

**FORM 10-Q**

**Thomson StreetEvents<sup>SM</sup>**

## **SEC Filing**

**WILEY JOHN SONS, INC. - JW.A**

**Filing Date:** March 09, 2006

**Filing Period:** January 31, 2006

### **DESCRIPTION**

Quarterly report which provides a continuing view of a company's financial position

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## 10-Q - FY06 QUARTERLY REPORT, THIRD QUARTER

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### PART II

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT 1934

For the quarterly period ended January 31, 2006 Commission File No. 1-11507

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES ACT OF 1934  
For the transition period from to

JOHN WILEY & SONS, INC.  
(Exact name of Registrant as specified in its charter)

NEW YORK 13-5593032  
-----  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

111 RIVER STREET, HOBOKEN NJ 07030  
-----  
(Address of principal executive offices) Zip Code

Registrant's telephone number, including area code (201) 748-6000  
-----

NOT APPLICABLE

-----  
Former name, former address, and former fiscal year,  
if changed since last report

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

Check whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES  NO

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

The number of shares outstanding of each of the Registrant's classes of common stock as of February 28, 2006 were:

Class A, par value \$1.00 - 46,857,955  
Class B, par value \$1.00 - 10,671,743

This is the first page of a 30-page document

JOHN WILEY & SONS, INC.

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JOHN WILEY & SONS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(In thousands)

	(UNAUDITED)		
	January 31,		
	2006	2005	April 30, 2005
	-----	-----	-----
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 75,301	125,841	\$ 89,401
Marketable securities	-	14,000	10,000
Accounts receivable	177,118	166,588	137,787
Inventories	88,318	78,133	83,372
Deferred income tax benefits	9,815	9,909	5,921
Prepays and other	12,670	13,597	12,437
	-----	-----	-----
Total Current Assets	363,222	408,068	338,918
<b>Product Development Assets</b>			
Property, Equipment and Technology	63,402	59,755	61,511
Intangible Assets	102,594	115,083	115,383
Goodwill	304,541	285,337	291,041
Deferred Income Tax Benefits	197,380	195,034	195,563
Other Assets	5,356	7,772	4,285
	-----	-----	-----
Total Assets	\$ 1,063,846	1,093,728	\$ 1,032,569
	=====	=====	=====
<b>Liabilities &amp; Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts and royalties payable	\$ 99,449	91,996	\$ 70,958
Deferred subscription revenue	150,614	143,510	142,766
Accrued income taxes	31,140	42,329	36,376
Accrued pension liability	6,609	5,159	6,229
Other accrued liabilities	66,912	69,952	84,982
	-----	-----	-----
Total Current Liabilities	354,724	352,946	341,311
<b>Long-Term Debt</b>			
	190,000	200,000	196,214
<b>Accrued Pension Liability</b>			
	67,614	53,919	62,116
<b>Other Long-Term Liabilities</b>			
	35,291	32,940	34,652
<b>Deferred Income Taxes</b>			
	10,057	106	1,702
<b>Shareholders' Equity</b>			
Class A & Class B common stock	83,191	83,190	83,191
Additional paid-in-capital	65,193	53,205	55,478
Retained earnings	587,189	506,980	507,249
Accumulated other comprehensive (loss)/gain	(517)	11,822	1,982
Unearned deferred compensation	(3,851)	(3,069)	(3,074)
Treasury stock	(325,045)	(198,311)	(248,252)
	-----	-----	-----
Total Shareholders' Equity	406,160	453,817	396,574
	-----	-----	-----
Total Liabilities & Shareholders' Equity	\$ 1,063,846	1,093,728	\$ 1,032,569
	=====	=====	=====

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

JOHN WILEY & SONS, INC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED  
(In thousands except per share information)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2006	2005	2006	2005
Revenue	\$ 278,189	258,428	\$ 777,621	732,417
Costs and Expenses				
Cost of sales	91,207	85,708	254,617	246,184
Operating and administrative expenses	129,007	119,630	383,286	357,232
Amortization of intangibles	3,874	2,665	9,990	7,675
Total Costs and Expenses	224,088	208,003	647,893	611,091
Operating Income	54,101	50,425	129,728	121,326
Interest Income and Other, net	293	180	689	281
Interest Expense	(3,700)	(2,154)	(7,927)	(5,002)
Net Interest Expense and Other	(3,407)	(1,974)	(7,238)	(4,721)
Income Before Taxes	50,694	48,451	122,490	116,605
Provision For Income Taxes	9,745	15,660	26,680	37,471
Net Income	\$ 40,949	32,791	\$ 95,810	79,134
Income Per Share				
Diluted	\$ 0.69	0.53	\$ 1.59	1.27
Basic	\$ 0.71	0.54	\$ 1.64	1.30
Cash Dividends Per Share				
Class A Common	\$ 0.09	0.08	\$ 0.27	0.23
Class B Common	\$ 0.09	0.08	\$ 0.27	0.23
Average Shares				
Diluted	59,459	62,064	60,187	62,539
Basic	57,711	60,513	58,400	60,998

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

JOHN WILEY & SONS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW - UNAUDITED  
(In thousands)

	For The Nine Months Ended January 31,	
	2006	2005
<b>Operating Activities</b>		
Net income	\$ 95,810	\$ 79,134
Adjustments to reconcile net income to cash provided by (used for) operating activities		
Amortization of intangibles	9,990	7,675
Amortization of composition costs	26,688	25,590
Depreciation of property, equipment and technology	24,301	23,084
Non-cash charges & other	53,409	43,520
Non-cash tax benefits	(14,252)	-
Change in deferred subscription revenue	7,008	14,722
Net change in operating assets and liabilities, excluding acquisitions	(35,550)	(4,890)
Cash Provided by Operating Activities	167,404	188,835
<b>Investing Activities</b>		
Additions to product development assets	(52,156)	(45,285)
Additions to property, equipment and technology	(14,084)	(17,948)
Acquisitions, net of cash acquired	(29,055)	(13,697)
Sales (Purchase) of marketable securities	10,000	(14,000)
Cash Used for Investing Activities	(85,295)	(90,930)
<b>Financing Activities</b>		
Repayments of long-term debt	(282,809)	-
Borrowings of long-term debt	279,842	-
Purchase of treasury stock	(82,549)	(45,416)
Cash dividends	(15,870)	(13,687)
Proceeds from exercise of stock options and other	5,460	3,922
Cash Used for Financing Activities	(95,926)	(55,181)

