SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 31, 1998 Commission File No. 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

Securities Registered Pursuant to Section 12(b) of the Act:

NONE

Securities Registered Pursuant to Section 12(g) of the Act:

TITLE OF CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $.01 par value	The NASDAQ Stock Market

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the Common Stock, par value $0.01, held by non-affiliates as of August 6, 1998, was approximately $562,880,733. As of such date, non-affiliates held no shares of the Class A Stock, par value $0.01. There is no active market for the Class A Stock.

The number of shares outstanding of each class of the Registrant's voting stock as of August 6, 1998 was as follows: 15,460,571 shares of Common Stock and 828,100 shares of Class A Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant's definitive proxy statement for the Annual Meeting of Stockholders to be held September 16, 1998.

PART I

ITEM 1 - BUSINESS

Scholastic Corporation (together with its subsidiaries, "Scholastic" or the "Company") 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.

The Company's domestic book publishing business consists primarily of the publication and distribution of children's books in paperback editions through school book clubs, school book fairs, retail stores and classroom and library sales. The Company believes that it operates the largest school book club program and the largest school book fair business in the United States. In fiscal 1998, Scholastic sold in excess of 250 million children's books in the United States. The Company's sales of core and supplemental instructional materials are also included in domestic book publishing.

Scholastic's domestic magazine publishing business consists primarily of the publication of classroom magazines distributed to children in school and professional magazines directed to teachers and other education professionals. In fiscal 1998, the United States circulation of the Company's classroom magazines was 7.5 million.

The Company's domestic operations also include the production and distribution of educational computer software, the production and distribution of children's video and television programming and the merchandising and licensing of successful branded properties.

The Company's international business consists of seven operating subsidiaries, four of which publish and distribute children's books, magazines, supplementary text products and educational software and three of which primarily distribute through schools children's books published by Scholastic as well as other publishers. For the year ended May 31, 1998, approximately 90% of the Company's international revenues were derived from the sale of children's books. The Company believes that it operates the largest school book club program and the largest school book fair business in the United Kingdom, Canada, Australia and New Zealand.

Most of the Company's revenues are generated by targeted direct mail programs to schools and by telephone sales representatives. Additionally, the Company has a sales force of full-time and part-time representatives calling on schools to sell its core curriculum materials, supplementary texts, educational software, magazines and library book programs. For trade distribution, the Company has a retail sales force calling on bookstores and other retail outlets that include the sale of children's books.

The Company's Education Group manages the development and distribution of substantially all Scholastic's school material designed for curriculum use and paid for with school funds. The Education Group encompasses the Company's core and supplemental publishing, classroom and professional magazines, early childhood and professional books, as well as the Company's sales of supplementary materials to classrooms and libraries. The Education Group also manages the development and distribution of educational software and the Scholastic Network(TM), the Company's Internet-based subscription service for schools.

The following table sets forth revenues by product line for the five fiscal years ended May 31:

	(AMOUNTS IN MILLIONS) 1998	1997	1996	1995	1994
Domestic					
Book publishing	$ 728.5	$645.9	$657.5	$516.8	$428.3
Magazine publishing	75.2	81.3	81.6	84.0	73.0
Media, TV/movie productions & licensing	58.8	60.2	39.8	19.5	18.0
International	195.9	178.9	149.7	129.6	112.3
Total	$1,058.4	$966.3	$928.6	$749.9	$631.6

Scholastic's revenues have grown at an average annual compounded rate of approximately 14% from fiscal 1994 through fiscal 1998.

Scholastic Corporation was incorporated under the laws of Delaware in 1986 and through its subsidiaries and predecessor entities has been in business since 1920. The Company is engaged in one segment of business - the production, publication and sale of educational materials.

DOMESTIC BOOK PUBLISHING
(68% OF REVENUES)

The Company's domestic book publishing operations include children's book publishing and instructional book publishing.

CHILDREN'S BOOK PUBLISHING

The Company has published books since 1948 and is one of the largest English language publishers of children's books. The majority of children's books sold by the Company are distributed in the United States directly to children and teachers through its school-based book clubs and book fairs. The Company has created and maintained a long-standing franchise in the educational market and is also one of the leading sellers of children's books through the trade channel.

The Company offers a broad range of quality children's literature. Many of the books offered by the Company have received awards for excellence in children's literature, including the Caldecott and the Newbery awards.

The Company obtains titles for sale in its distribution channels from three principal sources. First, the Company publishes paperback and/or hardcover editions of books written by outside authors under exclusive publication agreements with the Company. Scholastic generally contracts for the rights to sell these original titles in all channels of distribution including school and trade. The second source consists of paperback reprints of books originally published by other publishers for which the Company acquires rights under license agreements to sell exclusively in the school market. The third source for titles is from the Company's purchase of finished books from other publishers to be sold in the school market. The Company currently maintains a backlist (a list of titles published as new titles in prior years) of over 5,000 titles.

All of the Company's books are manufactured by outside printers. The printers are generally selected on the basis of competitive bidding, and the Company, when it deems it to be appropriate, enters into multi-year agreements which guarantee printers a certain percentage of Scholastic volume in exchange for favorable pricing terms. Scholastic purchases its paper from paper manufacturers, wholesalers, distributors and printers.

The Company distributes its children's books principally through four distribution channels: school book clubs, school book fairs, sales to classrooms and libraries and retail book stores. In the school market, the Company distributes books directly to teachers and students through school book clubs (including continuity programs) and school book fairs. The Company also distributes books to the school market through sales to classrooms and libraries, principally through its Education Group. The fourth distribution channel is sales to the trade market. By utilizing these distribution channels and distributing its products internationally, the Company's volumes permit it to realize economies in book production and distribution. The Company believes its multiple distribution channels and volume help attract top quality authors, editors and illustrators and publishers seeking widespread distribution in both the specialized school market and the trade market, as well as publishers seeking widespread distribution in the school market.

The Company's subsidiary, Lectorum Publications, Inc., acquired in 1996, is the largest distributor in the U.S. of Spanish language books to schools and libraries.

BOOK CLUBS

The Company operates ten school based book clubs: FIREFLY(R), serving pre-kindergarten and kindergarten students; SEESAW(R), serving kindergarten and first grade students; two CARNIVAL(R) clubs, one serving students in kindergarten through second grade and the other serving third through sixth grade students; LUCKY BOOK CLUB(R), serving second and third grade students; ARROW BOOK CLUB(R), serving fourth through sixth grade students; TAB BOOK CLUB(R), serving sixth, seventh, and eighth grade students; and three Trumpet(TM) clubs, which were acquired from Bantam Doubleday Dell in 1996 and together serve pre-K through sixth grade students. In addition, the Company creates special theme-based offers targeted to the different grade levels during the year, such as holiday offers, science offers, curriculum offers, Spanish offers, etc. The Company also operates FUN-TASTIC-AT-HOME!(TM), THE BABY-SITTERS COLLECTOR CLUB, THE BABY-SITTERS LITTLE SISTER FRIENDSHIP CLUB, THRILLS & CHILLS(TM), CLIFFORD'S CLUBHOUSE, HELLO READER, BOX CAR, THE MAGIC SCHOOL BUS, ARTHUR'S ADVENTURE, FRANKLIN & FRIENDS, STAR WARS MISSIONS, ANIMAL LOVERS and GOOSEBUMPS COLLECTORS CLUB, which are book club continuity programs promoted primarily through schools and which deliver paperback books to children at home and bill parents at home.

From fiscal 1994 through fiscal 1998, domestic book club revenues grew primarily as a result of the expansion of book club continuity programs, volume increases in the Company's school-based book clubs, increases in special book club offers, price increases, the selection by children of higher priced items and the acquisition of the Trumpet book clubs.

The Company founded its first book club in 1948 and believes that it currently operates the largest school book club program in the United States. The Company estimates that over 80% of all elementary school teachers in the United States participate in book clubs, with approximately 75% of these teachers using Scholastic book clubs at least once during the year.

The Company believes that teachers participate in school book clubs because they feel that quality books at affordable prices will be of interest to students and improve students' reading skills. The Company also believes teachers are attracted because the book clubs offer easy access to a broad range of books. The Company mails promotional pieces containing order forms to teachers in the vast majority of the pre-K through eighth-grade classrooms in the United States on a monthly basis throughout the school year. Participation in any month does not create an obligation to participate in any subsequent month, nor does it preclude participation in a competitor's book club.

Teachers who wish to participate in a book club distribute the order forms to their students, who may choose from generally fifty or more selections at substantial reductions from retail prices. The teacher consolidates the students' orders and payments, and mails or phones orders to the Company, which then delivers the books to the teacher for distribution to the students. Teachers who participate in the book clubs receive bonus points, which may be redeemed for the purchase of additional books and other items for use in their classrooms.

The sources of books for the Company's school book clubs are original publications, reprints licensed from other publishers for school distribution and finished books purchased from other publishers.

The Company processes and fulfills orders for its book clubs, as well as for its other school sales (except book fairs and continuity programs) and trade distribution, from its primary warehouse and distribution facility in Jefferson City, Missouri. Orders for the book clubs are generally delivered to customers within 7-10 days from receipt of the teacher's order.

In its book club business, the Company competes on the basis of book selection, price, promotion and customer service. The Company believes that its broad selection of titles, many of which are distributed in this channel exclusively by Scholastic, combined with low unit manufacturing costs and its large number of promotion mailings, enable the Company to compete effectively.

BOOK FAIRS

The Company believes it operates the largest school book fair business in the United States. The Company entered the book fair business in 1981. Since that time, the Company's book fair business has grown primarily through geographic expansion, selected acquisitions, increased penetration of its existing markets and growth in revenue on a per fair basis. In June 1998, the Company acquired certain assets of Pages Book Fairs, Inc., for $10.5 million, including inventory, book fair cases and customer lists.

The Company operates book fairs in all 50 states under the name SCHOLASTIC BOOK FAIRS(R). The Company offers premium fairs under the names SCHOLASTIC LITERACY FESTIVAL(TM) and SCHOLASTIC BOOKS ON TOUR(R), which feature an expanded list of titles supported by exciting merchandise displays and book character costumes designed to create a dynamic Book Fair event open to the entire family. The Company also markets fairs under the names CLASSIC BOOK FAIRS(TM) and READ STREET(R). In January 1998, the Company tested and launched, on a limited basis, its DISCOVERY FAIR(TM). This new fair features non-fiction, science, technology, arts, crafts and interactive products.

Book fairs are generally week-long events conducted on school premises and sponsored by school librarians and/or parent-teacher organizations. Book fair events expose children to hundreds of new books and allow children the opportunity to purchase books and other select products of their choice. Although the Company provides the school with the books and book display cases, the school actually conducts the book fair. The Company believes that the primary motivation of the schools in sponsoring fairs is to provide their students with quality books at reasonable prices in order to help them become more interested in reading. In addition, the school retains a portion of the book fair revenues that can be used to purchase books, supplies and equipment for the school.

The Company operates its book fairs in the United States on a regional basis through over 20 sales offices and over 70 warehouse locations. The marketing of book fairs is performed from the sales offices by telephone sales and field representatives. The Company's books and display cases are delivered to schools from the Company's warehouses by a fleet of leased vehicles. The Company's customer service function is performed from the regional and branch offices, supported by field representatives. The sources of books for the Company's book fairs are finished books purchased from other publishers, reprints licensed from other publishers for school distribution and original Scholastic publications.

The Company believes that its competitive advantages in the book fair business include the strength of the relationship between its sales representatives and schools, broad geographic coverage, a high level of customer service and its breadth of product selection. Approximately 90% of the schools that sponsored a Scholastic book fair in fiscal year 1997 sponsored a Scholastic book fair again in fiscal 1998.

TRADE

The Company distributes its original publications through the trade distribution channel. Almost all of the titles distributed to the trade market are also offered in the Company's school book clubs and book fairs. In the Company's publishing program, over 2,500 titles are maintained for trade distribution, including the branded series ANIMORPHS(R), GOOSEBUMPS(R), THE BABY-SITTERS CLUB(R), THE MAGIC SCHOOL BUS(R), DEAR AMERICA(R) and CLIFFORD THE BIG RED DOG(R).

The Company has a trade field sales organization which focuses on selling the broad range of Scholastic books to book store accounts. The Company outsources invoicing, billing, returns processing and collection services in connection with trade distribution.

The Company's sales in the trade market are led by ANIMORPHS, which was first published in 1996 and as of July 1998 had 22 titles and 15 million copies in print, the GOOSEBUMPS series, with 141 titles and 210 million copies in print and THE BABY-SITTERS CLUB series, with 309 titles and 170 million copies in print. Two other Scholastic-developed properties that also generate significant sales are THE MAGIC SCHOOL BUS series with 46 titles and 35 million copies in print and the new DEAR AMERICA hardcover series with nine titles and three million copies in print. The SCHOLASTIC CHILDREN'S DICTIONARY, published in 1996 and with over 1.5 million copies in print, has greatly enhanced the Company's reference line.

During fiscal 1998, Scholastic-published books received numerous awards, including the prestigious Newbery Medal for Karen Hesse's OUT OF THE DUST and the selection for OPRAH'S BOOK CLUB(R) of three titles written by Bill Cosby from the newly published LITTLE BILL(TM) series. THE BLUE SKY PRESS(R) and Scholastic Press imprints have attracted some of the most well-known talents in children's publishing, including Leo and Diane Dillon, Virginia Hamilton, David Kirk, Christopher Myers, Walter Dean Myers, Dav Pilkey, Cynthia Rylant, David Shannon, Mark Teague, Rachel Vail and Walter Wick.

CLASSROOM AND LIBRARY SALES

Many elementary school teachers use paperback books in conjunction with basal textbooks to teach reading and other subjects. In addition to offering book clubs and book fairs, Scholastic serves this need by offering individual titles and collections of paperback books for classrooms and school libraries, primarily through the Education Group's sales force. The majority of the titles sold directly to school classrooms and libraries by the Education Group are the same as those offered through the Company's book clubs and book fairs.

Purchases of individual titles and book collections are generally funded by school budgets. Classrooms and libraries may order directly through catalogs mailed to the schools and through the Company's Education Group sales force.

CORE AND SUPPLEMENTAL PUBLISHING

The Education Group's core and supplemental publishing operations develop and distribute instructional materials (both supplemental and core curriculum programs) directly to schools. Based on industry research, the Company believes that the kindergarten through sixth grade ("K-6") market for instructional materials, in the areas of language arts and science, is in excess of one billion dollars annually.

Publishing for the K-6 market is being affected by a number of factors which include the shift toward skill-based instruction balanced with the philosophy of literature-based instruction (the teaching of reading and other subjects utilizing whole books such as trade or paperback books). State and local governments are providing significant increases in funding to improve students' test scores and to provide a means to assess and support pupil development. In addition, measures to decrease class size have begun to take place in large urban areas, particularly California, thus increasing overall instructional material spending.

The Company believes that these changes provide an opportunity to substantially expand its presence in the instructional materials market. To capitalize on this opportunity, the Company's strategies are the following: focus its publishing in language arts and science where the Company has successful book and magazine publishing programs; publish multimedia programs which provide schools with innovative alternatives to programs offered by other publishers; concentrate its publishing in the K-6 grade market, which is the largest part of the market; use existing books and magazines from other Scholastic publishing groups; and cross-market its new programs to the more than one million teachers who currently participate in Scholastic's book clubs and use its magazines.

Pursuant to this strategy in the core area, the Company publishes and distributes SCHOLASTIC LITERACY PLACE(R), its K-6 market reading program, and SCHOLASTIC SOLARES(TM), its Spanish elementary reading program. During fiscal 1998, the Company significantly increased the number of school districts which adopted SCHOLASTIC LITERACY PLACE and has had strong follow-up orders from schools which have already adopted the program. In addition to the core programs, the company continues to publish innovative supplemental material such as the non-fiction emergent readers used in the SCIENCE RESOURCE CENTER for pre-K and kindergarten classrooms.

The Company continues to distribute its successful line of phonics products. The Company is publishing additional chapter books and Spanish phonics materials to meet growing demand.

In fiscal 1997, the Company introduced network versions of WIGGLEWORKS(R), its standard-setting CD-ROM-based beginning literacy program. Demand remains strong for this popular technology.

In April 1998, the Company acquired The Electronic Bookshelf, a technology-based reading management and assessment system designed for use in schools.

MAGAZINE PUBLISHING
(7% OF REVENUES)

GENERAL
Scholastic has been for many years a leading publisher of classroom magazines, which are used as supplementary educational materials, and professional magazines, directed at teachers and education professionals. Most of the Company's classroom and professional magazines carry the Scholastic name, which reinforces the Company's widely recognized educational reputation with students, teachers and school administrators. The Company's reputation for publishing quality magazines, maintaining an extensive magazine mailing list and having a large customer base of teachers help generate customers for its book clubs and other Scholastic products as well as its magazines. At the same time, the Company uses its book club mailings to help secure additional circulation for its classroom and professional magazines

CLASSROOM MAGAZINES
The Company's 35 classroom magazines are designed to encourage students to read and to supplement the formal learning program by bringing subjects of current interest into the classroom. The subjects covered include English, reading, literature, math, science, current events, social studies and foreign languages. The most well known of the Company's domestic magazines are SCHOLASTIC NEWS(R) and JUNIOR SCHOLASTIC(R).

