These discount rates were determined after consideration of Blackwell's estimated weighted average cost of capital and the estimated internal rate of return specific to the acquisition.

As part of the strategic acquisition plan, the Company plans to reorganize certain functions, cancel certain contractual obligations and close duplicate facilities. This will include termination and relocation of employees. Estimated costs associated with employee severance and relocation totaled \$7.8 million. These costs were included as a component of net assets acquired. The costs associated with the closure of duplicate facilities have not yet been determined.

Other Fiscal Year 2007 Acquisitions:

Excluding the Blackwell acquisition, in fiscal year 2007 the Company acquired certain other businesses, assets and rights for \$19.7 million, including acquisition costs plus liabilities assumed. Approximately \$14.1 million of brands, trademarks and acquired publishing rights and \$6.6 million of goodwill were recorded in the aggregate. The brands, trademarks and acquired publishing rights are being amortized over a weighted average period of approximately 11 years. The acquisitions consist primarily of the following:

On July 20, 2006, the Company acquired the assets of a publisher of two medical journals. The cost of acquisition was principally allocated to acquired publication rights and is being amortized over a 15-year period.

On October 18, 2006, the Company acquired an on-line provider of travel-related content, technology, and services. The acquisition cost was allocated to goodwill, branded trademarks and the net tangible assets acquired consisting primarily of computer software. The branded trademarks are being amortized over a 10-year period.

On January 24, 2007, the Company acquired the assets of a publisher of three advertising based journals. The cost of acquisition was primarily allocated to acquired publication rights and is being amortized over a 10-year period.

On March 20, 2007, the Company acquired the assets of a publisher of books and periodicals for faculty and administrators in higher education. The cost of the acquisition was mainly recorded as acquired publication rights and is being amortized over a 10-year period.

Fiscal Year 2006:

During fiscal year 2006, the Company acquired certain businesses, assets and rights in multiple transactions aggregating \$31.4 million, including related acquisition costs plus liabilities assumed. Approximately \$26.3 million of the aggregate purchase price was allocated to brands and trademarks and acquired publishing rights and \$4.9 million to goodwill. The brands, trademarks and acquired publishing rights will be amortized over a weighted average period of approximately 10 years. The acquisitions consisted primarily of the following:

In the first quarter Wiley acquired substantially all the assets of a global publisher of books and software, specializing in information technology business certification materials. The acquisition cost was allocated to brands and trademarks, goodwill and tangible net assets, which consisted of accounts receivable, inventory, accrued royalties, accounts payable and other accrued liabilities. The brands and trademarks are being amortized over a 15-year period.

In the first quarter, the Company acquired the publishing rights to a newsletter division of a leading publisher of mental health and addiction information. The majority of the acquisition was recorded as acquired publication rights and is being amortized over a 10-year period.

In the second quarter the Company acquired a leading provider of evidence-based medicine content. The acquisition cost was allocated to goodwill, brands and trademarks, customer relationships and other assets and liabilities which consisted of accounts receivable, capitalized software and deferred subscription revenues. The brands, trademarks and customer relationships are amortized over a 10-year period.

In the third quarter the Company acquired the publishing rights to the journal Dialysis & Transplantation, a source of nephrology and renal transplantation information to nephrologists, surgeons, internists and other physicians and healthcare professionals. The majority of the acquisition was recorded as acquired publication rights and is being amortized over a 10-year period.

Fiscal Year 2005:

During fiscal year 2005, the Company acquired certain business assets and rights for \$22.5 million, including related acquisitions costs plus liabilities assumed. The acquisitions consisted primarily of the following:

- The publishing rights to the Journal of Microscopy and Analysis, a controlled circulation journal. The acquired publication rights are being amortized over a 15-year period.
- The publishing rights to the reference portfolio of the Macmillan Nature Publishing Group. The acquired publication rights are being amortized over a 10-year period.
- Whurr Publishers Limited, a leading publisher for the Nursing, Speech and Language Therapy and Audiology, Psychology and Special Education communities in the U.K. The acquired publication rights are being amortized over a 15-year period.

Note 5 - Marketable Securities

The Company accounts for these securities as available-for-sale in accordance with SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities." As part of the Blackwell acquisition on February 2, 2007, the Company acquired \$42.3 million in marketable securities which were all sold by the Company during the fourth quarter of fiscal year 2007. In fiscal year 2005, the Company purchased \$15.2 million of marketable securities and subsequently sold \$5.2 million. The remaining \$10.0 million were sold during fiscal year 2006. There were no securities outstanding as of April 30, 2007 and 2006.

Note 6 - Inventories

Inventories at April 30 were as follows (in thousands):

| | 2007 | 2006 |
|-------------------------|-----------|----------|
| Finished Goods | \$99,958 | \$79,389 |
| Work-in-Process | 9,949 | 6,704 |
| Paper, Cloth, and Other | 7,094 | 6,024 |
| | 117,001 | 92,117 |
| LIFO Reserve | (4,138) | (3,539) |
| Total Inventories | \$112,863 | \$88,578 |

Note 7 – Product Development Assets

Product development assets consisted of the following at April 30 (in thousands):

| | 2007 | 2006 |
|-------------------|----------|----------|
| Composition Costs | \$42,976 | \$37,073 |
| Royalty Advances | 36,854 | 28,568 |
| Total | \$79,830 | \$65,641 |

Composition costs are net of accumulated amortization of \$113.7 million and \$96.2 million as of April 30, 2007 and 2006, respectively.

Note 8 - Property, Equipment and Technology

Property, equipment and technology consisted of the following at April 30 (in thousands):

| | 2007 | 2006 |
|---|-----------|-----------|
| Land and Land Improvements | \$5,449 | \$4,455 |
| Buildings and Leasehold Improvements | 87,596 | 65,456 |
| Furniture, Fixtures and Warehouse Equipment | 83,255 | 54,402 |
| Computer Equipment and Capitalized Software | 184,326 | 158,425 |
| | 360,626 | 282,738 |
| Accumulated Depreciation | (233,914) | (180,615) |
| Total | \$126,712 | \$102,123 |

The net book value of capitalized software costs was \$22.3 million and \$23.7 million as of April 30, 2007 and 2006, respectively. Depreciation expense recognized in 2007, 2006, and 2005 for capitalized software costs was approximately \$12.0 million, \$14.4 million, and \$14.8 million, respectively.

Note 9 - Goodwill and Other Intangible Assets

The following table summarizes the activity in goodwill by segment (in thousands):

| | As of April 30, 2006 | Acquisitions and Dispositions | Cumulative Translation and Other Adjustments | As of April 30, 2007 |
|--------------|-------------------------|----------------------------------|---|-------------------------|
| P/T | \$146,707 | \$6,556 | \$450 | \$153,713 |
| STM | 28,072 | - | - | 28,072 |
| European | 21,266 | - | 2,052 | 23,318 |
| Blackwell | - | 485,879 | 10,795 | 496,674 |
| Other | 2,371 | - | (5) | 2,366 |
| Total | \$198,416 | \$492,435 | \$13,292 | \$704,143 |

Identified intangible assets as of April 30, 2007 and 2006 were as follows (in thousands):

| | 2007 | | 2006 | |
|--|---------------------|-----------------------------|-------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| <u>Intangible Assets with Determinable Lives</u> | | | | |
| Acquired Publishing Rights | \$ 842,182 | \$ (88,289) | \$ 181,280 | \$ (70,330) |
| Brands & Trademarks | 17,224 | (2,126) | 15,200 | (921) |
| Covenants not to Compete | 3,383 | (1,549) | 2,250 | (906) |
| Customer Relationships | 71,503 | (883) | - | - |
| | 934,292 | (92,847) | 198,730 | (72,157) |
| <u>Intangible Assets with Indefinite Lives</u> | | | | |
| Acquired Publishing Rights | 120,295 | - | 117,911 | - |
| Brands & Trademarks | 204,549 | - | 57,900 | - |
| | \$ 1,259,136 | \$ (92,847) | \$ 374,541 | \$ (72,157) |

Note 10 - Other Accrued Liabilities

Other accrued liabilities as of April 30 consisted of the following (in thousands):

| | 2007 | 2006 |
|----------------------|------------------|----------|
| Accrued Compensation | \$61,078 | \$53,506 |
| Accrued Interest | 14,327 | 2,155 |
| Other | 58,257 | 34,994 |
| Total | \$133,662 | \$90,655 |

The increase in non-amortizable Brands & Trademarks is related to the Blackwell acquisition (See Note 4). Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the succeeding 5 fiscal years are as follows: 2008 - \$38.4 million; 2009 - \$38.9 million; 2010 - \$35.6 million; 2011 - \$34.3 million; and 2012 - \$33.6 million.

