



**SCHOLASTIC**

**Credit Suisse Global Services Conference  
Phoenix, February 23, 2009**

## **Leveraging Scholastic's Unique Brands and Channels to Create Shareholder Value**

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Executive Vice President,  
Chief Administrative Officer and  
Chief Financial Officer



## Forward-Looking Statements

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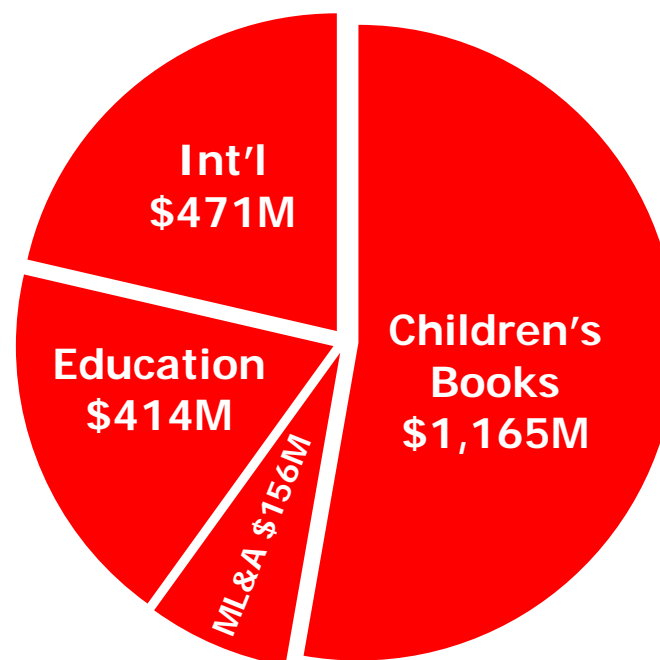
This presentation contains certain forward-looking statements, which are subject to various risks and uncertainties, including the conditions of the children's book and educational materials markets and acceptance of the Company's products in those markets and other risks and factors identified from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

This presentation expresses the Company's perspective as of December 18, 2008, when it announced its results for the fiscal 2009 second quarter and reviewed its outlook for fiscal 2009, and is not meant to update the Company's results since then.

## Introduction: Diverse Portfolio, Single Mission

- World's largest publisher & distributor of children's books and media
- Leader in educational technology and publishing
- Global presence and growth platform
- Top-rated website and third largest internet bookseller

FY08 Revenues by Segment\*  
(Total \$2,206M)



Helping children around the world to read and learn

\*Continuing operations

# Children's Books: Proprietary Direct Channels

School Book Clubs (\$337M\*)



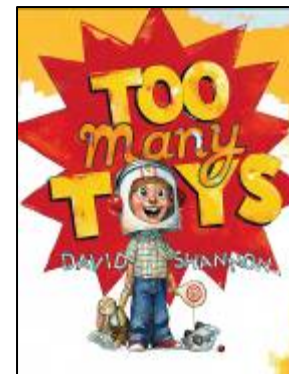
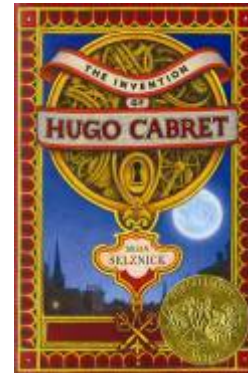
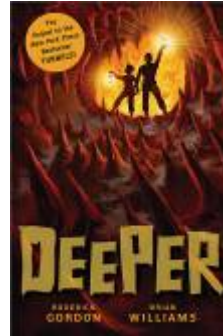
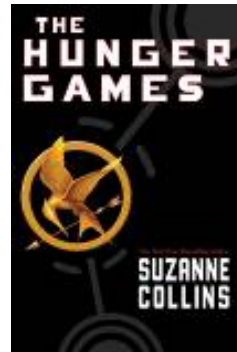
School Book Fairs (\$406M\*)



\*FY09 revenue

# Children's Books: Best-Selling Brands and Franchises

## 2009 New York Times Bestsellers\*



\*Calendar year to date

# Children's Books: Unique Integrated Strategy



# Children's Books: Growth and Margin Catalysts

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## Strong platform for modest revenue growth and share gain

