SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 2

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

For the quarterly period ended August 31, 1998 — Commission File Number: 0-19860

SCHOLASTIC CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	13-3385513
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
555 BROADWAY, NEW YORK, NEW YORK	10012
(Address of principal executive offices)	(Zip Code)

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

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SCHOLASTIC CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED, AMOUNTS IN MILLIONS EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED AUGUST 31	
	1998	1997
Revenues	$ 150.2	$ 166.6
Operating costs and expenses:		
Cost of goods sold	85.2	96.1
Selling, general and administrative expenses	83.4	81.7
Depreciation	4.0	3.5
Goodwill and trademark amortization	1.4	1.5
Total operating costs and expenses	174.0	182.8
Operating loss	(23.8)	(16.2)
Interest expense, net	4.4	5.1
Loss before benefit for income taxes	(28.2)	(21.3)
Benefit for income taxes	10.7	8.1
Net loss	$ (17.5)	$ (13.2)
Net loss per Class A and Common share:		
Basic	$ (1.08)	$ (0.81)
Diluted	$ (1.08)	$ (0.81)

SEE ACCOMPANYING NOTES

SCHOLASTIC CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEET
(AMOUNTS IN MILLIONS EXCEPT PER SHARE DATA)

	August 31, 1998 (UNAUDITED)	May 31, 1998	August 31, 1997 (UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 1.1	$ 5.1	$ 1.4
Accounts receivable less allowance for doubtful accounts	110.7	116.7	117.1
Inventories	259.0	199.3	263.2
Deferred taxes	50.3	41.8	36.5
Prepaid and other deferred expenses	31.6	19.8	34.3
Total current assets	452.7	382.7	452.5
Property, plant and equipment, net	139.5	136.8	132.2
Prepublication costs	84.4	86.3	99.7
Other assets and deferred charges	174.0	159.5	157.2
Total assets	$ 850.6	$ 765.3	$ 841.6
LIABILITIES & STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Lines of credit	$ 14.1	$ 9.8	$ 10.6
Accounts payable	110.0	76.9	97.9
Accrued royalties	25.2	19.4	19.4
Deferred revenue	19.0	10.5	15.7
Other accrued expenses	52.3	65.1	56.5
Total current liabilities	220.6	181.7	200.1
NONCURRENT LIABILITIES:			
Long-term debt	306.8	243.5	341.0
Other noncurrent liabilities	21.4	22.0	18.0
Total noncurrent liabilities	328.2	265.5	359.0
STOCKHOLDERS' EQUITY:			
Class A Stock, $.01 par value	0.0	0.0	0.0
Common Stock, $.01 par value	0.2	0.2	0.2
Additional paid-in capital	206.5	205.1	203.8
Accumulated earnings	137.1	154.6	117.8
Accumulated other comprehensive income:			
Foreign currency translation adjustment	(5.2)	(5.0)	(2.5)
Less shares held in treasury	(36.8)	(36.8)	(36.8)
Total stockholders' equity	301.8	318.1	282.5
	$ 850.6	$ 765.3	$ 841.6

SEE ACCOMPANYING NOTES

SCHOLASTIC CORPORATION
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED, AMOUNTS IN MILLIONS)

	THREE MONTHS ENDED AUGUST 31,	
	1998	1997
NET CASH USED IN OPERATING ACTIVITIES	$ (37.3)	$ (42.9)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Business and trademark acquisition-related payments	(11.7)	(0.4)
Prepublication costs	(6.7)	(5.5)
Production costs	(6.6)	(3.5)
Additions to property, plant and equipment	(5.4)	(2.5)
Royalty advances	(4.2)	(6.7)
Other	(1.8)	(0.8)
Net cash used in investing activities	(36.4)	(19.4)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Borrowings under loan agreement and revolver	120.5	100.3
Repayments of loan agreement and revolver	(57.4)	(47.3)
Borrowings under lines of credit	22.4	12.5
Repayments of lines of credit	(17.2)	(6.6)
Other	1.4	(0.1)
Net cash provided by financing activities	69.7	58.8
Net decrease in cash and cash equivalents	(4.0)	(3.5)
Cash and cash equivalents at beginning of period	5.1	4.9
Cash and cash equivalents at end of period	$ 1.1	$ 1.4
SUPPLEMENTAL INFORMATION:		
Income taxes paid	$ 0.2	$ 0.7
Interest paid	$ 7.5	$ 8.1

SEE ACCOMPANYING NOTES

SCHOLASTIC CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED, DOLLARS IN MILLIONS EXCEPT SHARE DATA)

