



FISCAL 2013 SECOND
QUARTER EARNINGS
PRESENTATION
December 20, 2012





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 earning release, which is posted on the Company's investor relations website at investor.scholastic.com.



Dick Robinson

Chief Executive Officer, President
and Chairman



Second Quarter Fiscal Year 2013

- Second quarter results in line with the Company's revised fiscal year 2013 outlook announced on November 20, 2012
- Operating results reflected a sales uplift in several of our businesses in November
- Cost savings initiatives will result in savings in the range of \$20 million to \$30 million over the remainder of the fiscal year



Children's Books

- Solid frontlist and backlist Trade sales
 - New releases partially offset lower year-over-year sales of The Hunger Games trilogy
- School Book Clubs impacted by lower revenue per order and loss of sales due to school closings
- Strong School Book Fairs operating performance despite abbreviated and delayed Fairs in the northeast



Educational Technology & Services

- School districts preparing for the Common Core State Standards this fall
- Higher margin product sales were impacted by purchasing delays as school districts focused on professional development
- Uplift in November sales indicates educators' increased certainty regarding continued federal support for education spending



Digital Transition

- Substantially advanced digital transition of our businesses; investment program is on plan
- Digital product development focused on three areas:
 1. Expanding our already robust list of industry-leading, Common Core-aligned Educational Technology products
 - MATH 180™, iRead™ and System 44® Next Generation
 2. Subscription-based products, such as BookFLIX®, TrueFLIX™, Grolier Online and digital versions of our Classroom Magazines
 3. Storia®, our ereading application, and broadened ebook offerings
 - Building momentum in Storia downloads and registrations



Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer



Income Statement

\$M (except per share)	Second Quarter	
	2013	2012
Revenues	\$616.2	\$685.3
Cost of goods sold	263.4	285.7
Selling, general and administrative expenses ¹	231.2	234.6
Bad debt expense	4.0	3.3
Depreciation and amortization	16.7	15.5
Loss on leases	-	6.2
Total operating costs and expenses	515.3	545.3
Operating income (loss) from continuing operations	\$100.9	\$140.0
Interest expense, net	3.7	3.9
Provision (benefit) for income taxes	35.3	52.8
Earnings (loss) from continuing operations	\$61.9	\$83.3
Loss from discontinued operations, net of tax	(0.1)	(0.5)
Net Income (loss)	\$61.8	\$82.8
Earnings (loss) per diluted share from continuing operations	1.89	2.62
Loss per share from discontinued operations, net of tax	(0.00)	(0.02)
Earnings (loss) per diluted share	1.89	2.60

1. For the three months ended November 30, 2011, the Company recorded a pretax severance charge of \$4.7 for a voluntary retirement program.



Segment Results

\$M	Second Quarter	
	2013	2012
Children's Book Publishing and Distribution		
Revenue	\$350.1	\$393.0
Operating income (loss)	68.9	108.7
Educational Technology and Services		
Revenue	\$52.2	\$65.4
Operating income (loss)	5.3	14.6
Classroom and Supplemental Materials Publishing		
Revenue	\$53.2	\$58.7
Operating income (loss)	7.4	10.3
International		
Revenue	\$143.7	\$144.1
Operating income (loss)	24.7	26.6
Media, Licensing and Advertising		
Revenue	\$17.0	\$24.1
Operating income (loss)	1.4	2.5
Corporate overhead	\$6.8	\$22.7
Operating income (loss) from continuing operations	\$100.9	\$140.0

1. For the three months ended November 30, 2011, the Company recorded a pretax severance charge of \$4.7 for a voluntary retirement program.



Free Cash Flow and Balance Sheet

\$M	Nov 30, 2012	Nov 30, 2011
Free cash flow (use) (6 month period ending) ¹	\$64.4	\$61.6
Accounts receivable, net	\$272.9	\$288.1
Inventories, net	\$356.4	\$376.2
Accounts payable	\$208.1	\$146.0
Accrued royalties	\$52.7	\$50.8
Total debt	\$153.6	\$158.4
Cash and cash equivalents	257.3	114.0
Net debt ²	(\$103.7)	\$44.4

1. 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

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



Financial Guidance

Revenue \$1.8 to \$1.9 billion

**Earnings from
Continuing Operations** \$1.40 to \$1.60 per diluted share

Free Cash Flow \$100 to \$120 million

**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
- Ellie Berger, Trade Publishing
- Margery Mayer, Educational Technology & Services
- Judy Newman, School Book Clubs and E-Commerce