

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 21, 2004

SCHOLASTIC CORPORATION  
(Exact Name of Registrant as Specified in Charter)

DELAWARE  
(State or Other Jurisdiction  
of Incorporation)

000-19860  
(Commission File Number)

13-3385513  
(I.R.S. Employer  
Identification No.)

557 BROADWAY, NEW YORK,  
NEW YORK  
(Address of Principal Executive Offices)

10012  
(Zip Code)

(212) 343-6100  
(Registrant's telephone number, including area code)

(Former Name or Former address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12(b) under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02 Results of Operations and Financial Condition**

On September 21, 2004, Scholastic Corporation issued the press release attached hereto as Exhibit 99.1 announcing its results of operations for its quarter ended August 31, 2004.

The information in this Current Report on Form 8-K, including Exhibits, is being furnished to the Securities and Exchange Commission (the "SEC") and shall not be deemed to be incorporated by reference into any of Scholastic's filings with the SEC under the Securities Act of 1933.

**Item 9.01 Financial Statements and Exhibits**

- (a) Not applicable
- (b) Not applicable
- (c) The following exhibit is filed as part of this report:

Press release of Scholastic Corporation, dated September 21, 2004, is filed as Exhibit 99.1.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 21, 2004

SCHOLASTIC CORPORATION  
(Registrant)

By: /s/Mary A. Winston

Name: Mary A. Winston  
Title: Executive Vice President and Chief Financial  
Officer

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**EXHIBIT INDEX**

**Number**

**Exhibit**

99.1 Press release of Scholastic Corporation, dated September 21, 2004

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## CONTACTS:

Media: Judy Corman (212) 343-6833  
 Investors: Ray Marchuk (212) 343-6741

## SCHOLASTIC REPORTS FIRST QUARTER RESULTS

STRONG PERFORMANCE IN EDUCATIONAL PUBLISHING  
 DRIVES SMALLER THAN EXPECTED SEASONAL LOSS

NEW YORK, SEPTEMBER 21, 2004 -- Scholastic Corporation (NASDAQ: SCHL) today announced results for the first fiscal quarter ended August 31, 2004. Scholastic's first quarter is its smallest revenue period, as most schools are not in session, resulting in a seasonal loss. Last year's first quarter loss was unusually low due to the benefit of approximately \$170 million in revenues related to the release of the record-setting best seller, HARRY POTTER AND THE ORDER OF THE PHOENIX.

Net loss for the quarter ended August 31, 2004 was \$50.3 million, or \$1.27 per share, which included \$3.6 million pre-tax, or \$0.06 per diluted share, in severance costs relating to the previously announced fiscal 2004 reorganization of the Continuities business. This compares to the year-ago net loss of \$24.8 million, or \$0.63 per share, which included Special severance charges of \$2.0 million pre-tax, or \$0.03 per diluted share. Revenues were \$323.7 million in the quarter, as compared to \$475.4 million in the year-ago quarter.

"We are off to a good start to achieve Scholastic's fiscal 2005 financial goals," said Richard Robinson, Chairman, President and Chief Executive Officer. "Strong performance in Educational Publishing, driven by technology sales, and improved results in International helped us achieve a smaller than expected loss for the first quarter. Our Continuities business met expectations as we successfully executed on our plan. Non-HARRY POTTER trade revenue resumed growth, reflecting improved sales of front-list titles. Cash use was approximately flat with the year-ago quarter, and debt at August 31st was down \$82 million versus last year."

Scholastic's fiscal 2005 goals include revenue of \$2.1 to \$2.2 billion, earnings per diluted share of \$1.50 to \$1.70, excluding severance charges, and free cash flow of \$40 to \$50 million.

## FIRST QUARTER SEGMENT ANALYSIS

CHILDREN'S BOOK PUBLISHING & DISTRIBUTION - Segment revenue was \$121.8 million, as compared to \$287.9 million in the year-ago quarter, and operating loss was \$65.0 million, as compared to \$16.6 million. Trade revenue declined in comparison to the year-ago period, due to last year's release of HARRY POTTER AND THE ORDER OF THE PHOENIX, partially offset by an 8% increase in other trade revenues in the fiscal 2005 first quarter. As planned, Continuities results improved on lower revenue as a result of reduced bad debt and fewer returns.