Effects of Exchange Rate Changes on Cash	(283)	1,090
Cash and Cash Equivalents		
Increase (Decrease) for Period	(14,100)	43,814
Balance at Beginning of Period	89,401	82,027
Balance at End of Period	\$ 75,301	\$ 125,841
Supplemental Information		
Businesses/Rights Acquired:		
Fair value of assets acquired	\$ 35,364	\$ 13,697
Liabilities assumed	(6,309)	-
Cash Paid for Businesses/Rights Acquired	\$ 29,055	\$ 13,697
Cash Paid During the Period for:		
Interest	\$ 4,487	\$ 3,725
Income taxes	\$ 24,814	\$ 10,066

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

JOHN WILEY & SONS, INC., AND SUBSIDIARIES  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position of John Wiley & Sons, Inc., and Subsidiaries (the "Company") as of January 31, 2006 and 2005, and results of operations and cash flows for the three and nine month periods ended January 31, 2006 and 2005. The results for the three months and nine months ended January 31, 2006 are not necessarily indicative of the results expected for the full year. These statements should be read in conjunction with the most recent audited financial statements contained in the Company's Form 10-K for the fiscal year ended April 30, 2005.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Certain prior-year amounts have been reclassified to conform to the current year's presentation.

2. Recent Accounting Standards

In December 2004, the FASB issued Statement No. 123 (revised 2004) ("SFAS 123R") "Share-Based Payments." SFAS 123R will require the Company to measure the cost of all employee stock-based compensation awards based on the grant-date-fair-value and to record that cost as compensation expense over the period during which the employee is required to perform service under the terms of the award. The statement eliminates the alternative method of accounting for the employee share-based payments previously available under Accounting Principles Board Opinion No. 25. SFAS 123R will be adopted by the Company in the first quarter of fiscal year 2007. The Company currently discloses the pro forma effect of SFAS 123 in the notes to these financial statements. The impact of SFAS 123R adoption has not yet been quantified but is expected to approximate the pro forma effect as disclosed in the notes to the financial statements.

3. Stock-Based Compensation

Stock options and restricted stock grants are accounted for in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based

Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." Accordingly, the Company recognizes no compensation expense for fixed stock option grants since the exercise price is equal to the fair value of the shares at date of grant. For restricted stock grants, compensation cost is generally recognized ratably over the vesting period based on the fair value of shares.

Pro forma information under SFAS No. 123 and SFAS No. 148

The per share value of options granted in connection with the Company's stock option plans during the following periods are estimated using the Black Scholes option pricing model with the following weighted average assumptions:

	For the Three and Nine Months Ending January 31,	
	2006	2005
Expected life of options (years)	8.0	8.1
Risk-free interest rate	3.9%	4.5%
Volatility	27.1%	26.2%
Dividend yield	0.9%	0.9%
Per share fair value of options granted	\$13.61	\$11.00

For purposes of the following pro forma disclosure, the fair value of the awards was estimated at the date of grant using the Black Scholes option-pricing model and amortized to expense over the options vesting periods.

(in thousands except per share amount)	For the Three Months Ending January 31,		For the Nine Months Ending January 31,	
	2006	2005	2006	2005
Net income as reported	\$40,949	\$32,791	\$95,810	\$79,134
Stock-based compensation, net of tax, included in the determination of net income as reported -				
Restricted stock plans	653	962	2,483	2,481
Director stock plan	50	14	246	43
Stock-based compensation costs, net of tax, that would have been included in the determination of net income had the fair value-based method been applied	(2,225)	(2,295)	(7,295)	(6,550)
Pro forma net income	\$39,427	\$31,472	\$91,244	\$75,108
Reported earnings per share				
Diluted	\$0.69	\$0.53	\$1.59	\$1.27
Basic	\$0.71	\$0.54	\$1.64	\$1.30
Pro forma earnings per share				
Diluted	\$0.66	\$0.51	\$1.52	\$1.20
Basic	\$0.68	\$0.52	\$1.56	\$1.23

In accordance with current accounting requirements, the Company discloses pro forma compensation expense reflecting stock options granted to all employees, including near-retirement and retirement-eligible employees. The fair value of these stock based awards are amortized to expense over the normal vesting period. Upon the adoption of SFAS 123R, in the first quarter of fiscal year 2007, compensation expense will be recognized over the requisite service period to achieve vesting for awards granted to retirement-eligible employees, which may be shorter than the normal vesting period. If the Company had previously been computing pro forma compensation expense over the shorter requisite service period for stock options granted to retirement-eligible employees, the effect on pro forma earnings per share, for all periods presented, would not have been significant.

4. Comprehensive Income

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 Comprehensive income was as follows (in thousands):

	For the Three Months Ending January 31,		For the Nine Months Ending January 31,	
	2006	2005	2006	2005
Net income	\$40,949	\$32,791	\$95,810	\$79,134
Change in other comprehensive income, net of taxes:				
Foreign currency translation adjustment	1,618	4,161	(2,499)	9,625
Comprehensive income	\$42,567	\$36,952	\$93,311	\$88,759

A reconciliation of accumulated other comprehensive gain (loss) follows (in thousands):

	Three Months Ended January 31, 2006		
	Beginning Balance	Change for Period	Ending Balance
Foreign currency translation adjustment	\$24,414	1,618	26,032
Minimum pension liability, net of tax	(26,549)	-	(26,549)
Total	\$ (2,135)	1,618	(517)

  

	Nine Months Ended January 31, 2006		
	Beginning Balance	Change for Period	Ending Balance
Foreign currency translation adjustment	\$28,531	(2,499)	26,032
Minimum pension liability, net of tax	(26,549)	-	(26,549)
Total	\$1,982	(2,499)	(517)

5. Weighted Average Shares for Earnings Per Share

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 A reconciliation of the shares used in the computation of income per share follows (in thousands):

	For the Three Months Ending January 31,		For the Nine Months Ending January 31,	
	2006	2005	2006	2005
Weighted average shares outstanding	58,057	60,819	58,719	61,285
Less: Unearned deferred compensation shares	(346)	(306)	(319)	(287)
Shares used for basic income per share	57,711	60,513	58,400	60,998
Dilutive effect of stock options and other stock awards	1,748	1,551	1,787	1,541
Shares used for diluted income per share	59,459	62,064	60,187	62,539

For the three months ended January 31, 2006 and 2005, options to purchase Class A Common Stock of 1,005,000 and zero respectively, have been excluded from the shares used for diluted income per share, as their inclusion would have been anti-dilutive. For the nine months ended January 31, 2006 and 2005, 830,000 and zero shares, respectively, have been excluded due to the anti-dilutive impact.

