

**Peoples Educational Holdings, Inc.**  
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**201-712-0090**

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Peoples Educational Holdings, Inc. Fiscal Third Quarter Results

Saddle Brook, New Jersey, April 12, 2007 – Peoples Educational Holdings, Inc. (Nasdaq: PEDH), a leading provider of supplemental educational material for the K-12 school market, today announced financial results for its third quarter ended February 28, 2007. Peoples reported revenue of \$5.9 million, down 1% from the same period in the prior year. Revenue from the Test Preparation, Assessment and Instruction product group was \$5.1 million for the quarter, compared to \$5.2 million over the same period in the prior year. College Preparation revenue for the quarter was \$0.8 million, constant with the prior year. Net loss for the quarter was \$1.0 million or (\$0.23) per share compared to a net loss of \$3.7 million or (\$0.83) per share for the same period a year ago.

Revenue for the nine-month period ended February 28, 2007 was \$29.5 million compared to \$29.3 million for the same period in the prior year. Revenue from the Test Preparation, Assessment and Instruction product group was \$18.8 million for the period, compared to \$19.0 million over the same period in the prior year. College Preparation revenue was \$10.7 million, compared to \$10.3 million in the prior year. Net loss for the nine-month period was \$307,000 or (\$0.07) per share compared to a loss of \$2.5 million or (\$0.58) per share for the same period in the prior year.

**Financial Highlights:**

- Reduced year-to-date direct costs as a percentage of revenue from 45% in fiscal 2006 to 43% in fiscal 2007
- Increased free cash flow (defined as cash from operations less capital expenditures) by \$3.7 million for the nine-months ended February 28, 2007 compared to the same period in the prior year. Reduced prepublication cost expenditures, which provided \$3.1 million of increased free cash flow
- Focused Instruction revenue for the nine-month period increased 28% over the prior year. Launched newest Focused Instruction product, Keep on Reading-Science, into nine states
- Administrative expenses for the nine-month period decreased from \$3.8 million to \$3.6 million

## Business Outlook

Brian T. Beckwith, President and CEO, commented, " While the K-12 instructional materials market has been challenging over the past several months, Peoples Education has continued to gain market share by outperforming the market. The market appears to be improving, and we are encouraged by our March revenue, which was up approximately 25% over March 2006.

"Our newly launched products continue to be well received. We are particularly pleased that our flagship Measuring Up® program was top-ranked by the California Department of Education in the recent \$5.5 million adoption opportunity for intervention materials for the high school exit exam."

"We expect our fiscal fourth quarter revenue to grow more than 10% year-over-year, and we expect to be profitable for the quarter. However, in light of our year-to-date performance, we are revising our full-year revenue and earnings guidance to revenue of between \$37 million and \$40 million and primary earnings per share of between (\$0.02) and \$0.04 per share. Our guidance recognizes that the timing of the anticipated revenue from the California adoption at this time is uncertain and could shift from the 4<sup>th</sup> quarter of fiscal 2007 into early fiscal 2008."

"Looking ahead to fiscal 2008, our fundamental business model has been improved through the reengineering process, and we expect to generate significant profits in fiscal year 2008 as the K-12 instructional materials market stabilizes."

**PEOPLES EDUCATIONAL HOLDINGS, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**

	<u>(UNAUDITED)</u>	<u>(AUDITED)</u>
	<u>February 28, 2007</u>	<u>May 31, 2006</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 186,910	\$ 749,792
Accounts Receivable Net of Allowances for Doubtful Accounts and Returns	2,138,773	3,351,428
Inventory	6,881,228	4,737,427
Prepaid Expenses and Other	551,676	315,080
Income Taxes Receivable	-	660,713
Deferred Income Taxes	655,000	746,955
Total Current Assets	10,413,587	10,561,395
 Equipment - At Cost, Less Accumulated Depreciation of \$1,620,000 and \$1,375,000, respectively	 744,645	 829,456
 <u>Other Assets</u>		
Deferred Prepublication Costs, Net	17,540,145	16,605,686
Deferred Income Taxes	1,307,000	1,054,965
Trademarks, Net	135,465	126,006
Deposits and Other	376,554	165,017
Total Other Assets	19,359,164	17,951,674
<u>Total Assets</u>	\$ 30,517,396	\$ 29,342,525
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<u>Current Liabilities</u>		
Current Maturities of Long Term Obligations	\$ 186,622	\$ 2,487,086
Accounts Payable	7,830,800	7,808,965
Accrued Compensation	313,537	645,705
Short Term Bank Loan	-	1,000,000
Other Accrued Expenses	305,944	287,448
Deferred Revenue	372,324	257,439
Total Current Liabilities	9,009,227	12,486,643
 Long Term Obligations, Less Current Maturities	 14,357,541	 9,420,076
<u>Total Liabilities</u>	23,366,768	21,906,719
<u>Commitments and Contingencies</u>		
<u>Stockholders' Equity</u>		
Common Stock, \$0.02 par value; authorized 8,500,000 shares; Issued, 4,441,173 shares, as to both periods	88,823	88,823
Additional Paid In Capital	7,864,217	7,786,885
Retained Earnings (Accumulated Deficit)	(738,554)	(431,992)
Less Treasury stock, 16,232 shares and 1,650, respectively, at cost	(63,858)	(7,910)
<u>Total Stockholders' Equity</u>	7,150,628	7,435,806
<u>Total Liabilities and Stockholders' Equity</u>	\$ 30,517,396	\$ 29,342,525