Note 11 - Income Taxes

The provision for income taxes for the years ending April 30 were as follows (in thousands):

| | 2007 | 2006 | 2005 |
|-----------------------------|-----------|----------|----------|
| Current Provision(Benefit) | | | |
| US – Federal | \$23,684 | \$15,663 | \$22,078 |
| International | 9,872 | 10,809 | 11,335 |
| State and Local | 2,723 | 2,035 | 1,126 |
| Total Current Provision | \$36,279 | \$28,507 | \$34,539 |
| Deferred Provision(Benefit) | | | |
| US – Federal | \$(2,409) | \$ (62) | \$11,156 |
| International | 6,265 | 5,054 | 4,656 |
| State and Local | (252) | 17 | 1,471 |
| Total Deferred Provision | \$3,604 | \$ 5,009 | \$17,283 |
| Total Provision | \$39,883 | \$33,516 | \$51,822 |

Tax benefits related to the exercise of stock options and vesting of restricted stock held by employees amounted to \$5.6 million, \$5.4 million, and \$4.6 million for fiscal years 2007, 2006, and 2005, respectively, which reduce current income taxes payable. Included in the fiscal year 2007 tax benefit is \$4.5 million of excess tax benefits recognized in accordance with FAS 123R related to exercises and vesting of awards within the Company's various stock compensation plans. The remaining \$1.1 million benefit in 2007 is the current benefit taken on previously recognized deferred tax assets on restricted stock awards.

International and United States pretax income for the year ended April 30 was as follows (in thousands):

| | 2007 | 2006 | 2005 |
|---------------|-----------|-----------|-----------|
| International | \$58,165 | \$51,444 | \$45,491 |
| United States | 81,337 | 92,400 | 90,172 |
| Total | \$139,502 | \$143,844 | \$135,663 |

The Company's effective income tax rate as a percentage of pretax income differed from the U.S. federal statutory rate as shown below:

| | 2007 | 2006 | 2005 |
|--|-------|-------|-------|
| U.S. Federal Statutory Rate | 35.0% | 35.0% | 35.0% |
| State Income Taxes, Net of U.S. Federal Tax Benefit | 1.1 | 0.9 | 1.3 |
| Tax Benefit from MFG/EIE Deductions/Credits | (1.3) | (1.7) | (1.5) |
| Earnings Taxed at Other than U.S. Statutory Rates | (3.0) | (1.5) | (1.0) |
| Tax Charge (Credit) on Repatriated Foreign Dividends under AJCA | - | (5.2) | 5.5 |
| Tax Adjustments | (3.9) | (4.7) | - |
| Other, Net | 0.7 | 0.5 | (1.1) |
| Effective Income Tax Rate | 28.6% | 23.3% | 38.2% |

Tax Charge (Credit) on Repatriated Foreign Dividends: During the fourth quarter of fiscal year 2005, the Company elected to repatriate approximately \$94 million of dividends from foreign subsidiaries under the American Jobs Creation Act (AJCA) of 2004. The law provides for a favorable one-time tax rate on dividends from foreign subsidiaries. The tax accrued on these dividends in fiscal year 2005 was approximately \$7.5 million. Pursuant to guidance issued by the Internal Revenue Service in May 2005, the Company recorded a tax benefit in the first quarter of fiscal year 2006 reversing the accrued tax recorded in the previous year. Neither the first quarter fiscal year 2006 tax benefit nor the corresponding fourth quarter fiscal year 2005 tax accrual had a cash impact on the Company.

Tax Adjustments: In fiscal years 2007 and 2006 the Company reported tax benefits of \$5.5 million and \$6.8 million related to the favorable resolution of certain federal, state and foreign tax matters with tax authorities.

Deferred taxes result from temporary differences in the recognition of revenue and expense for tax and financial reporting purposes. It is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets. The significant components of deferred tax assets and liabilities at April 30 were as follows (in thousands):

| | 2007 | 2006 |
|---|--------------------|----------|
| Net Operating Loss | \$1,035 | \$ - |
| Reserve for Sales Returns and Doubtful Accounts | 16,638 | 12,652 |
| Inventory | (3,840) | (1,848) |
| Accrued Expenses | 17,611 | 11,964 |
| Retirement and Post-Employment Benefits | 29,224 | 11,909 |
| Intangible and Fixed Assets | (301,572) | (35,201) |
| Net Deferred Tax Assets (Liabilities) | \$(240,904) | \$(524) |

The Company intends to continue to reinvest earnings outside the U.S. for the foreseeable future and, therefore, has not recognized any U.S. tax expense on foreign earnings. At April 30, 2007, the undistributed earnings of international subsidiaries approximated \$75.8 million and, if remitted currently, would result in \$6.2 million tax.

Note 12 - Debt and Available Credit Facilities

| At April 30, | 2007 | 2006 |
|---|--------------------|-----------|
| \$675 million Revolving Credit Facility – Due 2012 | \$323,000 | \$ - |
| \$675 million Term Loan – Due 2008 - 2013 | 675,000 | - |
| \$300 million Revolving Credit Facility – Due November 2010 | - | 150,000 |
| £50 million Revolving Credit Facility – Due April 2009 | - | 10,496 |
| Other Notes Payable– Due July 2008 | 2,221 | - |
| Total Debt | \$1,000,221 | \$160,496 |
| Less: Current Portion | (22,500) | - |
| Total Long-Term Debt | \$977,721 | \$160,496 |

In connection with the Blackwell acquisition, Wiley entered into a new Credit Agreement with Bank of America and Royal Bank of Scotland as Co-Lead Arrangers in the aggregate amount of \$1.35 billion. The financing is comprised of a six-year Term Loan (Term Loan) in the amount of \$675 million and a \$675 million five-year revolving credit facility (Revolver) which can be drawn in multiple currencies. The agreement provides financing to complete the acquisition, refinance the existing revolving debt of the Company, as well as meet future seasonal operating cash requirements. The Company has the option of borrowing at the following floating interest rates: (i) at the rate as announced from time to time by Bank of America as its prime rate or (ii) at a rate based on the London Bank Interbank Offered Rate (LIBOR) plus an applicable margin ranging from .37% to 1.05% for the Revolver and .45% to 1.25% for the Term Loan depending on the Company's consolidated leverage ratio, as defined. In addition, the Company will pay a facility fee ranging from .08% to .20% on the Revolver depending on the Company's consolidated leverage ratio, as defined. The Company has the option to request an increase of up to \$250 million in the size of the revolving credit facility in minimum amounts of \$50 million. The Term Loan matures on February 2, 2013 and the Revolver will terminate on February 2, 2012.

Simultaneous with the execution of the new Credit Agreement, the Company terminated all of its previous credit agreements and paid in full amounts outstanding under those agreements by utilizing funds from the new Credit facility. In connection with the early termination of the previous credit agreements, the Company wrote off approximately \$0.5 million of unamortized debt origination fees in the fourth quarter of fiscal year 2007. Immediately following the acquisition, the Company had approximately \$1.2 billion of debt outstanding with approximately \$0.2 billion of unused borrowing capacity.

On February 16, 2007, the Company entered into an interest rate swap agreement, designated as a cash flow hedge as defined under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The hedge will fix a portion of the variable interest due on **a portion of** the new Term Loan. Under the terms of the interest rate swap, the Company will pay a fixed rate of 5.076% and will receive a variable rate of interest based on three month LIBOR (as defined) from the counter party which will be reset every three months for a four-year period ending February 8, 2011. The notional amount of the rate swap is initially \$660 million which will decline through February 8, 2011, based on the expected amortization of the Term Loan. It is management's intention that the notional amount of the interest rate swap be less than the Term Loan outstanding during the life of the derivative. Through the period ending

April 30, 2007 the Company recognized a gain on the hedge contract of approximately \$0.4 million which is reflected in interest expense. At April 30, 2007, the aggregate fair value of the interest rate swap is a net loss of \$2.5 million as reflected in Other Long Term Liabilities in the Consolidated Statements of Financial Position.