1. COMPANY

Scholastic Corporation (together with its subsidiaries, the "Company" or "Scholastic") is a global children's publishing and media company producing and distributing material for children, teachers and parents. Scholastic is among the leading publishers and distributors of children's books, classroom and professional magazines and other educational materials, with operations in the United States, the United Kingdom, Canada, Australia, New Zealand, Mexico, Hong Kong and India. Scholastic distributes most of its products directly to children and teachers in elementary and secondary schools. During its seventy-eight years of serving schools, Scholastic has developed strong name recognition associated with quality and dedication to learning, has achieved a leading market position in the school-based distribution of children's books and magazines and has developed the leading internet-based subscription service for schools. The Company has also used its proven system to develop successful children's books and then build these brands into multimedia assets.

2. BASIS OF PRESENTATION

The accompanying consolidated condensed financial statements have not been audited, but reflect those adjustments consisting of normal recurring items which management considers necessary for a fair presentation of financial position, results of operations and cash flow. These financial statements should be read in conjunction with the consolidated financial statements and related notes in the 1997/1998 Annual Report to Stockholders.

The results of operations for the three months ended August 31, 1998 and 1997 are not necessarily indicative of the results expected for the full year. Due to the seasonal fluctuations that occur, the prior year's August 31 balance sheet is included for comparative purposes.

Certain prior year amounts have been reclassified in the accompanying consolidated condensed financial statements to conform to the current year presentation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates and assumptions. Significant estimates that affect the financial statements include, but are not limited to, book returns, recoverability of inventory, recoverability of advances to authors, amortization periods, recoverability of prepublication costs and litigation reserves.

3. RECENT ACCOUNTING PRINCIPLES

Effective February 28, 1998, the Company adopted Statement of Financial Accounting Standards No. 128 (SFAS 128), "Earnings per Share." Earnings per share amounts for all periods have been restated to conform with SFAS 128. The calculations of basic and diluted earnings per share are presented in Note 6.

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Effective June 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income." This statement establishes the standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The components of comprehensive loss are described in Note 7.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures About Segments of an Enterprise and Related Information." This statement requires that public business enterprises report certain information about operating segments in financial statements of the enterprise issued to stockholders. It also requires that public business enterprises report certain information about their products and services, the geographic areas in which they operate, and their major customers. The Company is required to adopt the provisions of SFAS 131 for the fiscal year ended May 31, 1999.

In February 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132 (SFAS 132), "Employer's Disclosures about Pensions and Other Post-Retirement Benefits." This statement revises employer's disclosures about pension and other post-retirement benefit plans. It standardizes the disclosure requirements for pensions and other post-retirement benefits, requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis, and eliminates certain disclosures required under prior standards. The Company is required to adopt the provisions of SFAS 132 for the fiscal year ended May 31, 1999.

4. DEBT

LOAN AGREEMENT. The Company and Scholastic Inc. are joint and several borrowers under a Loan Agreement (the "Loan Agreement") with certain banks which provides for revolving credit loans and letters of credit. On April 11, 1995, the Company amended and restated the Loan Agreement, extending the expiration date to May 31, 2000 and expanding the facility to $135.0, with a right, in certain circumstances, to increase it to $160.0. The Loan Agreement was last amended on November 28, 1997. Interest charged under this facility is either at the prime rate or .325% to .90% over LIBOR (as defined). There is a commitment fee charged which ranges from .10% to .3625% on the unused portion. The amounts charged vary based upon certain financial measurements. The Loan Agreement contains certain financial covenants related to debt and interest coverage ratios (as defined) and limits dividends and other distributions. At August 31, 1998, an aggregate of $50.0 of borrowings and $10.0 of letters of credit were outstanding under the Loan Agreement.

REVOLVER. The Company and Scholastic Inc. (the "Borrowers") have entered into a Revolving Loan Agreement (the "Revolver") with Sun Bank, N. A., which provides for revolving credit loans and expires on May 31, 2000. The Revolver has certain financial covenants related to debt and interest coverage ratios (as defined) and limits dividends and other distributions. On August 14, 1996, the Revolver was amended to increase the aggregate principal amount to $35.0 and was last amended on November 28, 1997. At August 31, 1998, the aggregate amount of borrowings under the Revolver was $18.3.