EDUCATIONAL PUBLISHING - Segment revenue was \$118.2 million, as compared to \$105.8 million in the year-ago quarter, and operating income was \$22.2 million, as compared to \$15.5 million. A more than 50% increase in sales of the READ 180(R) technology program fueled a 25% increase in Curriculum revenue compared to the year ago quarter. Library Publishing results improved, with revenue up 18%, while sales of collections of children's books to schools declined modestly.

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INTERNATIONAL - Segment revenue was \$71.8 million, as compared to \$65.3 million in the year-ago quarter, and the operating loss was \$3.0 million, as compared to \$3.9 million. Segment results reflected improved revenues and profits in the Company's Australian operations. Revenue also benefited from \$4 million in foreign currency translation.

MEDIA, LICENSING & ADVERTISING - Segment revenue was \$11.9 million, as compared to \$16.4 million in the year-ago quarter, and operating loss was \$6.7 million, as compared to \$4.9 million. The revenue decline primarily reflects different production delivery schedules of animated television series in fiscal 2004 and fiscal 2005. MAYA & MIGUEL(TM), Scholastic's new media, licensing and publishing franchise, with a focus on the adventures of a Latino family, will debut on PBS on October 11th.

## CONFERENCE CALL

Scholastic will hold a conference call tomorrow (September 22, 2004) at 8:00 a.m. Eastern time. To listen and ask questions, dial 888-338-6461 or 973-935-8510 (meeting leader "Richard Robinson"). To view accompanying slides, go to the Investor Relations section of Scholastic.com at [WWW.SCHOLASTIC.COM/GO/HOMEPAGE/COMPANY/INVESTORS.HTM](http://WWW.SCHOLASTIC.COM/GO/HOMEPAGE/COMPANY/INVESTORS.HTM). Following the presentation, the slides will be available on the Investor Relations section of Scholastic.com and an audio replay will be available starting 10 a.m. at 877-519-4471, PIN number 5162970.

## ABOUT SCHOLASTIC

Scholastic is the world's largest publisher and distributor of children's books and a leader in educational technology. Scholastic creates quality educational and entertaining materials and products for use in school and at home, including children's books, magazines, technology-based products, teacher materials, television programming, film, videos and toys. The Company distributes its products and services through a variety of channels, including proprietary school-based book clubs, school-based book fairs, and school-based and direct-to-home continuity programs; retail stores, schools, libraries and television networks; and the Company's Internet site, [www.scholastic.com](http://www.scholastic.com).

#### FORWARD-LOOKING STATEMENTS

This news release contains certain forward-looking statements. Such forward-looking statements 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 within 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.

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SCHOLASTIC CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS -- UNAUDITED  
FOR THE THREE MONTHS ENDED AUGUST 31, 2004 AND 2003

(Dollars in millions except per share data)

	THREE MONTHS ENDED			
	8/31/04	08/31/03	VARIANCE	
Revenues	\$323.7	\$475.4	(\$151.7)	-32%
Operating costs and expenses:				
Cost of goods sold	176.4	281.4	(105.0)	-37%
Selling, general and administrative expenses	185.1	188.1	(3.0)	-2%
Selling, general and administrative expenses -- Continuity charges (1)	3.6	---	3.6	*
Bad debt expense	16.2	20.7	(4.5)	-22%
Depreciation and amortization	13.4	13.0	0.4	3%
Special severance charges (2)	---	2.0	(2.0)	*
Total operating costs and expenses	394.7	505.2	(110.5)	-22%
Operating income	(71.0)	(29.8)	(41.2)	-138%
Interest expense, net	7.0	8.9	(1.9)	-21%
Loss before income taxes	(78.0)	(38.7)	(39.3)	102%
Benefit from income taxes	27.7	13.9	13.8	99%
Net loss	(\$50.3)	(\$24.8)	(\$25.5)	-103%
Weighted average shares outstanding (in millions)	39.6	39.3		
Basic and diluted loss per share	(\$1.27)	(\$0.63)	(\$0.64)	-102%

(1) Results for the three months ended August 31, 2004 include pre-tax charges of \$3.6, or \$0.06 per share after-tax, for severance related to staff reductions implemented in that quarter related to the previously announced reorganization of the Continuities business.

