



SCHOLASTIC



FISCAL 2011 THIRD QUARTER EARNINGS PRESENTATION

March 24, 2011



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.



Regulation G

Today's comments include references to certain non-GAAP financial measures as defined in Regulation G. The reconciliation of these non-GAAP financial measures with the relevant GAAP financial information and other information required by Regulation G is provided in the Company's earning release, which is posted on the Company's investor relations website at investor.scholastic.com.



Dick Robinson

Chief Executive Officer, President
and Chairman



Digital Initiatives

- Further accelerating digital growth initiatives – now expect \$30M in incremental expense in FY11
- Launching Scholastic children’s ebookstore and downloadable ereader application in FY12
- Expanding online reach to parents, teachers and children through New COOL and online properties



Children's Books

- Strong Trade sales driven by best-selling series: Harry Potter and The Hunger Games
- Slight declines in School Book Fairs due to winter weather, but full year outlook for solid growth
- School Book Clubs down modestly, reflecting challenging economy and transition to ecommerce



Educational Publishing

- Continued funding uncertainty causing school districts to reduce and delay purchases
- Education sales down versus FY10, but up versus FY09 (before stimulus)
- Long-term growth opportunity driven by growing customer base and new products, including READ 180 Next Generation



Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer



Income Statement

\$M (except per share)	Q3 2011	Q3 2010
Revenues	\$393.7	\$398.8
Cost of goods sold	200.2	195.2
Selling, general and administrative expenses ¹	204.2	187.0
Bad debt expense ²	6.7	2.9
Depreciation and amortization	14.5	14.2
Total operating costs and expenses	425.6	399.3
Operating loss from continuing operations	(\$31.9)	(\$0.5)
Interest expense, net	3.9	4.0
Loss on investments ³	-	1.5
Benefit from income taxes	(10.5)	(1.7)
Loss from continuing operations	(\$25.3)	(\$4.3)
Earnings (loss) from discontinued operations, net of tax	0.2	(1.3)
Net loss	(\$25.1)	(\$5.6)
Earnings per diluted share from continuing operations	(0.81)	(0.12)
Earnings (loss) per share from discontinued operations	0.00	(0.03)
Net earnings per diluted share	(\$0.81)	(\$0.15)

Note: Results include one-time charges of (1) \$1.8 and \$2.4 of UK restructuring expense in Q3 2011 and Q3 2010, respectively (2) \$3.5 of bad debt expense associated with Borders' bankruptcy filing in Q3 2011 and (3) a \$1.5M loss on an investment in a US based internet company in Q3 2010. Adjusted operating loss for the period was \$26.6, or \$0.68 per share, compared to adjusted operating income of \$1.9, or loss of \$0.04 per share, in the prior year period.



Segment Results

\$M (except per share)	Q3 2011	Q3 2010
Children's Book Publishing & Distribution		
Revenue	\$193.0	\$192.1
Operating (loss) income ¹	(9.2)	6.9
Educational Publishing		
Revenue	\$81.3	\$88.0
Operating (loss) income	(2.7)	8.3
International		
Revenue	\$95.1	\$88.7
Operating loss ²	(1.4)	(0.2)
Media, Licensing and Advertising		
Revenue	\$24.3	\$30.0
Operating loss	(5.7)	(1.5)
Corporate overhead	\$12.9	\$14.0
Operating loss from continuing operations	(\$31.9)	(\$0.5)

Notes: (1) Children's Book Publishing & Distribution results include a one-time bad debt expense of \$3.5 associated with Borders' bankruptcy filing in Q3 2011. (2) International results include one-time UK restructuring charges of \$1.8 and \$2.4 in Q3 2011 and Q3 2010, respectively. Adjusted operating loss for the period was \$26.6, compared to adjusted operating income of \$1.9 in the prior year period.



Outlook

- Revising FY11 outlook:

Earnings per diluted share ¹	\$1.25 to \$1.40
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Revenue	\$1.9 billion
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- Maintaining other elements of FY11 outlook:

Free cash flow	\$90 to \$100 million
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¹Earnings per diluted share from continuing operations, before the impact of one-time items.



Free Cash Flow and Balance Sheet

\$M	Feb 28, 2011	Feb 28, 2010
Free cash flow ¹ (6 month period)	\$49.2	\$72.9
Accounts receivable, net	\$193.6	\$185.7
Inventories, net	\$375.8	\$374.6
Accounts payable	\$163.0	\$126.1
Accrued royalties	\$62.2	\$60.6
Total debt	\$220.1	\$265.3
Cash and cash equivalents	90.7	238.9
Net debt ²	\$129.4	\$26.4

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.



Questions & Answers

Participants

- Richard Robinson
- Maureen O'Connell
- Margery Mayer, Scholastic Education
- Judy Newman, Scholastic Book Clubs