



SCHOLASTIC

**Fiscal 2009 Year-End Earnings Presentation
July 23, 2009**



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



Fiscal 2009: Overview

- Sustained solid sales in challenging economy
- Achieved significant cost and headcount reductions
- Streamlined portfolio and exited non-core businesses
- Reduced debt and strengthened balance sheet
- Achieved EPS in-line with and FCF exceeding guidance

FY10: Three point plan for \$30M to \$70M in incremental operating income



Fiscal 2010: Higher Children's Book Profits

- Pricing increases in select product areas
- More use of Scholastic product and consolidated purchasing from other publishers
- Increased parent ordering online in Clubs
- Improved merchandising and participation in Fairs
- Strong front-list in Trade



Fiscal 2010: Strong Education Growth

- \$100B in new education funding through American Recovery and Reinvestment Act ("ARRA")
- Doubles available funding (\$25B) for key Scholastic products through Title I and IDEA
- Sales of educational technology, consulting services, classroom books up 40%+ in first 7 weeks of FY10
- Projecting \$50M in incremental sales in FY10, affirming \$100M total goal for FY10 & FY11



Fiscal 2010: Increased Efficiencies

- Annualized salary expense reduced \$30M+ in FY09
- Consolidating Fair regions from 14 to 7
- Streamlining Club promotion costs
- Resizing / restructuring U.K. operations in response to soft market
- Consolidating IT and internet operations



Fiscal 2010 to 2012: Strategic Opportunities

- Expanded online sales and ebooks
- Multiplatform print and online publishing
- New educational technology and services
- English-language books and learning in Asia



Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer



Fiscal 2010: Strong Free Cash Flow

- Tight management of working capital
- Reductions in inventory
- Capital, prepub and production spending in-line with prior year
- Sustained investment in strategic opportunities



Fiscal 2009 Key Financial Results

\$M (except per share)	FY09	Adj	FY09 Adj	FY08
Revenue	\$1,849.3		\$1,849.3	\$2,159.1
Cost of goods sold	868.8		868.8	1,035.9
Selling, general and administrative expenses	815.2	(19.9)	795.3	839.0
Bad debt expense	15.8		15.8	8.6
Depreciation and amortization	60.7		60.7	62.2
Impairment charges	18.4	(18.4)	0.0	0.0
Operating income from continuing operations	70.4	38.3	108.7	213.4
Other income	0.7		0.7	2.6
Interest expense, net	23.0		23.0	29.8
Loss on investments	13.5	(13.5)	0.0	0.0
Earnings from continuing operations before taxes	34.6	51.8	86.4	186.2
Provision for income taxes	21.4	17.1	38.5	68.9
Net income from continuing operations	13.2	34.7	47.9	117.3
Earnings per share from continuing operations	0.35	0.93	1.28	2.99
Loss from discontinued operations, net of tax	(27.5)			(134.5)
Loss per share from discontinued operations, net of tax	(0.73)			(3.43)
Consolidated net loss	(14.3)			(17.2)
Loss per share from continuing operations	(0.38)			(0.44)
Free cash flow ¹	84.9			185.6
Total debt	303.7			349.7
Cash and cash equivalents	143.6			116.1

¹Free 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.



Fiscal 2010 Outlook for Continuing Operations

Revenue \$1.8 to \$1.9 billion

Earnings \$1.80 to \$2.30 per diluted share

Capital Expenditures \$45 to \$55 million

Prepublication and Production Spending \$50 to \$60 million

Free Cash Flow \$90 to \$120 million



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