6. Inventories

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	As of January 31,		As of
	2006	2005	April 30,
			2005
Finished goods	\$75,054	\$66,621	\$72,931
Work-in-process	7,620	7,070	6,743
Paper, cloth and other	8,274	7,242	6,028
	90,948	80,933	85,702
LIFO reserve	(2,630)	(2,800)	(2,330)
Total inventories	\$88,318	\$78,133	\$83,372

## 7. Acquisitions

### Fiscal Year 2006:

During the first nine months of fiscal year 2006, the Company acquired certain businesses, assets and rights for \$29.1 million, including related acquisition costs plus liabilities assumed. Approximately \$25.1 million of brands, trademarks and acquired publishing rights and \$3.8 million of goodwill were recorded in the aggregate. The aggregate effect of the business acquisitions did not have a material impact on the Company's results of operations. 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:

On May 31, 2005, Wiley acquired substantially all the assets of a global publisher of computer books and software, specializing in IT business certification materials. The acquisition cost has been primarily allocated to branded trademarks and the net tangible assets acquired, which consisted primarily of accounts receivable, inventory, accrued royalties, accounts payable and other accrued liabilities. The branded trademarks are being amortized over a 10-year period. The Company is in the process of completing valuations necessary to finalize the purchase price allocation.

On July 11, 2005, the Company acquired the rights to a newsletter publishing division of a leading publisher of mental health and addiction information. The majority of the acquisition is recorded as acquired publication rights and is amortized over a 10-year period.

On October 6, 2005, the Company acquired a leading provider of evidence-based medicine content and web-based search tools. The acquisition cost has been primarily allocated to goodwill, trademarks, customer relationships and the net tangible assets acquired, which consisted primarily of accounts receivable, capitalized software and deferred subscription revenues. The trademarks and customer relationships are being amortized over a 10-year period. The Company is in the process of completing valuations necessary to finalize the purchase price allocation.

On November 7, 2005, the Company acquired the rights to the journal *Dialysis & Transplantation*, a provider of nephrology and renal transplantation information to nephrologists, surgeons, internists and other physicians and healthcare professionals. The majority of the acquisition is recorded as acquired publication rights and is being amortized over a 10-year period.

### Fiscal Year 2005:

During the first nine months of fiscal year 2005, the Company acquired certain business assets and rights for \$13.7 million, including related acquisitions costs plus liabilities assumed. The acquisition consisted primarily of the following:

In the first quarter of fiscal year 2005, the Company acquired the *Journal of Microscopy and Analysis*, a controlled circulation journal, for approximately \$5.4 million, which is recorded as acquired publication rights. The acquired publication rights are being amortized over a 15-year period.

In the third quarter of fiscal year 2005, the Company acquired the rights

to the reference portfolio of the Macmillan Nature Publishing Group for approximately \$4.5 million. The acquired publication rights are being amortized over a 10-year period.

## 8. Segment Information

The Company is a global publisher of print and electronic products, providing must-have 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 undergraduate and graduate students, 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 used to evaluate performance. Segment information is as follows:

For The Three Months Ended January 31,						
2006			2005			
(thousands)						
	External Customers	Inter-segment Sales	Total	External Customers	Inter-segment Sales	Total
Revenue						
-----						
U.S. segments:						
Professional/Trade	\$89,246	11,931	101,177	\$81,848	10,000	91,848
Scientific, Technical, and Medical	46,847	3,078	49,925	40,995	2,238	43,233
Higher Education	38,402	7,954	46,356	38,242	6,952	45,194
European segment	64,383	8,487	72,870	60,789	5,655	66,444
Asia, Australia & Canada	39,311	445	39,756	36,554	372	36,926
Eliminations	-	(31,895)	(31,895)	-	(25,217)	(25,217)
Total Revenue	\$278,189	-	278,189	\$258,428	-	258,428
-----						
Direct Contribution to Profit						
-----						
U.S. segments:						
Professional/Trade			\$32,606			\$30,938
Scientific, Technical, and Medical			20,839			18,635
Higher Education			14,935			15,220
European segment			22,506			20,339
Asia, Australia & Canada			12,261			12,251
Total Direct Contribution to Profit			103,147			97,383
-----						
Shared Services and Administrative Costs						
-----						
Distribution			(11,960)			(11,550)
Information technology			(14,822)			(12,777)
Finance			(7,173)			(9,119)
Other administrative			(15,091)			(13,512)
Total Shared Services and Administrative Costs			(49,046)			(46,958)
-----						
Operating Income			\$54,101			\$50,425
=====						

For The Nine Months Ended January 31,						
2006			2005			
(thousands)						
	External Customers	Inter-segment Sales	Total	External Customers	Inter-segment Sales	Total
Revenue						
-----						
U.S. segments:						
Professional/Trade	\$243,535	31,101	274,636	\$229,959	26,886	256,845
Scientific, Technical, and Medical	140,437	7,596	148,033	130,300	5,835	136,135
Higher Education	108,398	25,300	133,698	107,382	23,962	131,344
European segment	192,489	20,289	212,778	178,692	15,000	193,692
Asia, Australia & Canada	92,762	1,329	94,091	86,084	1,240	87,324
Eliminations	-	(85,615)	(85,615)	-	(72,923)	(72,923)
Total Revenue	\$777,621	-	777,621	\$732,417	-	732,417
-----						
Direct Contribution to Profit						
-----						
U.S. segments:						
Professional/Trade			\$77,009			\$72,644
Scientific, Technical, and Medical			68,856			62,301
Higher Education			43,655			43,663
European segment			66,398			60,847
Asia, Australia & Canada			21,461			21,255
Total Direct Contribution to Profit			277,379			260,710
-----						
Shared Services and Administrative Costs						

