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Fiscal 2007 Earnings Presentation

July 19, 2007

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Forward-Looking Statements

This presentation contains certain forward-looking statements, which are subject to various risks and uncertainties, including the conditions of the children's book and educational materials markets and acceptance of the Company's products in those markets and other risks and factors identified from time to time in the Company's filings with the Securities and Exchange Commission. Actual results could differ materially from those currently anticipated.

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Dick Robinson

Chief Executive Officer, President
and Chairman

Fiscal 2007 Overview

- Profits and margins up solidly in School Book Clubs, Educational Publishing, International and Media, Licensing & Advertising
- Preparations for *Harry Potter and the Deathly Hallows*
- Cost reduction targets achieved, causing Corporate Overhead to fall
- Free cash flow strong, exceeding net income
- $200 million share repurchase to return capital to shareholders in fiscal 2008

Outlook for Growth and Improved Margins

- Launching *Harry Potter and the Deathly Hallows* and building long-term publishing franchises
- Leveraging Internet and scale in Clubs and Fairs
- Turning around Continuities
- Expanding educational technology portfolio and strengthening sales
- Solid growth and improved efficiencies internationally
- Achieving $40 million in annual overhead reductions

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Focus on Shareholder Value

- Maximizing free cash flow
- Rigorously allocating capital
- Improving working capital management
- Repurchasing $200 million in shares

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Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer

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Continuities

- Immediate actions taken to control promotion spending, bad debt
- Strengthening web presence to up-sell, cross-sell and service customers on an on-going basis
- Transforming inbound customer service into sales channel to complement web
- Refining customer relationship management

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Key Financial Results

$M (except per share)	FY07	FY06
Revenue	$2,179.1	$2,283.8
Cost of goods sold[1]	1,005.3	1,103.1
Selling, general & administrative expenses	913.0	916.5
Bad debt expense[2]	71.1	59.1
Operating income	122.7	139.3
Net income[3]	60.9	68.6
Earnings per diluted share	$1.42	$1.63
Free cash flow[4]	$74.7	$90.7
Net debt[5]	216.8	297.1

[1]Includes costs of $3.2M or $0.05 per diluted share in FY06 associated with the write-down of certain reference set assets. [2]Includes expense of $2.9M or $0.04 per diluted share in FY06 associated with the bankruptcy of a customer. [3]Includes other income of $3.0M or $0.04 per diluted share in FY07 associated with the gain on the sale of an investment. [4] Reflects the reclassification of foreign exchange in the statement of cash flows, resulting in a positive impact of $7.1M and $11.6M in FY07 and FY06, respectively. Free cash flow is defined by the Company as net cash provided by operating activities, less spending on PP&E, prepublication and production costs, and royalty advances. [5]Net debt is defined by the Company as lines of credit, short-term debt plus long-term-debt, less cash and cash equivalents, as of May 31, 2007 and 2006.

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FY08 Segment Outlook

Children's Book Publishing & Distribution	• Strong Harry Potter Trade sales; solid growth in Fairs • Improved results in Trade, Fairs • Revenues and profits level in Clubs • Significant improvement in Continuities
Educational Publishing	• Modest growth in educational technology and print • Increase investment in new technology product launches, realigned sales force
International	• Solid growth and improved results across all businesses
Media, Licensing & Advertising	• Improved profitability on modest decline in revenue
Corporate Overhead	• Cost reduction programs offsetting higher stock-based compensation expense and rent

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FY08 Outlook

Revenue	$2.3 to $2.5 billion
Earnings	$2.35 to $2.85 per diluted share
Capital Expenditures	$70 to $80 million
Prepublication and Production Spending	$75 to $85 million
Free Cash Flow	$80 to $100 million

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