



**SCHOLASTIC**

**FISCAL 2010 THIRD QUARTER EARNINGS PRESENTATION  
APRIL 1, 2010**



## 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



## Third Quarter Overview

---

- Revising guidance based on higher year-to-date margins, earnings and free cash flow
- Strong cash positions and reduced debt, reflecting significant inventory reductions and year-to-date earnings
- Strong growth in technology sales driving higher Educational Publishing results
- Soft sales in Children's Books, reflecting challenging comparison and environment, but improved indicators for Q4 and long-term



## Maureen O'Connell

---

Executive Vice President,  
Chief Administrative Officer and  
Chief Financial Officer



## Third Quarter Results

(\$M except per share)	Three months ending February 28, 2010		Three months ending February 28, 2009		Nine months ending February 28, 2010		Nine months ending February 28, 2009	
	\$M	Per share	\$M	Per share	\$M	Per share	\$M	Per share
Results for continuing operations	(\$4.6)	(\$0.12)	(\$34.5)	(\$0.93)	\$27.6	\$0.75	(\$18.9)	(\$0.50)
One-time items associated with cost reductions and non-cash, non-operating items								
Severance and cash expense associated with UK restructuring <sup>1</sup>	2.4	0.06	--	--	7.9	0.21	--	--
Severance and one-time expenses associated with cost reductions <sup>2</sup>	--	--	5.8	0.10	--	--	15.8	0.26
Non-cash impairment charges <sup>3</sup>	--	--	17.0	0.46	36.3	0.60	17.0	0.45
Non-cash loss on investments <sup>4</sup>	1.5	0.02	13.5	0.27	1.5	0.02	13.5	0.27
Tax impact	(1.0)	--	(5.7)	--	(15.0)	--	(9.4)	--
Adjusted results for continuing operations	(\$1.7)	(\$0.04)	(\$3.9)	(\$0.10)	\$58.3	\$1.58	\$18.0	\$0.48

<sup>1</sup>Includes \$2.4 and \$4.1 of restructuring costs, primarily related to the consolidation of distribution facilities in the United Kingdom for the quarter and nine months ended February 28, 2010, respectively. These costs are included in the International segment and on the Cost of Goods Sold, the SG&A and the Severance lines in the Company's income statement. In addition, the nine months ended February 28, 2010 includes \$3.8 of impairment charges related to customer lists acquired as a result of the dissolution of a joint venture. These costs are included in the International segment and on the Asset Impairment line in the Company's income statement. <sup>2</sup>Severance and one-time expenses associated with cost reductions includes costs related to a Company initiated voluntary retirement program as well as other employee headcount reductions. These charges are included in Overhead for segment reporting and included in the Severance line in the Company's income statement. <sup>3</sup>For the three months and nine months ended February 28, 2009, non-cash impairment charges relate to a goodwill impairment charge in Company's United Kingdom operation. These costs are included in the International segment and are reported separately on the Asset Impairments line in the Company's income statement. For the nine months ended February 28, 2010, non-cash impairment charges represent impairment charges for intangible assets related to the Company's decision to consolidate supplemental non-fiction and library publishing activities into the Children's Book Publishing and Distribution segment. These charges are included in the Company's Educational Publishing segment and are reported separately on the Asset Impairments line in the Company's income statement. <sup>4</sup>In the three and nine months ended February 28, 2010, the Company recorded losses on an investment in a U.S. based internet company of \$1.5. These costs are included on the Loss on Investments line in the Company's income statement. In the three and nine months ended February 28, 2009, the Company recorded non-cash losses on investments in a UK book distribution business and related entities of \$13.5. These costs are also included on the Loss on Investments line in the Company's income statement.



## Income Statement (adjusted)

Adjusted (\$M, except per share)	Three months ending February 28		Nine months ending February 28	
	2010	2009	2010	2009
Revenue	\$398.8	\$423.6	\$1,374.5	\$1,353.3
Cost of goods sold	192.0	214.6	620.3	644.4
Selling, general and administrative expenses	188.1	191.7	587.4	596.9
Bad debt expense	2.9	2.3	9.4	10.6
Depreciation and amortization	14.2	14.5	43.7	45.2
Total operating costs and expenses	397.2	423.1	1,260.8	1,297.1
Operating income from continuing operations	1.6	0.5	113.7	56.2
Other income	--	0.3	0.9	0.3
Interest expense, net	4.0	5.7	12.2	18.6
Provision (benefit) for income taxes	(0.7)	(1.0)	44.1	19.9
Earnings (loss) from continuing operations	(\$1.7)	(\$3.9)	58.3	18.0
Earnings (loss) from discontinued operations, net of tax	(1.0)	(1.5)	(0.7)	(23.1)
Net income (loss)	(\$2.7)	(\$5.4)	\$57.6	(\$5.1)
Earnings (loss) per share from continuing operations	(0.04)	(0.10)	1.58	0.48
Earnings (loss) per share from discontinued operations	(0.03)	(0.05)	(0.02)	(0.62)
Net earnings (loss) per share	(0.07)	(0.15)	1.56	(0.14)



## Segment Results (adjusted)

Adjusted Operating Income (\$M)	Three months ending February 28		Nine months ending February 28	
	2010	2009	2010	2009
Segments				
Children's Book Publishing & Distribution	\$6.9	\$15.1	\$67.2	\$65.6
Educational Publishing	8.3	0.9	81.8	36.2
International	2.2	3.3	20.6	14.0
Media, Licensing and Advertising	(1.5)	(1.1)	(2.6)	(1.9)
Corporate Overhead	14.3	17.7	53.3	57.7
Operating income (loss) from continuing operations	\$1.6	\$0.5	\$113.7	\$56.2





## Free Cash Flow and Balance Sheet

(\$M)	Feb 28, 2010	Feb 28, 2009
Free cash flow (9 month period)	\$137.0	(\$40.4)
Accounts receivable, net	185.7	195.5
Inventories	374.6	412.3
Accounts payable	126.1	131.7
5% Notes Payable (2013)	152.2	159.0
\$200M Amortizing Term-Loan (2012)	103.7	146.5
\$325M credit agreement (2012)	0.0	0.0
Credit line advances	9.4	9.8
Total debt	265.3	315.3
Cash and cash equivalents	238.9	36.2
Net debt <sup>1</sup>	\$26.4	\$279.1

<sup>1</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.



## Outlook

---

- Revising FY10 outlook for continuing operations:

**Earnings per diluted share<sup>1</sup>**

**\$2.00 to \$2.30**

**Free cash flow**

**Above \$120 million**

<sup>1</sup>Excludes severance and other one-time cash and non-cash expenses associated with anticipated cost reductions.



## 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