Distribution	(36,414)	(35,308)
Information technology	(45,063)	(38,009)
Finance	(22,782)	(24,359)
Other administration	(43,392)	(41,708)
Total Shared Services and Administrative Costs	(147,651)	(139,384)
Operating Income	\$129,728	\$121,326

9. Intangible Assets

Intangible assets consist of the following (in thousands):

	As of January 31,		As of
	2006	2005	April 30,
			2005
Intangible assets not subject to amortization			
Branded trademarks	\$57,900	\$57,900	\$57,900
Acquired publication rights	117,800	120,272	120,426
Total intangible assets not subject to amortization	177,700	178,172	178,326
Net intangible assets subject to amortization, principally acquired publication rights	128,841	107,165	112,715
Total	\$304,541	\$285,337	\$291,041

10. Marketable Securities

During the third quarter of fiscal year 2005, the Company acquired marketable securities for approximately \$14.0 million. The marketable securities consisted entirely of shares of variable rate securities issued by closed-end funds that invest in a diversified portfolio of government and corporate securities. Generally, these securities do not have a stated maturity date and reset their dividends every 28 days. These securities were accounted for as available-for-sale in accordance with SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities." During the first quarter of fiscal year 2006, the Company sold its remaining marketable securities for approximately \$10.0 million. There were no comparable investments at January 31, 2006.

11. Income Taxes

The tax provision for the third quarter of fiscal year 2006 includes a tax adjustment of \$6.8 million, or \$0.11 per diluted share, related to a favorable resolution of certain matters with tax authorities.

The tax provision for the nine months ending January 31, 2006 also includes \$7.5 million, or \$0.12 per diluted share, of tax benefits 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. Neither the current tax benefit associated with the \$7.5 million tax accrual reversal, nor the corresponding fourth quarter fiscal year 2005 tax accrual had a cash impact on the Company.

Excluding the tax benefits described above, the effective tax rate for the nine months ending January 31, 2006 increased to 33.4% as compared to 32.1% for the nine months ending January 31, 2005, mainly due to lower U.S. and foreign tax benefits.

12. Retirement Plans

The components of net pension expense for the defined benefit plans were as follows:

	For the Three Months Ending January 31,	For the Nine Months Ending January 31,
--	--	---

(Dollars in thousands)	2006	2005	2006	2005
Service Cost	\$2,642	\$2,258	\$8,245	\$6,248
Interest Cost	2,889	2,523	8,707	7,896
Expected Return of Plan Assets	(2,732)	(2,145)	(8,253)	(6,679)
Net Amortization of Prior Service Cost	220	108	465	387
Recognized Net Actuarial Loss	748	519	2,394	1,457
Net Pension Expense	\$3,767	\$3,263	\$11,558	\$9,309

Pension plan contributions were \$4.8 million and \$4.2 million for the nine months ended January 31, 2006 and 2005, respectively.

### 13. Long-term Debt

On November 9, 2005, the Company entered into a new \$300 million revolving credit agreement with Bank of America as Administrative Agent and 14 other lenders. The interest rate on the initial borrowings was equal to LIBOR plus .37%. The Company has the option of borrowing at the following floating interest rates: (i) at a rate based on the London Interbank Offered Rate (LIBOR) plus an applicable margin ranging from .37% to .825% depending on the coverage ratio of debt to EBITDA; or (ii) at the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its prime rate; and (iii) LIBOR plus or minus an amount determined through a competitive bidding process among the lenders. The maximum amount outstanding at any time under option (iii) above cannot exceed \$25 million. In addition, the Company will pay a facility fee ranging from .08% to .175% on the facility depending on the coverage ratio of debt to EBITDA. The Company has the option to request an increase of up to \$100 million in the size of the facility in minimum amounts of \$25 million. The credit agreement contains certain restrictive covenants similar to those in the Company's former credit agreements related to an interest coverage ratio, funded debt levels, and restricted payments, including a limit on dividends paid and share repurchases. The credit agreement will terminate on November 9, 2010. At January 31, 2006, \$190 million was outstanding under this agreement.

Simultaneous with the execution of this agreement, the Company terminated its previous credit agreement with UBS AG and paid in full the amounts outstanding under that agreement. In connection with the early termination of the credit agreement, \$0.5 million of unamortized organization fees were expensed in the third quarter of fiscal year 2006.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### RESULTS OF OPERATIONS -

#### THIRD QUARTER ENDED JANUARY 31, 2006

Revenue for the third quarter of fiscal year 2006 of \$278.2 million increased 8% from \$258.4 million in the prior year's third quarter. The third quarter revenue increase was driven by year-on-year growth in the global Scientific, Technical and Medical (STM) and Professional/Trade (P/T) businesses. U.S. Higher Education revenue also increased compared with last year's third quarter.

Gross profit margin for the third quarter was 67.2% compared to 66.8% in the prior year's quarter, primarily due to higher sales of global STM products. Operating and administrative expenses increased 8% over last year's third quarter, mainly due to investments in technology to deliver products to our customers and increased selling, marketing and editorial costs to support revenue growth, partially offset by lower professional fees associated with Sarbanes-Oxley compliance.

Operating income advanced 7% to \$54.1 million in the third quarter of fiscal year 2006 primarily due to increased revenue. Operating margin for the third quarter was 19.4% compared with 19.5% in the prior year. Interest expense increased \$1.5 million primarily due to higher borrowing rates and the one-time write-off of unamortized debt financing costs associated with the termination of

the Company's previous credit agreement.

Excluding a favorable tax adjustment associated with the resolution of certain matters with tax authorities, the effective tax rate for the third quarter of fiscal year 2006 increased to 32.6% as compared to 32.3% in the third quarter of fiscal year 2005. Including the tax adjustment, the reported third quarter effective tax rate was 19.2%.

