

**SCHOLASTIC CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**  
**(Amounts in millions except share and per share data)**

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	5/31/2008 (1)	5/31/2007 (1)	5/31/2008 (1)	5/31/2007 (1)
Revenues (2)	\$536.1	\$546.8	\$2,205.6	\$1,921.9
Operating costs and expenses:				
Cost of goods sold	243.8	237.7	1,053.7	893.4
Selling, general and administrative expenses	220.6	208.6	869.2	806.6
Bad debt expense	2.4	2.7	11.4	12.8
Depreciation and amortization	18.6	17.5	64.6	63.5
Total operating costs and expenses	485.4	466.5	1,998.9	1,776.3
Operating income	50.7	80.3	206.7	145.6
Other income (3)	3.5	-	2.6	3.0
Interest expense, net	5.4	7.4	29.8	30.9
Earnings from continuing operations before income taxes	48.8	72.9	179.5	117.7
Provision for income taxes	19.9	27.6	68.9	44.6
Earnings from continuing operations	28.9	45.3	110.6	73.1
Loss from discontinued operations, net of tax (4)	(42.0)	(4.9)	(133.0)	(12.2)
Net (loss) income	(\$13.1)	\$40.4	(\$22.4)	\$60.9
Basic and diluted (loss) earnings per Share of Class A and Common Stock:				
Basic:				
Earnings from continuing operations	0.76	1.05	2.86	1.72
Loss from discontinued operations, net of tax	(1.10)	(0.11)	(3.44)	(0.29)
Net (loss) income	(0.34)	0.94	(0.58)	1.43
Diluted:				
Earnings from continuing operations	0.75	1.04	2.82	1.70
Loss from discontinued operations, net of tax	(1.09)	(0.11)	(3.39)	(0.29)
Net (loss) income	(0.34)	0.93	(0.57)	1.42
Weighted average shares outstanding (5)				
Basic	38.2	43.0	38.7	42.5
Diluted	38.5	43.4	39.2	43.0

- (1) As announced, the Company intends to sell its U.S., U.K. and Canadian direct-to-home continuities businesses, and has shut down its school-based continuities business effective May 31, 2008. As a result, the results of operations associated with these businesses are presented as discontinued operations for accounting purposes in the fiscal 2008 and prior year periods.
- (2) Revenue related to discontinued operations is not reported in the Company's revenue from continuing operations. Revenue related to the discontinued direct-to-home continuities business was \$37.7 and \$167.8 for the three and twelve months ended May 31, 2008 and \$49.8 and \$195.7 for the three and twelve months ended May 31, 2007, respectively. Revenue related to the discontinued school-based continuities business was \$7.4 and \$39.3 for the three and twelve months ended May 31, 2008 and \$15.2 and \$61.5 for the three and twelve months ended May 31, 2007, respectively.
- (3) In the three months ended May 31, 2008, the Company recorded pre-tax other income of \$3.5 (\$0.09 per diluted share) consisting of a gain on note repurchases of \$2.1 (\$0.05 per diluted share) and a currency gain on settlement of a loan of \$1.4 (\$0.04 per diluted share). In the twelve months ended May 31, 2008, the Company recorded \$2.6 in other income (\$0.07 per diluted share), representing the fourth quarter net other income further offset by \$0.9 (\$0.02 per diluted share) other expense from an early termination of one of the company's subleases. In the twelve months ended May 31, 2007, the Company recorded a pre-tax gain on the sale of an investment of \$3.0, or \$0.07 per diluted share.
- (4) In the three and twelve months ended May 31, 2008, the Company recorded a non-cash write down of certain assets, net of tax, of \$30.5 and \$102.5 (\$0.79 and \$2.62 per diluted share), respectively, following the company's decision to sell its direct-to-home continuities business and to shut down its school-based continuities business. Operating losses associated with the direct-to-home continuities business, net of tax, were \$7.9 and \$24.1 (\$0.21 and \$0.61 per diluted share) in the three and twelve months ended May 31, 2008, respectively, compared to \$4.7 and \$12.9 (\$0.11 and \$0.30 per diluted share) in the respective prior year periods. Operating losses associated with the school-based continuities business, net of tax, were \$3.6 and \$6.1 (\$0.09 and \$0.16 per diluted share) in the three and twelve months ended May 31, 2008, respectively, compared to an operating loss, net of tax, of \$0.2 and operating income, net of tax, of \$0.7 (\$0.00 and \$0.02 per diluted share) in the respective prior year periods.
- (5) On June 1, 2007, the Company entered into an agreement to repurchase \$200.0 of its outstanding Common Stock under a "collared" Accelerated Share Repurchase (the "ASR") Agreement. Under the ASR, the Company initially received approximately 5.1 million shares of Common Stock on June 28, 2007. On October 29, 2007, the settlement date of the ASR, the Corporation received another 0.7 million shares at no additional cost, bringing the total number of shares repurchased and received under the ASR to 5.8 million shares which is reflected in the Treasury Stock component of Stockholders' equity. Also reflected in basic and diluted weighted average shares outstanding for the fiscal 2008 periods is an additional 0.5 million shares of Common Stock repurchased by the Company in open market transactions during the quarter ended May 31, 2008 and 0.7 million shares during the twelve months ended May 31, 2008. In total, this had a 4.9 million share effect on basic and diluted weighted average shares outstanding for the twelve months ended May 31, 2008.