(2) Results for the three months ended August 31, 2003 include a pre-tax Special severance charge of \$2.0, or \$0.03 per share after-tax, for staff reductions implemented in that quarter related to a workforce reduction announced in May 2003.

\* Percent change not meaningful.

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FORWARD LOOKING STATEMENTS

This news release contains certain forward-looking statements. Such forward-looking statements are subject to various risks and uncertainties, including the conditions of the children's book and instructional material markets and acceptance of the Company's product within 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.

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SCHOLASTIC CORPORATION

RESULTS OF OPERATIONS - SEGMENTS - UNAUDITED  
 FOR THE THREE MONTHS ENDED AUGUST 31, 2004 AND 2003 (1) (2)  
 (Dollars in millions)

	THREE MONTHS ENDED			VARIANCE
	08/31/04	08/31/03		
Children's Book Publishing and Distribution				
Revenue	\$121.8	\$287.9	(\$166.1)	-58%
Operating profit/(loss)	(65.0)	(16.6)	(48.4)	-
Operating margin	-53.4%	-5.8%		
Educational Publishing				
Revenue	118.2	105.8	12.4	12%
Operating profit/(loss)	22.2	15.5	6.7	43%
Operating margin	18.8%	14.6%		
International				
Revenue	71.8	65.3	6.5	10%
Operating profit/(loss)	(3.0)	(3.9)	0.9	-23%
Operating margin	-4.2%	-6.0%		
Media, Licensing and Advertising				
Revenue	11.9	16.4	(4.5)	-27%
Operating profit/(loss)	(6.7)	(4.9)	(1.8)	-37%
Operating margin	-55.5%	-29.9%		
Overhead Expense	18.5	19.9	(1.4)	-7%
Operating Income	(\$71.0)	(\$29.8)	(\$41.2)	-138%

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(1) Results for the three months ended August 31, 2004 include pre-tax charges of \$3.6 in the Children's Book Publishing and Distribution segment for severance related to staff reductions implemented in that quarter related to the previously announced reorganization of the Continuities business.

(2) Results for the three months ended August 31, 2003 include a pre-tax Special severance charge of \$2.0 for staff reductions implemented in that quarter related to a workforce reduction announced in May 2003, allocated as follows: \$0.9 to Children's Book Publishing and Distribution, \$0.5 to Educational Publishing, \$0.1 to International, and \$0.5 to Overhead Expense.

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SCHOLASTIC CORPORATION  
SUPPLEMENTAL INFORMATION - UNAUDITED

(Dollars in millions)

SELECTED BALANCE SHEET ITEMS

	08/31/04	08/31/03	CHANGE	
Cash and cash equivalents	\$13	\$9	\$4	44%
Accounts receivable, net	\$242	\$365	-\$123	-34%
Inventories	\$534	\$492	\$42	9%
Total debt (lines of credit, short-term debt and long-term debt)	\$619	\$701	-\$82	-12%
Total stockholders' equity	\$807	\$747	\$60	8%

SELECTED CASH FLOW ITEMS

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FOR THE QUARTER ENDED				
	08/31/04	08/31/03	CHANGE	
Net cash used by operating activities	(\$79)	(\$80)	\$1	1%
Additions to property, plant and equipment	(10)	(8)	(2)	-25%
Prepublication and production expenditures	(14)	(17)	3	18%
Royalty advances	(7)	(6)	(1)	-17%
Free cash flow (cash use) (1)	(\$110)	(\$111)	\$1	1%

(1) Free cash flow is defined by the Company as net cash provided by operating activities, less spending on: property, plant and equipment; pre-publication and production costs; and royalty advances. The Company believes this measure, which is a non-GAAP financial measure, is useful to investors as an indicator of cash flow available for debt repayment and other investing activities, such as acquisitions. The Company utilizes free cash flow as a further indicator of operating performance and for planning investing activities.

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