Earnings per diluted share and net income for the third quarter of fiscal year 2006 were \$0.69 and \$40.9 million, respectively. Excluding the favorable tax adjustment further discussed below, adjusted earnings per diluted share and adjusted net income for the third quarter of fiscal year 2006 rose 8% to \$0.57 and 4% to \$34.2 million, respectively.

Earnings per diluted share outpaced growth in net income due to the accretive effect of treasury stock purchases. During the third quarter of fiscal year 2006, the Company repurchased approximately 708,400 million shares of common stock at an average price of \$39.04.

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 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, which exclude the tax benefit associated with the resolution of certain matters with tax authorities, for the three months ended January 31, 2006 and 2005, are as follows:

Reconciliation of non-GAAP financial disclosure  
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Net Income (in millions)	2006	2005
As Reported	\$40,949	\$32,791
Favorable resolution of tax matters	(6,776)	-
Adjusted	\$34,173	\$32,791
Earnings per Diluted Share		
As Reported	\$0.69	\$0.53
Favorable resolution of tax matters	(0.11)	-
Adjusted	\$0.57	\$0.53

SEGMENT RESULTS

Professional/Trade (P/T)  
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Wiley's U.S. P/T revenue of \$101.2 million for the third quarter advanced 10% over the prior year, bolstered by a solid holiday season and strong performances of its business, technology, and architecture/engineering categories. P/T's finance and leadership lists, as well as the Sybex technology titles it acquired in May 2005, helped to deliver the positive results. The Sybex acquisition contributed approximately \$1.9 million to the revenue growth. Revenue from licensing and website advertising, particularly Frommers.com, was very strong during the quarter. Direct contribution margin declined 150 basis points to 32.2% for the quarter, principally due to product mix, specifically higher inventory provisions and higher-cost imported titles.

A number of titles published during the quarter contributed to the performance.

Most notable was The Little Book That Beats the Market by Joel Greenblatt, which published in November and was featured in The Wall Street Journal. This book has earned a place on most of the major bestseller lists, alongside other Wiley titles such as SuDoku For Dummies, Volumes I and 2 by Andrew Heron and Edmund James; Empire of Debt: The Rise of an Epic Financial Crisis by William Bonner and Addison Wiggin; J.K. Lasser's Income Tax 2006; Investing For Dummies by Eric Tyson; and Five Dysfunctions of a Team by Patrick Lencioni. Lencioni's latest book, Silos, Politics, and Turf Wars, was successfully released during the quarter, as was Hedgehogging by Barton Biggs, the well known Morgan Stanley investment management chairman turned hedge fund entrepreneur.

Several magazines and newspapers cited Wiley cookbooks in holiday best-of-the-year round-ups, including Paula Wolfert's Cooking of Southwest France (New York Times, National Public Radio); Lisa Yockelson's ChocolateChocolate (New York Times, Boston Globe); Elizabeth Karmel's Taming the Flame: Secrets for Hot-and-Quick Grilling and Low-and-Slow BBQ (Boston Globe, Chicago Tribune); Leslie Revsin and Rick Rodgers' The Simpler the Better: Sensational One Dish Meals (Boston Globe); Laxmi Hiremath's The Dance of Spices: Classic Indian Cooking for Today's Home Kitchen (Boston Globe, Chicago Tribune); and Cecilia Hae-Jin Lee's Eating Korean: From Barbecue to Kimchi, Recipes from My Home (Boston Globe).

P/T is delivering its content to customers in a variety of new formats. Audio downloads to facilitate study for the CPA exam were published in the quarter. Four Web courses, which provide test banks and supplementary course material for professors and students, were released in November.

In January, Wiley acquired the publishing assets of the Stock Trader's Almanac from the Hirsch Organization. Since 2004, Wiley has been the co-publisher of this unique and popular suite of print and online books, newsletters, and analytical tools for the finance market, but will now have the opportunity to extend the brand by developing new products.

#### Scientific, Technical, and Medical (STM)

Wiley's U.S. STM business continued to deliver excellent results in the third quarter with revenue of \$49.9 million up 15% over the previous year's comparable period. Subscription and non-subscription journal revenue, from advertising, commercial reprints, and journal backfiles contributed to these results. The reference book program continued its strong performance, driven by title output and global market strength. STM's direct contribution to profit increased 12%. Direct contribution margin for the third quarter decreased 140 basis points to 41.7%, principally due to increased revenue from lower margin professional society journals and planned increases in sales and marketing costs to drive revenue growth.

The value of Wiley's journals to the research community was evident in the 26% increase in the number of full-text accesses to the more than one million journal articles available on the Company's online service, Wiley InterScience. This significant gain was fueled by increased traffic from search engines and the addition of backfile articles. The value of Wiley's content is also reflected in the results of the ISI Impact Factor Analysis released in 2005, an independent ranking that measures how often individual journal articles are cited by researchers. Many of Wiley's journals, such as the Journal of Biomedical Materials Research, Catheterization and Cardiovascular Intervention, Neurology and Urodynamics, Head and Neck, and the American Journal of Physical Anthropology, showed significant increases.

In November, STM acquired Dialysis and Transplantation, an advertising focused publication that is the world's oldest peer reviewed journal for renal care, catering to nephrologists, internists, surgeons, and other physicians in more than 130 countries. Multi-year agreements were signed with the Crohn's and Colitis Foundation of America to publish the journal, Inflammatory Bowel Diseases, beginning in 2007, and the National Association of Research in Science Teaching to continue publishing the Journal of Research in Science Teaching.

Soon after the close of the third quarter, STM signed a multi-year agreement with The American Ceramic Society to publish 20-30 books and conference proceedings. STM also renewed its book publishing agreement with the IEEE, the premier professional organization for electrical and electronics engineers around the world.

## Higher Education

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Revenue of Wiley's U.S. Higher Education business increased 3% during the third quarter to \$46.4 million, mainly driven by year-on-year growth in science and mathematics. Higher Education's direct contribution to profit declined \$0.3 million, reflecting higher marketing and sales costs, as planned.

