



SCHOLASTIC



FISCAL 2013 THIRD QUARTER EARNINGS PRESENTATION

March 21, 2013



Forward-Looking Statements

This presentation contains certain forward-looking statements, which are subject to various risks and uncertainties, including the conditions of the children's book and educational materials markets and acceptance of the Company's products in those markets and other risks and factors identified from time to time in the Company's filings with the Securities and Exchange Commission. Actual results could differ materially from those currently anticipated.



Regulation G

Today's comments include references to certain non-GAAP financial measures as defined in Regulation G. The reconciliation of these non-GAAP financial measures with the relevant GAAP financial information and other information required by Regulation G is provided in the Company's earnings release, which is posted on the Company's investor relations website at investor.scholastic.com.



Dick Robinson

Chief Executive Officer, President
and Chairman



Third Quarter Fiscal Year 2013

- Challenging quarter due to significantly lower sales of The Hunger Games trilogy versus prior year and our expectations
- Continued delays in customer purchases of high margin educational products
- Lower revenue per order in Book Clubs
- Strong results from Common Core focused professional development and consulting
- Investments in digital initiatives on track
- Five Educational Technology products launching later this year

Major New Educational Technology Products



- Math 180™, iRead™, Code X™
System 44® Next Gen



- Built for Common Core
- Actionable Data and Reports
- Monitor Student Progress
- Differentiate Instruction



- Mobile Version of Read 180®





Strong Interest in Award-Winning Storia[®] App

- App downloads and Storia registrations on track
- Expanding ebook library of popular titles including titles from Little, Brown and HarperCollins

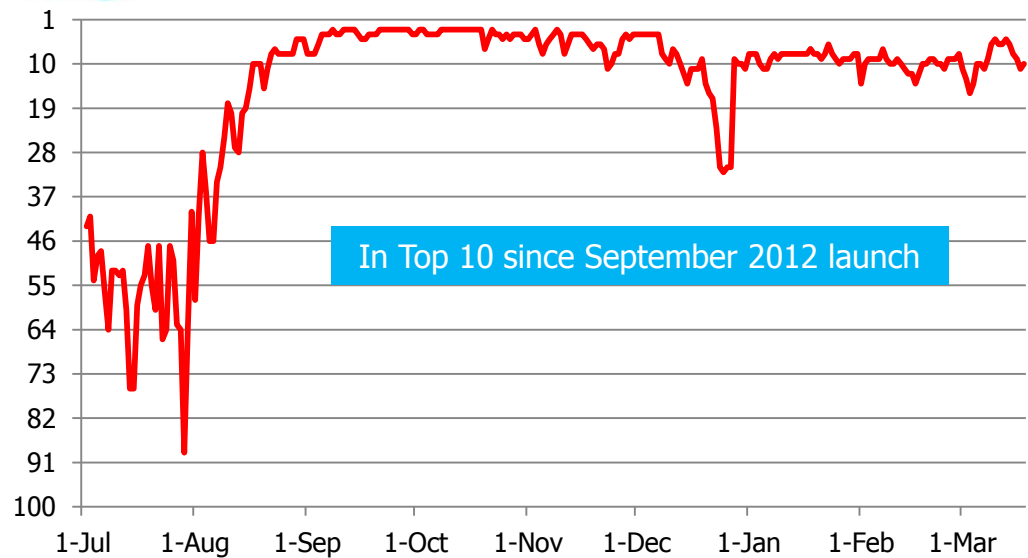


Mashable

Included on Mashable's list of "10 Fantastic Children's Book Apps"



