



SCHOLASTIC

Fiscal 2009 First Quarter Earnings Presentation
September 25, 2008



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



Outlook for Children's Books & Media

- Strong front-list buzz and early sales in Trade: *The 39 Clues™*, *The Hunger Games*, *Inkdeath*, *Goosebumps™* and other series
- Continuing to build Harry Potter® franchise: 10th anniversary *Sorcerer's Stone*, *The Tales of Beedle the Bard*
- Staged roll-out of New COOL and updated marketing & pricing in School Book Clubs
- Focus on revenue per fair and profitability in School Book Fairs
- Sale closed of U.S. direct-to-home continuities



Outlook for Education

- Fourth largest educational publisher and leader in educational technology
 - Innovative, research-based products that are proven effective
 - Partnering with schools to raise achievement
- Q1 decline largely anticipated: difficult market and comparisons
- Opportunities taken to improve sales execution and strategy
- Sales productivity improving, with major district sales expected
- New products and services leveraging strong customer base and brand



Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer



Cost Reductions

External Costs and Vendors

- Renegotiating paper, manufacturing, shipping
- Streamlining mailing
- Standardizing truck and car fleets
- Implementing new T&E policies
- Revisiting IT vendor relationships and purchasing

Salary Expense

- Eliminating annual increases for most employees
- Implementing a voluntary retirement program
- Freezing hiring
- Finding synergies among divisions



Key Financial Results

\$M (except per share)	1Q09	1Q08
Revenue	\$285.0	\$531.3
Total operating costs and expenses	349.9	515.9
Operating income (loss) from continuing operations	(64.9)	15.4
Interest expense, net	5.8	8.6
Provision (benefit) for income taxes	(26.0)	3.5
(Loss) profit from continuing operations	(44.7)	3.3
(Loss) profit from discontinued operations, net of tax ¹	(4.4)	(6.1)
Net (loss) income	(\$49.1)	(\$2.8)
(Loss) earnings per diluted share from continuing operations	(1.18)	0.08
(Loss) earnings per diluted share from discontinued operations ¹	(0.12)	(0.15)
Net (loss) income per diluted share	(1.30)	(0.07)
Free cash (use) flow ²	(\$162.4)	(\$129.7)
Net debt ³	\$398.5	\$550.3

¹In the three months ended August 31, 2008, the Company recorded a non-cash write down of certain assets, net of tax, of \$5.0 (\$0.13 per diluted share), related to the valuation of the Company's U.K. direct-to-home continuities business and a gain on sale, net of tax, of \$5.6 (\$0.15 per diluted share). ²Free 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. ³Net 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

- Maintaining FY09 outlook for continuing operations:

Revenue **\$2.0 to \$2.1 billion**

Earnings per diluted share **\$1.75 to \$2.10**

Free cash flow **\$90 to \$100 million**

- Impact of cost reductions currently expected neutral in FY09



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