

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	02/29/12	02/28/11	02/29/12	02/28/11
Revenues	\$467.0	\$384.3	\$1,470.3	\$1,342.6
Operating costs and expenses:				
Cost of goods sold	219.6	193.8	665.7	632.3
Selling, general and administrative expenses	227.8	199.3	636.7	601.5
Bad debt expense	3.1	6.7	7.8	12.6
Depreciation and amortization	16.0	14.5	46.6	43.4
Loss on leases and asset impairments (1)	0.8	-	7.0	-
Total operating costs and expenses	467.3	414.3	1,363.8	1,289.8
Operating income (loss)	(0.3)	(30.0)	106.5	52.8
Other income (expense) (2)	-	-	-	(0.4)
Interest expense, net	3.9	3.9	11.7	11.7
Earnings (loss) from continuing operations before income taxes	(4.2)	(33.9)	94.8	40.7
Provision (benefit) for income taxes	(1.4)	(9.9)	39.4	21.5
Earnings (loss) from continuing operations	(2.8)	(24.0)	55.4	19.2
Earnings (loss) from discontinued operations, net of tax (3)	(0.4)	(1.1)	(2.9)	(4.6)
Net income (loss)	(\$3.2)	(\$25.1)	\$52.5	\$14.6
Basic and diluted earnings (loss) per Share of Class A and Common Stock: (4)				
Basic:				
Earnings (loss) from continuing operations	(0.09)	(0.77)	1.77	0.56
Earnings (loss) from discontinued operations, net of tax	(0.01)	(0.04)	(0.09)	(0.13)
Net income (loss)	(0.10)	(0.81)	1.68	0.43
Diluted:				
Earnings (loss) from continuing operations	(0.09)	(0.77)	1.74	0.55
Earnings (loss) from discontinued operations, net of tax	(0.01)	(0.04)	(0.09)	(0.13)
Net income (loss)	(0.10)	(0.81)	1.65	0.42
Basic weighted average shares outstanding	31.1	30.9	31.1	33.8
Diluted weighted average shares outstanding	31.1	30.9	31.6	34.3

(1) During the quarter ended February 29, 2012, the Company recorded certain asset impairments, primarily in the Children's Book Publishing and Distribution segment, of \$0.8. For the three and nine months ended February 29, 2012, the Company recognized a non-cash loss on sublease arrangements resulting from cost reduction initiatives of \$6.2.

(2) Other expense of \$0.4 for the nine months ended February 28, 2011 is for acquisition costs related to a business combination in the second quarter.

(3) The Company has closed or sold several operations during fiscal 2009, fiscal 2010 and the first quarter of fiscal 2012, and presently holds for sale one facility. In the current fiscal year, the Company ceased operation in its direct-to-home catalog business specializing in toys. All of these businesses are classified as discontinued operations in the Company's financial statements.

(4) Earnings (loss) 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)**

	THREE MONTHS ENDED				NINE MONTHS ENDED			
	02/29/12	02/28/11	Change		02/29/12	02/28/11	Change	
Children's Book Publishing & Distribution								
Revenue								
Book Clubs	\$69.5	\$74.3	(\$4.8)	(6%)	\$203.6	\$223.0	(\$19.4)	(9%)
Trade	112.0	43.5	68.5	157%	240.2	150.9	89.3	59%
Book Fairs	84.5	75.2	9.3	12%	288.1	279.3	8.8	3%
Total revenue	266.0	193.0	73.0	38%	731.9	653.2	78.7	12%
Operating income (loss)	23.4	(9.2)	32.6	*	82.2	36.5	45.7	125%
Operating margin	8.8%	*			11.2%	5.6%		
Educational Technology and Services								
Revenue	40.0	38.2	1.8	5%	202.0	169.4	32.6	19%
Operating income (loss)	(5.9)	(4.2)	(1.7)	*	47.5	29.4	18.1	62%
Operating margin	*	*			23.5%	17.4%		
Classroom and Supplemental Materials Publishing								
Revenue	38.2	43.1	(4.9)	(11%)	142.6	132.1	10.5	8%
Operating income (loss)	(3.4)	1.5	(4.9)	*	9.0	7.4	1.6	22%
Operating margin	*	3.5%			6.3%	5.6%		
International								
Revenue	105.6	95.1	10.5	11%	337.4	322.9	14.5	4%
Operating income (loss)	4.3	(1.4)	5.7	*	30.8	21.7	9.1	42%
Operating margin	4.1%	*			9.1%	6.7%		
Media, Licensing and Advertising (1)								
Revenue	17.2	14.9	2.3	15%	56.4	65.0	(8.6)	(13%)
Operating income (loss)	(0.8)	(3.6)	2.8	*	(3.2)	(0.6)	(2.6)	*
Operating margin	*	*			*	*		
Overhead expense	17.9	13.1	(4.8)	(37%)	59.8	41.6	(18.2)	(44%)
Operating income (loss) from continuing operations	(\$0.3)	(\$30.0)	\$29.7	*	\$106.5	\$52.8	\$53.7	102%

(1) In the current fiscal year, the Company ceased operations in its direct-to-home catalog business specializing in toys. This business was a separate reporting unit previously included in the Media, Licensing and Advertising segment and is classified as a discontinued operation in the Company's financial statements.

\* Percent not meaningful.

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

**SELECTED BALANCE SHEET ITEMS**

	02/29/12	02/28/11
Continuing Operations		
Cash and cash equivalents	\$111.8	\$90.7
Accounts receivable, net	271.5	193.6
Inventories, net	397.2	374.5
Accounts payable	160.1	162.6
Accrued royalties	84.4	62.2
Lines of credit, short-term debt and current portion of long-term debt	12.6	49.5
Long-term debt, excluding current portion	152.7	170.6
Total debt	165.3	220.1
Total capital lease obligations	57.2	55.2
Net debt (1)	53.5	129.4
Discontinued Operations		
Total assets of discontinued operations	9.3	10.8
Total liabilities of discontinued operations	1.2	1.0
Total stockholders' equity	792.4	701.5

**SELECTED CASH FLOW ITEMS**

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	02/29/12	02/28/11	02/29/12	02/28/11
Net cash provided by (used in) operating activities	\$25.0	\$71.4	\$132.8	\$154.9
Less: Additions to property, plant and equipment	12.2	7.2	33.0	31.4
Pre-publication and production costs	14.3	15.0	39.7	38.4
Free cash flow (use) (2) (3)	(\$1.5)	\$49.2	\$60.1	\$85.1

(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) 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.

(3) Free cash flow includes discontinued operations for the three and nine months ended February 29, 2012 and for the three and nine months ended February 28, 2011.