In the event of a change of control, as defined, the banks have the option to terminate the agreements and require repayment of any amounts outstanding.

The credit agreements contain certain restrictive covenants related to Leverage Ratio, Fixed Charge coverage ratio, property, equipment and technology expenditures, and restricted payments, including a limitation for dividends paid and share repurchases. Under the most restrictive covenant, approximately \$111 million was available for such restricted payments as of April 30, 2007.

The Company and its subsidiaries have other short-term lines of credit aggregating \$23 million at various interest rates. No borrowings under the credit lines were outstanding at April 30, 2007, 2006 and 2005.

The Company's total available lines of credit as of April 30, 2007 were approximately \$1,375 million. The weighted average interest rates on long term debt outstanding during fiscal years 2007 and 2006 were 6.13% and 4.24%, respectively. As of April 30, 2007 and 2006, the weighted average interest rates for the long-term debt were 6.36% and 4.79% respectively. Based on estimates of interest rates currently available to the Company for loans with similar terms and maturities, the fair value of notes payable and long-term debt approximate the carrying value.

Total debt maturing in each of the next five years are: 2008 - \$22.5 million; 2009 - \$47.2 million; 2010 - \$67.5 million; 2011 - \$90.0 million and 2012 - \$435.5 million.

Note 13 - Commitments and Contingencies

The following schedule shows the composition of rent expense for operating leases (in thousands):

| | 2007 | 2006 | 2005 |
|------------------------|-----------------|----------|----------|
| Minimum Rental | \$31,142 | \$27,180 | \$25,897 |
| Less: Sublease Rentals | (1,754) | (1,563) | (1,248) |
| Total | \$29,388 | \$25,617 | \$24,649 |

Future minimum payments under operating leases aggregated \$295.8 million at April 30, 2007. Future annual minimum payments under these leases are approximately \$38.8 million, \$36.0 million, \$35.3 million, \$33.0 million, and \$27.5 million for fiscal years 2008 through 2012, respectively. Future minimum rentals to be received under non-cancelable subleases aggregate \$6.3 million at April 30, 2007. Rent expense associated with operating leases that include scheduled rent increases and tenant incentives, such as rent holidays, is recorded on a straight-line basis over the term of the lease.

The Company is involved in routine litigation in the ordinary course of its business. In the opinion of management, the ultimate resolution of all pending litigation will not have a material effect upon the financial condition or results of operations of the Company.

Note 14 - Retirement Plans

The Company and its principal subsidiaries have contributory and noncontributory retirement plans that cover substantially all employees. The plans generally provide for employee retirement between the ages of 60 and 65, and benefits based on length of service and compensation, as defined.

In fiscal year 2005, the U.S. retirement plan was amended to change the method used to compute retirement benefits. The new formula applies to current compensation (as defined) whereas the previous formula was based upon the highest average compensation for the three consecutive years ended December 31, 1997. Benefits accrued through December 31, 2004 under the "previous" plan were frozen as of that date, and are supplemented annually by additions calculated under the new formula.

Effective April 30, 2007, the Company adopted the recognition and disclosure provisions of Statement No. 158 which requires employers to recognize in their balance sheets the overfunded or underfunded status of defined benefit postretirement plans, measured as the difference between the fair value of plan assets and the projected benefit obligation. Employers must recognize the change in the funded status of the plan in the year in which the change occurs through accumulated other comprehensive income. Statement No. 158 also requires plan assets and obligations to be measured as of the employers' balance sheet date. The measurement provision of Statement No. 158 will not have an impact to the Company, as its current measurement date is April 30.

Prior to the adoption of the recognition provisions of Statement No. 158, the Company accounted for its defined benefit plans under Statement No. 87. Statement No. 87 required that a liability (additional minimum pension liability or "AML") be recorded when the accumulated benefit obligation ("ABO") liability exceeded the fair value of plan assets. Any adjustment was recorded as a non-cash charge to accumulated other comprehensive income in shareholders' equity. Under Statement No. 87, changes in the funded status were not immediately recognized, rather they were deferred and recognized ratably over future periods. Upon adoption of the recognition provisions of Statement No.158, the Company recognized the amounts of prior changes in the funded status of its defined benefit plans through accumulated other comprehensive income.

The amounts in accumulated other comprehensive income that are expected to be recognized as components of net periodic benefit cost during the next fiscal year are as follows (in thousands):

| | Funded | Unfunded | Total |
|--------------------|---------|----------|---------|
| Actuarial Loss | \$2,085 | \$452 | \$2,537 |
| Prior Service Cost | 469 | 160 | 629 |
| Total | \$2,554 | \$612 | \$3,166 |

The adoption of Statement No. 158 had no effect on the Company's consolidated statement of operations for the year ended April 30, 2007, or for any prior period presented and does not have a material impact to any of the Company's debt covenants under its various credit agreements. Net pension expense included below for international plans amounted to approximately \$10.2 million, \$7.1 million and \$6.7 million for fiscal years 2007, 2006 and 2005, respectively.

The Company has agreements with certain officers and senior management that provide for the payment of supplemental retirement benefits during each of the 10 years after the termination of employment. Under certain circumstances, including a change of control as defined, the payment of such amounts could be accelerated on a present value basis.

The components of net pension expense for the defined benefit plans were as follows (in thousands):

| | 2007 | 2006 | 2005 |
|---|-----------------|----------|----------|
| Service Cost | \$13,210 | \$10,998 | \$8,492 |
| Interest Cost | 15,408 | 11,590 | 10,791 |
| Expected Return on Plan Assets | (14,850) | (10,988) | (9,146) |
| Net Amortization of Prior Service Cost and Transition Asset | 742 | 625 | 564 |
| Recognized Net Actuarial Loss | 2,200 | 3,244 | 2,017 |
| Net Pension Expense | \$16,710 | \$15,469 | \$12,718 |

The weighted-average assumptions used to determine net pension expense for the years ended April 30 were as follows:

| | 2007 | 2006 | 2005 |
|--------------------------------|-------------|------|------|
| Discount Rate | 5.8% | 5.6% | 6.1% |
| Rate of Compensation Increase | 4.1% | 3.8% | 3.6% |
| Expected Return on Plan Assets | 8.2% | 8.4% | 8.0% |

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the retirement plans with accumulated benefit obligations in excess of plan assets were \$267.3 million, \$248.7 million, and \$170.3 million, respectively, as of April 30, 2007, and \$224.1 million, \$204.2 million and \$147.4 million, respectively, as of April 30, 2006.

The following table sets forth the changes in and the status of the plans' assets and benefit obligations. The unfunded plans relate primarily to a non-U.S. subsidiary, which is governed by local statutory requirements, and the domestic supplemental retirement plans for certain officers and senior management personnel.

| Dollars in thousands | 2007 | | 2006 | |
|--|---------------|-----------------|---------------|-----------------|
| CHANGE IN PLAN ASSETS | | | | |
| | Funded | Unfunded | Funded | Unfunded |
| Fair Value of Plan Assets, Beginning of Year | \$ 154,149 | \$ - | \$ 133,329 | \$ - |
| Actual Return on Plan Assets | 16,727 | - | 22,574 | - |
| Acquisitions/Transfers | 89,639 | - | - | - |
| Employer Contributions | 6,484 | 1,854 | 5,298 | 1,745 |
| Employees' Contributions | 1,491 | - | 901 | - |
| Benefits Paid | (5,781) | (1,854) | (4,722) | (1,745) |
| Foreign Currency Rate Changes | 10,637 | - | (3,231) | - |
| Fair Value, End of Year | \$ 273,346 | \$ - | \$ 154,149 | \$ - |
| CHANGE IN PROJECTED BENEFIT OBLIGATION | | | | |
| Benefit Obligation, Beginning of Year | \$ (190,565) | \$ (41,974) | \$ (174,941) | \$ (40,485) |
| Service Cost | (11,077) | (2,133) | (9,112) | (1,888) |
| Interest Cost | (12,957) | (2,451) | (9,522) | (2,068) |
| Employees' Contributions | (1,491) | - | (901) | - |
| Amendments and Other | - | (1,634) | - | (2,373) |
| Actuarial Gain (Loss) | 3,039 | (2,639) | (6,116) | 2,170 |
| Benefits Paid | 5,781 | 1,854 | 4,722 | 1,745 |
| Acquisitions/Transfers | (114,284) | - | - | - |
| Foreign Currency Rate Changes | (14,903) | (2,064) | 5,305 | 925 |
| Benefit Obligation, End of Year | \$ (336,457) | \$ (51,041) | \$ (190,565) | \$ (41,974) |
| Funded Status | (63,111) | (51,041) | (36,416) | (41,974) |
| Unrecognized Prior Service Cost (Benefit) | - | - | 3,351 | 1,348 |
| Unrecognized Net Actuarial Loss | - | - | 40,541 | 3,888 |
| Prepaid (Accrued) Pension Cost | \$ (63,111) | \$ (51,041) | \$ 7,476 | \$ (36,738) |
| AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION | | | | |
| Before Addition of FAS 158: | | | | |
| Deferred Pension Asset | \$ 959 | \$ - | \$ 1,333 | \$ - |
| Accrued Pension Liability | (59,437) | (47,226) | (22,316) | (39,826) |
| Other Asset | 2,420 | 2,613 | 2,900 | 1,795 |
| Accumulated Other Comprehensive Income | 32,601 | 1,784 | 25,559 | 1,293 |
| Net Amount Recognized | \$ (23,457) | \$ (42,829) | \$ 7,476 | \$ (36,738) |
| After Adoption of FAS 158: | | | | |
| Deferred Pension Asset | \$ 257 | \$ - | \$ - | \$ - |
| Current Pension Liability | - | (2,139) | - | - |
| Noncurrent Pension Liability | (63,369) | (48,902) | - | - |
| Net Amount Recognized in Statement of Financial Position | \$ (63,112) | \$ (51,041) | \$ - | \$ - |