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7% NOTES DUE 2003. In December 1996, the Company issued $125.0 of 7% Notes due 2003 (the "Notes"). The Notes are unsecured and unsubordinated obligations of the Company and will mature on December 15, 2003. The Notes are not redeemable prior to maturity. Interest on the Notes is payable semi-annually on December 15 and June 15 of each year. The net proceeds (including accrued interest) from the issuance of the Notes were $123.9 after deducting an underwriting discount and other related offering costs. The Company utilized the net proceeds primarily to repay amounts outstanding under the Loan Agreement and the Revolver.

CONVERTIBLE SUBORDINATED DEBENTURES. In August 1995, the Company sold $110.0 of 5.0% Convertible Subordinated Debentures due August 15, 2005 (the "Debentures") under Regulation S and Rule 144A of the Securities Act of 1933. The Debentures are listed on the Luxembourg Stock Exchange and the portion sold under Rule 144A is designated for trading in the Portal system of the National Association of Securities Dealers, Inc. Interest on the Debentures is payable semi-annually on August 15 and February 15 of each year. The Debentures are redeemable at the option of the Company, in whole, but not in part, at any time on or after August 15, 1998 at 100% of the principal amount plus accrued interest. Each Debenture is convertible, at the holder's option, any time prior to maturity, into Common Stock of the Company at a conversion price of $76.86 per share.

OTHER - SHORT TERM LINES OF CREDIT. At August 31, 1998, the Company's international subsidiaries had lines of credit available of $40.5. There was $14.1 outstanding under these credit lines at August 31, 1998.

5. CONTINGENCIES

The Company and certain officers have been named as defendants in litigation which alleges, among other things, violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, resulting from purportedly materially false and misleading statements to the investing public concerning the financial condition of the Company. The litigation is in the early stages and the Company believes that such litigation is without merit and plans to vigorously defend against it.

Two subsidiaries of the Company are also defendants and counterclaim plaintiffs in litigation with Parachute Press, Inc. ("Parachute"), the licensor of certain publication and non-publication rights to the GOOSEBUMPS(R) series. The action was commenced by Parachute following repeated notices from the Company to Parachute of material breaches by Parachute of the agreements under which such rights are licensed and the exercise by the Company of its contractual remedies under the agreements. Parachute alleges that the exercise of such remedies was improper and seeks declaratory relief and unspecified damages for, among other claims, alleged breaches of contract, copyright infringement and acts of unfair competition. Damages sought by Parachute include the payment of a total of approximately $36.1 of advances over the term of the contract, of which approximately $15.3 had been paid at the time the litigation began. The Company seeks declaratory relief and damages for, among other claims, breaches of contract and acts of unfair competition. Damages sought by the Company include repayment by Parachute of a portion of the $15.3 advance already paid at the time the litigation began. The litigation is still in the preliminary stages and discovery has begun. The Company has filed a motion to dismiss and Parachute has filed a motion for partial summary judgement. The Company believes that Parachute's claims are without merit. The Company intends to vigorously defend the lawsuit and pursue its counterclaims. The Company does not believe that this dispute will have a material adverse effect on its financial condition.

The Company is also engaged in various legal proceedings incident to its normal business activities. In the opinion of the Company, none of such proceedings is material to the consolidated financial position of the Company.

6. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the three month period ended August 31:

	1998	1997
CLASS A AND COMMON SHARES IN MILLIONS		
Net loss	$(17.5)	$(13.2)
Weighted average Class A and Common shares outstanding for basic and diluted earnings per share	16.3	16.2
Net loss per Class A and Common shares:		
Basic	$(1.08)	$(0.81)
Diluted	$(1.08)	$(0.81)

For the three months ended August 31, 1998 and 1997, the effect of the Debentures and the employee stock options on the weighted average Class A and Common Shares for diluted earnings per share was anti-dilutive and, therefore, is not included in the calculation.

(UNAUDITED, DOLLARS IN MILLIONS EXCEPT SHARE DATA)

7. COMPREHENSIVE LOSS

The Company's comprehensive loss for the three month periods ended August 31, 1998 and 1997 are set forth in the following table:

	1998	1997
Net loss	$ (17.5)	$ (13.2)
Other comprehensive loss:		
Foreign currency translation adjustment net of benefit for income taxes	(0.1)	(1.1)
Comprehensive loss	$ (17.6)	$ (14.3)

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 thereunto duly authorized.

SCHOLASTIC CORPORATION
(Registrant)

Date: October 27, 1998

/s/ RICHARD ROBINSON

Chairman of the Board,
President, Chief Executive
Officer and Director

Date: October 27, 1998

/s/ KEVIN J. MCENERY

Executive Vice President and
Chief Financial Officer