SCHOLASTIC CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(Amounts in millions except per share data)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	2/28/2009 (1)	2/29/2008 (1)	2/28/2009 (1)	2/29/2008 (1)
Revenues (2)	$424.9	$440.4	$1,359.0	$1,644.2
Operating costs and expenses:				
Cost of goods sold	214.1	216.0	643.2	800.3
Selling, general and administrative expenses	199.5	202.7	619.4	630.4
Bad debt expense	2.4	3.1	11.1	8.3
Depreciation and amortization	14.5	14.4	45.4	44.6
Impairment Charges	17.0	-	17.0	0.0
Total operating costs and expenses	447.5	436.2	1,336.1	1,483.6
Operating (loss) income	(22.6)	4.2	22.9	160.6
Other income (expense) (3)	0.3	(0.9)	0.3	(0.9)
Interest expense, net	5.6	6.0	18.5	24.4
Loss on investments	13.5	-	13.5	0.0
(Loss) earnings from continuing operations before income taxes	(41.4)	(2.7)	(8.8)	135.3
(Benefit) provision for income taxes	(6.3)	(1.3)	10.6	49.0
(Loss) earnings from continuing operations	(35.1)	(1.4)	(19.4)	86.3
Loss from discontinued operations, net of tax (3)	(0.9)	(77.9)	(22.6)	(92.8)
Net loss	($36.0)	($79.3)	($42.0)	($6.5)
Basic and diluted (loss) earnings per Share of Class A and Common Stock:				
Basic:				
(Loss) Earnings from continuing operations	(0.95)	(0.03)	(0.52)	2.22
Loss from discontinued operations, net of tax	(0.03)	(2.03)	(0.60)	(2.39)
Net loss	(0.98)	(2.06)	(1.12)	(0.17)
Diluted:				
(Loss) Earnings from continuing operations	(0.95)	(0.03)	(0.52)	2.19
Loss from discontinued operations, net of tax	(0.03)	(2.03)	(0.60)	(2.35)
Net loss	(0.98)	(2.06)	(1.12)	(0.16)
Basic weighted average shares outstanding	36.9	38.4	37.5	38.9
Diluted weighted average shares outstanding	37.1	38.9	37.7	39.4

(1) As previously announced, the Company sold or is shutting down its domestic, Canadian and U.K. continuities businesses, and intends to sell its Maumelle facility.In addition, the Company has sold, shut down or intends to sell certain other businesses and its Danbury facility. The results of operations associated with these businesses are presented as discontinued operations for accounting purposes in the fiscal 2009 and prior year periods.

(2) Revenue related to discontinued operations is not reported in the Company’s revenue from continuing operations. Discontinued operations revenues were $6.8 and $58.0 for the three months ended February 28, 2009 and February 29, 2008, respectively and $64.3 and $187.3 for the nine months ended February 28, 2009 and February 29, 2008, respectively.

(3) In the three months ended February 28, 2009, the Company recorded a non-cash write down of certain assets, net of tax, of $12.5 or $0.34 per diluted share related to the Company's decision to exit certain of the businesses referred to in Note (1). Losses from operations, net of tax, were $2.3 or $0.06 per diluted share. These losses were substantially offset by the gain on sale of a division of $13.9 or $0.37 per diluted share. In the nine months ended February 28, 2009, the Company recorded a non-cash write down of certain assets, net of tax, of $28.2 or $0.75 per diluted share, related to discontinued businesses. Losses from operations of the discontinued businesses, net of tax, were $14.1 or $0.37 per diluted share. These losses were partially offset by gains on sales of discontinued businesses of $19.7 or $0.52 per diluted share.

In the three and nine months ended February 29, 2008, the Company recorded a non-cash write down of certain assets of such discontinued businesses, net of tax, of $70.1 or $1.83 per diluted share and $70.9 or $1.80, respectively. Losses from operations of such discontinued businesses, net of tax, were $7.8 or $0.20 per diluted share and $21.9 and $0.55, respectively.

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

	THREE MONTHS ENDED				NINE MONTHS ENDED			
	2/28/2009 (1)	2/29/2008 (1)	Change		2/28/2009 (1)	2/29/2008 (1)	Change	
Children's Book Publishing & Distribution								
Revenue								
Book Clubs	$88.9	$93.4	($4.5)	(5%)	$253.1	$258.6	($5.5)	(2%)
Trade	58.2	46.6	11.6	25%	149.9	379.4	(229.5)	(60%)
Book Fairs	76.2	78.3	(2.1)	(3%)	261.2	260.8	0.4	0%
Total revenue	223.3	218.3	5.0	2%	664.2	898.8	(234.6)	(26%)
Operating income	12.6	14.0	(1.4)	(10%)	57.3	137.7	(80.4)	(58%)
Operating margin	5.6%	6.4%			8.6%	15.3%		
Educational Publishing								
Revenue	74.7	76.5	(1.8)	(2%)	280.8	300.4	(19.6)	(7%)
Operating income (loss)	0.9	(0.2)	1.1	*	36.2	43.4	(7.2)	(17%)
Operating margin	1.2%	*			12.9%	14.4%		
International								
Revenue	88.5	107.0	(18.5)	(17%)	299.1	340.1	(41.0)	(12%)
Operating income	(13.9)	5.7	(19.6)	*	(3.4)	29.7	(33.1)	*
Operating margin	*	5.3%			*	8.7%		
Media, Licensing and Advertising								
Revenue	38.4	38.6	(0.2)	(1%)	114.9	104.9	10.0	10%
Operating income	1.4	1.7	(0.3)	(18%)	6.4	5.4	1.0	19%
Operating margin	3.6%	4.4%			5.6%	5.1%		
Overhead expense	23.6	17.0	(6.6)	(39%)	73.6	55.6	(18.0)	(32%)
Operating (loss) income from continuing operations	($22.6)	$4.2	($26.8)	*	$22.9	$160.6	($137.7)	(86%)

(1) Results for the three month periods ended February 28, 2009 and February 29, 2008 reflect continuing operations and exclude discontinued operations. 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

	02/28/09	02/29/08
Continuing Operations		
Cash and cash equivalents	$37.0	$191.7
Accounts receivable, net	196.6	199.2
Inventories, net	413.8	423.6
Accounts payable	132.1	113.8
Accrued royalties	60.2	151.5
Lines of credit, short-term debt and current portion of long-term debt	52.6	53.5
Long-term debt, excluding current portion	262.7	320.1
Total debt	315.3	373.6
Total capital lease obligations	58.5	62.5
Net debt (1)	278.3	181.9
Discontinued Operations		
Total assets of discontinued operations (2)	40.6	165.7
Total liabilities of discontinued operations	16.3	40.9
Total stockholders' equity	765.3	894.8

SELECTED CASH FLOW ITEMS

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	02/28/09	02/29/08	2/28/09	02/29/08
Net cash provided by (used in) operating activities	$97.5	$84.9	$34.2	$303.7
Less: Additions to property, plant and equipment	9.4	13.0	32.8	35.6
Pre-publication and production costs	14.4	15.1	41.7	41.7
Free cash flow (use) (3) (4)	$73.7	$56.8	($40.3)	$226.4

(1) 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.

(2) The decline in Total assets of discontinued operations between the two period-end dates shown reflects the write-down of certain assets associated with the discontinued operations totaling $89.1.

(3) 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 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.

(4) Free cash flow includes use of cash by discontinued operations of $21.3 and cash flow provided by discontinued operations of $1.8 for the nine months ended February 28, 2009 and February 29, 2008, respectively.