**SCHOLASTIC CORPORATION**  
**RESULTS OF CONTINUING OPERATIONS - SEGMENTS**  
**(UNAUDITED)**  
**(Amounts in millions)**

	THREE MONTHS ENDED				TWELVE MONTHS ENDED			
	5/31/08 (1)	5/31/07 (1)	Change		5/31/08 (1)	5/31/07 (1)	Change	
Children's Book Publishing & Distribution								
Revenue								
Book Clubs	\$78.1	\$83.1	(\$5.0)	(6%)	\$336.7	\$360.6	(\$23.9)	(7%)
Trade	40.6	42.3	(1.7)	(4%)	422.3	183.4	238.9	*
Book Fairs	144.9	139.0	5.9	4%	405.7	393.7	12.0	3%
Total revenue	263.6	264.4	(0.8)	(0%)	1,164.7	937.7	227.0	24%
Operating income	35.9	44.0	(8.1)	(18%)	169.0	95.5	73.5	77%
Operating margin	13.6%	16.6%			14.5%	10.2%		
Educational Publishing								
Revenue	108.6	113.6	(5.0)	(4%)	414.1	412.8	1.3	0%
Operating income	22.4	29.9	(7.5)	(25%)	64.6	76.3	(11.7)	(15%)
Operating margin	20.6%	26.3%			15.6%	18.5%		
International								
Revenue	124.5	119.6	4.9	4%	470.6	409.0	61.6	15%
Operating income	11.6	15.9	(4.3)	(27%)	39.5	35.7	3.8	11%
Operating margin	9.3%	13.3%			8.4%	8.7%		
Media, Licensing and Advertising								
Revenue	39.4	49.2	(9.8)	(20%)	156.2	162.4	(6.2)	(4%)
Operating income	2.4	9.9	(7.5)	(76%)	10.4	15.9	(5.5)	(35%)
Operating margin	6.1%	20.1%			6.7%	9.8%		
Overhead expense	21.6	19.4	(2.2)	(11%)	76.8	77.8	1.0	1%
operating income from continuing operations	\$50.7	\$80.3	(\$29.6)	(37%)	\$206.7	\$145.6	\$61.1	42%

(1) Results for the three and twelve month periods ended May 31, 2008 and May 31, 2007 reflect continuing operations and exclude discontinued operations. The Company's domestic direct-to-home and school-based continuities businesses were formerly included in the Children's Book Publishing and Distribution segment and the international direct-to-home business was formerly included in the International segment. The Company's Maumelle facility, which is included in discontinued operations, was formerly included in overhead. All corresponding prior year periods presented have been reclassified to reflect this presentation.

\* Percent not meaningful.

**SCHOLASTIC CORPORATION**  
**SUPPLEMENTAL INFORMATION**  
**(UNAUDITED)**  
**(Amounts in millions)**

**SELECTED BALANCE SHEET ITEMS (1)**

	5/31/2008	5/31/2007
<b>Continuing Operations</b>		
Cash and cash equivalents	\$120.0	\$21.6
Accounts receivable, net	220.1	230.7
Inventories	370.2	375.4
Accounts payable	109.7	121.7
Accrued royalties	46.2	34.3
Lines of credit, short-term debt and current portion of long-term debt	54.6	66.2
Long-term debt, excluding current portion	295.1	173.4
Total debt	349.7	239.6
Total capital lease obligations	61.6	65.3
Net debt (2)	229.7	218.0
<b>Discontinued Operations</b>		
Total assets of discontinued operations (3)	30.7	234.2
Total liabilities of discontinued operations	16.0	25.5
<b>Total stockholders' equity</b>	<b>928.9</b>	<b>1,129.0</b>

**SELECTED CASH FLOW ITEMS**

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	5/31/2008	5/31/2007	5/31/2008	5/31/2007
Net cash provided by operations (4)	\$2.1	\$139.3	\$308.6	\$179.6
Less: Additions to property, plant and equipment	23.1	21.7	58.7	49.4
Pre-publication and production costs	20.5	18.9	62.2	53.9
<b>Free cash flow (use) (5)</b>	<b>(\$41.5)</b>	<b>\$98.7</b>	<b>\$187.7</b>	<b>\$76.3</b>

- (1) The Company is currently evaluating the carrying value of certain assets associated with its discontinued operations. Based upon this evaluation, the values of these assets and retained earnings may change for the current period or for historical periods.
- (2) Net debt is defined by the Company as lines of credit and short-term debt plus long-term-debt, net of cash and cash equivalents. The Company utilizes this non-GAAP financial measure, and believes it is useful to investors, as an indicator of the Company's effective leverage and financing needs.
- (3) The decline in Total assets of discontinued operations between the two year-end dates shown reflects the write-down of certain assets associated with the discontinued operations held for sale totaling \$157.5.
- (4) Net cash provided by operations also includes net cash provided by discontinued operations of \$1.0 and net cash used by operations of \$5.5 for the three and twelve months ended May 31, 2008, respectively, and net cash used by operations of \$11.4 and \$4.8 for the respective prior year periods.
- (5) Free cash flow or use is defined by the Company as net cash provided by or used in operating activities (which includes royalty advances), reduced by spending on property, plant and equipment and pre-publication and production costs. The Company believes that this measure, which is a non-GAAP financial measure, is useful to investors as an indicator of cash flow available for debt repayment and other investing activities, such as acquisitions. The Company utilizes free cash flow or use as a further indicator of operating performance and for planning investing activities.