



SCHOLASTIC

FISCAL 2010 SECOND QUARTER EARNINGS PRESENTATION
DECEMBER 17, 2009



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



Second Quarter Overview

- Increased margins, earnings and free cash flow (excluding one-time, primarily non-cash items)
- Strong growth in technology sales driving higher Educational Publishing results
- Higher profits on modest revenue decline in Children's Book segment
- Improved results in Canada and Asia
- On plan to achieve fiscal 2010 guidance



Scholastic Education

- Continued momentum from summer: first half technology sales up more than 75%
- Federal stimulus funding accelerated growth
- READ 180[®] up nearly 100%
- \$30M in first year System 44[®] sales
- Strong growth in services and in math



Scholastic Book Clubs

- Revenue decline largely driven by weak September
 - Late school start
 - Teacher layoffs / reassignments disrupted some ordering
- New COOL online marketing platform currently offered in beta
- Actively encouraging parents to order with existing COOL with positive results
- Online is key long-term growth opportunity for Company
 - Closer relationship with parents and kids, while leveraging unique teacher relationship



Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer



Second Quarter Results

| (\$M except per share) | 2Q10 | | 2Q09 | |
|--|----------|-----------|----------|-----------|
| | Op. Inc. | Per share | Op. Inc. | Per share |
| Results for continuing operations | \$105.6 | \$1.54 | \$108.0 | \$1.55 |
| One-time items associated with cost reductions and non-cash, non-operating items | | | | |
| Non-cash write-down of library assets ¹ | 36.3 | 0.60 | -- | -- |
| Non-cash write-down of UK assets ² | 3.8 | 0.10 | -- | -- |
| Severance and cash expense associated with UK restructuring ³ | 1.9 | 0.05 | -- | -- |
| Severance and one-time expenses associated with cost reductions ⁴ | -- | -- | 10.9 | 0.17 |
| Adjusted results for continuing operations | \$147.6 | \$2.29 | \$118.9 | \$1.72 |
| Adjusted operating margin | 22.4% | | 18.2% | |
| Free cash flow ⁵ | \$141.2 | | \$48.7 | |

¹Recorded in the Educational Publishing segment as asset impairment. ²Recorded in the International segment as asset impairment. ³Recorded in the international segment as SG&A. ⁴Recorded in the Corporate Overhead segment as SG&A. ⁵Free 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.



Income Statement

| Adjusted \$M (except per share) | 2Q10 | 2Q09 |
|--|---------|---------|
| Revenue | \$660.1 | \$653.3 |
| Cost of goods sold | 269.7 | 281.2 |
| Selling, general and administrative expenses | 223.6 | 231.0 |
| Bad debt expense | 4.4 | 7.2 |
| Depreciation and amortization | 14.8 | 15.0 |
| Total operating costs and expenses | 512.5 | 534.4 |
| Operating income from continuing operations | 147.6 | 118.9 |
| Interest expense, net | 4.3 | 7.0 |
| Provision for income taxes | 58.9 | 47.1 |
| Earnings from continuing operations | 84.4 | 64.8 |
| Earnings (loss) from discontinued operations, net of tax | (1.3) | (15.4) |
| Net income | \$83.1 | \$49.4 |
| Earnings (loss) per diluted share from continuing operations | 2.29 | 1.72 |
| Earnings (loss) per diluted share from discontinued operations | (0.03) | (0.40) |
| Net earnings (loss) per diluted share | 2.26 | 1.32 |



Free Cash Flow and Balance Sheet

| (\$M) | Nov 30, 2009 | Nov 30, 2008 |
|------------------------------------|--------------|--------------|
| Free cash flow (3 month period) | \$141.2 | \$48.7 |
| Accounts receivable, net | 284.6 | 264.3 |
| Inventories | 374.7 | 422.5 |
| Accounts payable | 134.4 | 120.1 |
| 5% Notes Payable (2013) | 152.2 | 159.4 |
| \$200M Amortizing Term-Loan (2012) | 114.4 | 157.2 |
| \$325M credit agreement (2012) | 0.0 | 45.0 |
| Credit line advances | 13.0 | 27.4 |
| Total debt | 279.6 | 389.0 |
| Cash and cash equivalents | 178.3 | 29.8 |
| Net debt ¹ | \$101.3 | \$359.2 |

¹Net 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 FY10 outlook for continuing operations:

| | |
|---|-------------------------------|
| Revenue | \$1.8 to \$1.9 billion |
| Earnings per diluted share¹ | \$1.80 to \$2.30 |
| Free cash flow | \$90 to \$120 million |

¹Excludes the impact of any one-time items associated with cost reductions or non-cash, non-operating items .



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 International