The Company's classroom magazine circulation in the United States in each of fiscal 1998 and 1997 was 7.5 million. Approximately two-thirds of the circulation is in K-6, with the balance in grades seven through twelve. In fiscal 1998, teachers in approximately 60% of the elementary schools and 70% of the high schools in the United States used the Company's classroom magazines.

The various classroom magazines are distributed on a weekly, bi-weekly and monthly basis during the school year. The majority of circulation revenue is paid for by the schools and the remainder by students. Circulation revenue accounted for approximately two-thirds of the Company's classroom magazine revenues in fiscal 1998. Several of the magazines distributed in secondary schools carry advertising.

The Education Group markets the Company's classroom magazines largely by direct mail and telephone sales representatives and field sales representatives. The Company maintains an extensive database of teachers and schools which it utilizes for promotional efforts.

Additionally, the Company develops and distributes customized marketing programs sponsored by major corporations, government agencies and other organizations which want to reach young people and educators. Customized programs may include single-sponsor magazines, posters, teaching guides, integrated teaching kits, educational videos and other promotional media and are developed principally for Fortune 500 corporations and governmental agencies.

PROFESSIONAL PUBLISHING AND EARLY CHILDHOOD PUBLISHING
The Company publishes three magazines directed at teachers and education professionals: INSTRUCTOR, SCHOLASTIC EARLY CHILDHOOD TODAY(TM) and COACH and ATHLETIC DIRECTOR(TM). Total circulation for these magazines in fiscal 1998 was approximately 300,000. The magazines are distributed throughout the academic year. Subscriptions are solicited by direct mail and are cross-marketed to teachers through the book clubs. The Company also publishes SCHOLASTIC PARENT and CHILD(R) magazine, which is directed at parents and distributed through schools and day care programs. SCHOLASTIC PARENT AND CHILD'S circulation is approximately 1.3 million. The magazines carry outside advertising, advertising for the Company's other products and advertising for clients that sponsor customized programs. In fiscal 1998, advertising revenue represented the majority of the professional publishing and early childhood magazine revenues.

The professional publishing division also publishes professional books and continuity programs consisting of instructional materials designed for and generally purchased by teachers. Professional books are marketed through Scholastic book clubs, catalogs, direct mail solicitations and by the Company's trade sales force to teacher stores and book stores. The early childhood division also publishes children's books and a pre-kindergarten and kindergarten curriculum program, the SCHOLASTIC EARLY CHILDHOOD WORKSHOP(TM). Revenues from these items are included in domestic book publishing revenues.

SCHOLASTIC SOHO GROUP
Effective January 1, 1998, the Company sold its SOHO Group, including the magazines HOME OFFICE COMPUTING(R) and SMALL BUSINESS COMPUTING(TM), based on a determination that the SOHO Group was not a core asset.

MEDIA, TV/MOVIE PRODUCTIONS
& LICENSING
(6% OF REVENUES)

TV/MOVIE PRODUCTIONS & LICENSING
Scholastic Entertainment Inc. ("SEI", formerly Scholastic Productions, Inc.), a wholly-owned subsidiary of the Company, extends the Company's franchises by creating and managing global brands based on Scholastic's strong publishing properties. SEI's multimedia programming provides the catalyst for branding and consumer products activities worldwide.

FILMED ENTERTAINMENT
SEI has an extensive list of programs on air, in production or in development including:

SCHOLASTIC'S THE MAGIC SCHOOL BUS
In fiscal 1998, SEI completed production of thirteen episodes of the popular animated children's TV series SCHOLASTIC'S THE MAGIC SCHOOL BUS(R) ("The Magic School Bus"), bringing the total library to fifty-two episodes. The series has been airing its fourth and final season on PBS during the 1997/98 broadcast year. The Magic School Bus, which has won numerous awards including an Emmy for Lily Tomlin, has been the most popular series for school-aged children on PBS. In the fall of 1998, The Magic School Bus will move from PBS and begin airing on the Fox Kid's Network ("FKN") for a two year period. In addition, the series has been licensed for television in over 40 international territories by Nelvana Ltd. The series may also be found worldwide on home video; WarnerVision Entertainment has successfully released a total of 18 episodes domestically and in Canada while in other countries the videos are being distributed primarily by Twentieth Century Fox Home Entertainment ("FHE").

GOOSEBUMPS
During fiscal 1998, SEI continued to produce the Goosebumps(R) TV series for FKN with the completion of the third season order of 24 half hour episodes. FKN has ordered an additional eight episodes for the fourth season of the series which commences in the fall of 1998. This will bring the total number of episodes to 62 and the total number of one hour specials to six. The series will continue to be aired on Saturday mornings where it is currently FKN's number one show. GOOSEBUMPS has been one of the top-rated children's series on television since its debut in 1995. Also during fiscal 1998, Saban International, the international TV distributor of GOOSEBUMPS on behalf of Fox Kid's Worldwide, continued to license the series; it is currently airing in most major territories and has been sold in over 100 countries worldwide. The series has been especially popular in the United Kingdom where it has been the number one rated children's series. GOOSEBUMPS(R) has been released by FHE on video in most major international territories.

In addition, FHE has released GOOSEBUMPS videos domestically, including three releases during fiscal 1998. GOOSEBUMPS and SEI received the 1997 VSDA (Video Software Dealers Association) Award for "Best Children's Video Line of the Year."

ANIMORPHS
SEI commenced production in spring 1998 of twenty half-hour live action episodes of ANIMORPHS(TM), based on Scholastic's best-selling book series. The series will premiere in September 1998 in a prime-time slot on the popular children's basic cable television channel, Nickelodeon. Nickelodeon has licensed the U.S. and international (excluding Canadian) TV rights for its own channels; Columbia TriStar Home Video has licensed the domestic home video distribution rights. SEI has licensed ANIMORPHS for a fall 1998 premiere in Canada to both YTV (a basic cable channel) and the Global Television Network (broadcast market). Nickelodeon will also distribute the series in television markets outside of North America.

DEAR AMERICA
SEI has received an order from Home Box Office ("HBO") for six half hour episodes based on Scholastic's popular and critically acclaimed book series DEAR AMERICA(TM). Filming commenced during summer 1998 and the series is expected to premiere in the first half of 1999.

OTHER DEVELOPMENT
Another major Scholastic franchise in development for exploitation across multiple media platforms is an animated TV series based on the beloved book series, SCHOLASTIC'S CLIFFORD THE BIG RED DOG(TM). SEI also has other original children's and family oriented projects in development.

MARKETING AND CONSUMER PRODUCTS
Scholastic Consumer Products, a division of SEI, develops licensing and promotional programs, primarily for brands produced in other media. In June 1997, SEI was awarded the 1997 LIMA (Licensing Industry Merchandiser's Association) award for "Licensing Agency of the Year." Examples of SEI's licensing and promotional achievements include:

SCHOLASTIC'S THE MAGIC SCHOOL BUS
- The award-winning series of CD-ROMs, co-produced with Microsoft. All of The Magic School Bus(TM) CD-ROMs are in the all-time top 20 best-selling titles for children.

- Scholastic's Traveling Magic School Bus, a recreation of the bus from the book and animated series, which through

December 1997 had visited over 250 schools, libraries, retail stores and book fairs in the U.S. and Canada, reaching over 1 million fans.

- Consumer promotion partnerships with Howard Johnson and Colgate Palmolive, along with a live stage show.

GOOSEBUMPS

- The 1997 LIMA award "License of the Year" for GOOSEBUMPS.

- Two CD-ROMs, co-produced with Dreamworks SKG, the first of which reached number one on the children's best seller list.

- The 1996 Reggie Award-winning GOOSEBUMPS Halloween Promotion with Pepsi, Frito-Lay, Hershey, Taco Bell and Target retail stores.

ANIMORPHS

- A multi-faceted licensing and marketing campaign for Animorphs to launch domestically in conjunction with the TV series in fall 1998.

- Licensing partnerships with 15 industry leaders, including Hallmark, Antioch, Giant and Hasbro Toys.

- A multi-year consumer promotion agreement with Tricon (corporate parent of Taco Bell, KFC and Pizza Hut) for a consumer promotion in the fourth calendar quarter of 1998.

SPECIAL MARKETS

SEI's subsidiary, SE Distribution Inc., creates, manufactures and distributes high-quality consumer products primarily based on Scholastic's literary properties. In fiscal 1997, the first product line of upscale plush toys, SIDEKICKS(TM), was launched with items based on CLIFFORD THE BIG RED DOG and CLIFFORD THE SMALL RED PUPPY(R). During fiscal 1998, additional products were introduced to the marketplace based on the Magic School Bus character Liz. The products are available through independent toy/gift stores, specialty chains, department stores, mail order catalogs and book stores as well as through Scholastic's proprietary channels (i.e. book clubs and book fairs). A second product line of stationery items, PAPER SCISSORS ROCK(TM), will be launched in Spring 1999.

During fiscal 1998, SEI also managed the sale of books through non-traditional channels. These revenues are included in domestic book publishing revenues.

TECHNOLOGY AND NEW MEDIA

The mission of the Technology and New Media group is threefold: publish and sell educational software and multimedia products to schools and homes; support other Scholastic divisions' technology efforts (including the creation of technology components integrated into Scholastic's core curriculum materials); and explore and develop opportunities in interactive networks, including the SCHOLASTIC NETWORK(TM), which is a subscription-based service available to educators via the Internet, as well as Internet-based applications for delivery of Scholastic products and services.

Since 1982, the Company has published educational software which is sold to schools by the Education Group's sales representatives, catalogs and educational distributors serving the school market. The Company also sells consumer software through book clubs and book fairs, and since 1991, has also sold software through a classroom software club modeled on its classroom book clubs. In fiscal 1998, the Company launched a new software club aimed at the early learning market. The Company acquires software for distribution in all of these channels through a combination of licensing, internal development, contracting with independent software developers and third-party distribution arrangements.

In fiscal 1994, the Company launched the Scholastic Network, the first online service developed especially for educators and students, which moved to the Internet in fiscal 1997. It offers teachers supporting material and compelling in-class experiences for the kindergarten through eighth grade market. It is the largest teacher-oriented subscription service on the Internet. In addition, the Company has operated its home page on the World Wide Web since 1994. This site, Scholastic.com, provides an overview of the Company's activities, resource libraries for educators, an education store and special programming tied to SCHOLASTIC NETWORK'S content. The SCHOLASTIC NETWORK is featured on Scholastic.com and is a paid service. The Scholastic Network has generated a loss since its launch in fiscal 1994.

In fiscal 1998, the Company initiated sales of its internally developed CD-ROM titles in the retail channel through a third party distribution arrangement. This distribution will complement sales through the Company's book clubs, software clubs and school fairs.

The Company also produces and markets videos to the school market through Weston Woods, a producer of videos based on high quality children's books, which was acquired in 1996.

INTERNATIONAL
(19% OF REVENUES)

Scholastic operates wholly-owned subsidiaries in the United Kingdom, Canada, Australia, New Zealand, Mexico, India and Hong Kong. The businesses in the United Kingdom, Canada, Australia and New Zealand generally mirror the Company's business in the United States and include publishing and/or distributing children's books, magazines, school text materials and educational software. The Company's businesses in Mexico, India and Hong Kong principally distribute through schools books published by Scholastic and other publishers. Products from the United States appropriate to each specific market are distributed where rights are available.

Scholastic's International division also oversees the licensing of foreign-language rights in eligible Scholastic titles to other publishing companies around the world. The GOOSEBUMPS(TM) series, for example, has been licensed to more than 15 publishers in 15 languages. Similar success is building with ANIMORPHS(TM), another bestseller in the United States. Scholastic titles have been licensed in over 25 languages from Arabic to Zulu.

In addition, Scholastic operates an export department from its New York headquarters. This group serves Department of Defense Education Activity ("DoDEA") schools abroad, international schools, American schools, indigenous schools and schools within possessions and territories of the United States. The group also focuses on wholesale and retail distributors in regions not otherwise serviced by Scholastic. SCHOLASTIC LITERACY PLACE(R) has been adopted by DoDEA for 123 schools.

Scholastic U.K., founded in 1964, is Scholastic's largest international subsidiary, with fiscal 1998 revenue of $90.9. It is the United Kingdom's largest book club and book fair operator, based in part on the acquisition of Red House Books Ltd. in 1997 and of School Book Fairs, Ltd. in 1996. Scholastic U.K. also publishes five monthly magazines for teachers and a substantial list of children's and educational books. Scholastic U.K.'s trade books appear frequently in the U.K. children's best seller lists.

Scholastic Canada, founded in 1957, distributes both English and French language products used in more than 80% of Canadian schools. It also is Canada's leading operator of book clubs and book fairs and publishes original works for distribution in Canada.

Scholastic Australia, founded in 1968, is the country's leading publisher and distributor of children's educational materials in Australia. Its book clubs and book fairs reach 90% of the country's primary schools. Local imprints include Omnibus Books and Margaret Hamilton Books.

Scholastic New Zealand, founded in 1964, is the leading book distributor to schools and the largest children's book publisher in New Zealand. It publishes about 30 new titles each year and has won annual picture book and junior fiction awards, including the Aim Children's Book Awards and the New Zealand Library and Information Association Awards.

The Company also operates through subsidiaries in emerging marketplaces in Mexico, India and Hong Kong. These businesses distribute books in both English and local languages principally through school book fairs and school book clubs.

SEASONALITY
The Company's book clubs, book fairs and most of its magazines operate on a school-year basis, therefore, the Company's business is highly seasonal. As a consequence, the Company's revenues in the first and third quarters of the fiscal year are lower than its revenues in the other two fiscal quarters, and the Company experiences a substantial loss from operations in the first quarter. Typically, book club and book fair revenues are proportionately larger in the second quarter of the fiscal year, while revenues from the sale of instructional materials are larger in the first quarter. See Supplementary Financial Information in Item 8.

For the June through September time period, the Company experiences negative cash flow due to the seasonality of its business. Historically, as a result of the Company's business cycle, seasonal borrowings have increased during June, July and August and generally have peaked in September or October, and have been at the lowest point in May.

COMPETITION
The market for educational materials is highly competitive. Competition is based on the quality and range of educational materials made available, price, promotion and customer service. In the United States and Canada, competitors include one other national school book club operator and one other national school book fair operator as well as smaller regional operators, including local bookstores. Domestically and internationally, competitors include numerous other paperback book, textbook and supplementary text publishers, distributors and other resellers (including over the Internet) of children's books and other educational materials, national publishers of classroom and professional magazines with substantial circulation, numerous producers of television, video and filmed programming (many of which are substantially larger than the Company), publishers of

computer software and distributors of products and services on the Internet. Competition may increase further to the extent that other entities enter the market and to the extent that current competitors or new competitors develop and introduce new educational materials that compete directly with the products distributed by the Company or develop or expand competitive channels for the sale of children's books or other educational materials.

EMPLOYEES

As of May 31, 1998, Scholastic employed approximately 4,500 persons in full-time jobs and 320 in hourly or part-time jobs in the United States and approximately 1,770 persons in its international subsidiaries. The number of part-time employees fluctuates during the year because the Company's business is closely correlated with the school year. The Company believes that its relations with employees are good.

COPYRIGHT AND TRADEMARKS

SCHOLASTIC is a registered trademark in the United States and in a number of countries where the Company conducts business. Scholastic Inc., the Company's principal U.S. operating subsidiary, has registered and/or has pending applications to register its trademarks in the United States for the names of each of its domestic book clubs, the titles of its magazines and the names of all of its core curriculum programs. The Company's international subsidiaries have also registered its trademarks in the name of the Scholastic Inc. for the names of their respective books clubs and magazines. Although individual book titles are not subject to trademark protection, Scholastic Inc. has registered and/or has pending applications to register its trademarks in the United States and in a number of countries for the names of certain series of books and consumer products, such as THE BABY-SITTERS CLUB, THE MAGIC SCHOOL BUS and ANIMORPHS.

All of the Company's publications, including books, magazines and software, are subject to copyright protection. The Company consistently registers its copyrights for its magazines and books in the name of the Company. The Company vigorously defends and asserts its trademarks and copyrights claims in courts and in trademark offices within and outside of the United States and, as necessary, outside counsel may be retained.

ITEM 2 - PROPERTIES

The Company maintains its world headquarters in various locations in New York City, New York, where it leases approximately 419,000 square feet of office space for executive offices and certain of its operating divisions in seven properties. The Company also owns or leases approximately 1.3 million square feet of office and warehouse space for its primary distribution center located in the Jefferson City, Missouri area.

The Company owns or leases approximately 1.5 million square feet of office and warehouse space in over seventy facilities around the United States for Scholastic Book Fairs.

The Company also owns or leases approximately 800,000 square feet of office and warehouse space in nineteen facilities in Canada, the United Kingdom, Australia, New Zealand and elsewhere around the world for its international businesses.

With respect to the Company's leased properties, no difficulties are anticipated in negotiating renewals as leases expire or in finding other satisfactory space, if current premises become unavailable. For further information concerning the Company's obligations under its leases, see Note 4 of the Notes to Consolidated Financial Statements. The Company considers its properties adequate for its present needs.