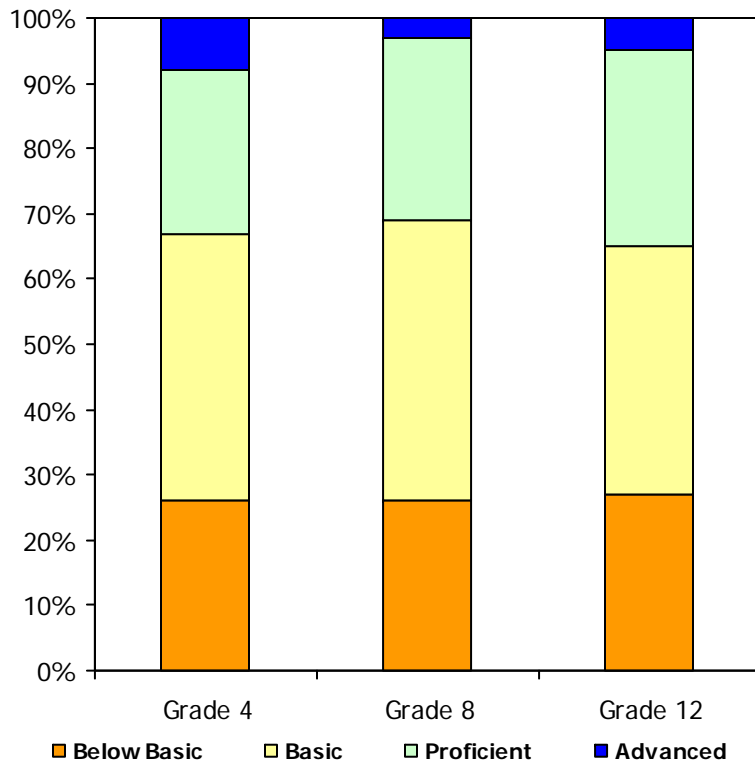
- Resilient category: children's books
- Market-leading, proprietary channels and products
- Integrated publisher-distributor model with competitive and cost advantages
- Leading internet bookseller with major growth opportunities online

## Significant operating leverage and cost reduction opportunities

- Significant fixed costs and high variable margin
- Strategic pricing opportunities within and across channels
- Reengineering and streamlining fixed costs
- Rationalizing functions and spending across channels

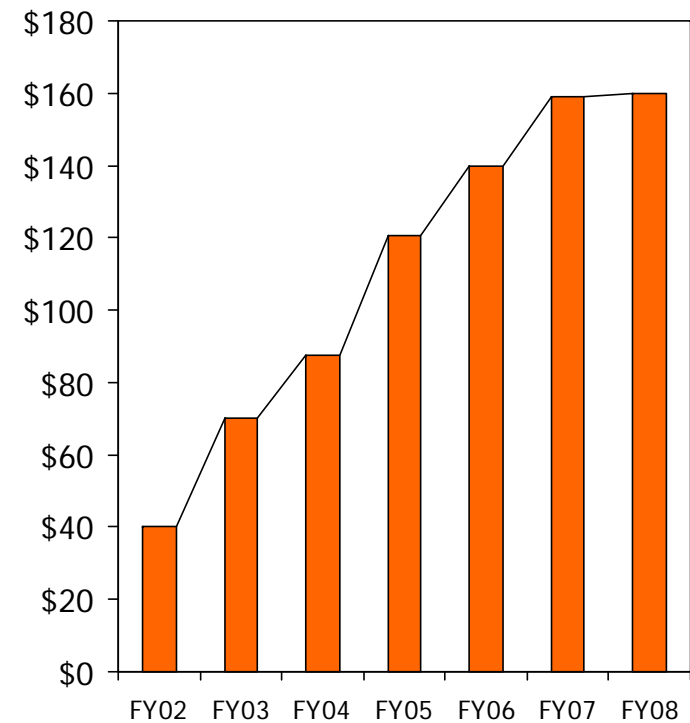
# Education: Critical Needs Driving Growth