| Dollars in thousands | 2007 | | 2006 | |
|--|---------------|-----------------|---------------|-----------------|
| | <u>Funded</u> | <u>Unfunded</u> | <u>Funded</u> | <u>Unfunded</u> |
| AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME CONSIST OF (before tax) | | | | |
| Net Actuarial Loss | \$ (36,846) | \$ (6,493) | \$ - | \$ - |
| Prior Service Cost | (2,808) | (1,719) | - | - |
| Total Accumulated Other Comprehensive Income (Loss) | \$ (39,654) | \$ (8,212) | \$ - | \$ - |
| (Decrease)/Increase in Accumulated Other Comprehensive Income | | | | |
| - Due to Adoption of FAS 158 | \$ (7,053) | \$ (6,428) | \$ - | \$ - |
| - Due to Change in Minimum Pension Liability | \$ (7,042) | \$ (491) | \$ 13,625 | \$ 400 |
| WEIGHTED AVERAGE ASSUMPTIONS USED IN DETERMINING ASSETS AND LIABILITIES | | | | |
| Discount Rate | 5.7% | 5.6% | 5.8% | 5.9% |
| Expected Return on Plan Assets | 7.6% | - | 8.3% | - |
| Rate of Compensation Increase | 4.7% | 3.8% | 4.1% | 4.0% |
| Accumulated Benefit Obligations | \$ (291,460) | \$ (44,982) | \$ (174,622) | \$ (34,430) |

The net pension liability recorded for the acquisition of Blackwell was approximately \$24.6 million.

Basis for determining discount rate:

The discount rates for the United States and Canadian pension plans were based on the derivation of a single-equivalent discount rate using a standard spot rate curve and the timing of plan liabilities as of April 30, 2007. The spot rate curve used is based upon a portfolio of Moody's-rated Aa3 (or higher) corporate bonds. The discount rates for the other international plans were based on similar published indices with durations comparable to that of each plan's liabilities.

Basis for determining the expected asset return:

The expected long-term rates of return were estimated using market benchmarks for equities, real estate, and bonds applied to each plan's target asset allocation. Expected returns are estimated by asset class and represent the sum of expected rates of return plus anticipated inflation. The expected long-term rates are then compared to actual historic investment performance of the plan assets as well as future expectations and evaluated through consultation with investment advisors and actuaries.

The table below represents the asset mix of the investment portfolio of the post-retirement benefit plan as of April 30:

| Asset Category | Percentage of Plan Assets | |
|--------------------------|---------------------------|------|
| | 2007 | 2006 |
| Equities | 61% | 57% |
| Debt Securities and Cash | 33% | 35% |
| Real Estate | 4% | 6% |
| Other | 2% | 2% |
| Total | 100% | 100% |

The investment guidelines for the defined benefit pension plans are established based upon an evaluation of market conditions and tolerance for risk. The investment objective is to ensure that funds

are available to meet the plan's benefit obligations when they are due. The investment strategy is to prudently invest in plan assets in high quality diversified securities to achieve our long-term expectation. The plans' risk management practices provide guidance to the investment managers, including guidelines for asset concentration, credit rating and liquidity. Asset allocation favors a balanced portfolio, with a target allocation of approximately 55% equity securities, 40% fixed income securities and cash, and 5% real estate. Due to volatility in the market, the target allocation is not always desirable and asset allocations will fluctuate between acceptable ranges.

Expected employer contributions in fiscal year 2008 to the defined benefit pension plans will be approximately \$34.4 million, including \$33.2 million of minimum amounts required for the Company's international plans. The expected contributions for fiscal year 2008 includes approximately \$23 million to be paid into the Blackwell pension plan in accordance with the terms of the acquisition agreement. In accordance with FAS 158, this amount is reflected in long-term pension liabilities. From time to time, the Company may elect to make voluntary contributions to its defined benefit plans to improve their funded status.

Expected benefit payments from all plans are expected to approximate \$10.1 million in fiscal year 2008, \$11.4 million in fiscal year 2009, \$10.3 million in fiscal year 2010, \$10.6 million in fiscal year 2011, \$12.0 million in fiscal year 2012, and \$81.2 million for fiscal years 2013 through 2017.

The Company provides contributory life insurance and health care benefits, subject to certain dollar limitations for substantially all of its retired U.S. employees. The cost of such benefits is expensed over the years the employee renders service and is not funded in advance. The accumulated post-retirement benefit obligation recognized in the Statement of Financial Position as of April 30, 2007 and 2006 was \$2.1 million and \$1.2 million, respectively. Annual expenses for these plans for all years were immaterial. The impact of adopting FAS 158 on the post-retirement benefit obligation at April 30, 2007 was approximately \$0.6 million, after taxes.

The Company has defined contribution savings plans. The Company contribution is based on employee contributions and the level of Company match. The expense for these plans amounted to approximately \$4.5 million, \$4.1 million, and \$2.7 million in 2007, 2006, and 2005, respectively.

Note 15 – Share-Based Compensation

All equity compensation plans have been approved by security holders. Under the Key Employee Stock Plan ("the Plan"), qualified employees are eligible to receive awards that may include stock options, performance-based stock awards, and restricted stock awards. Under the Plan, a maximum number of 8,000,000 shares of Company Class A stock may be issued. As of April 30, 2007 there were 5,620,998 securities remaining available for future issuance under the Plan. The Company issues treasury shares to fund stock options and performance-based and restricted stock awards.

Stock Option Activity:

Under the terms of the Company's stock option plan the exercise price of stock options granted under the plan may not be less than 100% of the fair market value of the stock at the date of grant. Options are exercisable, over a maximum period of 10 years from the date of grant, and generally vest 50% on the fourth and fifth anniversary date after the award is granted. Under certain circumstances relating to a change of control, as defined, the right to exercise options outstanding could be accelerated.