ITEM 3 - LEGAL PROCEEDINGS

Three purported class action complaints were filed in the United States District Court for the Southern District of New York against Scholastic Corporation and certain officers seeking, among other remedies, damages resulting from defendants' alleged violations of federal securities laws. The complaints have now been consolidated. The Consolidated Amended Class Action Complaint (the "Consolidated Complaint") was served and filed on August 13, 1997. The Consolidated Complaint is styled as a class action, IN RE SCHOLASTIC SECURITIES LITIGATION, 97 Civ. 2447 (JFK), on behalf of all persons who purchased Company common stock from December 10, 1996 through February 20, 1997. The Consolidated Complaint 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 purported materially false and misleading statements to the investing public concerning the financial condition of the Company. Specifically, the Consolidated Complaint alleges misstatements and omissions by the Company pertaining to adverse sales and returns of its popular GOOSEBUMPS(R) book series prior to the Company's interim earnings announcement on February 20, 1997. The litigation is still in the preliminary stages. The Company has filed a motion to dismiss the Consolidated Complaint and discovery has not yet begun. The Company believes that the suit is without merit and intends to vigorously defend against this action.

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 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.

The action, Parachute Press, Inc. v. Scholastic Inc., Scholastic Productions, Inc. and Scholastic Entertainment, Inc. (97 Cir. 8510 (JFK), was commenced on November 14, 1997 in the United States District Court for the Southern District of New York. Parachute amended its complaint on December 9, 1997 and on April 1, 1998.

In its amended complaint, 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 million of advances over the term of the contract, of which approximately $15.3 million 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 million advance already paid at the time the litigation began.

The litigation is still in the preliminary stages. The Company has filed a motion to dismiss and discovery has begun in the matter. 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.

A number of lawsuits and administrative proceedings which have arisen in the ordinary course of business are pending or threatened against the Company. The Company believes there are meritorious defenses to substantially all such claims. From time to time the Company is also involved in proceedings with states with respect to sales and use taxes, for which the Company believes it is adequately reserved.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the fiscal year covered by this report, no matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise.

PART II

ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded on the Nasdaq National Market system under the symbol SCHL. The Class A Stock is convertible into Common Stock on a share-for-share basis. There is no active market for the Class A Stock. The table below sets forth, for the periods indicated, the quarterly and one year high and low selling prices on the Nasdaq National Market system for the Company's Common Stock.

YEARS ENDED MAY 31:	1998		1997	
	HIGH	LOW	HIGH	LOW
First Quarter	36 3/8	29	70 1/4	59
Second Quarter	45 19/32	33 7/8	78 1/2	66 3/4
Third Quarter	42 1/2	28 7/8	74 1/2	32 3/4
Fourth Quarter	43 7/8	35 9/16	33 3/8	20 3/4
Year	45 19/32	28 7/8	78 1/2	20 3/4

The Company has not paid any dividends since its initial public offering in February 1992 and has no current plans to pay any dividends on its Common Stock and Class A Stock. In addition, certain of the Company's credit facilities restrict the amount of the payment of dividends. See Note 3 of the Notes to Consolidated Financial Statements.

The number of holders of record of Class A stock and Common Stock as of August 6, 1998 were three and approximately 7,000, respectively.

ITEM 6 - SELECTED FINANCIAL DATA

YEARS ENDED MAY 31,
(AMOUNTS IN MILLIONS EXCEPT PER SHARE DATA)

	1998	1997	1996	1995	1994
STATEMENT OF INCOME DATA:					
Total revenues	$1,058.4	$966.3	$928.6	$749.9	$631.6
Cost of goods sold	536.8	530.7	466.0	356.0	297.1
Selling, general and administrative expenses	440.3	399.6	367.4	316.2	271.3
Other operating costs					
Goodwill and trademark amortization and depreciation	21.7	18.3	13.1	10.0	7.6
Impairment of assets	11.4	-	24.3	-	-
Operating income	48.2	17.7	57.8	67.7	55.6
Sale of the SOHO Group	10.0	-	-	-	-
Interest expense, net	(20.1)	(16.7)	(11.2)	(5.4)	(2.9)
Net income	23.6	0.4	31.9	38.6	24.8
Net income per share-basic	$1.46	$0.02	$2.02	$2.48	$1.60
Net income per share- diluted	$1.45	$0.02	$1.97	$2.38	$1.53
Weighted average shares outstanding-basic	16.2	16.0	15.8	15.6	15.5
Weighted average shares outstanding-diluted	16.4	16.3	16.2	16.2	16.2
BALANCE SHEET DATA (END OF YEAR):					
Working capital	$201.0	$215.7	$177.1	$136.8	$100.3
Total assets	765.3	784.4	673.2	505.9	390.0
Long-term debt	243.5	287.9	186.8	91.5	39.6
Stockholders' equity	318.1	297.5	288.6	250.2	205.8

Certain prior year information has been restated to conform with new accounting pronouncements.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain prior year comparisons have been restated to conform with the current year presentation. The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and related Notes and Selected Financial Data.

FISCAL 1998 COMPARED TO FISCAL 1997
Revenues increased approximately 10% from $966.3 million in fiscal 1997 to $1,058.4 million in fiscal 1998.

Domestic book publishing revenues accounted for the majority of the Company's revenues in both fiscal 1998 and fiscal 1997. These revenues increased 13% from $645.9 million in fiscal 1997 to $728.5 million in fiscal 1998. Book club revenues inclusive of continuity programs accounted for approximately 42% of domestic book publishing sales. Book club revenues increased approximately 16% over fiscal 1997 reflecting improved order volume combined with increased revenue per order. Revenues from book fairs accounted for approximately 23% of domestic book publishing sales and generated sales growth approximating 15%, resulting from increases in both the number of fairs held and the average revenue generated per fair. Revenues related to sales of core and supplemental instructional materials to schools accounted for 17% of domestic book publishing revenues, increasing 43% over fiscal 1997 primarily due to the impact of strong second year sales of the Company's reading program SCHOLASTIC LITERACY PLACE(R). The Company's trade distribution channel accounted for approximately 12% of domestic book publishing sales. Net trade sales decreased approximately 15% due to a continued decline in the sales of the Goosebumps(R) series. Trade sales of properties other than Goosebumps increased approximately 24% over fiscal 1997.

In fiscal 1998, domestic magazine publishing revenue declined approximately 7% from $81.3 million to $75.2 million reflecting a decrease in revenues from the sale of the Company's Small Office Home Office Group ("SOHO Group"), effective January 1, 1998. Domestic magazine publishing revenues of properties other than the SOHO Group increased approximately 6% over fiscal 1997 and are comprised primarily of circulation and advertising revenues.

Domestic media, TV/movie production & licensing revenues declined slightly from $60.2 million in fiscal 1997 to $58.8 million in fiscal 1998. Increased software sales were offset by the impact of decreased licensing revenue related to Goosebumps products.

International revenues increased approximately 10% from $178.9 million in fiscal 1997 to $195.9 million in fiscal 1998. Revenues from the Company's United Kingdom operation improved approximately 33% reflecting the full year benefit of the fiscal 1997 acquisition of Red House Books, Ltd. along with continued strength in the trade distribution channel. Revenues in Australia, Canada and New Zealand were adversely impacted by weakness in their respective currencies relative to the U.S. dollar.

Cost of goods sold increased 1% from $530.7 million in fiscal 1997 to $536.8 in fiscal 1998. Cost of goods sold as a percentage of revenues decreased from 55% in fiscal 1997 to 51% in fiscal 1998. This decrease as a percentage of sales resulted primarily from changes in product mix, the benefit of incremental, high-margin SCHOLASTIC LITERACY PLACE sales, lower rate of returns in the Trade division and the impact of the Company's cost reduction program. The major components of cost of goods sold and their respective approximate percentages of total cost of goods sold in fiscal 1998 were as follows: printing and binding (36%), paper (14%), postage (11%), royalty expense (9%), prepublication costs (7%) and editorial expense (7%). These percentages were comparable with the prior fiscal year. The balance of cost of goods sold includes shipping and labor, reserves for obsolescence and other manufacturing costs.

Selling, general and administrative expenses increased by 10%, in line with the percentage increase in sales, from $399.6 million in fiscal 1997 to $440.3 million in fiscal 1998, due primarily to increases in marketing and promotion costs resulting from increased volume in book clubs and book fairs combined with increased information technology costs. Selling, general and administrative expenses as a percentage of revenue were approximately equal to the prior year at 41.6%. Cost reductions in core and supplemental were offset by increases in information technology and United Kingdom spending. Marketing and promotion costs, which include the costs of catalogs, direct mail, book club kits, book club bonus points and advertising, constituted approximately 56% and 57% of selling, general and administrative expenses in fiscal 1998 and fiscal 1997, respectively. The balance of selling, general and administrative expenses is comprised of facility-related costs, office equipment rentals, salary and related expenses and consulting fees.

Other operating costs increased from $18.3 million in fiscal 1997 to $33.1 million in fiscal 1998. In the third quarter of fiscal 1998, the Company incurred a non-cash charge related to the impairment of certain assets of $11.4 million. A significant portion of this charge was determined in accordance with Statement of Financial Accounting

Standards No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of."

Operating income increased $30.5 million from $17.7 million in fiscal 1997 (1.8% of sales) to $48.2 million in fiscal 1998 (4.6% of sales). Excluding the $11.4 million non-cash charge referred to above, fiscal 1998 operating income was 5.6% of sales.

In fiscal 1998, the results include a pre-tax gain of approximately $10.0 million as a result of the January 1, 1998 sale of its SOHO Group, including HOME OFFICE COMPUTING(R) magazine, for approximately $19.2 million and the assumption of certain liabilities.

Net interest expense increased from $16.7 million in fiscal 1997 to $20.1 million in fiscal 1998. This increase was principally attributable to higher average debt levels in fiscal 1998, partially due to the January 1997 acquisition of Red House Books, Ltd. and a higher weighted-average interest rate due to the issuance of the Company's 7% Notes due 2003 in December 1996.

Earnings before provision for income taxes increased from $1.0 million in fiscal 1997 to $38.1 million in fiscal 1998.

Income tax expense increased from $0.6 million in fiscal 1997 to $14.5 million in fiscal 1998. In fiscal 1998 and 1997, the Company's effective tax rates were 38.0% and 64.6% of earnings before taxes, respectively. The decrease in the effective tax rate is due primarily to a lower relative state and local tax burden, which is computed on an unconsolidated basis.

Net income increased from $0.4 million in fiscal 1997 to $23.6 million in fiscal 1998. The basic and diluted net income per Class A and Common Share were $1.46 and $1.45, respectively, in fiscal 1998 and $0.02 for both basic and diluted in fiscal 1997.

FISCAL 1997 COMPARED TO FISCAL 1996

Revenues increased approximately 4% from $928.6 million in fiscal 1996 to $966.3 million in fiscal 1997.

Domestic book publishing revenues accounted for the majority of the Company's revenues in both fiscal 1997 and fiscal 1996. Domestic book publishing revenues decreased 2% from $657.5 million in fiscal 1996 to $645.9 million in fiscal 1997. Book clubs, including continuity programs, accounted for approximately 40% of domestic book publishing sales in fiscal 1997. Book club revenues in fiscal 1997 decreased approximately 4% in comparison to fiscal 1996. The decrease in book club revenues, due to lower orders and decreased revenue per order, was only partially offset by the January 1996 purchase of Trumpet Book Clubs, Inc. Book fairs accounted for approximately 23% of domestic book publishing sales and generated sales growth of 18%, as a result of an increased number of fairs held and an increase in the average revenue generated per fair. The Company's trade distribution channel accounted for 16% of domestic book publishing sales. Net trade sales decreased approximately $40 million or 30% due primarily to increases in the rate of returns and a decline in the sales of the Goosebumps(R) series, particularly beginning in January/February 1997. Also included in domestic book publishing revenues are sales of core and supplemental instructional materials to schools. Sales of core and supplemental instructional materials to schools accounted for approximately 13% of domestic book publishing revenues and were at approximately the same level as fiscal 1996 as first year sales of the Company's reading program SCHOLASTIC LITERACY PLACE(R) more than offset a decrease in sales of the SCHOLASTIC EARLY CHILDHOOD WORKSHOP(TM).

In fiscal 1997, domestic magazine publishing revenue remained at the same level as in the prior year at approximately $81.0 million. Domestic magazine publishing revenues are comprised primarily of advertising revenues and circulation revenues. The Company's SOHO group accounted for 27% of total domestic magazine publishing revenues in fiscal 1997.

Domestic media, TV/movie productions & licensing revenues increased from $39.8 million in fiscal 1996 to $60.2 million in fiscal 1997. This revenue growth was due largely to the increased licensing revenue from the sale of Goosebumps products.

International revenues grew by 19% from $149.7 million in fiscal 1996 to $178.9 million in fiscal 1997. The United Kingdom revenue significantly benefited from the March 1996 acquisition of School Book Fairs Ltd. and the 1997 acquisition of Red House Books, Ltd. The United Kingdom and Canada also had increases in trade sales.

Cost of goods sold increased 14% from $466.0 million in fiscal 1996 to $530.7 million in fiscal 1997. Cost of goods sold as a percentage of revenues increased from 50% in fiscal 1996 to 55% in fiscal 1997. This increase resulted from a planned increase in prepublication amortization, restructuring charges, increases in inventory reserves and the impact of increases in the trade returns reserves. The major components of cost of goods sold and their respective approximate percentages of total cost of goods sold in fiscal 1997 were as follows:

printing and binding (35%), paper (13%), postage (11%), royalty expense (9%), editorial expense (8%), and prepublication costs (6%). The balance of cost of goods sold includes shipping and labor, delivery charges and other manufacturing costs. As a percentage of total cost of goods sold, printing and binding increased from 27% in fiscal 1996 due to product mix and the impact of increasing trade returns reserves, and paper costs decreased from 19% in fiscal 1996, due primarily to changes in product mix and decreases in paper prices.

Selling, general and administrative expenses increased by 9%, from $367.4 million in fiscal 1996 to $399.6 million in fiscal 1997, due primarily to increased salaries, marketing and promotion costs and the Company's restructuring charge. Selling, general and administrative expenses as a percentage of revenue remained at approximately 40%. Marketing and promotion costs, which include the costs of catalogs, direct mail, book club kits, book club bonus points and advertising, constituted approximately 57% of selling, general and administrative expenses in fiscal 1997, approximately the same as in fiscal 1996. The balance of selling, general and administrative expenses was comprised of facility-related costs, office equipment rentals, salary and salary related expenses and the majority of the Company's restructuring charge.

Other operating costs decreased from $37.4 million in fiscal 1996 to $18.3 million in fiscal 1997. In the fourth quarter of fiscal 1996, the Company incurred a non-cash charge related to the impairment of certain assets of $24.3 million. A significant portion of this charge was determined in connection with the Company's early adoption of Statement of Financial Accounting Standards No. 121, (SFAS 121) "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of."

Operating income decreased $40.1 million or 69% from $57.8 million in fiscal 1996 (6% of sales) to $17.7 million in fiscal 1997 (2% of sales).

Net interest expense increased from $11.2 million in fiscal 1996 to $16.7 million in fiscal 1997. This increase was principally attributable to higher debt levels incurred to fund working capital growth, mid-year fiscal 1996 acquisitions of approximately $19.0 million, acquisitions in fiscal 1997 totaling approximately $32.0 million and a higher interest rate in part resulting from the December 23, 1996 issuance of $125.0 million of 7% Notes due 2003.

Earnings before provision for income taxes decreased from $46.6 million in fiscal 1996 to $1.0 million in fiscal 1997.

Income tax expense decreased from $14.7 million in fiscal 1996 to $0.6 million in fiscal 1997. In fiscal 1997 and 1996, the Company's effective tax rates were 64.6% and 31.6% of earnings before taxes, respectively. The increase in the effective tax rate primarily is due to state and local taxes, which are computed on an unconsolidated basis.

Net income decreased from $31.9 million in fiscal 1996 to $0.4 million in fiscal 1997. The basic and diluted net income per Class A and Common Share was $0.02 in each case in fiscal 1997 and $2.02 and $1.97, respectively, in fiscal 1996.

SEASONALITY

The Company's book clubs, book fairs and most of its magazines operate on a school-year basis, therefore, the Company's business is highly seasonal. As a consequence, the Company's revenues in the first and third quarters of the fiscal year are lower than its revenues in the other two fiscal quarters, and the Company generally experiences a substantial loss from operations in the first quarter. Typically, book club and book fair revenues are proportionately larger in the second quarter of the fiscal year, while revenues from the sale of instructional materials are larger in the first quarter. See Supplementary Financial Information in Item 8.

For the June through September time period, the Company experiences negative cash flow due to the seasonality of its business. Historically, as a result of the Company's business cycle, seasonal borrowings have increased during June, July and August and generally have peaked in September or October, and have been at the lowest point in May.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents remained virtually unchanged for fiscal years 1998, 1997 and 1996. In fiscal 1998, the net cash provided by operating activities was used to pay down debt and to finance investing activities.

Net cash provided by operating activities in fiscal 1998 was $117.7 million, and was derived from the net income of the Company adjusted for the add-back of non-cash charges and the effect of changes in working capital requirements.

Cash outflows for investing activities were $79.2 million for fiscal 1998, primarily related to royalty advances, business and trademark acquisition-related payments, capital expenditures, and prepublication and production costs expenditures.

Payments for royalty advances totaled $29.3 million for fiscal 1998. Business and trademark acquisition-related payments were $6.0 million for the year, including the April 15, 1998 acquisition of The Electronic Bookshelf, Inc. The Company's capital expenditures totaled $20.3 million in fiscal 1998. Prepublication cost expenditures totaled $25.4 million, representing a decrease of $28.9 million from fiscal 1996, largely due to higher investments by the Company during fiscal 1996 in its core publishing and technology based activities, primarily in the development of SCHOLASTIC LITERACY Place(R). The Company does not expect significant increases in investing activities with the exception of prepublication costs, where it expects a significant prepublication spending increase during fiscal 1999 over fiscal 1998 largely due to the planned revision to SCHOLASTIC LITERACY PLACE.