Approx. 70% of U.S. Students (Grades 4-12)  
Not Able to Read Proficiently

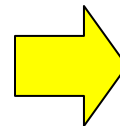


2007 NAEP Reading Achievement Levels

Strong Growth in Scholastic  
Reading Intervention and Technology Sales



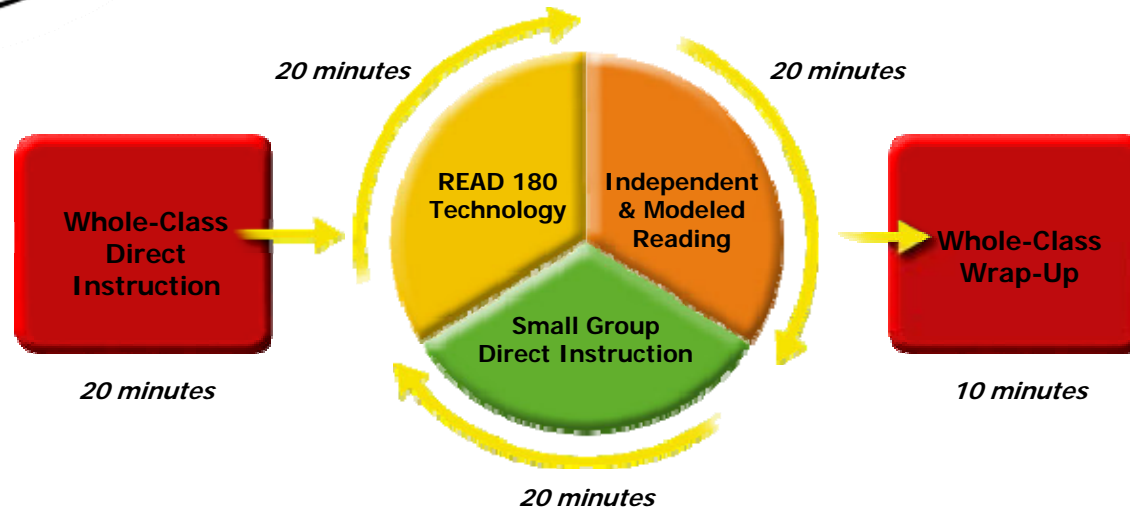
Scholastic Education Technology Sales (\$M)



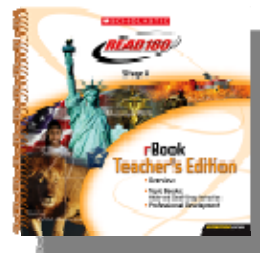
# Education: READ 180<sup>®</sup> and System 44<sup>™</sup>



## Instructional Model



## Elements of READ 180 Enterprise Edition:



## Education: Near- and Long-Term Growth Catalysts

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### Strong Long-Term Growth Drivers

- Unique products and services targeting enormous unmet need
- Extensive relationships with U.S. school districts and installed base
- Significant opportunity to increase penetration of existing products
- Opportunity to up-sell new products and product extensions
- Growth in services and consulting

### Significant Near-Term Growth Catalyst

- Stimulus Bill targets approx \$130 billion in incremental education funding over two years
  - Title I and Special Ed receive incremental \$25 billion
  - Already key funding sources for Scholastic tech and print products
- Mobilizing to help school districts make long-term investments
  - Targeting top 200 districts
  - Packages of technology, books, professional services