WileyPLUS (formerly known as eGrade Plus) continued to gather momentum around the world with significant adoptions in the U.S., Canada, Europe, and Asia, as well as in non-traditional academic settings. Wiley PLUS delivers to students and instructors an integrated suite of resources (including an online version of the textbook), that is organized in one easy-to-use website around teaching and learning activities. WileyPLUS allows instructors to customize course content, create class presentations, assign homework and quizzes for automatic grading, and track student progress. Revenue from the sale of WileyPlus is deferred and recognized over the course of the semester. As of January 31, 2006 the Company deferred approximately \$1 million of WileyPLUS revenue which will be recognized in the fourth quarter of fiscal year 2006.

Since it was first introduced in 2003, more than 250,000 students have purchased WileyPLUS with their course materials. In a recent survey of students who used WileyPLUS, 89% responded that it increased their understanding of the course material and 69% said it helped them achieve a better grade. WileyPLUS was named a finalist by the Software & Information Industry Association in its 21st Annual CODiE Awards. WileyPLUS was named one of five finalists in the Education Category for "Best Postsecondary Course or Content Management Solution."

During the third quarter, Higher Education signed a new agreement with the National Geographic Society, extending Wiley's global partnership with the Society, to create new products sold exclusively with Wiley textbooks and WileyPLUS.

## Europe

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Wiley Europe's revenue increased 10% during the third quarter to \$72.9 million, or 16% excluding foreign currency effects. Higher revenue from STM journal and book programs, as well as P/T products, specifically SuDoku For Dummies, contributed to the improvement. Excluding foreign currency effects, the direct contribution margin of 30.9% for the third quarter was on par with the prior year third quarter, or up 30 basis points including foreign exchange effects.

The European market for STM products delivered through Wiley InterScience remained strong. Sales of SuDoku For Dummies, Volumes 1, 2, and 3 by Andrew Heron and Edmund James continued at a phenomenal pace. In December, Kakuro For Dummies by Andrew Heron published to similarly strong demand. Neuro-linguistic Programming For Dummies and EBay.co.uk For Dummies were also top performers. Eleven German-language For Dummies titles were published successfully during the third quarter.

During the quarter, Wiley-VCH, which is based in Germany, announced a publishing partnership with leading chemical societies in China, India, Korea and Germany to publish a new journal, Chemistry - An Asian Journal. Nobel Laureate, Ryoji Noyori will serve as Chairman of the Editorial Board. Complementing its sister journals, Chemistry - A European Journal (published on behalf of the Editorial Union of European Chemical Societies) and Angewandte Chemie (published on behalf of the German Chemical Society), the new journal will provide a highly visible arena for prominent researchers from around the world, especially from Asia.

## Asia, Australia, and Canada

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Wiley's revenue in Asia, Australia, and Canada increased by 8% to \$39.8 million during the third quarter. Contributing to these results were revenue growth in Wiley Australia's Higher Education business; strong sales in Asia, especially in India, Japan and China; and improved sell-through of Higher Education products and P/T sales in Canada. The segment's direct contribution to profit was flat in comparison to the prior year. Higher revenue was offset by product mix and higher selling and shipping costs.

At the close of the quarter, Wiley Asia completed the acquisition of the outstanding shares of Wiley Dreamtech (India) Private Ltd. This acquisition is

an important step in the Company's plans to grow Wiley's presence in India, extending its sales and marketing reach for all Wiley products 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., which brought to the Company such well known brands as For Dummies, Frommer's, and CliffsNotes, among others. Wiley has had a presence in India since 1965.

#### Shared Services and Administrative Costs

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Shared services and administrative costs for the third quarter increased by 4% to \$49.0 million. The increase is primarily attributable to increases in technology investments to deliver products to our customers and timing of facility costs, partially offset by lower professional fees associated with Sarbanes-Oxley compliance.

#### NINE MONTHS ENDED JANUARY 31, 2006

Revenue for the first nine months of fiscal year 2006 of \$777.6 million increased 6% from \$732.4 million in the prior year. The revenue increase was driven by year-on-year growth in the global STM business, with subscription journals, non-subscription journal products, such as advertising, reprints and backfiles, and books each contributing to these results. The U.S. P/T business also contributed to the year-on-year growth with solid performances in technology and business. Revenue from the Company's acquisition of Sybex contributed approximately \$6.6 million to the improvement.

Gross profit margin for the nine-month period was 67.3% compared to 66.4% in the prior year. Improvements in STM product mix, principally higher journal revenues, improvements in STM reference book margins and journal backfile sales contributed to the improvement. Operating and administrative expenses increased 7% over the prior year. The increase primarily reflects investments in technology to deliver products to our customers, increased marketing and editorial costs to support revenue growth and higher facility costs, partially offset by reduced professional costs associated with Sarbanes-Oxley compliance.

Operating income advanced 7% to \$129.7 million in the first nine months of fiscal year 2006. Revenue and product mix more than offset increases in technology expenses to drive the year-on-year growth. Operating margin improved to 16.7% from 16.6% in the prior year. Interest expense increased \$2.9 million primarily due to higher interest rates and a \$0.5 million write-off of unamortized debt costs in connection with the early termination of the credit agreement.

Excluding the favorable tax adjustments described in the non-GAAP financial disclosure below, the effective tax rate for the first nine months of fiscal year 2006 increased to 33.4% as compared to 32.1% in the first nine months of fiscal year 2005, mainly due to a reduction of U.S. and foreign income tax benefits. Including the tax adjustments, the effective tax rate was 21.8%

Earnings per diluted share and net income for the first nine months of fiscal year 2006 were \$1.59 and \$95.8 million. Excluding the tax adjustments further described below, adjusted earnings per diluted share and adjusted net income for the first nine months of fiscal year 2006 rose 7% to \$1.36 and 3% to \$81.6 million, respectively.

Earnings per diluted share growth outpaced growth in net income due to the accretive effect of treasury stock purchases. During the first nine months of fiscal year 2006, the Company repurchased approximately 2.1 million shares of common stock at an average price of \$39.40.