The following table provides the estimated weighted average fair value, under the Black-Scholes option-pricing model, for each option granted during the periods and the significant weighted average assumptions used in their determination. The expected life represents an estimate of the period of time stock options are outstanding based on the historical exercise behavior of the employees. The risk-free interest rate is based on the corresponding U.S. Treasury yield curve in effect at the time of the grant. Similarly, the volatility is estimated based on the expected volatility over the estimated life, while the dividend yield is based on expected dividend payments to be made by the Company.

| | For the Twelve Months | | |
|---|------------------------------|-------------|-------------|
| | Ending April 30, | | |
| | 2007 | 2006 | 2005 |
| Expected Life of Options (years) | 7.8 | 8.0 | 8.1 |
| Risk-Free Interest Rate | 5.2% | 3.9% | 4.5% |
| Expected Volatility | 29.1% | 27.1% | 26.2% |
| Expected Dividend Yield | 1.2% | 0.9% | 0.9% |
| Per Share Fair Value of Options Granted | \$12.65 | \$13.61 | \$11.00 |

A summary of the activity and status of the Company's stock option plans was as follows:

| Stock Options | 2007 | | | | 2006 | | 2005 | |
|--|---------------------------|--|---|--|---------------------------|--|---------------------------|--|
| | Options (in thousands) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Average Intrinsic Value (in millions) | Options (in thousands) | Weighted Average Exercise Price | Options (in thousands) | Weighted Average Exercise Price |
| Outstanding at Beginning of Year | 6,084 | \$25.95 | | | 5,563 | \$22.77 | 5,048 | \$20.12 |
| Granted | 640 | \$33.05 | | | 1,014 | \$38.55 | 993 | \$31.84 |
| Exercised | (462) | \$16.30 | | | (449) | \$14.70 | (425) | \$12.12 |
| Expired or Forfeited | (46) | \$30.52 | | | (44) | \$28.14 | (53) | \$25.29 |
| Outstanding at End of Year | 6,216 | \$27.37 | 5.6 | \$63.8 | 6,084 | \$25.95 | 5,563 | \$22.77 |
| Exercisable at End of Year | 2,801 | \$21.20 | 3.4 | \$45.5 | 2,460 | \$19.09 | 2,246 | \$16.80 |
| Vested and Expected to Vest in the Future at April 30, 2007 | 6,118 | \$27.34 | 5.6 | \$62.9 | | | | |

The intrinsic value is the difference between the Company's common stock price and the option exercise price. Total intrinsic value of options exercised during the twelve months ended April 30, 2007, 2006 and 2005 were \$10.0 million, \$11.2 million and \$8.8 million, respectively. The Aggregate Intrinsic Value in the table above represents the value to option holders on all options outstanding as of April 30, 2007.

As of April 30, 2007, there was \$19.2 million of unrecognized share-based compensation expense related to stock options, which is expected to be recognized over a period up to 5 years, or 2.6 years on a weighted average basis.

The following table summarizes information about stock options outstanding and exercisable at April 30, 2007:

| Range of Exercise Prices | Options Outstanding | | | Options Exercisable | |
|--------------------------|----------------------------------|---------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | Number of Options (in thousands) | Weighted Average Remaining Term | Weighted Average Exercise Price | Number of Options (in thousands) | Weighted Average Exercise Price |
| \$ 8.63 to \$ 8.63 | 8 | 0.1 years | \$ 8.63 | 8 | \$ 8.63 |
| \$13.75 to \$14.59 | 675 | 1.1 years | \$13.93 | 675 | \$13.93 |
| \$17.25 to \$20.54 | 82 | 4.1 years | \$19.44 | 82 | \$19.44 |
| \$20.56 to \$23.40 | 759 | 3.4 years | \$22.28 | 759 | \$22.28 |
| \$23.56 to \$25.32 | 2,105 | 5.1 years | \$24.83 | 1,276 | \$24.56 |
| \$31.89 to \$38.78 | 2,587 | 8.0 years | \$34.74 | 1 | \$35.70 |
| Total | 6,216 | 5.6 years | \$27.37 | 2,801 | \$21.20 |

Performance-Based and Other Restricted Stock Activity:

Under the terms of the Company's long-term incentive plans, upon the achievement of certain three-year financial performance-based targets, awards are payable in restricted shares of the Company's Class A common stock. During each three-year period the Company adjusts compensation expense based upon its best estimate of expected performance. The restricted shares vest 50% on the first and second anniversary date after the award is earned.

The Company may also grant restricted shares of the Company's Class A Common Stock to key employees in connection with their employment. The restricted shares generally vest 50% at the end of the fourth and fifth years following the date of the grant.

Under certain circumstances relating to a change of control or termination, as defined, the restrictions would lapse and shares would vest earlier. Activity for restricted stock awards during the fiscal years ended April 30, 2007, 2006 and 2005 was as follows (shares in thousands):

| | 2007 | | 2006 | 2005 |
|---------------------------------------|-------------------|-----------------------------------|-------------------|-------------------|
| | Restricted Shares | Weighted Average Grant Date Value | Restricted Shares | Restricted Shares |
| Nonvested Shares at Beginning of Year | 609 | \$30.47 | 524 | 447 |
| Granted | 372 | \$32.75 | 213 | 197 |
| Vested | (161) | \$25.12 | (124) | (120) |
| Forfeited | (6) | \$31.93 | (4) | - |
| Nonvested Shares at End of Year | 814 | \$32.56 | 609 | 524 |

As of April 30, 2007, there was \$11.8 million of unrecognized share-based compensation cost related to restricted stock awards, which is expected to be recognized over a period up to 5 years, or 2.8 years on a weighted average basis. Compensation expense for restricted stock awards is computed using the closing market price of the Company's Class A Common Stock at the date of grant. Total grant date value of shares vested during the fiscal years ended April 30, 2007, 2006 and 2005 was \$4.1 million, \$3.1 million and \$2.8 million, respectively.

Director Stock Awards:

Under the terms of the Company's Director Stock Plan (the "Director Plan"), each non-employee director receives an annual award of Class A Common Stock equal in value to 100% of the annual director fee, based on the stock price on the date of grant. The granted shares may not be sold or transferred during the time the non-employee director remains a director. There were 6,642, 7,608 and 4,498 shares awarded under the Director Plan for the fiscal years ending April 30, 2007, 2006 and 2005, respectively.

Note 16 - Capital Stock and Changes in Capital Accounts

Each share of the Company's Class B Common Stock is convertible into one share of Class A Common Stock. The holders of Class A stock are entitled to elect 30% of the entire Board of Directors and the holders of Class B stock are entitled to elect the remainder. On all other matters, each share of Class A stock is entitled to one tenth of one vote and each share of Class B stock is entitled to one vote.

Under the Company's current stock repurchase program, up to four million shares of its Class A Common Stock may be purchased from time to time in the open market and through privately negotiated transactions. During fiscal year 2007, the Company repurchased 205,700 shares at an average price of \$35.38 per share. As of April 30, 2007, the Company has authorization from its Board of Directors to purchase up to approximately 1,905,030 additional shares.

Note 17 - Segment Information

The Company is a global publisher of print and electronic products, providing content and services to customers worldwide. Core businesses include professional and consumer books and subscription services; scientific, technical and medical journals, encyclopedias, books, and online products and services; and educational materials for advanced placement, undergraduate, and graduate students, teachers and lifelong learners. The Company has publishing, marketing, and distribution centers in the United States, Canada, Europe, Asia, and Australia. The Company's reportable segments are based on the management reporting structure, which is also used to evaluate performance. Other segments include the Company's businesses in Asia, Australia and Canada. Segment information is as follows (in millions):

2007

| | U.S. Segments | | | | European Segment | (a) Blackwell Segment | Other Segments | Eliminations & Corporate Items | Total |
|--|---------------|---------|------------------|------------|------------------|--------------------------|----------------|--------------------------------|-----------|
| | P/T | STM | Higher Education | Total U.S. | | | | | |
| Revenue | | | | | | | | | |
| External Customers | \$358.5 | \$212.7 | \$134.9 | \$706.1 | \$292.3 | \$105.8 | \$130.7 | \$ - | \$1,234.9 |
| Inter-Segment Sales | 41.0 | 9.3 | 27.6 | 77.9 | 23.8 | - | 2.2 | (103.9) | - |
| Total Revenue | \$399.5 | \$222.0 | \$162.5 | \$784.0 | \$316.1 | \$105.8 | \$132.9 | \$(103.9) | \$1234.9 |
| Direct Contribution to Profit | \$107.6 | \$101.0 | \$41.2 | \$249.8 | \$104.8 | \$29.7 | \$27.2 | \$ - | \$411.5 |
| Shared Services and Admin. Costs (b) | | | | | | | | | (250.2) |
| Operating Income | | | | | | | | | 161.3 |
| Interest Expense and Other, Net | | | | | | | | | (21.8) |
| Income Before Taxes | | | | | | | | | \$139.5 |
| Total Assets | \$442.7 | \$77.7 | \$95.1 | \$615.5 | \$207.3 | \$1,485.0 | \$70.4 | \$152.9 | \$2,531.1 |
| Expenditures for Other Long-Lived Assets | \$38.2 | \$14.2 | \$11.3 | \$63.7 | \$22.0 | \$948.5 | \$5.6 | \$34.1 | \$1,073.9 |
| Depreciation and Amortization | \$21.6 | \$6.0 | \$13.6 | \$41.2 | \$18.2 | \$6.8 | \$4.8 | \$17.3 | \$88.3 |