## Financial Model: Cost Reduction Update

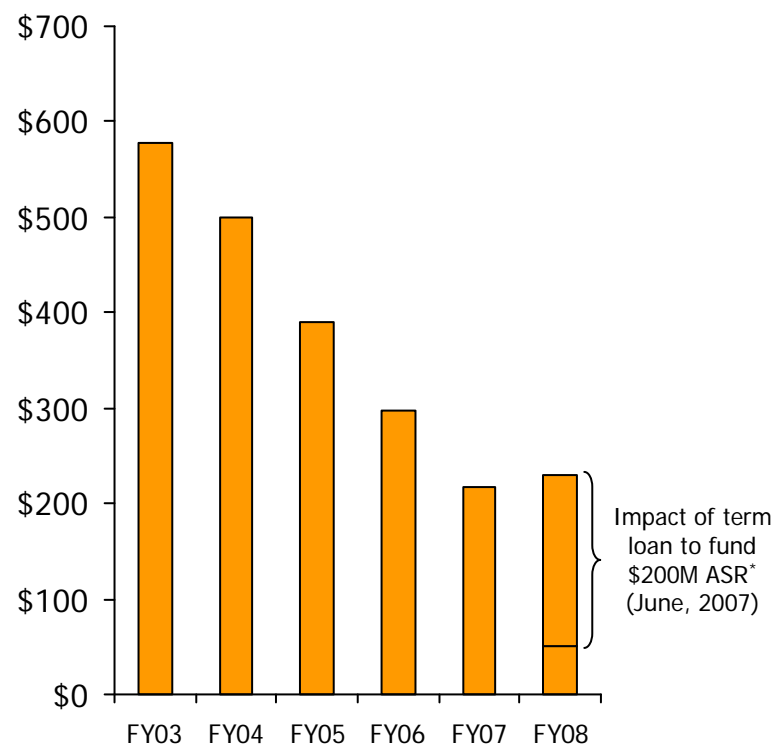
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- \$35M in cost reductions to primarily benefit FY10
  - \$10M in external costs (offsetting expected increases)
  - \$25M in salary expense
  - Severance and other one-time expenses impact FY09
- Spending plan reduced by \$20M in 2H09
  - Management bonuses eliminated
  - Discretionary spending
  - Reorganizing key divisions
- Continue to exit unprofitable, non-core businesses

## Financial Model: Free Cash Flow and Uses of Cash

- Track record of strong free cash flow<sup>1</sup>
- Paying down debt
- Returning significant cash to shareholders
  - \$200M accelerated share repurchase (June 07)
  - \$50M in open market share repurchases (through FY08, 1H09)
  - Additional \$5M authorization (Jan 09)
  - Initiated quarterly dividend (July 08)
- Continuing to evaluate strategic acquisitions

### Net Debt (\$M)<sup>1</sup>



<sup>1</sup>Free cash flow or use 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.

<sup>2</sup>Net debt is defined by the Company as lines of credit and short-term debt plus long-term-debt, net of cash and cash equivalents, as of year end (May 31).

## Results: Solid Balance Sheet

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<b>Key Liabilities and Current Assets (\$M)</b>	<b>Nov 30, 2008</b>
5% Notes Payable (2013)	\$159.4
\$200M Amortizing Term-Loan (2012)	157.2
\$325M credit agreement (2012)	45.0
Credit line advances	27.4
Total debt	389.0
Cash and cash equivalents	30.8
Net debt	357.8
Accounts receivable, net	269.9
Inventories	430.3

## Results: Sustained Second Quarter Sales

- Sustained Children's Books sales across channels (excl. Harry Potter) in tough market
  - Strong customer engagement offset by smaller Club purchases and unfavorable timing of fairs
  - Trade innovation driving bestsellers and sales
  - Reported strong December outlook
- Educational technology sales approximately levels despite longer sales cycle, school funding pressure
  - Continued growth in services
  - System 44™ shipping in December (Q3)
  - Significant potential opportunity with Stimulus Bill
- Outlook for earnings per diluted share of \$1.20 to \$1.50
  - Excluding severance and one-time expenses related to cost savings
  - Free cash flow of \$55 to \$80 million
- Continued commitment to achieving 9 to 10% operating margins

\$M (except per share)	2Q09	2Q08
Revenue	661.6	687.6
Cost of goods sold	284.4	291.4
Selling, general and administrative expenses	246.4	238.3
Bad debt expense	7.4	3.5
Operating income from continuing operations	107.8	138.9
Effective tax rate	42.1%	36.3%
Earnings from continuing operations	100.8	129.2
Earnings per diluted share from continuing operations	1.55	2.10
Free cash flow <sup>1</sup>	48.4	299.3

## Summary: Scholastic's Value Creation Formula

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- Market-leading children's books and educational technology businesses
- Unique, proprietary brands, products and channels
- Favorable near- and long-term growth drivers and catalysts
- Significant operating leverage and cost reduction progress
- Improving margins and strong free cash flow
- Disciplined use of cash to create shareholder value