The Company believes its existing cash position, combined with funds generated from operations and funds available under the its credit facilities, will be sufficient to finance its on-going working capital requirements for the next fiscal year.

FINANCING

The Company currently maintains two unsecured credit facilities which provide for aggregate borrowings of up to $170.0 million (with a right, in certain circumstances, to increase to $195.0 million), including the issuance of up to $10.0 million in letters of credit. The Company uses these facilities to fund seasonal cash flow needs and other working capital requirements. At May 31, 1998, the Company had $5.3 million in borrowings were outstanding under these facilities at a weighted average interest rate of 6.685%.

These two facilities expire May 31, 2000. The Company anticipates extending or replacing these facilities during fiscal 1999. The Company does not anticipate any difficulty in negotiating satisfactory credit arrangements.

In addition, unsecured lines of credit available to the Company's United Kingdom, Canadian and Australian operations totaled $38.3 million at May 31, 1998. These lines are used primarily to fund working capital needs. At May 31, 1998, $9.8 million in borrowings were outstanding under these lines at a weighted average interest rate of 6.06%.

ACQUISITIONS

In the ordinary course of business, the Company explores domestic and international expansion opportunities, including potential niche and strategic acquisitions. As part of this process, the Company engages with interested parties in discussions concerning possible transactions. The Company will continue to evaluate such opportunities and prospects. Consistent with this strategy, the Company acquired The Electronic Bookshelf, Inc. and a number of small book fair operations during fiscal 1998 for an aggregate amount of approximately $6.0 million and, in June 1998 acquired certain assets of Pages Book Fairs, Inc. for approximately $10.5 million.

YEAR 2000 COMPUTER SYSTEM COMPLIANCE

Management has initiated an enterprise-wide program to prepare the Company's computer systems and applications for the year 2000. The Company expects to incur internal staff costs, as well as consulting and other expenses related to infrastructure and facilities enhancements necessary to prepare the systems for the year 2000. Costs for testing and conversion of system applications will be expensed as incurred and are estimated at $10.0 million to $12.0 million over the next two fiscal years, with costs of approximately $8.0 million estimated to be incurred for fiscal 1999. Such costs do not include normal system upgrades. To date, the Company has spent approximately $2.0 million. A comprehensive evaluation of the impact of the Year 2000 issue on both the Company's infrastructure and its interfaces with suppliers and customers is expected to be completed during fiscal 1999 including a contingency plan. The Company expects its remediation program to be completed by August 31, 1999. Based on current plans and efforts to date, the Company does not expect that the year 2000 issue will have a material adverse impact on its operations; however, there can be no assurance that all problems will be foreseen and corrected, or that no material disruption to the Company's business will occur.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"), and SFAS No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 131 establishes standards for reporting financial and descriptive information for reportable segments on the same basis that is used internally for evaluating segment performance and the allocation of resources to segments. The Company is evaluating the effect, if any, of SFAS 131 on its operating segment reporting disclosure. SFAS 130 establishes standards for presenting non-stockholder related items that are excluded from net income and reported as components of stockholders' equity, such as foreign currency translation. These statements are effective for fiscal years beginning after December 15, 1997. The adoption of these statements will not have a material effect on the Company's results of operations or financial position.

FACTORS THAT MAY AFFECT FUTURE RESULTS AND
FINANCIAL CONDITION

This Annual Report on Form 10-K contains forward-looking statements. Additional written and oral forward-looking statements may be made by the Company from time to time in

Securities and Exchange Commission ("SEC") filings and otherwise. The Company cautions readers that results predicted by forward-looking statements, including, without limitation, those relating to the Company's future business prospects, revenues, working capital, liquidity, capital needs, interest costs, and income are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements, due to factors including the following and other risks and factors identified from time to time in the Company's filings with the SEC:

- The Company's ability to produce successful educational, trade, entertainment and software products;

- The Company's ability to maintain relationships with its creative talent;

- Changes in purchasing patterns in and the strength of educational, trade, entertainment and software markets;

- Competition from other educational and trade publishers and media and entertainment companies;

- Significant changes in the publishing industry, especially relating to the distribution and sale of books;

- The Company's ability to manage seasonality;

- The effect on the Company of volatility in the price of paper and periodic increases in postage rates; and

- The general risks attendant to the conduct of business in foreign countries; and

The foregoing list of factors should not be construed as exhaustive or as any admission regarding the adequacy of disclosures made by the Company prior to the date hereof. The Company disclaims any intention or obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

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ITEM 8 - CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE:

The following consolidated financial statement schedule of the Company is included in Item 14(d):

All other schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements or the Notes thereto.

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CONSOLIDATED STATEMENT OF INCOME
Years ended May 31,
(Amounts in millions except per share data)

	1998	1997	1996
Revenues	$1,058.4	$966.3	$928.6
Operating costs and expenses:			
Cost of goods sold	536.8	530.7	466.0
Selling, general and administrative expenses	440.3	399.6	367.4
Other operating costs:			
Depreciation	15.0	12.8	10.0
Goodwill and trademark amortization	6.7	5.5	3.1
Impairment of assets	11.4	--	24.3
Total operating costs and expenses	1,010.2	948.6	870.8
Operating income	48.2	17.7	57.8
Sale of SOHO Group	10.0	--	--
Interest expense, net	(20.1)	(16.7)	(11.2)
Earnings before taxes	38.1	1.0	46.6
Provision for income taxes	14.5	0.6	14.7
Net income	$ 23.6	$ 0.4	$ 31.9

Net income per Class A and Common Share:			
Basic	$1.46	$0.02	$2.02
Diluted	$1.45	$0.02	$1.97

SEE ACCOMPANYING NOTES

CONSOLIDATED BALANCE SHEET
Balances at May 31,
(Amounts in millions except share and per share data)

ASSETS	1998	1997
CURRENT ASSETS:		
Cash and cash equivalents	$ 5.1	$ 4.9
Accounts receivable (less allowance for doubtful accounts of $10.1 in 1998 and $7.8 in 1997)	116.7	100.5
Inventories	199.3	222.0
Deferred taxes	41.8	30.2
Prepaid and other deferred expenses	19.8	38.7
Total current assets	382.7	396.3
PROPERTY, PLANT AND EQUIPMENT:		
Land	6.4	6.5
Buildings	41.1	41.0
Furniture, fixtures and equipment	79.8	68.4
Leasehold improvements	63.8	61.3
	191.1	177.2
Less accumulated depreciation and amortization	(54.3)	(43.2)
Net property, plant and equipment	136.8	134.0
OTHER ASSETS AND DEFERRED CHARGES:		
Prepublication costs	86.3	102.1
Goodwill and trademarks	66.7	67.8
Royalty advances	45.1	43.4
Other	47.7	40.8
Total other assets and deferred charges	245.8	254.1
Total assets	$765.3	$784.4

LIABILITIES AND STOCKHOLDERS' EQUITY	1998	1997
CURRENT LIABILITIES:		
Lines of credit	$ 9.8	$ 5.0
Current portion of long-term debt	0.3	0.3
Accounts payable	76.9	74.2
Accrued royalties	19.4	12.2
Deferred revenue	10.5	9.0
Other accrued expenses	64.8	79.9
Total current liabilities	181.7	180.6
NONCURRENT LIABILITIES:		
Long-term debt	243.5	287.9
Other noncurrent liabilities	22.0	18.4
Total noncurrent liabilities	265.5	306.3
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY:		
Preferred Stock, $1.00 par value Authorized-1,000,000 shares; Issued-None	-	-
Class A Stock, $.01 par value Authorized-2,500,000 shares; Issued-828,100 shares	0.0	0.0
Common Stock, $.01 par value Authorized-25,000,000 shares Issued-16,741,190 shares (16,671,690 shares at 5/31/97)	0.2	0.2
Additional paid-in capital	205.1	203.8
Foreign currency translation adjustment	(5.0)	(0.7)
Accumulated earnings	154.6	131.0
Less 1,301,658 shares of Common Stock in treasury, at cost	(36.8)	(36.8)
Total stockholders' equity	318.1	297.5
Total liabilities and stockholders' equity	$765.3	$784.4

SEE ACCOMPANYING NOTES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED MAY 31, 1998, 1997 AND 1996
(AMOUNTS IN MILLIONS)

	CLASS A STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	CURRENCY TRANSLATION ADJUSTMENT	ACCUMULATED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT JUNE 1, 1995	$0.0	$0.2	$189.6	$(1.5)	$ 98.7	$(36.8)	$250.2
Net income					31.9		31.9
Translation adjustment				1.3			1.3
Stock options exercised		0.0	2.1				2.1
Tax benefit realized from stock option transactions			3.0				3.0
Stock granted			0.1				0.1
BALANCE AT MAY 31, 1996	0.0	0.2	194.8	(0.2)	130.6	(36.8)	288.6
Net income					0.4		0.4
Translation adjustment				(0.5)			(0.5)
Stock options exercised		0.0	4.7				4.7
Tax benefit realized from stock option transactions			4.2				4.2
Stock granted			0.1				0.1
BALANCE AT MAY 31, 1997	0.0	0.2	203.8	(0.7)	131.0	(36.8)	297.5
Net income					23.6		23.6
Translation adjustment				(4.3)			(4.3)
Stock options exercised		0.0	0.7				0.7
Tax benefit realized from stock option transactions			0.6				0.6
BALANCE AT MAY 31, 1998	$0.0	$0.2	$205.1	$(5.0)	$154.6	$(36.8)	$318.1

CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED MAY 31,
(AMOUNTS IN MILLIONS)

	1998	1997	1996
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:			
Net income	$23.6	$0.4	$31.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and depreciation	64.9	58.4	42.5
Royalty advances expensed	16.0	15.2	13.5
Provision for losses on accounts receivable	14.6	11.7	9.6
Deferred income taxes	(8.4)	(7.0)	(4.7)
Impairment of assets	11.4	-	24.3
Gain on the sale of the SOHO Group	(10.0)	-	-
Changes in assets and liabilities net of effects from acquisitions and dispositions:			
Accounts receivable	(38.9)	7.6	(49.2)
Inventory	14.8	(29.3)	(31.6)
Prepaid expenses	17.6	(19.8)	1.5
Accounts payable and other accrued expenses	(0.5)	17.3	3.8
Accrued royalties	9.3	(6.9)	5.5
Deferred revenues	3.1	(0.2)	(2.7)
Other, net	0.2	(0.7)	8.3
Total adjustments	94.1	46.3	20.8
Net cash provided by operating activities	117.7	46.7	52.7
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Proceeds received from the sale of the SOHO Group	19.2	-	-
Royalty advances	(29.3)	(33.2)	(20.1)
Business and trademark acquisition-related payments	(6.0)	(32.1)	(32.1)
Additions to property, plant and equipment	(20.3)	(29.5)	(30.4)
Prepublication costs	(25.4)	(26.9)	(54.3)
Production costs	(13.0)	(12.5)	(16.9)
Other	(4.4)	(3.3)	(2.7)
Net cash used in investing activities	(79.2)	(137.5)	(156.5)
CASH FLOWS (USED IN) PROVIDED BY FINANCING ACTIVITIES:			
Borrowings under loan agreement and revolver	243.9	301.5	209.6
Repayments of loan agreement and revolver	(288.3)	(326.2)	(224.2)
Proceeds from issuance of 7% Notes due 2003	-	123.9	-
Proceeds from issuance of convertible debt	-	-	107.3
Borrowings under lines of credit	68.6	39.3	53.9
Repayments of lines of credit	(63.6)	(55.6)	(46.7)
Proceeds from exercise of stock options	0.7	4.7	2.1
Tax benefit realized from stock option transactions	0.6	4.2	3.0
Other	(0.3)	(0.4)	(0.8)
Net cash (used in) provided by financing activities	(38.4)	91.4	104.2
Effect of exchange rate changes on cash	0.1	0.0	0.2
Net increase in cash and cash equivalents	0.2	0.6	0.6
Cash and cash equivalents at beginning of year	4.9	4.3	3.7
Cash and cash equivalents at end of year	$5.1	$4.9	$4.3
SUPPLEMENTAL INFORMATION:			
Income taxes paid	$17.1	$24.7	$22.3
Interest paid	21.5	13.1	9.8

SEE ACCOMPANYING NOTES

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION
The consolidated financial statements include the accounts of Scholastic Corporation and all wholly-owned subsidiaries (the "Company"). All intercompany transactions are eliminated. Certain prior year amounts have been reclassified to conform to the current year presentation.

USE OF ESTIMATES
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.

NATURE OF OPERATIONS
The Company has operations in the United States, the United Kingdom, Canada, Australia, New Zealand, Mexico, Hong Kong and India and distributes its materials through a variety of channels, including book clubs, book fairs and trade. The Company is engaged in one segment of business - the production, publication and sale of educational materials.

CASH EQUIVALENTS
Cash equivalents consist of short-term investments with original maturities of less than three months.

INVENTORIES
Inventories are stated at the lower of cost using the first-in, first-out method or market.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are carried at cost. Depreciation and amortization are provided on the straight-line basis. Buildings have an estimated useful life, for purposes of depreciation, of forty years. Furniture, fixtures and equipment are depreciated over periods not exceeding ten years. Leasehold improvements are amortized over the life of the lease or the life of the assets, whichever is shorter.

OTHER ASSETS AND DEFERRED CHARGES
Prepublication costs are amortized on the straight-line basis over a two to five year period commencing with publication.

Royalty advances are expensed as related revenues are earned or when future recovery appears doubtful.

Goodwill and trademarks acquired by the Company are being amortized on the straight-line basis over the estimated future periods to be benefited, not exceeding 40 years.

The Company regularly evaluates the remaining lives and recoverability of the above costs.

INCOME TAX
The Company provides for income taxes in accordance with Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes". Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws that will be in effect when the differences are expected to enter into the determination of taxable income.

REVENUE RECOGNITION
Sales of books are recognized upon the shipment of product and revenues from media/television productions and licensing upon achievement of contractual milestones entitling the Company to payment. Sales made on a returnable basis are recorded net of provisions for estimated returns and allowances. A reserve for estimated book returns is established at the time of sale. Actual returns are charged against the reserve as received.

Revenues from magazine subscriptions are deferred at the time of sale. As magazines are delivered to subscribers, proportionate amounts of revenue are recognized.

STOCK-BASED COMPENSATION
The Company has elected to follow Accounting Principles Board Opinion No. 25, (APB No. 25) "Accounting for Stock Issued to Employees" in accounting for its employee stock options. Under APB No. 25, compensation expense is recognized only when the exercise price of options is below the market price of the underlying stock on the date of grant. Such expense is recognized ratably over the vesting period.

EARNINGS PER SHARE
Earnings per share are based on the combined weighted average number of Class A and Common Shares outstanding using the treasury stock method, in accordance with the Statement of Financial Accounting Standards No. 128

(SFAS 128), "Earnings per Share." Potentially dilutive securities are excluded from the computation of diluted earnings per share for the periods in which they have an anti-dilutive effect.

RECENT ACCOUNTING PRINCIPLES

Effective February 28, 1998, the Company adopted Statement of Financial Accounting Standards No. 128 (SFAS 128), "Earnings per Share." This statement specifies the computation, presentation and disclosure requirements for earnings per share for entities with publicly held common stock or potential common stock. 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 8.

In June 1997, the Financial Accounting Standards Board issued Statement of 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 Company is required to adopt the provisions of SFAS 130 for the first quarter of fiscal 1999.

In June 1997, the Financial Accounting Standards Board issued Statement of 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 shareholders. 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 and is currently assessing the impact of the disclosure.

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.

2 - INTERNATIONAL AND DOMESTIC OPERATIONS

The following table summarizes certain information regarding the Company's domestic and international operations for the fiscal years ended May 31,

		INTERNATIONAL OPERATIONS		
	DOMESTIC OPERATIONS	UNITED KINGDOM	OTHER INTERNATIONAL	CONSOLIDATED
1998				
Revenues	$862.5	$90.9	$105.0	$1,058.4
Operating income	42.5	5.2	0.5	48.2
Identifiable assets	633.2	76.8	55.3	765.3
1997				
Revenues	$787.4	$68.3	$110.6	$966.3
Operating income	9.4	4.5	3.8	17.7
Identifiable assets	653.4	74.3	56.7	784.4
1996				
Revenues	$778.9	$45.6	$104.1	$928.6
Operating income	48.9	3.3	5.6	57.8
Identifiable assets	566.0	46.3	60.9	673.2

International operations consist of the Company's book publishing and distribution operations in the United Kingdom, Canada, Australia, New Zealand, Mexico, Hong Kong and India. As of May 31, 1998, 1997 and 1996, equity in the wholly-owned subsidiaries in these countries was $39.5, $48.2 and $40.8, respectively.

3 - DEBT

Long-term debt consisted of the following at May 31,

	1998		1997	
	CARRYING VALUE	*FAIR VALUE	CARRYING VALUE	*FAIR VALUE
Loan agreement and revolver	$ 5.3	$ 5.3	$ 49.5	$ 49.5
7% Notes due 2003, net of discount	124.8	127.3	124.7	122.0
Convertible subordinated debentures	110.0	101.4	110.0	89.4
Other debt	3.7	3.7	4.0	4.0
Total debt	243.8	237.7	288.2	264.9
Less current portion	(0.3)	(0.3)	(0.3)	(0.3)
Total long-term debt	$ 243.5	$ 237.4	$ 287.9	$ 264.6

* FAIR VALUES ARE ESTIMATED BASED UPON MARKET QUOTES.