2006

| | U.S. Segments | | | | European Segment | Blackwell Segment | Other Segments | Eliminations & Corporate Items | Total |
|--------------------------------------|---------------|---------|------------------|------------|------------------|-------------------|----------------|--------------------------------|-----------|
| | P/T | STM | Higher Education | Total U.S. | | | | | |
| Revenue | | | | | | | | | |
| External Customers | \$336.2 | \$195.8 | \$126.5 | \$658.5 | \$263.5 | \$ - | \$122.2 | \$ - | \$1,044.2 |
| Inter-Segment Sales | 44.0 | 10.2 | 29.7 | 83.9 | 29.0 | - | 1.8 | (114.7) | - |
| Total Revenue | \$380.2 | \$206.0 | \$156.2 | \$742.4 | \$292.5 | \$ - | \$124.0 | \$(114.7) | \$1,044.2 |
| Direct Contribution to Profit | \$107.0 | \$96.0 | \$40.1 | \$243.1 | \$93.4 | \$ - | \$26.7 | \$ - | \$363.2 |
| Shared Services and Admin. Costs (b) | | | | | | | | | (210.5) |
| Operating Income | | | | | | | | | 152.7 |
| Interest Expense and Other, Net | | | | | | | | | (8.9) |
| Income Before Taxes | | | | | | | | | \$143.8 |
| Total Assets | \$421.4 | \$77.3 | \$95.4 | \$594.1 | \$259.5 | \$ - | \$63.7 | \$108.7 | \$1,026.0 |
| Expenditures for Long-Lived Assets | \$35.8 | \$14.0 | \$10.0 | \$59.8 | \$17.7 | \$ - | \$6.1 | \$40.0 | \$123.6 |
| Depreciation and Amortization | \$19.2 | \$5.3 | \$15.1 | \$39.6 | \$16.5 | \$ - | \$3.9 | \$22.0 | \$82.0 |

2005

| | U.S. Segments | | | | European Segment | Blackwell Segment | Other Segments | Eliminations & Corporate Items | Total |
|--|---------------|---------|------------------|------------|------------------|-------------------|----------------|--------------------------------|-----------|
| | P/T | STM | Higher Education | Total U.S. | | | | | |
| Revenue | | | | | | | | | |
| External Customers | \$313.6 | \$182.4 | \$124.1 | \$620.1 | \$247.0 | \$ - | \$106.9 | \$ - | \$974.0 |
| Inter-Segment Sales | 36.7 | 8.1 | 26.8 | 71.6 | 21.9 | - | 1.7 | (95.2) | - |
| Total Revenue | \$350.3 | \$190.5 | \$150.9 | \$691.7 | \$268.9 | \$ - | \$108.6 | \$ (95.2) | \$974.0 |
| Direct Contribution to Profit | \$102.3 | \$88.9 | \$38.2 | \$229.4 | \$86.2 | \$ - | \$24.9 | \$ - | \$340.5 |
| Shared Services and Admin. Costs (b) | | | | | | | | | (199.1) |
| Operating Income | | | | | | | | | 141.4 |
| Interest Expense and Other, Net | | | | | | | | | (5.7) |
| Income Before Taxes | | | | | | | | | \$135.7 |
| Total Assets | \$395.4 | \$62.2 | \$101.6 | \$559.2 | \$269.8 | \$ - | \$46.4 | \$157.2 | \$1,032.6 |
| Expenditures for Other Long-Lived Assets | \$33.3 | \$12.1 | \$13.3 | \$58.7 | \$29.4 | \$ - | \$5.0 | \$20.7 | \$113.8 |
| Depreciation and Amortization | \$16.8 | \$5.1 | \$16.1 | \$38.0 | \$13.9 | \$ - | \$3.7 | \$22.8 | \$78.4 |

(a) In fiscal year 2007, the Company added a new segment "Blackwell" which includes the results of the Blackwell business acquired on February 2, 2007 (See Note 4).

(b) Shared Services and Administrative Costs (in thousands):

| | 2007 | 2006 | 2005 |
|------------------------|-----------|-----------|-----------|
| Distribution | \$53,492 | \$50,260 | \$47,631 |
| Information Technology | 71,935 | 62,732 | 55,074 |
| Finance | 45,761 | 32,594 | 34,390 |
| Other Administration | 79,063 | 64,942 | 62,064 |
| Total | \$250,251 | \$210,528 | \$199,159 |

Intersegment sales are generally made at a fixed discount from list price. Corporate assets primarily consist of cash and marketable securities, deferred tax benefits, and certain property and equipment. Export sales from the United States to unaffiliated customers amounted to approximately \$88.0 million, \$79.6 million, and \$67.7 million in fiscal years 2007, 2006, and 2005, respectively. The pretax income for consolidated operations outside the United States was approximately \$58.2 million, \$51.4 million, and \$45.5 million in 2007, 2006, and 2005, respectively.

Worldwide revenue for the Company's core businesses was as follows (in thousands):

| | 2007 | 2006 | 2005 |
|------------------------------------|-------------|-------------|-----------|
| Professional/Trade | \$483,845 | \$444,211 | \$411,432 |
| Scientific, Technical, and Medical | 535,946 | 396,783 | 372,122 |
| Higher Education | 215,145 | 203,191 | 190,494 |
| Total | \$1,234,936 | \$1,044,185 | \$974,048 |

Revenue from external customers based on the location of the customer and long-lived assets by geographic area was as follows (in thousands):

| | Revenue | | | Long-Lived Assets | | |
|-----------------|---------------------------|--------------------|------------------|---------------------------|------------------|------------------|
| | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
| United States | \$711,960 | \$615,222 | \$576,521 | \$491,488 | \$472,505 | \$450,159 |
| United Kingdom | 94,556 | 72,543 | 73,428 | 1,456,956 | 69,978 | 81,041 |
| Germany | 66,333 | 61,776 | 69,964 | 142,477 | 137,921 | 143,349 |
| Australia | 51,068 | 44,660 | 38,025 | 10,055 | 8,836 | 9,640 |
| Canada | 51,280 | 46,612 | 37,994 | 4,522 | 4,935 | 3,543 |
| Other Countries | 259,739 | 203,372 | 178,116 | 3,612 | 1,717 | 1,634 |
| Total | <u>\$1,234,936</u> | <u>\$1,044,185</u> | <u>\$974,048</u> | <u>\$2,109,110</u> | <u>\$695,892</u> | <u>\$689,366</u> |

JOHN WILEY & SONS, INC., AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED APRIL 30, 2007, 2006, AND 2005

(Dollars in thousands)

| Description | Balance at Beginning of Period | Additions/(Deductions) | | Deductions From Reserves | Balance at End of Period |
|---|--------------------------------------|----------------------------------|----------------------|--------------------------------|--------------------------------|
| | | Charged to Cost & Expenses | From Acquisitions | | |
| Year Ended April 30, 2007 | | | | | |
| Allowance for Sales Returns ⁽¹⁾ | \$55,805 | \$102,293 | \$2,069 | \$104,019 | \$56,148 |
| Allowance for Doubtful Accounts | \$6,615 | \$6,421 | \$1,577 | \$3,407⁽²⁾ | \$11,206 |
| Allowance for Inventory Obsolescence | \$30,716 | \$20,555 | \$5,843 | \$24,870 | \$32,244 |
| Year Ended April 30, 2006 | | | | | |
| Allowance for Sales Returns ⁽¹⁾ | \$56,661 | \$106,779 | \$1,750 | \$109,385 | \$55,805 |
| Allowance for Doubtful Accounts | \$7,280 | \$1,698 | \$241 | \$2,604 ⁽²⁾ | \$6,615 |
| Allowance for Inventory Obsolescence | \$24,169 | \$21,739 | \$1,700 | \$16,892 | \$30,716 |
| Year Ended April 30, 2005 | | | | | |
| Allowance for Sales Returns ⁽¹⁾ | \$63,752 | \$101,030 | \$ - | \$108,121 | \$56,661 |
| Allowance for Doubtful Accounts | \$11,378 | \$1,861 | \$ - | \$5,959 ⁽²⁾ | \$7,280 |
| Allowance for Inventory Obsolescence | \$25,915 | \$20,342 | \$341 | \$22,429 | \$24,169 |

⁽¹⁾ Allowance for sales returns represents anticipated returns net of inventory and royalty costs. The provision is reported as a reduction of gross sales to arrive at revenue and the reserve balance is reported as a deduction of accounts receivable.

