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Fiscal 2006 Fourth Quarter and Fiscal Year Earnings Presentation

July 20, 2006

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

Chairman, Chief Executive Officer
and President

Fiscal 2006 Overview

- Operational challenges and cost issues
- Investments for long-term growth
- Expectations exceeded in certain key areas
- Executing plan to reduce costs and maintain profitable growth

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Children’s Books

- Successful Harry Potter® release, enhanced Trade team
- Information, merchandising driving Fair growth
- Simplifying Clubs promotion to meet customers needs
- Growth in Continuities in second half
- Building a stronger, integrated Children’s Book business

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Education

- Sustained growth in educational technology and READ 180® Enterprise Edition roll-out
- Increased investment in field support
- Challenges in Library and reference business
- Continued focus on partnering & comprehensive solutions

International

- Strong results in Asia, Australia, Canada
- Investment in U.K. turn-around
- Focus on margins, efficiencies in larger subsidiaries
- Focus on growth in export, Southeast Asia

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Media, Licensing & Advertising

- Strong growth at Back to Basics Toys
- Strong sales of interactive products
- Approximately $300M in on-line sales company-wide

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Scholastic Outlook

- Leveraging distribution and publishing strengths in Children’s Books
- Building on technology and reading solutions in Education
- Meeting global demand in International
- Deepening customer relationships through the Internet
- Reducing costs and improving margins and financial discipline across the Company

Mary Winston

Executive Vice President and
Chief Financial Officer

Key Financial Priorities

1. Increase division and overall profitability
2. Improve cash flow and shareholder value
3. Improve capital utilization and financial returns
4. Strengthen core financial processes and controls

Income Statement

$M (except per share)	FY06	FY05	Δ
Revenue	$2,283.8	$2,079.9	*10%*
Cost of goods sold[1]	1,103.1	979.0	*(13%)*
Selling, general & administrative[2]	916.5	840.7	*(9%)*
Bad debt expense[3]	59.1	62.2	*5%*
Depreciation & amortization	65.8	63.1	*(4%)*
Operating income	139.3	134.9	*3%*
Interest expense, net	31.7	35.2	*10%*
Provision for income taxes	39.0	35.4	*(10%)*
Net income	$68.6	$64.3	*7%*
Earnings per diluted share	$1.66	$1.58	*5%*

[1]Includes costs of $3.2M or $0.05 per diluted share in FY06 associated with the write-down of certain reference set assets. [2]Includes charges of $3.8M or $0.06 per diluted share in FY05 in connection with the Company's review of its continuity business. [3]Includes expense of $2.9M or $0.04 per diluted share in FY06 associated with the bankruptcy of a customer.

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Children's Book Publishing & Distribution

$M	4Q06	4Q05	∆	FY06	FY05	∆
Children's Book Publishing & Distribution						
Revenue	$333.6	$333.4	*0%*	$1,304.0	$1,152.5	*13%*
Trade	41.4	45.0	*(8%)*	352.6	180.9	*95%*
School book clubs	87.0	100.5	*(13%)*	373.9	396.9	*(6%)*
School book fairs	146.6	136.6	*7%*	384.8	362.6	*6%*
Continuities	58.6	51.3	*14%*	192.7	212.1	*(9%)*
Operating income*	48.5	51.9	*(7%)*	114.2	93.5	*22%*
Operating margin*	15%	16%		9%	8%	

*Includes charges of $0.2M and $3.8M in 4Q05 and FY05, respectively, in connection with the Company's review of its continuity business.

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Educational Publishing

$M	4Q06	4Q05	Δ	FY06	FY05	Δ
Educational Publishing						
Revenue	$115.1	$112.6	*2%*	$416.1	$404.6	*3%*
Operating income*	24.0	29.8	*(19%)*	69.6	78.5	*(11%)*
Operating margin	21%	26%		17%	19%	

*Includes expense in 4Q06 and FY06 of $3.2M associated with the write-down of certain reference assets, and of $1.4M and $2.9M, respectively, associated with the bankruptcy of a customer.

International

$M	4Q06	4Q05	∆	FY06	FY05	∆
International						
Revenue	$117.1	$109.7	*7%*	$412.1	$389.7	*6%*
Operating income	13.1	11.1	*18%*	22.7	30.3	*(25%)*
Operating margin	11%	10%		6%	8%	

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Media, Licensing & Advertising / Overhead

$M	4Q06	4Q05	Δ	FY06	FY05	Δ
Media, Licensing & Advertising						
Revenue	$35.2	$36.4	*(3%)*	$151.6	$133.1	*14%*
Operating income	2.0	4.3	*(53%)*	10.3	11.0	*(6%)*
Operating margin	6%	12%		7%	8%	

$M	4Q06	4Q05	Δ	FY06	FY05	Δ
Corporate Overhead	($20.6)	($22.6)	*9%*	($77.5)	($78.4)	*1%*

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Free Cash Flow

$M	FY06	FY05
Net cash provided by operations	$235.8	$246.6
Additions to property, plant & equipment	(66.1)	(49.8)
Prepublication & production costs	(62.5)	(76.0)
Royalty advances	(28.1)	(30.9)
Free cash flow*	$79.1	$89.9
Additional cash flows:		
Proceeds pursuant to employee stock plans	$28.7	$29.9

*Free cash flow is defined by the Company as net cash provided by operating activities, less spending on PP&E, prepublication and production costs, and royalty advances.

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Balance Sheet

$M	May 31, 2006	May 31, 2005
Cash & cash equivalents	$205.3	$110.6
Accounts receivable, net	266.8	269.6
Inventories	431.5	404.9
Accounts payable	141.7	141.4
Accrued royalties	36.6	40.1
Current portion of long-term debt, lines of credit and short-term debt	329.2	24.9
Long-term debt	173.2	476.5
Capital lease obligations	68.9	74.4
Total stockholders' equity	1,049.3	937.1
Net debt*	297.1	390.8
Net debt* / capitalization	22%	29%

*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.

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Strengthening Balance Sheet

- Strong cash position and liquidity
- Approx. $300M in public debt matures January 2007
- Multiple options available to fund / refinance
  - Public / private markets
  - Bank market
  - Fund with current cash and liquidity
- Access to capital not significantly impacted by current credit rating

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FY07 Segment Outlook

Children's Book Publishing & Distribution	• Modest revenue growth in non-HP Trade, Fairs, Continuities • Modest revenue decline in Clubs • Profit improvements in Clubs, Continuities and Fairs
Educational Publishing	• Continued growth in educational technology • Modest growth in other areas • Improved margins
International	• Modest growth in Australia, Asia and Exports • Improved results in UK, overall
Media, Licensing & Advertising	• Modest decline in revenue and improved profits
Corporate Overhead	• Decline based on reductions in corporate overhead

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FY07 Overhead Cost Reductions

- Key component of margin improvement strategy
- $40M in annual savings targeted
- Rationalizing processes, reducing redundancy, managing vendors, outsourcing
- On plan for FY08 goal, with two-thirds realized in FY07

FY07 Outlook

- Revenue: $2.1 to $2.2 billion
- Earnings: $1.55 to $1.85 per diluted share (GAAP)
  - Severance: $0.10 to $0.15 per diluted share
  - Stock option expense: $0.05 to $0.08 per diluted share
- Free cash flow: $75 to $85 million
  - Capex: $55 to $65 million