



SCHOLASTIC

READ
Every Day

Lead a Better
LIFE

FISCAL 2012 FIRST QUARTER EARNINGS PRESENTATION

September 22, 2011



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.



Regulation G

Today's comments include references to certain non-GAAP financial measures as defined in Regulation G. The reconciliation of these non-GAAP financial measures with the relevant GAAP financial information and other information required by Regulation G is provided in the Company's earning release, which is posted on the Company's investor relations website at investor.scholastic.com.



Dick Robinson

Chief Executive Officer, President
and Chairman



Education Businesses

Educational Technology and Services

- Revenue up 18% driven by growth in reading, math and services
 - More than \$50M in sales of READ 180 Next Generation since May launch
 - Higher sales of System 44 (phonics), Big Day (early childhood) and Do The Math (intervention) programs
 - Double-digit growth in services, with strong performance at Math Solutions

Classroom and Supplemental Materials Publishing

- 25% revenue growth from new contracts and products
 - Higher sales of summer reading and custom book collections
 - Success of Text Types, new guided reading program



Children's Books

- Revenue up 10% in Trade, driven by print and ebook sales of The Hunger Games trilogy, as well as Harry Potter
- Reducing promotion spend in School Book Clubs, and focusing on most profitable customers to drive larger sales
- Targeting modest revenue per fair growth in School Book Fairs, based on strong book lists and point-of-sale technology



Digital Initiatives in Children's Books

- On schedule to roll-out children's ereader and ebookstore in early calendar 2012
- Acquired high-quality children's content: partnerships with Ruckus Media and SourceBooks
- Improved New COOL user experience, with teachers ordering online up approx. 10% this school year
- Reducing costs in non-digital areas to help fund strategic spending



International

- Revenue up on positive foreign exchange impact
- Lower results in Australia, but expected to improve with strong pipeline of new titles
- Continued double-digit growth in Asia, driven by Malaysia, the Philippines and India
- Higher sales in the UK



Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer



Income Statement

\$M (except per share)	First Quarter	
	2012	2011
Revenues	\$318.0	\$290.4
Cost of goods sold	160.4	147.3
Selling, general and administrative expenses ¹	174.3	172.1
Bad debt expense	1.4	2.9
Depreciation and amortization	15.1	14.4
Total operating costs and expenses	351.2	336.7
Operating loss from continuing operations	(\$33.2)	(\$46.3)
Interest expense, net	3.9	3.8
Benefit for income taxes	(12.0)	(16.2)
Loss from continuing operations	(\$25.1)	(\$33.9)
Loss from discontinued operations, net of tax	(2.0)	(1.3)
Net loss	(\$27.1)	(\$35.2)
Loss per share from continuing operations	(0.81)	(0.94)
Loss per share from discontinued operations	(0.06)	(0.04)
Net loss per share	(\$0.87)	(\$0.98)

¹Includes \$2.1 of one-time expenses in Q1 2012 associated with the Company's cost reduction programs, and \$1.2 of one-time expenses in Q1 2011 associated with restructuring in the UK



Segment Results

\$M (except per share)	First Quarter	
	2012	2011
Children's Book Publishing and Distribution		
Revenue	\$77.3	\$72.8
Operating loss	(49.8)	(51.6)
Educational Technology and Services		
Revenue	\$96.6	\$82.1
Operating income	38.8	30.2
Classroom and Supplemental Materials Publishing		
Revenue	\$45.7	\$36.5
Operating income (loss)	2.1	(1.7)
International		
Revenue	\$87.7	\$81.9
Operating loss ¹	(0.1)	(2.2)
Media, Licensing and Advertising		
Revenue	\$10.7	\$17.1
Operating loss	(5.0)	(2.2)
Corporate overhead ²	\$19.2	\$18.8
Operating loss from continuing operations	(\$33.2)	(\$46.3)

¹Includes \$1.2 of one-time expenses in Q1 2011 associated with restructuring in the UK

²Includes \$2.1 of one-time expenses in Q1 2012 associated with the Company's cost reduction programs



New Reporting Segments

\$M	FY 2010				FY 2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Educational Technology & Services								
Revenue	101.9	65.2	42.4	53.3	82.1	49.1	38.2	61.4
Operating income (loss)	39.0	21.4	2.6	8.8	30.2	3.4	(4.2)	8.6
<i>Margin</i>	<i>38%</i>	<i>33%</i>	<i>6%</i>	<i>17%</i>	<i>37%</i>	<i>7%</i>	<i>*</i>	<i>14%</i>
Classroom & Supplemental Materials Publishing								
Revenue	46.8	57.4	45.6	63.9	36.5	52.5	43.1	65.1
Operating income (loss) ¹	2.3	(25.5)	5.7	12.9	(1.7)	7.6	1.5	6.2
<i>Margin</i>	<i>5%</i>	<i>*</i>	<i>13%</i>	<i>20%</i>	<i>*</i>	<i>14%</i>	<i>3%</i>	<i>10%</i>

¹Includes \$36.3 of impairment charges in Q2 2010 related to the Company's library publishing activities, and \$3.4 of impairment charges in Q4 2011 related to goodwill



Free Cash Flow and Balance Sheet

\$M	Aug 31, 2011	Aug 31, 2010
Free cash use (3 month period) ¹	(\$68.0)	(\$96.9)
Accounts receivable, net	\$217.1	\$212.4
Inventories, net	\$422.8	\$429.8
Accounts payable	\$181.2	\$177.0
Accrued royalties	\$52.7	\$56.3
Total debt	\$200.0	\$242.3
Cash and cash equivalents	33.7	124.2
Net debt ²	\$166.3	\$118.1

¹Free cash flow 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

²Net debt is defined by the Company as lines of credit and short-term debt plus long-term-debt, net of cash and cash equivalents



Financial Guidance

Revenue	Approximately \$1.9 billion
Earnings from Continuing Operations	\$1.75 to \$2.10 per diluted share
Free Cash Flow	\$90 to \$100 million
Capital Expenditures	\$55 to \$65 million
Prepublication and Production Spending	\$65 to \$75 million

Note: Outlook for EPS and operating income excludes severance and other one-time expenses associated with cost savings and restructuring actions, as well as non-cash, non-operating items



Questions & Answers

Participants

- Richard Robinson
- Maureen O'Connell
- Shane Armstrong, International & Growth Markets
- Deborah Forte, Media
- Margery Mayer, Education
- Judy Newman, Book Clubs and E-Commerce
- Hugh Roome, Consumer and Professional Publishing