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.

REVOLVER

On June 19, 1995, the Company and Scholastic Inc., (the "Borrowers") 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.

7% NOTES DUE 2003

On December 23, 1996, the Company issued $125.0 million 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

On August 18, 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

The Company's international subsidiaries had lines of credit available of $38.3 at May 31, 1998. There were $9.8 and $5.0 outstanding under these credit lines at May 31, 1998 and 1997, respectively. The weighted average interest rates on the outstanding amounts were 6.06% and 6.25% at May 31, 1998 and 1997, respectively.

4 - COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

The Company leases warehouse space, office space and equipment under various operating leases. Certain of these leases provide for rent increases based on price-level factors. In most cases management expects that, in the normal course of business, leases will be renewed or replaced by other leases. The Company has no significant capitalized leases. Total rent expense relating to the Company's operating leases was $26.2, $24.4 and $20.5 for the fiscal years ended May 31, 1998, 1997 and 1996, respectively. These rentals include payments under the terms of the escalation provisions and are net of sublease income.

The aggregate minimum future annual rental commitments at May 31, 1998, under all non-cancelable operating leases, totaling $150.4, are as follows: 1999 - $27.2; 2000 - $21.7; 2001 - $17.2; 2002 - $13.6; 2003 - $10.8; later years - $59.9.

The Company is negotiating an expansion of its corporate headquarters with its current landlord which would result in higher lease obligations.

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 and 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. The Company has filed a motion to dismiss and discovery has begun in the matter. 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.

5 - INCOME TAX EXPENSE

Consolidated income before taxes for the fiscal years ended may 31:

	1998	1997	1996
Domestic	$36.6	($3.3)	$40.6
International wholly-owned subsidiaries	1.5	4.3	6.0
Consolidated income	$38.1	$ 1.0	$46.6

Income tax expense (benefit) for the fiscal years ended May 31:

	1998	1997	1996
FEDERAL			
Current	$18.4	$ 1.9	$15.1
Deferred	(8.6)	(7.6)	(5.3)
	$ 9.8	($5.7)	$ 9.8
STATE AND LOCAL			
Current	$ 3.0	$ 2.9	$ 1.7
Deferred	0.1	0.6	(0.1)
	$ 3.1	$ 3.5	$ 1.6
INTERNATIONAL			
Current	$ 1.5	$ 2.8	$ 2.6

Deferred	0.1	0.0	0.7
	$ 1.6	$ 2.8	$ 3.3
TOTAL			
Current	$22.9	$ 7.6	$19.4
Deferred	(8.4)	(7.0)	(4.7)
	$14.5	$ 0.6	$14.7

The provisions for income taxes attributable to continuing operations differ from the amount of tax determined by applying the federal statutory rate as follows:

	1998	1997	1996
Computed federal statutory provision	$13.3	$0.4	$16.3
State income tax provision net of federal income tax benefit	2.0	2.2	1.0
Difference in effective tax rates on earnings of foreign subsidiaries	(0.9)	(0.2)	(0.8)
Charitable contributions	0.0	(1.8)	(2.0)
Other - net	0.1	0.0	0.2
Total provision for income taxes	$14.5	$ 0.6	$14.7
Effective tax rates	38.0%	64.6%	31.6%

The undistributed earnings of foreign subsidiaries at May 31, 1998 are $29.9. Any remittance of foreign earnings would not result in significant additional tax.

At May 31, 1998, the Company has a charitable deduction carry forward of $7.1 which expires in the fiscal year ending May 31, 2002.

Deferred income taxes reflect tax carry forwards and the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes as determined under enacted tax laws and rates. The tax effects of these items that give rise to deferred tax assets and liabilities at May 31 for the indicated fiscal years are as follows:

	1998	1997
DEFERRED TAX ASSETS:		
Tax uniform capitalization	$16.8	$ 2.7
Inventory accounting	11.4	9.9
Other accounting reserves	7.3	7.6
Tax carryforwards	2.5	6.0
Post-retirement, post-employment and pension obligations	6.3	5.6
Theatrical motion picture accounting	2.4	2.6
Other - net	--	1.5
Total deferred tax assets	46.7	35.9
DEFERRED TAX LIABILITIES:		
Depreciation	2.8	2.3
Other - net	0.7	--
Total deferred tax liabilities	3.5	2.3
Net deferred tax assets	$43.2	$33.6

6 - CAPITAL STOCK AND STOCK OPTIONS

AUTHORIZED SHARES.

The Company has authorized capital stock of 25,000,000 shares of Common Stock, $.01 par value (the "Common Stock"), 2,500,000 shares of Class A Stock, $.01 par value (the "Class A Stock"), and 1,000,000 shares of Preferred Stock, $1.00 par value (the "Preferred Stock"). At May 31, 1998, 15,439,532 shares of Common Stock, 828,100 shares of Class A Stock and no shares of the Preferred Stock were issued and outstanding and 1,301,658 shares of common stock were designated as treasury stock. At May 31, 1998, the Company had reserved 2,631,159 shares of Common Stock for issuance under its stock option plans, 828,100 shares were reserved for issuance upon conversion of the Class A Stock, and 1,431,174 shares were reserved for issuance upon conversion of the Convertible Debentures.

The only voting rights vested in the holders of Common Stock, except as required by law or may be established by the Board of Directors in favor of any series of Preferred Stock which may be issued, are the election of such number of directors as shall equal at least one-fifth of the members of the Board of Directors. The holders of Class A Stock are entitled to elect all other directors and to vote on all other matters. Holders of Class A Stock and Common Stock are entitled to one vote per share on matters on which they are entitled to vote. The holders of Class A Stock have the right, at their option, to convert shares of Class A Stock into shares of Common Stock on a share-for-share basis.

With the exception of voting rights and conversion rights, and as to the rights of holders of Preferred Stock if issued, the Class A Stock and the Common Stock are equal in rank and are entitled to dividends and distributions, when and if, declared by the Board of Directors. The Company has not paid any dividends since its public offering in 1992 and has no current plans to pay any dividends on its Common Stock or Class A Stock.

PREFERRED STOCK.
The Company's authorized Preferred Stock may be issued in one or more series with full or limited voting rights, with the rights of each series to be determined by the Board of Directors before each issuance. No shares of

Preferred Stock have been issued.

STOCK OPTIONS
On September 21, 1995, the Company adopted the 1995 Stock Option Plan (the "Stock Option Plan"), which provides for the

grant of nonqualified stock options and incentive stock options. Two million shares of Common Stock were reserved for issuance upon the exercise of options granted under this plan. The 1995 Plan supplemented the 1992 Stock Option Plan (the "1992 Plan"). At May 31, 1998, options on 227,885 shares of Common Stock remained available for additional awards under the 1995 Plan and no options were available for grant under the 1992 Plan. At the 1998 Annual Meeting of Stockholders, the Company will seek the approval of the Class A stockholders to increase the number of Common Stock shares available for issuance under the 1995 Plan by 1,500,000.

On December 14, 1993, the Company adopted the Non-Employee Director Stock-For-Retainer Plan (the "Stock-For-Retainer Plan"). During the years ended May 31, 1997 and 1996, the Company issued 1,683 and 1,474 shares of Common Stock at per share prices of $65.50 and $74.88, respectively, pursuant to the Stock-For-Retainer Plan. No shares of Common Stock were issued during the year ended May 31, 1998 pursuant to the Stock-For-Retainer Plan. The Stock-For-Retainer Plan was terminated on September 16, 1997 and the Company adopted a Non-Employee Director Stock Option Plan (the "1997 Directors' Plan") on September 16, 1997. The 1997 Directors' Plan provides for the automatic annual grant of options to purchase shares of the Company's Common Stock to non-employee directors of the Company. 180,000 shares of Common Stock have been reserved for issuance upon the exercise of options to be granted under the 1997 Directors' Plan. At May 31, 1998, there were 147,000 options available for grant under the 1997 Directors' Plan.

Generally, options granted under the various plans may not be exercised for a minimum of one year after grant and expire ten years and one day after grant.

Activity under the various stock option plans for the indicated fiscal years ended May 31 was as follows:

	1998		1997		1996	
	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding- beginning of year	900,850	$41.94	1,075,400	$29.32	953,729	$17.88
Granted	1,870,560	35.43	218,500	64.23	288,750	57.70
Exercised	(69,500)	9.93	(338,175)	13.88	(165,579)	12.87
Cancelled	(84,251)	44.12	(54,875)	56.30	(1,500)	34.50
Outstanding- end of year	2,617,659	$38.42	900,850	$41.94	1,075,400	$29.32
Exercisable - end of year	539,651	$36.49	436,363	$25.33	643,250	$14.50

At May 31, 1998, for each of the following classes of options as determined by range of exercise price, the information regarding such weighted-average exercise prices and weighted-average remaining contractual lives of each said class is as follows:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
OPTIONS PRICE RANGE	NUMBER	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTED LIFE	NUMBER EXERCISABLE	WEIGHTED-AVERAGE EXERCISE PRICE
$ 9.03 - $14.78	152,000	$ 9.48	2.0 years	152,000	$ 9.48
27.75 - 39.94	2,005,209	35.87	9.0 years	173,200	34.68
6.69 - 68.81	459,950	59.20	7.2 years	213,951	57.37

The Company adopted SFAS 123 for fiscal 1997. As provided for under the provisions of SFAS 123, the Company applies APB 25 and related interpretations in accounting for its stock option plans. In accordance with APB 25, no compensation expense was recognized because the option price of the Company's stock options equaled the market price of the underlying stock on the date of grant.

If the Company had elected to recognize compensation cost based on the fair value of the options granted at grant date as prescribed by SFAS 123, net income and earnings per share would have been reduced to the pro forma amounts indicated in the table below:

	1998	1997	1996
Net income - as reported	$23.6	$ 0.4	$31.9
Net income (loss) - pro forma	$14.5	$ (0.8)	$31.1
Diluted earnings per share - as reported	$1.45	$ 0.02	$1.97
Diluted earnings (loss) per share- pro forma	$0.89	$(0.05)	$1.88

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	1998	1997	1996
Expected dividend yield	0.00%	0.00%	0.00%
Expected stock price volatility	0.346	0.184	0.195
Risk-free interest rate	6.02%	6.63%	6.53%
Expected life	5 years	5 years	5 years

The weighted average fair value of options granted during 1998, 1997 and 1996 were $14.64, $20.39 and $18.54 per share, respectively. For purposes of pro forma disclosure, the estimated fair value of the options is amortized over the options' vesting period. The pro forma information above is not likely to be representative of the effects on reported net income for future years as options are generally granted each year and vest over several years and only include grants subsequent to June 1, 1995.

7 - EMPLOYEE BENEFIT PLANS

The Company has a defined benefit pension plan (the "US Pension Plan") which covers the majority of the U.S. employees who meet certain eligibility requirements. Benefits are based on years of service and on career average compensation. The US Pension Plan is funded by contributions from participants and the Company. It is the Company's policy to fund the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended.

The international subsidiary in the United Kingdom has a defined benefit pension plan (the "UK Pension Plan") covering those employees meeting minimum length of service requirements. Benefits are based on years of service and on a percentage of compensation near retirement. The UK Pension Plan is funded by contributions from the subsidiary and its employees.

Total defined benefit pension plan costs under the US and UK pension plans for the indicated fiscal years ended May 31 are summarized as follows:

	1998	1997	1996
Service cost	$ 2.0	$ 1.6	$ 1.4
Interest cost	1.7	1.5	1.2
Actual return on plan assets	(3.0)	(3.2)	(2.2)
Net amortization	1.2	2.0	1.2
Total pension cost	$ 1.9	$ 1.9	$ 1.6

The funded status of the pension plans at May 31:

	ACCUMULATED BENEFITS EXCEED PLAN ASSETS		PLAN ASSETS EXCEED ACCUMULATED BENEFITS
	1998	1997	1997
Actuarial present value of benefit obligations:			
Vested benefits	$22.4	$15.3	$ 2.2
Non-vested benefits	1.1	0.6	--
Accumulated benefit obligation	23.5	15.9	2.2
Effect of projected future salary increases	3.4	2.2	0.6
Projected benefit obligation	26.9	18.1	2.8
Plan assets at fair value	24.1	17.7	2.9
Plan assets less than (greater than) projected benefit obligation	2.8	0.4	(0.1)
Unrecognized net gain	0.7	3.0	0.2
Unrecognized net transition asset (obligation)	(0.8)	(1.2)	0.2
Unrecognized prior service cost	(0.8)	(0.9)	(0.3)
Accrued pension cost included in financial statements	$ 1.9	$ 1.3	$ --
Assumed rates:			
Discount rate	7.0%	8.0%	9.0%
Compensation increase factor	5.0%	5.0%	7.0%

Plan assets consist primarily of stocks, bonds, money market funds and U.S. government obligations. The assumed weighted-average long-term rate of return on plan assets for plans with accumulated benefits obligations that exceed their assets was 9.3% for fiscal 1998 and 9.5% for fiscal 1997 and 1996. Fiscal 1997 included plans with assets in excess of their accumulated benefit obligations, the weighted average long-term rate of return was 9.0%.

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. A majority of the Company's domestic employees may become eligible for these benefits if they reach normal retirement age while working for the Company.

The components of the net periodic post-retirement benefit costs for the indicated fiscal years ended May 31 are as follows:

	1998	1997	1996
Service cost	$ 0.4	$ 0.3	$ 0.5
Interest cost on accumulated benefit obligation	0.8	0.8	0.8
Net periodic post-retirement benefit cost	$ 1.2	$ 1.1	$ 1.3

The components of the accumulated post-retirement benefit obligation included in other non-current liabilities at May 31 are as follows:

	1998	1997
Retirees	$ 6.4	$ 6.9
Fully eligible active plan participants	1.4	1.6
Other active plan participants	3.2	2.9
Accumulated post-retirement benefit obligation	11.0	11.4
Unrecognized net actuarial gain	3.1	2.0
Accrued post-retirement benefit obligation	$14.1	$13.4

The accumulated post-retirement benefit obligation was determined using a discount rate of 7.0%. Service cost and interest components were determined using a discount rate of 8.0%. The health care cost trend rate assumed was 10.0% with an annual decline of 1.0% until the rate reaches 5.0% in the year 2003. An increase of 1.0% in the health care cost trend rate would result in increases of approximately $1.4 in the accumulated benefit obligation and $0.2 in the annual net periodic post-retirement benefit cost.

The Company also provides other benefit plans including the 401(k) plan. The expense related to which is not significant to the Company's financial statements.

8 - EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	1998	1997	1996
CLASS A AND COMMON SHARES IN MILLIONS			
Net Income	$23.6	$0.4	$31.9
Weighted average Class A and Common Shares outstanding for basic earnings per share	16.2	16.0	15.8
Dilutive effect of employee stock options	0.2	0.3	0.4
Adjusted weighted average Class A and Common Shares for diluted earnings per share outstanding	16.4	16.3	16.2
Net Income per Class A and Common Shares			
Basic	$1.46	$0.02	$2.02
Diluted	$1.45	$0.02	$1.97

In 1998, 1997 and 1996, the effect of the 5.0% Convertible Subordinated Debentures of 1.5, 1.5 and 1.1 million shares respectively on the adjusted weighted average Class A and Common shares for diluted earnings per share is anti-dilutive and is not included in the calculation.

9 - RESTRUCTURING COSTS

The Company established certain restructuring reserves in fiscal 1997, resulting in a pretax charge of approximately $5.0. This charge consisted primarily of employee severance and relocation costs of $3.3. The balance of this charge of $1.7 related to the restructuring of the Company's operations including the closedown of the French operations, productivity improvements at its distribution facility in Jefferson City, Missouri and the consolidation of certain of its school publishing operations. At May 31, 1997, other accrued liabilities include remaining reserves for severance and the closedown of the French operations of $2.8. At May 31, 1998, $0.2 remained as a reserve for severance.

10 - IMPAIRMENT OF ASSETS

Fiscal years 1998 and 1996 include non-cash charges relating to the impairment of certain assets of $11.4 and $24.3, respectively. A significant portion of these charges was determined in accordance with SFAS 121 and was based on the Company's assessment of the recoverability of the investments and ongoing cash flows. These charges consist primarily of unamortized prepublication, $6.9 in 1998 and $10.8 in 1996 and related inventory costs, $4.5 in 1998 and $13.5 in 1996.

11 - DISPOSITION

Effective January 1, 1998, the Company sold its SOHO Group, including Home Office Computing(R) magazine, for approximately $19.2 and the assumption of certain liabilities resulting in a pre-tax gain of approximately $10.0.

12 - OTHER FINANCIAL DATA

Goodwill and Trademarks are net of accumulated amortization of $12.0 and $8.2 at May 31, 1998 and 1997, respectively.

Other assets and deferred charges are net of accumulated amortization of prepublication costs of $49.8 and $41.8 at May 31, 1998 and 1997 respectively.

Other accrued expenses include a reserve for unredeemed bonus points issued in conjunction with the Company's book club operations of $11.8 and $8.8, and accrued taxes of $10.2 and $8.8 at May 31, 1998 and 1997, respectively. Other accrued expenses in fiscal 1997 also included a reserve for book returns in excess of the related receivable of $19.0.