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 the nine months ended January 31, 2006 and 2005, excluding the tax benefits are as follows:

Reconciliation of non-GAAP financial disclosure

Net Income (in millions)	2006	2005
As reported	\$95,810	\$79,134
Tax benefit on repatriated foreign dividends	(7,476)	-
Favorable resolution of tax matters	(6,776)	-
Adjusted	\$81,558	\$79,134
Earnings per Diluted Share		
As reported	\$1.59	\$1.27
Tax benefit on repatriated foreign dividends	(0.12)	-
Favorable resolution of tax matters	(0.11)	-
Adjusted	\$1.36	\$1.27

The Adjusted Net Income and Adjusted Earnings per Diluted Share above exclude tax benefits 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 US Internal Revenue Service issued Notice 2005-38. The notice provided for a tax benefit, which was recorded by the Company in the first quarter of fiscal year 2006, that fully offset the tax accrued by the Company on foreign dividends in the fourth quarter of fiscal year 2005. The current tax benefit and the corresponding fourth quarter tax accrual in fiscal year 2005 had no cash impact on the Company.

The Adjusted Net Income and Adjusted Earnings per Diluted Share above also exclude a favorable tax adjustment associated with the resolution of certain matters with tax authorities.

SEGMENT RESULTS

Professional/Trade (P/T)

Wiley's U.S. P/T revenue for the first nine months of fiscal year 2006 advanced 7% over the prior year. P/T's technology and business book programs contributed to the growth. Revenue from the Company's recent acquisition of Sybex, a global publisher of computer and software information technology titles, contributed approximately \$6.6 million to the revenue growth. Licensing of rights and higher online advertising also had a positive effect on the results. Direct contribution margin decreased by 24 basis points principally due to product mix.

Scientific, Technical, and Medical (STM)

Wiley's U.S. STM business recorded strong year-to-date results with revenue growth of 9% over the prior year to \$148.0 million. Subscription and non-subscription journal revenue, such as journal backfiles, advertising, and reprints, contributed to the year-on-year growth. The reference book program continued to perform well against a strong performance last year. Direct contribution margin for the first nine months of fiscal year 2006 improved by 75 basis points to 46.5%.

New and renewed Enhanced Access Licenses were signed by customers around the world who continue to take advantage of Wiley InterScience's wide range of access options, which is reflected in the continuing growth in usage. Full-text accesses to Wiley InterScience during the first nine months of the fiscal year increased 22.1% over the same period in the previous year.

Higher Education

Revenue of Wiley's U.S. Higher Education business increased 2% during the first nine months of fiscal year 2006. The growth was driven by solid sales of science and mathematics titles, partially offset by softness in social science and the deferral of WileyPlus revenue to the fourth quarter. Revenue from the sale of WileyPlus is deferred and recognized over the course of the semester.

Direct contribution to profit for the first nine months fiscal year 2006 was \$43.7 million, on par with the prior year. Higher revenue was offset by higher planned sales and marketing costs and the deferral of WileyPlus revenue. Direct contribution to profit increased 2%, excluding the impact of the deferral.

#### Europe

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Wiley Europe's revenue for the first nine months of fiscal year 2006 was up 10% over prior year, or 12% excluding foreign currency effects. Direct contribution to profit increased 9% to \$66.4 million, or 12% excluding foreign currency effects. Revenue growth in STM and P/T drove the solid gains.

#### Asia, Australia, and Canada

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Wiley's revenue in Asia, Australia, and Canada was up 8% during the first nine months of fiscal year 2006, or 5% excluding foreign currency effects. STM reference books and P/T growth in Asia and Higher Education in Australia drove the improvement. Excluding foreign currency effects, direct contribution to profit for the nine-month period declined approximately 6% to \$21.5 million, mainly due to product mix and higher selling and shipping costs.

#### Shared Services and Administrative Costs

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Shared services and administrative costs for the first nine months of fiscal year 2006 increased 6% to \$147.7 million. The increase is primarily attributable to planned increases in technology investments to deliver products to our customers, such as Wiley InterScience and WileyPlus, and increased facility costs, partially offset by reduced professional fees associated with Sarbanes-Oxley compliance.

#### LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities in fiscal year 2006 was \$167.4 million compared with \$188.8 million in the prior year. Higher cash from operations and deferred subscription cash receipts were more than offset by cash used for operating assets and liabilities. The increase in cash used for operating assets and liabilities was mainly the result of higher inventory purchases and higher income tax payments along with a prior year tax refund. Also contributing to the cash use were increased accounts receivable mainly due to higher book sales in the current period. The higher inventory purchases are from the reduced levels achieved in the prior year under inventory management programs as well as new current year editions.

Cash used for investing activities for the first nine months of fiscal year 2006 was \$85.3 million compared to \$90.9 million in the prior year. The Company invested \$29.1 million in acquisitions of publishing assets and rights compared to \$13.7 million in the prior year. Increased cash used for investments in product development were partly offset by lower spending on property, equipment and technology. The Company sold \$10 million of marketable securities during the current year consisting of shares of variable rate securities issued by closed-end funds and acquired \$14 million of these securities in the prior year period. Projected product development and property, equipment and technology capital spending for fiscal year 2006 is forecast to be approximately \$70 million and \$25 million, respectively.

Cash used for financing activities was \$95.9 million in the first nine months of fiscal 2006, as compared to \$55.2 million in the prior period. Cash was used to purchase treasury stock, repay debt and pay dividends to shareholders.

On November 9, 2005, John Wiley and Sons, Inc. entered into a new \$300 million revolving credit agreement with Bank of America as Administrative Agent and 14

other lenders. The interest rate on the initial borrowings was equal to LIBOR plus .37%. The Company has the option of borrowing at the following floating interest rates: (i) at a rate based on the London Interbank Offered Rate (LIBOR) plus an applicable margin ranging from .37% to .825% depending on the coverage ratio of debt to EBITDA; or (ii) at the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its prime rate; and (iii) LIBOR plus or minus an amount determined through a competitive bidding process among the lenders. The maximum amount outstanding at any time under option (iii) above cannot exceed \$25 million. In addition, the Company will pay a facility fee ranging from .08% to .175% on the facility depending on the coverage ratio of debt to EBITDA. The Company has the option to request an increase of up to \$100 million in the size of the facility in minimum amounts of \$25 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 credit agreement will terminate on November 9, 2010. As of January 31, 2006, \$190.0 million was outstanding under the new agreement.