Ranking Among Free iPad Book Apps ¹



In Top 10 since September 2012 launch

¹ Source: App Annie



Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and Chief Financial Officer



Income Statement

\$M (except per share)	Third Quarter		Fiscal Year-To-Date	
	2013	2012	2013	2012
Revenues	\$380.5	\$467.0	\$1,290.3	\$1,470.3
Cost of goods sold	191.1	219.6	605.6	665.7
Selling, general and administrative expenses ¹	200.6	242.5	609.7	656.1
Depreciation and amortization	16.5	16.0	49.3	46.6
Loss on leases and asset impairments	-	0.8	-	7.0
Total operating costs and expenses	408.2	478.9	1,264.6	1,375.4
Operating income (loss) from continuing operations	(\$27.7)	(\$11.9)	\$25.7	\$94.9
Other income (loss)	-	-	-	-
Interest expense, net	4.1	3.9	11.5	11.7
Loss on investments	-	-	-	-
Provision (benefit) for income taxes	(11.7)	(5.9)	4.4	34.9
Earnings (loss) from continuing operations	(\$20.1)	(\$9.9)	\$9.8	\$48.3
Loss from discontinued operations, net of tax	(0.0)	(0.4)	(0.2)	(2.9)
Net income (loss)	(\$20.1)	(\$10.3)	\$9.6	\$45.4
Earnings (loss) per diluted share from continuing operations	(0.63)	(0.32)	0.30	1.52
Loss per share from discontinued operations, net of tax	(0.00)	(0.01)	(0.01)	(0.09)
Earnings (loss) per diluted share	(0.63)	(0.33)	0.29	1.43

¹ For the three and nine months ended February 28, 2013, the Company recorded a pretax severance charge of \$3.0, related to the Company's cost savings initiatives. For the three and nine months ended February 29, 2012, the Company recorded a pretax severance charge of \$2.5 and \$9.3, respectively, for a voluntary retirement program.



Segment Results

\$M	Third Quarter		Fiscal Year-To-Date	
	2013	2012	2013	2012
Children's Book Publishing and Distribution				
Revenue	\$189.4	\$268.8	\$610.6	\$739.3
Operating income (loss)	(10.1)	12.2	3.6	70.7
Educational Technology and Services				
Revenue	\$41.8	\$40.0	\$174.0	\$202.0
Operating income (loss)	(3.5)	(5.9)	26.6	47.5
Classroom and Supplemental Materials Publishing				
Revenue	\$43.2	\$38.2	\$134.3	\$142.6
Operating income (loss)	(0.2)	(3.4)	4.6	9.0
International				
Revenue	\$94.4	\$105.6	\$328.3	\$337.4
Operating income (loss)	2.0	4.3	29.5	30.8
Media, Licensing and Advertising				
Revenue	\$11.7	\$14.4	\$43.1	\$49.0
Operating income (loss)	(2.3)	(1.2)	(0.9)	(3.3)
Corporate overhead	\$13.6	\$17.9	\$37.7	\$59.8
Operating income (loss) from continuing operations	(\$27.7)	(\$11.9)	\$25.7	\$94.9

¹. For the three and nine months ended February 28, 2013, the Company recorded a pretax severance charge of \$3.0, related to the Company's cost savings initiatives. For the three and nine months ended February 29, 2012, the Company recorded a pretax severance charge of \$2.5 and \$9.3, respectively, for a voluntary retirement program.



Free Cash Flow and Balance Sheet

\$M	Feb 28, 2013	Feb 29, 2012
Free cash flow (use) (9 month period ending) ¹	\$12.4	\$60.1
Accounts receivable, net	\$196.4	\$271.5
Inventories, net	\$352.5	\$397.2
Accounts payable	\$157.9	\$160.1
Accrued royalties	\$66.3	\$84.4
Total debt	\$154.8	\$165.3
Cash and cash equivalents	196.7	111.8
Net debt ²	(\$41.9)	\$53.5

- 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
- 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



Free Cash Flow Guidance Bridge

Previous Cash Flow Guidance	\$100 to \$120 million
Shifting education sales	\$20 - \$30 million
Profit impact of lower revenues	\$10 million
One-time sales tax payments	\$15 million
Accelerated pre-publication (Code X, iRead)	\$5 - \$10 million
Revised Cash Flow Guidance	\$45 to \$55 million



Revised Financial Guidance

Revenue	\$1.75 to \$1.8 billion
Earnings from Continuing Operations	\$1.10 to \$1.30 per diluted share
Free Cash Flow	\$45 to \$55 million
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Capital Expenditures	\$65 to \$75 million
Prepublication and Production Spending	\$65 to \$75 million

Note: Outlook for EPS and operating income does not include severance and other one-time expenses associated with restructuring actions, as well as non-cash, non-operating items.



Questions & Answers

Participants

- Richard Robinson
- Maureen O'Connell
- Margery Mayer, Educational Technology & Services
- Judy Newman, School Book Clubs and E-Commerce