**PEOPLES EDUCATIONAL HOLDINGS, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Three Months Ended February 28		Nine Months Ended February 28	
	2007	2006	2007	2006
	Revenue	\$ 5,934,072	\$ 6,012,886	\$ 29,519,879
Cost of Revenue				
Direct Costs	1,994,499	2,228,046	12,560,769	13,046,793
Prepublication Cost Amortization	1,497,652	1,842,162	4,389,688	4,271,812
Product Line Restructuring Cost	-	3,930,980	-	3,930,980
Total	3,492,151	8,001,188	16,950,457	21,249,585
Gross Profit (Loss)	2,441,921	(1,988,302)	12,569,422	8,087,508
Selling, General and Administrative Expenses	3,852,712	3,602,881	12,223,834	11,589,123
Income (Loss) from Operations	(1,410,791)	(5,591,183)	345,588	(3,501,615)
Other Expenses, Net	2,536	55,200	22,236	58,513
Interest Expense	211,652	158,245	781,259	402,764
Net Loss Before Income Taxes	(1,624,979)	(5,804,628)	(457,907)	(3,962,892)
Income Tax Benefit	(618,000)	(2,153,415)	(151,345)	(1,416,415)
Net Loss	\$ (1,006,979)	\$ (3,651,213)	\$ (306,562)	\$ (2,546,477)
Net Loss per Common Share				
Basic	\$ (0.23)	\$ (0.83)	\$ (0.07)	\$ (0.58)
Diluted	\$ (0.23)	\$ (0.83)	\$ (0.07)	\$ (0.58)
Weighted-average Number of Common Shares Outstanding				
Basic	4,424,941	4,418,031	4,430,575	4,386,309
Diluted	4,424,941	4,418,031	4,430,575	4,386,309

**PEOPLES EDUCATIONAL HOLDINGS, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Nine Months Ended	
	February 28,	
	2007	2006
Cash Flows From Operating Activities		
Net Loss	\$ (306,562)	\$ (2,546,477)
Adjustments to Reconcile Net Loss to Net Cash		
Provided by Operating Activities		
Depreciation	244,310	248,066
Amortization of Prepublication Costs and Intangible Assets	4,406,576	4,273,947
Product Line Restructuring Costs	-	3,930,980
Deferred Income Taxes	(160,080)	(1,308,000)
Stock-Based Compensation	77,332	26,336
Changes in Assets and Liabilities		
Accounts Receivable	1,212,655	1,473,212
Inventory	(2,143,801)	(1,937,593)
Prepaid Expense and Other	(236,596)	(412,439)
Deposits and Other	(211,537)	(8,693)
Accounts Payable and Accrued Expenses	(298,586)	(1,794,598)
Deferred Revenue	114,885	210,107
Income Taxes Payable or Refundable	667,462	539,380
Net Cash Provided by Operating Activities	3,366,058	2,694,228
Cash Flows From Investing Activities		
Purchases of Equipment	(159,499)	(172,007)
Expenditures for Intangibles	(26,347)	(35,702)
Expenditures for Prepublication Costs	(5,324,147)	(8,377,178)
Net Cash Used in Investing Activities	(5,509,993)	(8,584,887)
Cash Flows From Financing Activities		
Net Borrowings Under Line of Credit	(2,164,089)	3,245,643
Net Proceeds from the Sale of Common Stock	-	2,877,095
Purchase of Treasury Stock	(55,948)	(5,984)
Proceeds from the Exercise of Stock Options	-	65,250
Principal Payments on Short Term Bank Loan	(1,000,000)	-
Net Borrowings on Long Term Debt	4,801,090	(272,802)
Net Cash Provided by Financing Activities	1,581,053	5,909,202
Net Increase (Decrease) in Cash and Cash Equivalents	(562,882)	18,543
Cash and Cash Equivalents		
Beginning of Period	749,792	963,227
End of Period	\$ 186,910	\$ 981,770
Supplemental Cash Flow Information		
Cash Payments for:		
Interest	\$ 736,823	\$ 402,764

## About Peoples Educational Holdings, Inc.

Peoples Educational Holdings, Inc. is a publisher and marketer of print and electronic educational materials for the K-12 school market. The Company focuses its efforts in two market areas:

### Test Preparation, Assessment, and Instruction

- Test Preparation and Assessment: The Company creates and sells state customized, print and electronic, test preparation and assessment materials that help teachers prepare students for success in school and for required state proficiency tests, grades 2-12.
- Instruction: Grades 2-8 state customized, print worktext and print and web-based assessments that provide students in-depth instruction and practice in reading, language arts, and mathematics.

### College Preparation

- The Company distributes and publishes instructional materials that meet the academic standards high schools require for honors, college preparation, and Advanced Placement courses.
- The Company is the exclusive high school distributor for two major college publishers.

The Company's proprietary products are supplemental in nature. They are predominately soft-cover, high gross profit margin titles that can be sold efficiently through the Company's direct sales force, as well as through catalogs, direct mail, telemarketing, and independent commission sales representatives. Distributed products are both basal and supplemental in nature.

*This press release contains forward-looking statements regarding the Company and its markets as defined in section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve a number of risks and uncertainties, including (1) demand from major customers, (2) effects of competition, (3) changes in product or customer mix or revenues and in the level of operating expenses, (4) rapidly changing technologies and the Company's ability to respond thereto, (5) the impact of competitive products and pricing, (6) local and state levels of educational spending, (7) ability to retain qualified personnel, (8) ability to retain its distribution agreements in the College Preparation market, (9) the sufficiency of the Company's copyright protection, and (10) ability to continue to rely on the services of a third party warehouse, and other factors as discussed in the Company's filings with the SEC. The actual results that the Company achieves may differ materially from any forward-looking statements due to such risks and uncertainties. The Company undertakes no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report. Readers are urged to carefully review and consider the various disclosures made by the Company in this press release and the reports the Company files with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect the Company's business and results of operations.*

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