Simultaneous with the execution of this agreement, the Company terminated its previous credit agreement with UBS AG and paid in full the amounts outstanding under that agreement by utilizing funds from the new facility. In connection with the early termination of the credit agreement the Company wrote-off \$0.5 million of unamortized organization fees in the third quarter. The final payment on the previous variable rate term loan was due September 2006.

Borrowings this period, including those under the new credit agreement were \$279.8 million while payments, including the payoff of the prior revolving credit and term loan facility were \$282.8 million. Included in this activity is \$50.0 million of borrowings under its former revolving credit facility to repay \$50.0 million of the former outstanding term loan facility in advance of the scheduled due date.

During the third quarter of fiscal year 2006 the Company purchased the following Common Stock under its stock repurchase program. The current program approved by the Company's Board of Directors in June of 2005 authorizes management to purchase up to four million additional common shares.

Month	Number of Shares Purchased	Average Price Paid Per Share	Maximum Shares Yet to be Purchased Under the Repurchase Plan
November	319,200	\$38.97	3,192,130
December	61,100	\$39.56	3,131,030
January	328,100	\$39.01	2,802,930
Total	708,400	\$39.04	

During the first nine months of fiscal year 2006, the Company purchased 2,095,270 shares under its stock repurchase program at an average price of \$39.40 per share. The Company increased its quarterly dividend to shareholders by 20% to \$0.090 per share versus \$0.075 per share in the prior year. The Company believes its cash balances together with existing credit facilities are sufficient to meet its obligations. At January 31, 2006 the Company had \$190.0 million of variable rate loans outstanding and approximately \$231.9 million of unused borrowing capacity available under its revolving credit facilities and other short-term lines of credit.

"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.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### 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 instruments 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 investments for trading or speculative purposes.  
year 2006.

#### Interest Rates

The Company had \$190.0 million of variable rate loans outstanding at January 31, 2006, which approximated fair value. The Company did not use any derivative financial investments to manage this exposure. The weighted average interest rate as of January 31, 2006 was approximately 4.83%. A hypothetical 1% change in interest rates for the variable rate debt would affect annual net income and cash flow by approximately \$1.3 million.

#### Sales Return Reserves

Sales return reserves, net of estimated inventory and royalty costs, are reported as a reduction of accounts receivable in the Condensed Consolidated Statement of Financial Position and amounted to \$66.1 million and \$56.7 million at January 31, 2006 and April 30, 2005, respectively. On an annual basis, a one percent change in the estimated sales return rate could affect net income by approximately \$3.0 million. A change in the pattern of trends in returns could affect the estimated allowance.

#### 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 enters into derivative financial instruments in the form of forward contracts as a hedge against foreign currency fluctuation of specific transactions, including inter-company purchases.

#### Customer Credit Risk

The Company's business is not dependent upon a single customer; however, the industry has experienced a significant concentration in national, regional, and online bookstore chains in recent years. Although no one book customer accounts for more than 5% of total consolidated revenue, the top 10 book customers account for approximately 25% of total consolidated revenue and approximately 47% of total gross trade accounts receivable at April 30, 2005.

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 23% of total consolidated revenue and no one agent accounts for more than 6% of total consolidated revenue for the fiscal year ended April 30, 2005. Insurance for these accounts is not commercially feasible and/or available.

### ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and regulations. The Company's Chief Executive Officer and Chief Financial Officer, together with the Chief Accounting Officer and other members of the Company's management, have conducted an evaluation of these disclosure controls and procedures as of a date within 90 days prior to the date of filing this report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect such internal controls subsequent to this evaluation.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

99.1 - 18 U.S.C. Section 1350 Certificate by the President and Chief Executive Officer

99.2 - 18 U.S.C. Section 1350 Certificate by the Chief Financial and Operations Officer

10.1 - \$300,000,000 Credit Agreement dated November 9, 2005 (filed as an exhibit to the Company's report Second Quarter Form 10-Q).

(b) The following reports on Form 8-K were furnished to the Securities and Exchange Commission since the filing of the Company's 10-Q on December 9, 2005.

i. Earnings release on the third quarter fiscal 2006 results issued on Form 8-K dated March 6, 2006 which include the condensed financial statements of the Company.

The following reports on Form 8-K were filed with the Securities and Exchange Commission since the filing of the Company's 10-Q on December 9, 2005.

i. Deferred Compensation Plans issued on Form 8-K dated December 21, 2005.

SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized

JOHN WILEY & SONS, INC.  
Registrant

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 & Operations Officer

By           /s/ Edward J. Melando  
-----  
Edward J. Melando  
Vice President, Controller and  
Chief Accounting Officer

Dated: March 9, 2006

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CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002  
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I, William J. Pesce, certify that:

I have reviewed this quarterly report on Form 10-Q of John Wiley & Sons, Inc.:

- Based on my knowledge, this quarterly report does not contain any untrue statement 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 quarterly report; and
  
- Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented.
  
- 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 we 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 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
  
- 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 board of directors:
  - 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 registrant's internal controls.

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

Dated: March 9, 2006

I, Ellis E. Cousens, certify that:

I have reviewed this quarterly report on Form 10-Q of John Wiley & Sons, Inc.;

- Based on my knowledge, this quarterly report does not contain any untrue statement 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 quarterly report; and
  
- Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented
  
- 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 we 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 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
  
- 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 board of directors:
  - 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 registrant's internal controls.

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

Dated: March 9, 2006

Exhibit 99.1

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 Quarterly Report of John Wiley & Sons, Inc. (the "Company") on Form 10-Q for the period ending January 31, 2006 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. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15 (d) of the Securities Exchange Act of 1934 (as amended), as applicable; 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  
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William J. Pesce  
President and  
Chief Executive Officer

Dated: March 9, 2006

Exhibit 99.2

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

In connection with the Quarterly Report of John Wiley & Sons, Inc. (the "Company") on Form 10-Q for the period ending January 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ellis E. Cousens, Executive Vice President and Chief Financial & Operations Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15 (d) of the Securities Exchange Act of 1934 (as amended), as applicable; 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

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

Dated: March 9, 2006