REPORT OF INDEPENDENT AUDITORS
THE BOARD OF DIRECTORS AND STOCKHOLDERS
SCHOLASTIC CORPORATION

We have audited the accompanying consolidated balance sheet of Scholastic Corporation (the "Company") as of May 31, 1998 and 1997, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended May 31, 1998. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at May 31, 1998 and 1997 and the consolidated results of its operations, and its cash flows for each of the three years in the period ended May 31, 1998 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/Ernst & Young LLP

New York, New York
July 2, 1998

SUPPLEMENTARY FINANCIAL INFORMATION

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS FOR THE FISCAL YEARS ENDED MAY 31,
(UNAUDITED, AMOUNTS IN MILLIONS EXCEPT PER SHARE DATA)

1998	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	YEAR
Revenues	$166.6	$354.8	$239.0	$298.0	$1,058.4
Cost of goods sold	96.1	176.6	121.8	142.3	536.8
Net income (loss)	(13.2)	26.0	(3.1)	13.9	23.6
Net income (loss) per share:					
Basic	$(0.81)	$1.61	$(0.19)	$0.86	$1.46
Diluted	$(0.81)	$1.51	$(0.19)	$0.83	$1.45

1997	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	YEAR
Revenues	$158.6	$342.2	$210.7	$254.8	$966.3
Cost of goods sold	93.7	165.8	118.8	152.4	530.7
Net income (loss)	(14.0)	38.5	(12.5)	(11.6)	0.4
Net income (loss) per share:					
Basic	$(0.88)	$2.41	$(0.78)	$(0.72)	$0.02
Diluted	$(0.88)	$2.21	$(0.78)	$(0.72)	$0.02

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors is incorporated herein by reference from the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934.

EXECUTIVE OFFICERS (AS OF AUGUST 1, 1998)

NAME	AGE	POSITION
Richard Robinson	61	Chairman of the Board, President and Chief Executive Officer
Kevin J. McEnery	50	Executive Vice President and Chief Financial Officer
Deborah A. Forte	44	Executive Vice President; Division Head, Scholastic Entertainment Inc.
Barbara A. Marcus	47	Executive Vice President, Children's Book Publishing
Margery W. Mayer	46	Executive Vice President, Learning Ventures
Ruth L. Otte	49	Executive Vice President, Education Group
Hugh Roome	46	Executive Vice President
Richard M. Spaulding	61	Director, Executive Vice President
Charles B. Deull	38	Senior Vice President, Legal and Business Affairs and Secretary
Jean L. Feiwel	45	Senior Vice President, Publisher, Children's Book Publishing
Ernest B. Fleishman	61	Senior Vice President, Education and Corporate Relations
Frank Grohowski	57	Senior Vice President, Operations
Larry V. Holland	39	Senior Vice President, Corporate Human Resources and Employee Services
David J. Walsh	62	Senior Vice President, International Operations
Helen V. Benham	48	Director, Corporate Vice President, Early Childhood Advisor
Claudia H. Cohl	58	Vice President, Editorial Planning and Development, Scholastic Education Group
Raymond Marchuk	47	Vice President, Finance & Investor Relations
David D. Yun	50	President, Scholastic Book Fairs
Karen A. Maloney	41	Vice President and Corporate Controller
Vincent M. Marzano	35	Treasurer

Richard Robinson has served as Chairman of the Board of the Company and/or Scholastic Inc. since 1982, as Chief Executive Officer since 1975 and as President since 1974. He has held various executive management and editorial positions with the Company since joining in 1962, and has been a Director of the Company since 1971.

Kevin J. McEnery became Executive Vice President and Chief Financial Officer in 1995. Mr. McEnery joined the Company in 1993 as Vice President of Strategic Planning and Operations of the Magazine and Technology groups. From 1992 through 1993 he was associated with the ITC Group, a telecommunications consulting group based in Westport, CT as a Senior Consultant. Prior to that he was a Senior Vice President and Chief Financial Officer of a privately held consumer and medical products company.

Deborah A. Forte has been with Scholastic since 1984, serving as a Vice President of Scholastic Entertainment Inc. ("SEI"), formerly Scholastic Productions, Inc., until 1994 when she was appointed Executive Vice President, SEI. Ms. Forte was appointed Senior Vice President of the Company; Division Head, SEI in 1995 and Executive Vice President of the Company; Division Head, SEI in 1996.

Barbara A. Marcus became Executive Vice President, Children's Book Publishing in 1991. Ms. Marcus joined Scholastic in 1983 as Vice President of Marketing and in 1984 Ms. Marcus was also appointed Associate Publisher.

Margery W. Mayer joined Scholastic in 1990 as Executive Vice President - Instructional Publishing and was appointed Executive Vice President, Instructional Publishing, Scholastic School Group in 1997, and Executive Vice President, Learning Ventures in July 1998. From 1987 until 1990, she was associated with the Ginn Division of Silver Burdett & Ginn Inc., as General Manager until 1988 and as President, thereafter.

Ruth L. Otte became Executive Vice President, New Media in 1996 and Executive Vice President, Education Group in July 1998. From 1986 to 1994 she served as President and Chief Operating Officer of Discovery Networks and from 1994 until 1995, she was President of Knowledge Adventure.

Hugh Roome joined the Company in 1991 as Vice President and in 1993, he was appointed to the position of Senior Vice President, Magazine Group. He was appointed Executive Vice President in 1996. He was Vice President of MCI from 1989 until joining the Company. From 1979 to 1989, Mr. Roome was the Director of Marketing and Associate Publisher at Newsweek, Inc.

Richard M. Spaulding has served as Executive Vice President of the Company and/or Scholastic Inc. since 1974. He has held various executive management positions with the Company since 1960 and has been a Director of the Company since 1974.

Charles B. Deull joined the Company in 1995 as Senior Vice President, Legal and Business Affairs. Mr. Deull was associated with the law firm of Cleary, Gottlieb, Steen and Hamilton from 1986 until joining Scholastic. He was appointed Secretary in 1997.

Jean L. Feiwel was appointed Senior Vice President, Publisher - Children's Book Publishing, in 1993 and was appointed Publisher in 1997. Ms. Feiwel joined Scholastic in 1983 and has served as Vice President, Editor-in-Chief of the Book Group since 1990.

Ernest B. Fleishman joined Scholastic in 1989 as Senior Vice President, Education and Corporate Relations. Mr. Fleishman was the Superintendent for the Greenwich, Connecticut Public School System from 1976 until joining Scholastic

Frank Grohowski was appointed Senior Vice President, Operations of the Company in 1995. Mr. Grohowski was Vice President of Manufacturing of Scholastic since 1985.

Larry V. Holland joined Scholastic in 1994 as Vice President, Human Resources and in fiscal 1997 was appointed Vice President, Corporate Human Resources and Employee Services and Senior Vice President in December 1997. Prior to joining the Company, Mr. Holland held various positions with MCI since 1990 and left MCI as Senior Director of Human Resources.

David J. Walsh was elected Senior Vice President in charge of International Operations for Scholastic in 1983.

Helen V. Benham joined Scholastic in 1974. In 1990 she was named Vice President and Publisher of the Early Childhood Division and in 1996 was named Corporate Vice President, Early Childhood Advisor. She became a Director of the Company in 1992.

Claudia H. Cohl has been associated with Scholastic since 1975 and has been a Vice President of Scholastic for more than five years. She has served in many capacities, including Editor-in-Chief of Home Office Computing(R).

Raymond Marchuk has been associated with Scholastic since 1983 and has been Vice President for more than five years. He is currently Vice President of Finance and Investor Relations.

David D. Yun became President of Scholastic Book Fairs ("SBF") in 1992. Mr. Yun joined the Company in 1988 as Vice President of Marketing for SBF. In 1990, he was appointed to the position of Executive Vice President of SBF.

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (CONT.)

Karen A. Maloney was appointed Vice President and Corporate Controller in July 1998. She joined the Company in 1997 as Director of Accounting and Financial Operations. From 1996 through 1997, she was employed by Calvin Klein as Vice President, Corporate Controller and subsequently worked as an independent consultant. From 1995 through 1996, she was employed by Bernard Chaus, Inc. an apparel company as Vice President, Corporate Controller. From 1990 through 1995, she was employed by Bidermann Industries Corp., and from 1992 served as Vice President, Controller.

Vincent M. Marzano has been associated with Scholastic since 1987. He became Treasurer of the Company in 1993. Previously, he served the Company in many capacities, including Manager of Planning and Analysis.

There are no family relationships among the directors and executive officers of the Company, except for Richard Robinson and Helen V. Benham who are Directors and Executive Officers of the Company and husband and wife.

ITEM 11 - EXECUTIVE COMPENSATION

Incorporated herein by reference from the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference from the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference from the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934.

PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

The following consolidated financial statements are included in Item 8:

Consolidated Statement of Income for the years ended May 31, 1998, 1997 and 1996

Consolidated Balance Sheet at May 31, 1998 and 1997

Consolidated Statement of Changes in Stockholders' Equity for the years ended May 31, 1998, 1997 and 1996.

Consolidated Statement of Cash Flows for the years ended May 31, 1998, 1997 and 1996.

Notes to Consolidated Financial Statements

(a) (2) Financial Statement Schedule

The following consolidated financial statement schedule is included in Item 14(d):

Schedule II- Valuation and Qualifying Accounts and Reserves

All other schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements or the Notes thereto.

(a)(3) Exhibits:

EXHIBIT NUMBER

3.1 Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to the Company's Registration Statement on Form S-8 (Registration No. 33-46338) as filed with the Commission on March 12, 1992).

3.2 By-Laws of the Company (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 33-45022) as filed with the Commission on January 10, 1992 (the "1992 Registration Statement")).

4.1 Amended and Restated Loan Agreement dated April 11, 1995 (the "Loan Agreement") between the Company and Citibank, N.A., as agent, Marine Midland Bank, Chase Manhattan Bank, N.A., The First National Bank of Boston and United Jersey Bank (incorporated by reference to the Company's Form 10-Q for the quarter ended February 28, 1995 as filed with the Commission on April 13, 1995), together with Amendment No. 1 to the Loan Agreement dated May 1, 1996 (incorporated by reference to the Company's Annual Report on Form 10-K as filed with the Commission on August 28, 1996); Amendment No. 2 to the Loan Agreement dated May 28, 1997 (incorporated by reference to the Company's Form 10-Q for the quarter ended August 31, 1997 as filed with the Commission on October 15, 1997); and Amendment No. 3 to the Loan Agreement dated November 28, 1997 (incorporated by reference to the Company's Form 10-Q for the quarter ended November 30, 1997 as filed with the Commission on January 14, 1998).

4.2* Revolving Loan Agreement dated June 19, 1995 between the Company and Sun Bank, National Association, as amended August 14, 1996, May 30, 1997, and November 28, 1997.

4.3* Credit Agreement dated June 1, 1992, as amended on October 30, 1995, between Scholastic Canada Ltd. and CIBC.

4.4* Credit Agreement dated June 24, 1993 between Scholastic Ltd. (formerly known as Scholastic Publications Ltd.) and Citibank, N.A.

4.5* Credit Agreement dated May 14, 1992, as amended on June 30, 1995, between Scholastic Ltd. (formerly known as Scholastic Publications Ltd.) and Midland Bank.

4.6* Credit Agreement dated February 12, 1993, as amended on January 31, 1995, between Scholastic Australia Pty. Ltd. (formerly known as Ashton Scholastic Pty. Ltd.) and National Australia Bank Ltd.

4.7* Credit Agreement dated April 20, 1993 between Scholastic New Zealand Ltd. (Formerly Ashton Scholastic Ltd.) and ANZ Banking Group Ltd.

4.8* Credit Agreement dated May 28, 1998 between Scholastic Australia Pty. Ltd. and HongkongBank of Australia Ltd.

4.9 Indenture dated August 15, 1995 for 5% Convertible Subordinated Debentures due August 15, 2005 issued by the Company (incorporated by reference to the Company's Annual Report on Form 10-K as filed with the Commission on August 28, 1995).

4.10 Indenture dated December 15, 1996 for 7% Notes due December 15, 2003 issued by the Company (incorporated by reference to the Company's Registration Statement on Form S-3 (Registration No. 333-17365) as filed with the Commission on December 11, 1996).

10.1** Scholastic Inc. 401(k) Savings and Retirement Plan, as amended and restated as of June 1, 1992 (incorporated by reference to the Company's Annual Report on Form 10-K as filed with the Commission on August 28, 1995).

10.2** Amended and Restated Retirement Income Plan for Employees of Scholastic Inc. effective as of July 1, 1989 (incorporated by reference to the Company's Annual Report on Form 10-K as filed with the Commission on August 28, 1995).

10.3** Scholastic Corporation 1992 Stock Option Plan (incorporated by reference to the Company's Annual Report on Form 10-K as filed with the Commission on August 27, 1992).

10.4** Scholastic Corporation 1995 Stock Option Plan (incorporated by reference to the Company's Registration Statement Form S-8 (Registration No. 33-98186) as filed with the Commission on October 16, 1995).

10.5** Form of Stock Option Agreement for Scholastic Corporation 1995 Stock Option Plan.

10.6** Scholastic Corporation 1992 Outside Directors' Stock Option Plan (incorporated by reference to the Company's Annual Report on Form 10-K as filed with the Commission on August 27, 1992).

10.7** Scholastic Corporation 1997 Outside Directors' Stock Option Plan (incorporated by reference to the Company's Proxy Statement for the 1997 Annual Meeting of Stockholders as filed with the Commission on August 26, 1997).

10.8** Form of Stock Option Agreement for Scholastic Corporation 1997 Outside Directors' Plan.

10.9** Employment Agreement between Jean L. Feiwel and Scholastic Inc., dated April 6, 1998.

10.10** Scholastic Corporation Non-Employee Director Stock-For-Retainer Plan (incorporated by reference to the Company's Registration Statement on Form S-8 (Registration No. 33-74064) as filed with the Commission on January 11, 1994).

10.11 Lease dated as of January 28, 1992 between Ise Hiyoko, Inc and Scholastic Inc. (incorporated by reference to Amendment No. 1 to the 1992 Registration Statement as filed with the Commission on February 21, 1992), together with Amendment dated as of April 1, 1993 (incorporated by reference to the Company's Annual Report on Form 10-K as filed with the Commission on August 26, 1994).

10.12 Agreements with Industrial Development Agency of the City of New York including (i) Lease agreement dated December 1, 1993; (ii) Indenture of Trust agreement dated December 1, 1993; (iii) Project Agreement dated December 1, 1993; (iv) Sales Tax letter dated December 3, 1993 (each of the foregoing are incorporated by reference to the Company's Annual Report on Form 10-K as filed with the Commission on August 26, 1994).

21 Subsidiaries of the Company.

23 Consent of Independent Auditors.

27 Financial Data Schedule

(b) Reports on Form 8-K.

No current Report on Form 8-K was filed during the fourth quarter ended May 31, 1998.

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* Such long-term debt does not individually amount to more than 10% of the total assets of the Company and its subsidiaries on a consolidated basis. Accordingly, pursuant to Item 601(b)(4)(iii) of Regulation S-K, such instrument is not filed herewith. The Company hereby agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

** The referenced exhibit is a management contract or compensation plan or arrangement described in Item 601(b) (10) (iii) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: August 26, 1998

SCHOLASTIC CORPORATION

By: /s/ Richard Robinson
Richard Robinson, Chairman of the Board, President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Richard Robinson his or her true and lawful attorney-in-fact and agent, with power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing necessary and requisite to be done, as fully and to all the intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Richard Robinson Richard Robinson	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	August 26, 1998
/s/ Richard M. Spaulding Richard M. Spaulding	Executive Vice President and Director	August 26, 1998
/s/ Kevin J. McEnery Kevin J. McEnery	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	August 26, 1998
/s/ Karen A. Maloney Karen A. Maloney	Vice President and Corporate Controller (Principal Accounting Officer)	August 26, 1998
Rebeca M. Barrera	Director	August___, 1998
/s/ Helen V. Benham Helen V. Benham	Director	August 26, 1998
/s/ Frederic J. Bischoff Frederic J. Bischoff	Director	August 26, 1998
/s/ John Brademas John Brademas	Director	August 26, 1998
/s/ John C. Burton John C. Burton	Director	August 26, 1998

SIGNATURE	TITLE	DATE
/s/ Ramon C. Cortines - ----------------------------- Ramon C. Cortines	Director	August 26, 1998
/s/ Alonzo A. Crim - ----------------------------- Alonzo A. Crim	Director	August 26, 1998
/s/ Charles T. Harris, III - ----------------------------- Charles T. Harris, III	Director	August 26, 1998
/s/ Andrew S. Hedden - ----------------------------- Andrew S. Hedden	Director	August 26, 1998
- ----------------------------- Mae C. Jemison	Director	August __, 1998
/s/ Richard A. Krinsley - ----------------------------- Richard A. Krinsley	Director	August 26, 1998
/s/ John G. McDonald - ----------------------------- John G. McDonald	Director	August 26, 1998
/s/ Augustus K. Oliver - ----------------------------- Augustus K. Oliver	Director	August 26, 1998

SCHOLASTIC CORPORATION

ANNUAL REPORT ON FORM 10-K

YEAR ENDED MAY 31, 1998

ITEM 14(D)

FINANCIAL STATEMENT SCHEDULE

SCHEDULE II

SCHOLASTIC CORPORATION
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED MAY 31, 1998, 1997 AND 1996
(AMOUNTS IN MILLIONS)

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO INCOME	ADDITIONS CHARGED TO GOODWILL	WRITE OFFS	BALANCE AT END OF YEAR
MAY 31, 1998:					
Reserve for royalty advances	$25.1	$ 3.0	$ --	$ --	$28.1
Reserve for obsolescence	$34.0	$15.7	$ (1.0)	$18.0	$30.7
Reserve for returns	$30.2	$41.8	$ --	$51.5(1)	$20.5
MAY 31, 1997					
Reserve for royalty advances	$24.9	$ 2.3	$ --	$ 2.1	$25.1
Reserve for obsolescence	$27.1	$21.1	$ 2.2	$16.4	$34.0
Reserve for returns	$27.6	$68.7	$ --	$66.1(1)	$30.2
MAY 31, 1996					
Reserve for royalty advances	$16.6	$ 1.9	$ 6.5	$ 0.1	$24.9
Reserve for obsolescence	$18.2	$11.4	$ 7.5	$10.0	$27.1
Reserve for returns	$19.8	$47.7	$ --	$39.9(1)	$27.6

(1) REPRESENTS ACTUAL RETURNS CHARGED TO RESERVE.

