



SCHOLASTIC



FISCAL 2011 FIRST QUARTER EARNINGS PRESENTATION

September 23, 2010



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.



Dick Robinson

Chief Executive Officer, President
and Chairman



Educational Publishing

- Continue to target full year revenue for Scholastic Education
 - In line with record-breaking prior year
- Q1 sales down, primarily reflecting higher stimulus funding in prior year period
 - Prior year California adoption and classroom library sale
- Positive outlook for remainder of year based on federal funding outlook and growth in service revenue



Children's Books

- Higher Trade results versus strong prior year
 - Success of *Mockingjay* by Suzanne Collins
 - Multiple bestsellers across categories
- Positive early indicators in School Book Clubs and Fairs
 - Increase in teachers sponsoring Book Clubs
 - Fair bookings on plan



Ecommerce and Ebook Initiatives

- Hitting significant milestones
- Full roll-out of New COOL to Book Club teachers and parents completed in August
- Progressing toward launch of robust ebook offering later this fiscal year
- Increasing operating expense by \$20M in these areas, as previously announced



Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer



Income Statement

\$M (except per share)	Q1 2011	Q1 2010
Revenue	\$290.9	\$315.6
Cost of goods sold	147.7	158.3
Selling, general and administrative expenses	172.7	175.8
Bad debt expense	2.9	2.1
Depreciation and amortization	14.4	14.7
Total operating costs and expenses	337.7	350.9
Operating loss from continuing operations	(46.8)	(35.3)
Other income	0.0	0.9
Interest expense, net	3.8	3.9
Benefit from income taxes	(16.4)	(13.7)
Loss from continuing operations	(\$34.2)	(\$24.6)
Earnings (Loss) from discontinued operations, net of tax	(1.0)	1.6
Net loss	(\$35.2)	(\$23.0)
Loss per share from continuing operations	(0.95)	(0.68)
Earnings (Loss) per share from discontinued operations	(0.03)	0.05
Net loss per share	(\$0.98)	(\$0.63)



Free Cash Flow and Balance Sheet

\$M	Q1 2011	Q1 2010
Free cash flow (3 month period) ¹	(\$96.9)	(\$74.8)
Accounts receivable, net	\$212.4	\$228.0
Inventories, net	\$433.0	\$435.0
Accounts payable	\$178.0	\$167.2
Accrued royalties	\$56.3	\$56.8
Total debt	\$242.3	\$290.6
Cash and cash equivalents	124.2	54.2
Net debt ²	\$118.1	\$236.4

¹Free cash flow is defined by the Company as net cash provided by or used in operating activities (which includes royalty advances), reduced by spending on property, plant and equipment and pre-publication and production costs.

²Net debt is defined by the Company as lines of credit and short-term debt plus long-term-debt, net of cash and cash equivalents.



Outlook

- Affirming FY11 outlook for continuing operations:

Revenue	\$1.9 to \$2.0 billion
Earnings per diluted share¹	\$1.95 to \$2.20
Free cash flow	\$90 to \$100 million
Capital expenditures	\$50 to \$60 million
Prepublication and Production Spending	\$65 to \$75 million

¹Before any impact which could result from the proposed tender offer. Excludes severance and other one-time cash and non-cash expenses associated with anticipated cost reductions.



Questions & Answers

Participants

- Richard Robinson
- Maureen O'Connell
- Ellie Berger, Scholastic Trade Publishing
- Deborah Forte, Scholastic Media
- Margery Mayer, Scholastic Education
- Judy Newman, Scholastic Book Clubs
- Hugh Roome, Scholastic Consumer and Professional Publishing