

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	11/30/10	11/30/09	11/30/10	11/30/09
Revenues	\$675.7	\$660.1	\$966.6	\$975.7
Operating costs and expenses:				
Cost of goods sold (1)	296.2	273.6	443.9	431.9
Selling, general and administrative expenses (1)	233.3	221.6	406.0	397.4
Bad debt expense	3.0	4.4	5.9	6.5
Depreciation and amortization	14.5	14.8	28.9	29.5
Impairment charges (2)	-	40.1	-	40.1
Total operating costs and expenses	547.0	554.5	884.7	905.4
Operating income	128.7	105.6	81.9	70.3
Other (loss) income (3)	(0.4)	-	(0.4)	0.9
Interest expense, net	4.0	4.3	7.8	8.2
Earnings from continuing operations before income taxes	124.3	101.3	73.7	63.0
Provision for income taxes	47.4	44.5	31.0	30.8
Earnings from continuing operations	76.9	56.8	42.7	32.2
(Loss) earnings from discontinued operations, net of tax (4)	(2.0)	(1.3)	(3.0)	0.3
Net income	\$74.9	\$55.5	\$39.7	\$32.5
Basic and diluted earnings (loss) per Share of Class A and Common Stock: (5)				
Basic:				
Earnings from continuing operations	2.23	1.56	1.20	0.88
(Loss) earnings from discontinued operations, net of tax	(0.06)	(0.04)	(0.08)	0.01
Net income	2.17	1.52	1.12	0.89
Diluted:				
Earnings from continuing operations	2.19	1.54	1.19	0.88
(Loss) earnings from discontinued operations, net of tax	(0.05)	(0.03)	(0.08)	-
Net income	2.14	1.51	1.11	0.88
Basic weighted average shares outstanding	34.4	36.4	35.3	36.4
Diluted weighted average shares outstanding	34.9	36.8	35.7	36.7

(1) Cost of goods sold includes a net reclassification of certain costs totaling \$3.9 and \$6.1 from Selling, general and administrative expenses for the three and six months ended November 30, 2009, respectively.

(2) In the three months ended November 30, 2009, the Company recorded \$36.3 in impairment charges related to the Company's decision to consolidate supplemental non-fiction and library publishing activities into the Children's Book segment. In addition, the Company recorded \$3.8 in impairment charges related to assets received in connection with the dissolution of a joint venture in the United Kingdom.

(3) Other loss of \$0.4 for the three and six months ended November 30, 2010 is for acquisition costs related to an asset purchase in the second quarter. Other income of \$0.9 for the six months ended November 30, 2009 related to gains on the repurchase of 5% Notes on the open market.

(4) The Company has closed or sold several operations during fiscal years 2008 and 2009, and presently holds for sale another operation. All of these businesses are classified as discontinued operations in the Company's financial statements.

(5) Earnings per share are calculated on non-rounded net income (loss) and shares outstanding. Recalculating earnings per share based on numbers rounded to millions may not yield the results as presented.

**SCHOLASTIC CORPORATION**  
**RESULTS OF CONTINUING OPERATIONS - SEGMENTS**  
**(UNAUDITED)**  
**(Amounts in millions except per share data)**

	THREE MONTHS ENDED				SIX MONTHS ENDED			
	11/30/2010 (1)	11/30/2009 (1)	Change		11/30/2010 (1)	11/30/2009 (1)	Change	
Children's Book Publishing & Distribution								
Revenue								
Book Clubs	\$138.9	\$138.4	\$0.5	0%	\$148.7	\$146.6	\$2.1	1%
Trade	53.4	49.6	3.8	8%	107.4	99.2	8.2	8%
Book Fairs	195.0	180.8	14.2	8%	204.1	199.2	4.9	2%
Total revenue	387.3	368.8	18.5	5%	460.2	445.0	15.2	3%
Operating income	97.3	107.8	(10.5)	(10%)	45.7	60.3	(14.6)	(24%)
Operating margin	25.1%	29.2%			9.9%	13.6%		
Educational Publishing								
Revenue	101.6	122.6	(21.0)	(17%)	220.2	271.3	(51.1)	(19%)
Operating income (loss)	11.0	(4.1)	15.1	*	39.5	37.2	2.3	6%
Operating margin	10.8%	*			17.9%	13.7%		
International								
Revenue	145.9	130.9	15.0	11%	227.8	206.5	21.3	10%
Operating income	25.3	14.8	10.5	71%	23.1	12.9	10.2	79%
Operating margin	17.3%	11.3%			10.1%	6.2%		
Media, Licensing and Advertising								
Revenue	40.9	37.8	3.1	8%	58.4	52.9	5.5	10%
Operating income (loss)	4.7	2.6	2.1	81%	1.8	(1.1)	2.9	*
Operating margin	11.5%	6.9%			3.1%	*		
Overhead expense	9.6	15.5	5.9	38%	28.2	39.0	10.8	28%
Operating income from continuing operations	\$128.7	\$105.6	\$23.1	22%	\$81.9	\$70.3	\$11.6	17%

(1) Results for the three and six month periods ended November 30, 2010 and November 30, 2009 reflect continuing operations and exclude discontinued operations.

\* Percent not meaningful.

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

**SELECTED BALANCE SHEET ITEMS**

	11/30/10	11/30/09
Continuing Operations		
Cash and cash equivalents	\$54.4	\$178.3
Accounts receivable, net	287.7	284.6
Inventories, net	371.6	374.7
Accounts payable	164.5	134.4
Accrued royalties	48.8	47.9
Lines of credit, short-term debt and current portion of long-term debt	50.0	55.8
Long-term debt, excluding current portion	181.2	223.8
Total debt	231.2	279.6
Total capital lease obligations	55.0	56.8
Net debt (1)	176.8	101.3
Discontinued Operations (2)		
Total assets of discontinued operations	10.2	16.9
Total liabilities of discontinued operations	1.7	2.1
Total stockholders' equity	720.7	827.1

**SELECTED CASH FLOW ITEMS**

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	11/30/10	11/30/09	11/30/10	11/30/09
Net cash provided by operating activities	\$156.6	\$161.4	\$83.5	\$105.8
Less: Additions to property, plant and equipment	11.2	8.7	24.2	17.2
Pre-publication and production costs	12.6	11.4	23.4	22.1
Free cash flow (3) (4)	\$132.8	\$141.3	\$35.9	\$66.5

- (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) During the three months ended August 31, 2010, the Company determined that the Danbury Facility previously reported in Discontinued Operations was no longer "held for sale". Accordingly, the assets, liabilities and results of operations of the Danbury Facility are included in Continuing Operations for all periods presented.
- (3) Free cash flow is defined by the Company as net cash provided by or used in operating activities (which includes royalty advances), reduced by spending on property, plant and equipment and pre-publication and production costs. 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 as a further indicator of operating performance and for planning investing activities.
- (4) Free cash flow includes discontinued operations for the three and six months ended November 30, 2010 and November 30, 2009.