EXHIBIT 21

SCHOLASTIC CORPORATION
SUBSIDIARIES OF THE REGISTRANT

DOMESTIC SUBSIDIARIES	STATE OF INCORPORATION
Scholastic Inc.	New York
Scholastic Book Fairs, Inc.*	New York
Scholastic Book Services, Inc.	Delaware
California School Book Fairs, Inc.*	California
Arizona School Book Fairs, Inc.	Arizona
Scholastic Book Clubs, Inc.	Missouri
Scholastic Entertainment Inc.(formerly Scholastic Productions, Inc.)	New York
SE Distribution Inc.	Delaware
Scholastic UK Group Ltd. (formerly Scholastic Publications (Magazines), Ltd.)	Delaware
Read Street Book Fairs, Inc.*	Delaware
Trumpet Book Clubs, Inc.**	Delaware
Weston Woods Studios, Inc.	Delaware
Lectorum Publications, Inc.	New York
The Electronic Bookshelf, Inc.	Indiana

FOREIGN SUBSIDIARIES	JURISDICTION
Scholastic Australia Pty. Ltd.	Australia
Bookshelf Publishing Australia Pty. Ltd.	Australia
Troll School Book Clubs and Fairs Australia Pty. Ltd.	Australia
Scholastic Australia Superannuation Pty. Ltd.	Australia
Scholastic Executive Superannuation Pty. Ltd.	Australia
Oldmeadow Booksellers (Aust.) Pty. Ltd.	Australia
Scholastic (Barbados), Inc.	Barbados
Scholastic Canada Ltd.	Canada
Scholastic Productions Canada Ltd.	Canada
Scholastic Bookfairs Canada Inc.	Canada
Scholastic Ltd.	England
School Book Fairs Ltd.	England
Scholastic Book Clubs Ltd.	England
Red House Books Ltd.	England
Scholastic Publication Ltd.	England
Scholastic Educational Magazines Ltd.	England
Red House Book Clubs Ltd.	England
Scholastic Hong Kong Limited	Hong Kong
School Book Fairs Ltd.	Ireland
Scholastic India Private Limited	India
Scholastic Mexico, S.A. de C.V.	Mexico
Scholastic New Zealand Ltd. (formerly known as Ashton Scholastic Ltd.)	New Zealand

* Effective June 1, 1998, Scholastic Book Fairs, Inc., California School Book Fairs, Inc. and Read Street Book Fairs, Inc. were merged into Scholastic Inc.

** Effective June 1, 1998, Trumpet Book Clubs, Inc. was merged into Scholastic Book Clubs, Inc.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-48655, No. 33-69058 and No. 33-91090) pertaining to the Scholastic, Inc. 401(K) Savings and Retirement Plan, in the Registration Statement (Form S-8 No. 33-46338) pertaining to the 1992 Stock Option Plan as of May 19, 1992, in the Registration Statement (Form S-8 No. 33-50128) pertaining to the Outside Directors' Stock Option Plan and the Stock Option Agreement with Joseph W. Oliver, in the Registration Statement (Form S-8 No. 33-74064) pertaining to the Non-Employee Director Stock-For-Retainer Plan and in the Registration Statement (Form S-3 No. 333-17365) pertaining to $150,000,000 of Securities of our report dated July 2, 1998, with respect to the consolidated financial statements and schedule of Scholastic Corporation included in this Annual Report (Form 10-K) for the year ended May 31, 1998.

/s/Ernst & Young LLP

New York, New York
August 24, 1998

SCHOLASTIC CORPORATION
FORM 10-K
FOR FISCAL YEAR ENDED MAY 31, 1998

EXHIBIT INDEX

SCHOLASTIC CORPORATION 1995 STOCK OPTION PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT

SCHOLASTIC CORPORATION, a Delaware corporation (the "Company"), hereby grants to ______________________ (the "Optionee") an option (the "Option") to purchase _______ (____) shares of common stock, par value $.01, of the Company (the "Common Stock"), at the price and on the terms set forth herein, and in all respects subject to the terms and provisions of the Company's 1995 Stock Option Plan (the "Plan"), which terms and provisions are incorporated by reference herein. Unless the context herein otherwise requires, the terms defined in the Plan shall have the same meanings in this Agreement.

1. TERMS OF OPTION GRANT AND EXERCISE. The Option shall be a Non-Qualified Stock Option as that term is defined in the Plan. Subject to the provisions of the Plan and this Agreement, the Option shall not be exercised prior to the first anniversary date of this Agreement and thereafter, the Option shall be exercisable, cumulatively, as follows:

DATE	NUMBER OF SHARES	EXERCISE PRICE	EXPIRATION DATE

Once exercisable, subject to the provisions of the Plan and this Agreement, the Option may be exercised, in whole or in part, pursuant to the notice and payment procedures then in effect as established by the Company, in its sole discretion. Any written notice of exercise by Optionee shall be irrevocable. The Option may not be exercised if the issuance of the Common Stock would constitute a violation of any applicable federal, state or foreign securities laws or regulations. The Option may not be exercised with respect to a fractional share of Common Stock.

The Option shall cease to be exercisable upon the expiration date set forth above (the "Expiration Date"), unless earlier terminated or extended, as the case may be, pursuant to the provisions of the Plan and this Agreement, including, but not limited to, the provisions of Section 2 hereof.

2. TERMINATION OF SERVICES OF AN OPTIONEE. (a) DEATH OR DISABILITY. In the event of the Optionee's death or Disability while the Option is outstanding, the unexercised portion of the Option may be exercised in full (even though the one year

holding period set forth in Section 1 hereof may not yet have expired) by the Optionee, or his or her estate, personal representative or other legally appointed representative, at any time until the first anniversary of such death or Disability (and the Expiration Date of the Option shall be automatically extended, if necessary, to permit the Option to be exercised during such period).

(b) RETIREMENT. In the event an Optionee's employment (or consulting arrangement) terminates due to retirement on or after age 55, the Option to the extent vested on the date of such retirement, may be exercised by the Optionee within three (3) years after the date of such retirement, but not beyond the Expiration Date of the Option, if earlier.

(c) INVOLUNTARY TERMINATION OTHER THAN FOR CAUSE/RETIREMENT. In the event an Optionee's employment (or consulting arrangement) is involuntarily terminated by the Company (or an Affiliate) other than a Termination for Cause, the Option, to the extent vested on the date of such termination, may be exercised by the Optionee within three (3) months after the date of such termination, but not beyond the Expiration Date of the Option, if earlier

(d) OTHER TERMINATION. In the event an Optionee's employment (or consulting arrangement) terminates other than as the result of death, Disability, retirement on or after age 55 or involuntary termination (as set forth in Sections 2(a), (b) and (c) hereof), the Option shall be cancelled and shall not be exercisable to the extent not exercised prior to the date an Optionee's employment (or consulting arrangement) terminates. The Stock Option shall be cancelled and cease to be exercisable in the event of the Termination for Cause of an Optionee's employment (or consulting arrangement).

3. WITHHOLDING TAX LIABILITY. In connection with the exercise of the Option, the Company and the Optionee may incur liability for income or withholding tax. The Company will have the right to withhold from any exercise of the Option, transfer of Common Stock or payment made to the Optionee or to any person hereunder, whether such payment is to be made in cash or in Common Stock, all applicable federal, state, city or other taxes as shall be required, in the determination of the Company, pursuant to any statute or governmental regulation or ruling.

4. NONTRANSFERABILITY OF STOCK OPTION. The Option may not be sold, pledged, assigned, hypothecated, gifted, transferred or disposed of in any

manner either voluntarily or involuntarily by operation of law, other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order, as determined by the Company, and may be exercised during the lifetime of the Optionee only by the Optionee. Subject to the foregoing and the terms of the Plan, the terms of this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

5. NO ENLARGEMENT OF RIGHTS. Neither the Plan nor this Agreement shall confer upon the Optionee any right to continue as an officer, employee or consultant of the Company or any Affiliate. Nothing contained in the Plan or this Agreement shall interfere in any way with the rights of the Company or any Affiliate to terminate the employment (or consulting arrangement) of the Optionee at any time. The Optionee shall have only such rights and interests with respect to the Option as are expressly provided in this Agreement and the Plan.

6. NO SHAREHOLDER RIGHTS BEFORE EXERCISE AND ISSUANCE. No rights as a stockholder shall exist with respect to the Common Stock subject to the Option as a result of the grant of the Option. Such rights shall exist only after issuance of a stock certificate following the exercise of the Option as provided in this Agreement and the Plan.

7. EFFECT OF THE PLAN ON OPTION. The Option is subject to, and the Company and the Optionee agree to be bound by, all of the terms and conditions of the Plan, as such may be amended from time to time in accordance with the terms thereof. Without the consent of the Optionee, the Company may amend or modify this Agreement in any manner not inconsistent with the Plan, including without limitation, to change the date or dates as of which a Option becomes exercisable, or to cure any ambiguity, defect or inconsistency, or to make any change that does not adversely affect the right of the Optionee.

8. ENTIRE AGREEMENT. The terms of this Agreement and the Plan constitute the entire agreement between the Company and the Optionee with respect to the subject matter hereof and supersede any and all previous agreements between the Company and the Optionee. This Agreement may be signed in counterparts.

9. SEVERABILITY. If any provision of this Agreement, or the application of such provision to any person or circumstances, is held valid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held valid or unenforceable, shall not be affected thereby.

IN WITNESS WHEREOF, this Agreement has been executed by the undersigned as of the date first written above.

OPTIONEE	SCHOLASTIC CORPORATION
	By:
- -----------------------	-----------------------

EXHIBIT 10.8

SCHOLASTIC CORPORATION
1997 OUTSIDE DIRECTORS' STOCK OPTION PLAN
STOCK OPTION AGREEMENT

SCHOLASTIC CORPORATION, a Delaware corporation (the "Company"), hereby grants to ______________________ (the "Outside Director") an option (the "Option") to purchase three thousand (3,000) shares of common stock, par value $.01 per share, of the Company (the "Common Stock"), at the price and on the terms set forth herein, and in all respects subject to the terms and provisions of the Company's 1997 Outside Directors' Stock Option Plan (the "Plan") which terms and provisions are incorporated by reference herein. Unless the context herein otherwise requires, the terms defined in the Plan shall have the same meanings in this Agreement.

1. DATE OF GRANT; TERM OF OPTION. The Option is granted as of January 7, 199_. The term of the Option is ten years from the date of grant.

2. OPTION EXERCISE PRICE. The exercise price of the Option is $____ per share, which price is not less than the Fair Market Value per share on the date of grant.

3. EXERCISE OF OPTION. The Option shall be exercisable only during its term and only in accordance with the terms and provisions of the Plan and this Agreement as follows:

(a) RIGHT TO EXERCISE. The Option shall not be exercisable until January 7, 199_, the expiration of the twelve (12)-month period beginning on the date of grant.

(b) METHOD OF EXERCISE. The Option shall be exercisable by written notice to the Company specifying the number of shares of Common Stock in respect to which the Option is being exercised. Such written notice shall be signed by the Outside Director and shall be delivered in person or by certified mail to the Secretary of the Company or such other person as may be designated by the Company. The written notice shall be accompanied by payment of the exercise price, in cash, by certified check or bank check, in shares of Common Stock of the Company, actually or by attestation, or in any combination thereof. The Company may also arrange for the simultaneous exercise and sale of Common Stock through the cooperation of broker-dealers which finance "same day" sales. The Company may, in its sole discretion, adopt procedures which permit an Outside Director to defer the recognition of income upon the exercise of an Option, subject to such rules as the Company may specify from time to time. The certificate or certificates for the Common Stock as to which the Option shall be exercised shall be registered in the name of the Outside Director and may bear a legend as required under the Plan and/or under applicable law.

(c) RESTRICTIONS ON EXERCISE. The Option may not be exercised if the issuance of the Common Stock upon such exercise would constitute a violation of any applicable federal or state securities laws or other laws or regulations. As a condition to the exercise of the Option, the Company may require the Outside Director to make any representation and warranty to the Company as may be required by any applicable law or regulation.

(d) NO SHAREHOLDER RIGHTS BEFORE EXERCISE AND ISSUANCE. No rights as a shareholder shall exist with respect to the Common Stock subject to the Option as a result of the grant of the Option. Such rights shall exist only after issuance of a stock certificate following the exercise of the Option as provided in this Agreement and the Plan.

4. TERMINATION OF SERVICES AS AN OUTSIDE DIRECTOR.

(A) If the Outside Director ceases to serve as a member of the Board of Directors of the Company (the "Board") for any reason other than death or disability, the Outside Director shall have the right to exercise the Option at any time within six (6) months after the date of such cessation to the extent that the Outside Director was entitled to exercise the Option at the date of such cessation of services (subject to any earlier expiration of the Option as provided under this Agreement); provided that if the Outside Director ceases to serve on the Board but is designated a Director Emeritus, his or her Option shall continue to be exercisable as though the Outside Director continued to serve as a Director until six (6) months after termination of his or her Director Emeritus status or, if earlier, expiration of the Option under this Agreement.

(b) If the Outside Director ceases to serve as a Director on the Board by reason of his or her disability (as determined by the Board), the Option may be exercised in full (even though the twelve (12)-month holding period set forth in Section 3(a) may not yet have expired) or in part by the Outside Director, or his or her legally appointed representative, at any time within the twelve (12) months after the date of such cessation of services (subject to any earlier expiration of the Option as provided under this Agreement).

(c) If the Outside Director ceases to serve as a Director on the Board by reason of his or her death, or if the Outside Director dies within three (3) months after ceasing to serve as a Director other than by reason of his or her disability or within twelve (12) months after ceasing to serve as a Director by reason of his or her disability, the Option may be exercised by the

Outside Director's heir or representative at any time within twelve (12) months after the Outside Director's death (subject to any earlier expiration of the Option as provided under this Agreement) to the following extent: (i) in the case of the Outside Director's death while serving as a Director, as to all or any part of the remaining unexercised portion of the Option, notwithstanding that the Option may not have been exercisable as of the date of the Outside Director's death, and (ii) in the case of the Outside Director's death after he or she ceased to serve as a Director as a result of disability or otherwise, to the extent that the Outside Director was entitled to exercise the Option as of the date of his or her death, giving effect to the provisions of the preceding subsections (a) and (b).

5. NONTRANSFERABILITY OF OPTION. The Option may not be sold, pledged, assigned, hypothecated, gifted, transferred or disposed of in any manner either voluntarily or involuntarily by operation of law, other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order, as defined by the Code or the rules thereunder, and may be exercised during the lifetime of the Outside Director only by the Outside Director. Subject to the foregoing and the terms of the Plan, the terms of the Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Outside Director.

6. NO ENLARGEMENT OF RIGHTS. Neither the Plan nor the Option granted hereunder shall confer upon the Outside Director any right to continue as a Director of the Company. The Outside Director shall have only such rights and interests as are expressly provided in this Agreement and the Plan.

7. WITHHOLDING TAX LIABILITY. In connection with the exercise of the Option, the Company and the Outside Director may incur liability for income withholding tax. The Outside Director understands and agrees that if the Company is required to withhold part or all of the Outside Director's annual or meeting fees to pay any such withholding tax, and that if such fees are insufficient, the Company may require the Outside Director, as a condition of exercise of the Option, to pay in cash the amount of any such withholding tax liability.

8. EFFECT OF THE PLAN ON OPTION. The Option is subject to, and the Company and the Outside Director agree to be bound by, all of the terms and conditions of the Plan, as such may be amended from time to time in accordance with the terms thereof, provided that no such amendment shall deprive the Outside Director, without his or her consent, of the Option or any rights hereunder. Pursuant to the Plan, the Committee appointed by the Board of Directors of the Company is authorized to adopt rules and regulations, consistent with the Plan and as it shall deem appropriate and proper, with regard to the Plan. A copy of the Plan in its present form is available for inspection during the Company's business hours by the Outside Director or the persons entitled to exercise the Option at the Company's principal office.

9. ENTIRE AGREEMENT. The terms of this Agreement and the Plan constitute the entire agreement between the Company and the Outside Director with respect to the subject matter hereof and supersede any and all previous agreements between the Company and the Outside Director.

10. SEVERABILITY. If any provision of this Agreement, or the application of such provision to any person or circumstances, is held valid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held valid or unenforceable, shall not be affected thereby.