⁽²⁾ Accounts written off, less recoveries.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures: As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) of the Exchange Act. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in alerting them on a timely basis to information required to be included in our submissions and filings with the SEC.

Management's Report on Internal Control over Financial Reporting: Our Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting is effective as of April 30, 2007.

We acquired Blackwell on February 2, 2007 and we excluded from our assessment of the effectiveness of our internal control over financial reporting as of April 30, 2007, Blackwell's internal control over financial reporting associated with total assets of \$1,485.0 million and total revenue of \$105.8 million included in our consolidated financial statements as of and for the fiscal year ended April 30, 2007.

KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, (1) on our management's assessment of the effectiveness of our internal controls over financial reporting and (2) on the effectiveness of our internal control over financial reporting.

Changes in Internal Control over Financial Reporting: There were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during our fourth fiscal quarter of 2007.

Item 9B. Other Information

Information on the Audit Committee Charter is contained in our Proxy Statement for our 2007 Annual Meeting of Shareholders under the caption "Certain Information Concerning the Board" and is incorporated herein by reference.

Information with respect to the Company's corporate governance principles is contained in our Proxy Statement for our 2007 Annual Meeting of Shareholders under the caption "Corporate Governance Principles" and is incorporated herein by reference.

PART III

Item 10. Directors and Executive Officers of the Registrant

The name, age and background of each of our directors nominated for election are contained under the caption "Election of Directors" in our Proxy Statement for our 2007 Annual Meeting of Shareholders and are incorporated herein by reference.

Information on the beneficial ownership reporting for our directors and executive officers is contained under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement for our 2007 Annual Meeting of Shareholders and is incorporated herein by reference.

Information on our audit committee financial experts is contained in our Proxy Statement for our 2007 Annual Meeting of Shareholders under the caption "Report of the Audit Committee" and is incorporated herein by reference.

Executive Officers

Set forth below as of April 30, 2007 are the names and ages of all executive officers of the Company, the period during which they have been officers, and the offices presently held by each of them.

| <u>Name and Age</u> | <u>Officer Since</u> | <u>Present Office</u> |
|---------------------------|----------------------|--|
| Peter Booth Wiley 64 | 2002 | Chairman of the Board since September 2002 and a Director since 1984. |
| William J. Pesce 56 | 1989 | President and Chief Executive Officer and a Director since May 1998. |
| Ellis E. Cousens 55 | 2001 | Executive Vice President and Chief Financial and Operations Officer since March 2001. |
| Stephen A. Kippur 60 | 1986 | Executive Vice President; and President, Professional and Trade Publishing, since July 1998. |
| William Arlington 58 | 1990 | Senior Vice President, Human Resources, since June 1996. |
| Timothy B. King 67 | 1996 | Senior Vice President, Planning and Development, since 1996. |
| Bonnie E. Lieberman 59 | 1990 | Senior Vice President, Higher Education, since 1996. |
| Gary M. Rinck 55 | 2004 | Senior Vice President, General Counsel, since March 2004 (previously Group General Counsel of Pearson PLC, from 2000, Managing Partner |

of the London office of Morrison & Foerster from 1995).

| | | |
|-------------------------|------|--|
| Stephen M. Smith 52 | 1995 | Chief Operating Officer, Wiley Europe, since May 2006 (previously Senior Vice President, International Development and Director of Professional and Trade Publishing, since 1995). |
| Eric A. Swanson 59 | 1989 | Senior Vice President, Wiley-Blackwell since January 2007 (previously Senior Vice President, Scientific Technical and Medical, since 1996). |
| Deborah E. Wiley 61 | 1982 | Senior Vice President, Corporate Communications, since June 1996. |
| Vinnie Marzano 44 | 2007 | Vice President, Treasurer, since September 2006 (previously Vice President, Treasurer of Scholastic Corporation from 2000). |
| Edward J. Melando 51 | 2002 | Vice President, Corporate Controller and Chief Accounting Officer, since April 2002. |
| Josephine Bacchi 60 | 1992 | Vice President and Corporate Secretary, since January 2007 (previously Corporate Secretary since 1992). |

Each of the other officers listed above will serve until the next organizational meeting of the Board of Directors of the Company and until each of the respective successors is duly elected and qualified. Deborah E. Wiley is the sister of Peter Booth Wiley. There is no other family relationship among any of the aforementioned individuals.

Item 11. Executive Compensation

Information on compensation of our directors and executive officers is contained in our Proxy Statement for our 2007 Annual Meeting of Shareholders under the captions "Directors' Compensation" and "Executive Compensation," respectively, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this item is contained in the Company's Proxy Statement for our 2007 Annual Meeting of Shareholders under the caption "Beneficial Ownership of Directors and Management" and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

None.

Item 14. Principal Accountant Fees and Services

Information required by this item is contained in the Company's Proxy Statement for our 2007 Annual Meeting of Shareholders under the caption "Report of the Audit Committee" and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Financial Statements and Schedules

Financial Statements and Schedules are listed in the attached index on page 10 and are filed as part of this Report.

(b) Reports on Form 8-K

Announcement of completion of the acquisition of Blackwell Publishing (Holdings) Limited and the related new credit agreement with Bank of America issued on Form 8-K dated as of February 8, 2007.

Earnings release on the third quarter fiscal 2007 results issued on Form 8-K dated March 8, 2007, which included certain condensed financial statements of the Company.

Earnings release on the fiscal year 2007 results issued on Form 8-K dated June 21, 2007, which included certain condensed financial statements of the Company.

(c) Exhibits

- 2.1** Agreement and Plan of Merger dated as of August 12, 2001, among the Company, HMI Acquisition Corp. and Hungry Minds, Inc. (incorporated by reference to the Company's Report on Form 8-K dated as of August 12, 2001).
- 2.2** Scheme of Arrangement dated as of November 21, 2006, among the Company, Wiley Europe Investment Holdings Limited and Blackwell Publishing (Holdings) Limited (incorporated by reference to the Company's Report on Form 8-K dated as of November 21, 2006).
- 3.1** Restated Certificate of Incorporation (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 1992).
- 3.2** Certificate of Amendment of the Certificate of Incorporation dated October 13, 1995 (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 1997).
- 3.3** Certificate of Amendment of the Certificate of Incorporation dated as of September 1998 (incorporated by reference to the Company's Report on Form 10-Q for the quarterly period ended October 31, 1998).
- 3.4** Certificate of Amendment of the Certificate of Incorporation dated as of September 1999 (incorporated by reference to the Company's Report on Form 10-Q for the quarterly period ended October 31, 1999).
- 3.5** By-Laws as Amended and Restated dated as of September 1998 (incorporated by reference to the Company's Report on Form 10-Q for the quarterly period ended October 31, 1998).
- 10.1** \$300,000,000 Credit Agreement dated November 9, 2005. Form 10Q for the quarterly period ended October 31, 2005 (incorporated by reference to the Company's Report on Form 10-Q for the quarterly period ended October 31, 2005).
- 10.2** Credit Agreement dated as of February 2, 2007, among the Company and Bank of America, N.A., as Administrative Agent and Swing Line Lender and the Other Lenders Party Hereto (incorporated by reference to the Company's Report on Form 8-K dated as of February 8, 2007).
- 10.3** Agreement of the Lease dated as of June 7, 2006 between One Wiley Drive, LLC, an independent third party, as landlord and John Wiley and Sons, Inc., as Tenant (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2006).
- 10.4** Agreement of Lease dated as of August 4, 2000, between, Block A South Waterfront Development L.L.C., as Landlord, and the Company, as Tenant (incorporated by reference to the Company's Report on Form 10-Q for the quarterly period ended July 31, 2000).
- 10.5** Summary of Lease Agreement dated as of March 4, 2005, between, Investa Properties Limited L.L.C. as Landlord, and the Company, as Tenant (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2005).
- 10.6** Director Stock Plan (incorporated by reference to the Company's Definitive Proxy Statement date August, 2004).