IN WITNESS WHEREOF, this Agreement has been executed by the undersigned effective as of January 7, 199_.

SCHOLASTIC CORPORATION

------------------------------------	----------------------------------
Director	Richard Robinson Chairman of the Board, Chief Executive Officer & President

EXHIBIT 10.9

EMPLOYMENT AGREEMENT

This AGREEMENT is made as of April 6, 1998, effective March 31, 1998, by and between SCHOLASTIC INC., its affiliates and subsidiaries ("Scholastic" orthe "Company") and JEAN FEIWEL ("Feiwel").

W I T N E S S E T H:

WHEREAS, Feiwel is currently employed by Scholastic; and

WHEREAS, Scholastic wishes to continue the employment of Feiwel as set forth in this Agreement; and

WHEREAS, Feiwel is willing to serve in the employ of Scholastic upon the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises and the mutual promises and agreements set forth below, Scholastic and Feiwel agree as follows:

1. TERM OF AGREEMENT. The term of this Agreement shall be three (3) years in duration, commencing on March 31, 1998, unless otherwise terminated in accordance with Section 4 of this Agreement.

2. EMPLOYMENT. During the term of this Agreement, Scholastic shall employ Feiwel, and Feiwel shall be employed by Scholastic as Senior Vice President, Scholastic Inc., Publisher, Scholastic Book Group at Scholastic's offices in New York City. Feiwel will report directly to Barbara Marcus ("Marcus"), Executive Vice President and Group Head, Scholastic Book Group. In the event that Marcus shall cease to function as the individual to whom Feiwel reports, and Feiwel shall not approve of the choice of any successor of Marcus to whom she shall have direct reporting responsibilities, Feiwel shall be entitled to terminate her employment in accordance with the provisions of paragraph 4(f), below.

3. COMPENSATION.

(a) BASE SALARY. Scholastic shall pay to Feiwel an annual salary of Three Hundred Fifty Thousand Dollars ($350,000) through September 30, 1998, Three Hundred Seventy-Five Thousand Dollars ($375,000) as of October 1, 1998 and Four Hundred Thousand Dollars ($400,000) as of October 1, 1999, payable in equal bi-monthly installments in accordance with Scholastic's customary payroll and withholding practices.

(b) SIGNING BONUS. Scholastic shall pay to Feiwel a signing bonus of One Hundred Fifty Thousand Dollars ($150,000) upon the execution of this Agreement.

(c) BONUS OPPORTUNITY. During each year of the term of this Agreement, Feiwel will be eligible for a bonus of 30% of her base salary, in accordance with Scholastic's bonus program in effect for each such period. Feiwel shall receive 15% of such bonus unconditionally on an annual basis. The remaining 15% of such bonus shall be subject to goals set by Richard Robinson, CEO and/or Marcus or such Group Head of Scholastic Book Group as may be appointed and will be subject only to Feiwel's performance and not to performance of the Book Group or the Company.

(d) STOCK OPTIONS. During fiscal 98-99, Scholastic will award Feiwel options to purchase 25,000 shares of Scholastic Corporation common stock, which options Feiwel shall be entitled to exercise pursuant to the "cashless exercise" program provided by Goldman, Sachs & Co. or the equivalent of such program.

(e) HEALTH INSURANCE. During each year of the term of this Agreement, Scholastic shall provide health insurance coverage to Feiwel in accordance with Scholastic's health insurance program in effect of each such period.

(f) VACATION. Feiwel shall be entitled to five (5) weeks' vacation during each year of the term of this Agreement. In the event that Feiwel shall not have fully used the allotted vacation time for any year during the term of this Agreement, upon the termination of her employment with Scholastic, Feiwel and Scholastic shall discuss and mutually agree upon the amount of compensation due her with respect to such unused vacation time. Feiwel shall be entitled to be compensated for the time not used in accordance with her base salary for the applicable time period.

(g) TRAVEL AND ENTERTAINMENT EXPENSES. Feiwel shall be entitled to be reimbursed for all reasonable travel and entertainment expenses according to the same terms and conditions as have been provided throughout Feiwel's employment by Scholastic.

(h) CAR LEASE. Scholastic shall continue to lease a car for Feiwel throughout the term of this Agreement according to the same terms and conditions as have been provided throughout Feiwel's prior employment by Scholastic.

4. TERMINATION OF AGREEMENT. This Agreement shall be terminated under

the following circumstances:

(a) Automatically on the date of Feiwel's death; provided, however, that in the event of Feiwel's death Scholastic shall pay to Feiwel's husband, if he is then living, or to her estate if he has predeceased her, a lump sum payment equivalent to six (6) month's base salary under this Agreement. The foregoing payment shall not in any way affect Feiwel's husband's ongoing entitlements under any Scholastic program in effect with respect to death or retirement benefits.

(b) Immediately upon written notice by Scholastic of a termination for Disability. For purposes of this Agreement, Disability shall mean Feiwel's failure to regularly perform her material duties and responsibilities hereunder by reason of mental or physical illness or incapacity, as determined by a physician mutually acceptable to Feiwel and Scholastic, for 180 days (whether continuous or not) during any period of 360 consecutive days.

(c) Upon the expiration of thirty (30) days prior written notice, and opportunity to cure, by Scholastic to Feiwel of termination for Cause. For purposes of this Agreement, Cause shall mean gross negligence or malfeasance in the performance of her duties; a willful and continuing material failure or refusal, after the aforesaid notice and opportunity to cure, to perform substantially all of her duties and responsibilities under this Agreement; any action or conduct which could reasonably be expected by Feiwel to injure materially the reputation, business or business relationships of Scholastic; conviction of Feiwel for commission of a felony or any crime involving moral turpitude, fraud or misrepresentation; or breach of any material obligation under this Agreement. A notice of termination for Cause shall set forth in detail the specific basis, facts and circumstances which provide the basis for the termination for Cause. The date of the termination for Cause shall be the date indicated in the notice of termination for Cause .

(d) Immediately upon written notice by Scholastic of a termination without Cause, provided, however, that in the event of a termination without Cause Scholastic shall pay severance to Feiwel as set forth at paragraph 5(b) below:

(e) Within three (3) weeks after written notice by Feiwel of her intent to resign for any reason (other than for Good Reason as provided at paragraph 4(f) below), or for no reason. Under such circumstance, Feiwel shall forfeit all benefits under this Agreement and shall be subject to paragraph 7 of this Agreement.

(f) Upon the expiration of thirty (30) days prior written notice, and opportunity to cure, by Feiwel to Scholastic of a termination for Good Reason. For purposes of this Agreement, Good Reason shall mean any reduction in or failure to pay Base Salary; a failure by Scholastic to provide participation in employee benefits plans on terms at least as good as generally available to other employees of Scholastic; failure of any successor to assume, in writing, the obligations of Scholastic under this Agreement; the hiring of a new Group Head of Scholastic Book Group to whom Feiwel would report, without Feiwel's agreement; a material change in Feiwel's job responsibility, without her prior approval; a material change in Scholastic's publishing goals, which results in new goals inconsistent with prior goals and unacceptable to Feiwel. A notice of termination for Good Reason shall set forth in detail the specific basis, facts and circumstances which provide the basis for the termination for Good Reason, and must be given within thirty

(30) days of Feiwel's actual knowledge of the triggering event. In the event of a termination for Good Reason Scholastic shall pay severance to Feiwel as set forth at paragraph 5(b) below.

5. CONSEQUENCES OF TERMINATION.

(a) Upon the termination of Feiwel's employment in accordance with Section 4 above, and subject to the provisions set forth at paragraph 5(b) below, Scholastic shall pay and provide Feiwel (or her surviving spouse or estate, if applicable) the following amounts and benefits: any unpaid Base Salary through the date of termination, unpaid accrued vacation and business expenses through the date of termination, and any benefits due under any benefit plan, in accordance with the terms of the plan, for the period prior to termination (collectively the "Accrued Obligations").

(b) In the event Feiwel is terminated without Cause or Feiwel terminates her employment for Good Reason, Scholastic shall pay and provide in full settlement of all amounts owed Feiwel, in addition to the Accrued Obligations, a lump sum payment equal to Feiwel's base salary under this Agreement for the year during which such termination occurs within 10 days of Feiwel's termination. The payment of the foregoing amounts shall be contingent upon both parties signing a mutual release of all claims arising out of Feiwel's employment with Scholastic or termination thereof, in such form as mutually, reasonably agreed upon by both parties.

(c) The terms of any termination under Section 4(d), (e) or (f) above shall be kept confidential by the parties and both Scholastic and Feiwel shall mutually agree upon the form, substance and timing of any press release regarding same.

(d) In the event Feiwel is terminated on account of her Disability, Scholastic shall pay and provide, in addition to the Accrued Obligations, a lump sum payment equal to the base salary remaining under this Agreement for the year during which such disability occurs within 10 days of Feiwel's termination, reduced by any disability benefits or Workers Compensation salary replacement she received from any program sponsored by Scholastic or a governmental entity. Scholastic and its affiliated entities shall have no further obligations to Feiwel.

6. CONFIDENTIAL INFORMATION. Feiwel agrees that upon the conclusion of the term of this Agreement, she will not (except on behalf of Scholastic), without the express written consent of Scholastic, retain in any form any customer list or other confidential or proprietary written or otherwise recorded information, trade secrets or innovations of any kind relating to Scholastic's business, clients, plans, proposals or financial condition. Feiwel also will not use for her own benefit or divulge at any time any such customer lists or other confidential or proprietary information to persons other than directors, officers or employees of Scholastic, unless pursuant to good faith use in furtherance of her obligations hereunder or her compliance with lawful legal process requiring her testimony on, or disclosure of such matters. Notwithstanding the foregoing restrictions, Feiwel

shall be entitled to retain her own Rolodex and her correspondence, provided, however, that such correspondence shall not contain sales figures or financial information related to Scholastic's business.

7. NON-COMPETE/NON-SOLICITATION.

(a) During the term of the Agreement, without regard to any termination hereof, except where Feiwel is terminated without Cause or Feiwel terminates for Good Reason (the "Restriction Period"), Feiwel shall not enter into competition with Scholastic Book Group, provided however, that competition shall not include Feiwel's employment by a non-competitive division or business unit of a company which is in competition with Scholastic Book Group, provided Feiwel is not involved with the division or business unit of such company that is in competition.

(b) During the Restriction Period, Feiwel shall not directly or indirectly solicit for competitive products or induce any customer of Scholastic Book Group to terminate, or otherwise to cease, reduce, or diminish in any way its relationship with Scholastic Book Group.

(c) During the Restriction Period, Feiwel shall not recruit, solicit or induce any nonclerical employees of Scholastic Book Group to terminate their employment with, or otherwise cease their relationship with Scholastic Book Group, or hire or assist another person or entity to hire any then-current nonclerical employee of Scholastic Book Group.

(d) If at the time of enforcement of this Section a court holds that the restrictions stated herein are unreasonable under the circumstances then existing, the parties hereto agree that the maximum period or scope reasonable under such circumstances shall be substituted for the stated period or scope and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period and scope permitted by law.

8. NOTICES. All notices which a party is required or may desire to give to the other party under this Agreement shall be given in writing and shall be either delivered personally or sent by certified or registered mail, return receipt requested, to the addresses below. Notices shall be deemed given when received or two (2) days after mailing, whichever is earlier.

Richard Robinson	Jean Feiwel
President and CEO	Senior Vice President
Scholastic Inc.	Scholastic Inc.
555 Broadway	555 Broadway
New York, NY 10012	New York, NY 10012

9. ASSIGNMENT. This Agreement shall not be assigned by Feiwel. This Agreement shall not be assigned by Scholastic, except in connection with a merger or transfer by Scholastic of all or substantially all of its assets.

10. WAIVER. The waiver of any breach of any term of this Agreement, which waiver must be in writing, shall not be deemed to constitute waiver of any subsequent breach of the previously waived term or of any other term or condition.

11. SEVERABILITY. Should any provision of this Agreement be held invalid, illegal or unenforceable, it shall be deemed to be modified so that its purpose can be lawfully effectuated and enforced and the balance of the Agreement shall remain in full force and effect.

12. ARBITRATION. Except as provided in Section 7 above, any dispute or controversy arising out of or relating to this Agreement or the breach hereof shall be resolved exclusively by arbitration in New York City before a 3-judge panel of the American Arbitration Association under its then-pertaining rules, and judgment upon the award rendered may be entered in any court having jurisdiction thereof. The arbitrator's decision shall be final, conclusive and binding on the parties.

13. ENTIRE AGREEMENT; AMENDMENT; GOVERNING LAW. This Agreement shall supersede any and all existing agreements, understandings and arrangements between Feiwel and Scholastic relating to the terms of her employment. This Agreement may not be amended except by a written agreement signed by both parties. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without reference to rules relating to conflicts of laws.

/s/ Jean Feiwel

JEAN FEIWEL

Dated: April 6, 1998

SCHOLASTIC INC.

By: /s/ RICHARD ROBINSON

Richard Robinson
President and CEO

Dated: April 6, 1998

EXHIBIT 21

SCHOLASTIC CORPORATION
SUBSIDIARIES OF THE REGISTRANT

DOMESTIC SUBSIDIARIES	STATE OF INCORPORATION
Scholastic Inc.	New York
Scholastic Book Fairs, Inc. *	New York
Scholastic Book Services, Inc.	Delaware
California School Book Fairs, Inc. *	California
Arizona School Book Fairs, Inc.	Arizona
Scholastic Book Clubs, Inc.	Missouri
Scholastic Entertainment Inc. (formerly Scholastic Productions, Inc.)	New York
SE Distribution Inc.	Delaware
Scholastic UK Group Ltd. (formerly Scholastic Publications (Magazines), Ltd.)	Delaware
Read Street Book Fairs, Inc. *	Delaware
Trumpet Book Clubs, Inc. **	Delaware
Weston Woods Studios, Inc.	Delaware
Lectorum Publications, Inc.	New York
The Electronic Bookshelf, Inc.	Indiana

FOREIGN SUBSIDIARIES	JURISDICTION
Scholastic Australia Pty. Ltd.	Australia
Bookshelf Publishing Australia Pty. Ltd.	Australia
Troll School Book Clubs and Fairs Australia Pty. Ltd.	Australia
Scholastic Australia Superannuation Pty. Ltd.	Australia
Scholastic Executive Superannuation Pty. Ltd.	Australia
Oldmeadow Booksellers (Aust.) Pty. Ltd.	Australia
Scholastic (Barbados), Inc.	Barbados
Scholastic Canada Ltd.	Canada
Scholastic Productions Canada Ltd.	Canada
Scholastic Bookfairs Canada Inc.	Canada
Scholastic Ltd.	England
School Book Fairs Ltd.	England
Scholastic Book Clubs Ltd.	England
Red House Books Ltd.	England
Scholastic Publication Ltd.	England
Scholastic Educational Magazines Ltd.	England

Red House Book Clubs Ltd.	England
Scholastic Hong Kong Limited	Hong Kong
School Book Fairs Ltd.	Ireland
Scholastic India Private Limited	India
Scholastic Mexico, S.A. de C.V.	Mexico
Scholastic New Zealand Ltd. (formerly known as Ashton Scholastic Ltd.)	New Zealand

* Effective June 1, 1998, Scholastic Book Fairs Inc., California School Book Fairs, Inc. and Read Street Book Fairs, Inc. were merged into Scholastic Inc.

** Effective June 1, 1998, Trumpet Book Clubs, Inc. was merged into Scholastic Book Clubs, Inc.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-48655, No. 33-69058 and No. 33-91090) pertaining to the Scholastic, Inc. 401(K) Savings and Retirement Plan, in the Registration Statement (Form S-8 No. 33-46338) pertaining to the 1992 Stock Option Plan as of May 19, 1992, in the Registration Statement (Form S-8 No. 33-50128) pertaining to the Outside Directors' Stock Option Plan and the Stock Option Agreement with Joseph W. Oliver, in the Registration Statement (Form S-8 No. 33-74064) pertaining to the Non-Employee Director Stock-For-Retainer Plan and in the Registration Statement (Form S-3 No. 333-17365) pertaining to $150,000,000 of Securities of our report dated July 2, 1998, with respect to the consolidated financial statements and schedule of Scholastic Corporation included in this Annual Report (Form 10-K) for the year ended May 31, 1998.

/s/ Ernst & Young LLP

New York, New York
August 24, 1998

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12-MOS	12-MOS	12-MOS
MAY-31-1998	MAY-31-1997	MAY-31-1996
MAY-31-1998	MAY-31-1997	MAY-31-1996
5,062	4,891	4,300
0	0	0
126,750	108,380	127,553
10,077	7,838	9,163
199,368	222,036	189,978
382,640	396,341	350,480
191,157	177,203	146,155
54,330	43,242	32,018
765,319	784,445	673,166
181,702	180,604	173,398
234,750	234,704	110,000
0	0	0
0	0	0
175	175	171
317,963	297,300	288,476
765,319	784,445	673,166
1,058,410	966,284	928,599
1,058,410	966,284	928,599
536,829	530,737	466,030
977,157	930,286	833,406
23,138	18,308	37,358
14,649	11,656	9,565
19,980	16,669	11,170
38,135	1,021	46,665
14,491	660	14,768
23,644	361	31,897
0	0	0
0	0	0
0	0	0
23,644	361	31,897
1.46	0.02	2.02
1.45	0.02	1.97