- 10.7** Executive Annual Incentive Plan (incorporated by reference to the Company's Definitive Proxy Statement dated August 5, 2004).
- 10.8** 2004 Key Employee Stock Plan (incorporated by reference to the Company's Definitive Proxy Statement dated August 5, 2004).
- 10.9** Senior executive employment Agreement to Arbitrate dated as of April 29, 2003 (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2003).
- 10.10** Senior executive Non-competition and Non-disclosure Agreement dated as of April 29, 2003 (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2003).
- 10.11** 1990 Director Stock Plan as Amended and Restated as of June 22, 2001 (incorporated by reference to the Company's Definitive Proxy Statement dated August 8, 2001).
- 10.12** 1989 Supplemental Executive Retirement Plan (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 1989).
- 10.13** Form of the Fiscal Year 2008 Qualified Executive Long Term Incentive Plan (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2007).
- 10.14** Form of the Fiscal Year 2008 Qualified Executive Annual Incentive Plan (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2007).
- 10.15** Form of the Fiscal Year 2008 Executive Annual Strategic Milestones Incentive Plan (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2007).
- 10.16** Form of the Fiscal Year 2007 Qualified Executive Long Term Incentive Plan (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2006).
- 10.17** Form of the Fiscal Year 2007 Qualified Executive Annual Incentive Plan (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2006).
- 10.18** Form of the Fiscal Year 2007 Executive Annual Strategic Milestones Incentive Plan (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2006).
- 10.19** Form of the Fiscal Year 2006 Qualified Executive Long Term Incentive Plan (incorporated by reference to the Company's first quarter fiscal year 2006 report on Form 10-Q).
- 10.20** Form of the Fiscal Year 2006 Qualified Executive Annual Incentive Plan (incorporated by reference to the Company's first quarter fiscal year 2006 report on Form 10-Q).
- 10.21** Form of the Fiscal Year 2006 Executive Annual Strategic Milestones Incentive Plan (incorporated by reference to the Company's first quarter fiscal year 2006 report on Form 10-Q).
- 10.22** Senior executive Employment Agreement dated as of March 1, 2003, between William J. Pesce and the Company (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2003).
- 10.23** Senior executive Employment Agreement dated as of March 1, 2003, between Stephen A. Kippur and the Company (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2003).
- 10.24** Senior executive Employment Agreement dated as of March 1, 2003, between Ellis E. Cousens and the Company (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2003).
- 10.25** Senior executive Employment Agreement letter dated as of March 1, 2003, between Timothy B. King and the Company (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2003).
- 10.27** Senior executive Employment Agreement letter dated as of March 15, 2004, between Gary M. Rinck and the Company (incorporated by reference to the Company's Report on Form 10-K for the year ended April 30, 2004).
- 10.28** Deferred Compensation Plan for Directors' 2005 & After Compensation (incorporated by reference to the report on Form 8-K, filed December 21, 2005).

- 21*** List of Subsidiaries of the Company
- 23*** Consent of KPMG LLP.
- 31.1*** Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2*** Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1** Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2*** Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JOHN WILEY & SONS, INC.

(Company)

By: /s/ William J. Pesce

William J. Pesce

President and Chief Executive Officer

By: /s/ Ellis E. Cousens

Ellis E. Cousens

Executive Vice President and

Chief Financial and Operations Officer

By: /s/ Edward J. Melando

Edward J. Melando

Vice President, Controller and

Chief Accounting Officer

Dated: June 28, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons constituting directors of the Company on June 28, 2007.

/s/ Warren J. Baker

Warren J. Baker

/s/ Eduardo R. Menascé

Eduardo R. Menascé

/s/ Richard M. Hochhauser

Richard M. Hochhauser

/s/ William J. Pesce

William J. Pesce

/s/ Kim Jones

Kim Jones

/s/ William B. Plummer

William B. Plummer

/s/ Mathew S. Kissner

Mathew S. Kissner

/s/ Bradford Wiley II

Bradford Wiley II

/s/ Raymond McDaniel, Jr.

Raymond McDaniel, Jr.

/s/ Peter Booth Wiley

Peter Booth Wiley

SUBSIDIARIES OF JOHN WILEY & SONS, INC.⁽¹⁾

| | <u>Jurisdiction In Which Incorporated</u> |
|--|---|
| John Wiley & Sons International Rights, Inc. | Delaware |
| JWS HQ, LLC | New Jersey |
| JWS DCM, LLC | New Jersey |
| Wiley-Liss, Inc. | Delaware |
| Wiley Publishing Services, Inc. | Delaware |
| Wiley Periodicals, Inc. | Delaware |
| Wiley Subscription Services, Inc. | Delaware |
| Blackwell Publishing, Inc. | Delaware |
| Iowa State University Press | Missouri |
| John Wiley & Sons (Asia) Pte. Ltd. | Singapore |
| John Wiley & Sons Australia, Ltd. | Australia |
| John Wiley & Sons Canada Limited | Canada |
| John Wiley & Sons (HK) Limited | Hong Kong |
| Wiley HMI Holdings, Inc. | Delaware |
| Wiley Europe Investment Holdings, Ltd. | United Kingdom |
| Wiley U.K. (Unlimited Co.) | United Kingdom |
| Wiley Europe Ltd. | United Kingdom |
| John Wiley & Sons, Ltd. | United Kingdom |
| Wiley Heyden Ltd. | United Kingdom |
| Wiley Distribution Services Ltd. | United Kingdom |
| Blackwell Publishing (Holdings) Ltd. | United Kingdom |
| Blackwell Publishing Ltd. | United Kingdom |
| Blackwell Publishing Singapore | Singapore |
| Blackwell Science Ltd. | United Kingdom |
| Blackwell Science (Overseas Holdings) | United Kingdom |
| Munksgaard Als | Denmark |
| Blackwell – Verlag GmbH | Germany |
| Blackwell Pub. Asia Pte. Ltd. | Australia |
| Blackwell Science KK | Japan |
| Blackwell Science (HK) Ltd. | China |
| HMI Investment, Inc. | Delaware |
| Wiley Publishing Inc. | Delaware |
| Wiley India Private Ltd. | India |
| Wiley Publishing Australia Pty Ltd. | Australia |
| John Wiley & Sons GmbH | Germany |
| Wiley-VCH Verlag GmbH & Co. KGaA | Germany |
| GIT Verlag GmbH & Co. KG | Germany |

⁽¹⁾ The names of other subsidiaries that would not constitute a significant subsidiary in the aggregate have been omitted.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
John Wiley & Sons, Inc.:

We consent to the incorporation by reference in the Registration Statement Nos. 333-123359, 333-93591, 33-60268 and 33-62605 of John Wiley & Sons, Inc. (the "Company") of our reports dated June 28, 2007, with respect to the consolidated statements of financial position of John Wiley & Sons, Inc. as of April 30, 2007 and 2006, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows, for each of the years in the three-year period ended April 30, 2007, and the related financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting as of April 30, 2007 and the effectiveness of internal control over financial reporting as of April 30, 2007, which reports appear in the April 30, 2007 annual report on Form 10-K of John Wiley & Sons, Inc. Our report on the consolidated financial statements refers to the Company's adoption of Statement of Financial Accounting Standards No. 123R, "Share-Based Payment," as of May 1, 2006 and SFAS No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" on April 30, 2007.

/s/ KPMG LLP
New York, New York

June 28, 2007

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William J. Pesce, President and Chief Executive Officer of John Wiley & Sons, Inc. (the "Company"), hereby certify that:

1. I have reviewed this annual report on Form 10-K of the Company;
2. Based on my knowledge, this annual report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

By: /s/ William J. Pesce

William J. Pesce
President and Chief Executive Officer

Dated: June 28, 2007

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ellis E. Cousens, Executive Vice President and Chief Financial and Operations Officer of John Wiley & Sons, Inc. (the "Company"), hereby certify that:

1. I have reviewed this annual report on Form 10-K of the Company;
2. Based on my knowledge, this annual report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

By: /s/ Ellis E. Cousens
Ellis E. Cousens
Executive Vice President and
Chief Financial and Operations Officer
Dated: June 28, 2007

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of John Wiley & Sons, Inc. (the "Company") on Form 10-K for the year ended April 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William J. Pesce, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William J. Pesce
William J. Pesce
President and Chief Executive Officer

Dated: June 28, 2007

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of John Wiley & Sons, Inc. (the "Company") on Form 10-K for the year ended April 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ellis E. Cousens, Executive Vice President and Chief Financial and Operations Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ellis E. Cousens
Ellis E. Cousens
Executive Vice President and
Chief Financial & Operations Officer

Dated: June 28, 2007