

FISCAL 2014 THIRD QUARTER EARNINGS PRESENTATION

March 20, 2014



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



3rd Quarter 2014 Highlights

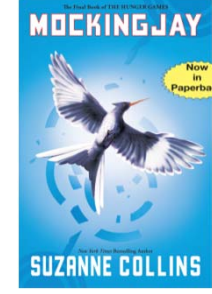
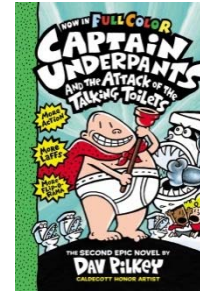
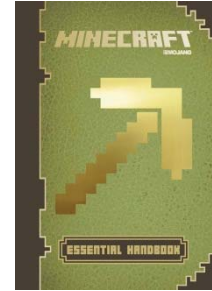
- Children's Book revenue in line with prior year, driven by higher school book clubs and book fairs revenue and popular new releases
 - Prior year benefited from a favorable return reserve adjustment
- Educational Technology experienced softer sales due to educational technology and classroom and supplemental materials sales force integration
 - Strong growth in Classroom Magazines sales
- International operations showed improved sales in local currency terms
- One-time non-cash items favorably impacted results, but did not benefit operating performance
- NYC Headquarters purchase closed in quarter



Children's Books:

Results Driven By New Titles and Focus on Independent Reading for Pleasure

- Best selling new titles sold through school book channels as well as to the trade
- Book Clubs: Successful marketing promotions highlighted expanded library of titles
- Book Fairs: Growth in revenue per fair despite impact of weather on attendance
- Trade: *The Hunger Games* performance in line with expectations; exciting new releases planned
 - *The Finisher*, by David Baldacci and *Redstone Handbook*, the second book in the popular *Minecraft* series. Also, Suzanne Collins' *Mockingjay* now in paperback





Media:

Expanding Audience for Popular Franchises and Programming Library

- Agreement with Netflix and other streaming services offer more opportunities to share our programming with children
- Sony's feature adaptation of *Goosebumps*TM, by R.L. Stine, is a long-term opportunity to enlist a new generation of readers
 - 350 million English language books in print
 - 175 individual *Goosebumps*[®] titles in publication
 - International editions in 32 languages
 - Movie expected to premiere March 2016

Clifford
the Big Red Dog





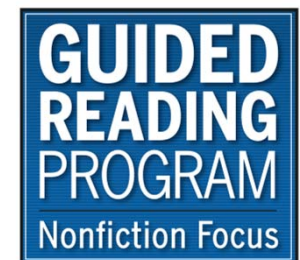
Education:

Temporary Impact from Sales Team Integration

- Third quarter typically a small revenue quarter
- Performance temporarily impacted by sales team integration
 - Integration largely complete – teams are ready for summer and back-to-school
- Professional training and quality instructional materials help students achieve ambitious goals of the Common Core State Standards
 - MATH 180™ on track for the best first year performance of any Scholastic educational new product launch
 - Strong Classroom magazines sales driven by higher circulation



NEXT GENERATION





International:

Positive Sales Performance Offset by Foreign Exchange

- Strong trade-related results across our major markets
- Asia: Direct-to-consumer sales force is leveraging the growing need for English language learning
- U.K., Canada and Australia: Rebound in trade performance boosted by stronger sales of *The Hunger Games* trilogy along with top selling locally published titles like Julia Donaldson's *Superworm* in the UK and *Weirdo* by Ahn Do in Australia
- Higher revenues in local currency terms more than offset by foreign exchange





Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and Chief Financial Officer



Income Statement – Adjusted Earnings Per Share

In \$Millions (except per share)	Third Quarter 2014			Third Quarter 2013			Fiscal Year to Date 2014			Fiscal Year to Date 2013		
	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items
Revenues	\$373.5		\$373.5	\$378.6		\$378.6	\$1,273.0		\$1,273.0	\$1,285.5		\$1,285.5
Cost of goods sold	190.7		190.7	190.0		190.0	593.4		593.4	602.8		602.8
Selling, general and administrative expenses ¹	200.4	(1.7)	198.7	200.1	(3.0)	197.1	599.3	(9.2)	590.1	601.9	(3.0)	598.9
Bad debt expense	2.5		2.5	(0.6)		(0.6)	6.4		6.4	3.9		3.9
Depreciation and amortization	14.2		14.2	16.5		16.5	46.0		46.0	49.3		49.3
Asset impairments ²	-	-	-	-	-	-	13.4	(13.4)	-	-	-	-
Total operating costs and expenses	407.8	(1.7)	406.1	406.0	(3.0)	403.0	1,258.5	(22.6)	1,235.9	1,257.9	(3.0)	1,254.9
Operating income (loss) from continuing operations	(\$34.3)	\$1.7	(\$32.6)	(\$27.4)	\$3.0	(\$24.4)	\$14.5	\$22.6	\$37.1	\$27.6	\$3.0	\$30.6
Interest expense, net	1.9		1.9	4.1		4.1	5.9		5.9	11.5		11.5
Loss on investments ³	4.7	(4.7)	-	-		-	4.7	(4.7)	-	-		-
Provision (benefit) for income taxes ⁴	(28.8)	15.9	(12.9)	(11.6)	1.2	(10.4)	(12.2)	24.3	12.1	5.1	1.2	6.3
Earnings (loss) from continuing operations	(\$12.1)	(\$9.5)	(\$21.6)	(\$19.9)	\$1.8	(\$18.1)	\$16.1	\$3.0	\$19.1	\$11.0	\$1.8	\$12.8
Earnings (loss) from discontinued operations, net of tax	0.0		0.0	(0.2)		(0.2)	0.2		0.2	(1.4)		(1.4)
Net Income (loss)	(\$12.1)	(\$9.5)	(\$21.6)	(\$20.1)	\$1.8	(\$18.3)	\$16.3	\$3.0	\$19.3	\$9.6	\$1.8	\$11.4
Earnings (loss) per diluted share from continuing operations	(0.38)	(0.30)	(0.68)	(0.62)	0.06	(0.56)	0.50	0.09	0.59	0.34	0.06	0.40
Earnings (loss) per diluted share from discontinued operations, net of tax	0.00		0.00	(0.01)	-	(0.01)	0.00		0.00	(0.05)		(0.05)
Earnings (loss) per diluted share	(0.38)	(0.30)	(0.68)	(0.63)	0.06	(0.57)	0.50	0.09	0.59	0.29	0.06	0.35

1. In the three and nine months ended February 28, 2014, the Company recognized pretax severance charges of \$1.7 and \$9.2, respectively, related to the Company's cost savings initiatives. In the three and nine months ended February 28, 2013, the Company recognized pretax severance charges of \$3.0 related to the Company's cost savings initiatives.
2. In the nine months ended February 28, 2014, the Company recognized a pretax goodwill impairment charge of \$13.4 in the Children's Book Publishing and Distribution segment.
3. In the three and nine months ended February 28, 2014, the Company recognized a loss of \$4.7 related to a UK-based cost method investment.
4. In the three and nine months ended February 28, 2014, the Company recognized \$13.8 of tax benefits from previously unrecognized income tax positions related to the Company's settlement of the 2007, 2008 and 2009 IRS audits.



Segment Results – Adjusted for One-Time Items

In \$Millions (except per share)	Third Quarter 2014			Third Quarter 2013			Fiscal Year to Date 2014			Fiscal Year to Date 2013		
	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items
Children's Book Publishing and Distribution												
Revenue												
Book Clubs	\$60.2		\$60.2	\$55.2		\$55.2	\$163.8		\$163.8	\$162.7		\$162.7
Book Fairs	89.2		89.2	86.4		86.4	302.1		302.1	293.0		293.0
Consolidated Trade	40.6		40.6	45.9		45.9	130.8		130.8	150.1		150.1
Total revenue	190.0	-	190.0	187.5	-	187.5	596.7	-	596.7	605.8	-	605.8
Operating income (loss) ¹	(10.6)	-	(10.6)	(9.9)	-	(9.9)	(3.2)	13.4	10.2	4.6	-	4.6
									1.7%	0.8%		0.8%
Educational Technology and Services												
Revenue	35.8		35.8	41.8		41.8	191.5		191.5	174.0		174.0
Operating income (loss)	(10.7)		(10.7)	(3.5)		(3.5)	32.4		32.4	26.6		26.6
									16.9%	16.9%		15.3%
Classroom and Supplemental Materials Publishing												
Revenue	44.5		44.5	43.2		43.2	141.4		141.4	134.3		134.3
Operating income (loss)	1.3		1.3	(0.2)		(0.2)	10.4		10.4	4.6		4.6
									7.4%	7.4%		3.4%
International												
Revenue	91.0		91.0	94.4		94.4	305.3		305.3	328.3		328.3
Operating income (loss) ²	0.1		0.1	2.0		2.0	21.6	0.6	22.2	29.5		29.5
									7.1%	7.3%		9.0%
Media, Licensing and Advertising												
Revenue	12.2		12.2	11.7		11.7	38.1		38.1	43.1		43.1
Operating income (loss)	(1.5)		(1.5)	(2.2)		(2.2)	(3.8)		(3.8)	0.0		0.0
									-	0.0%		0.0%
Corporate overhead ³	\$12.9	(\$1.7)	\$11.2	\$13.6	(\$3.0)	\$10.6	\$42.9	(\$8.6)	\$34.3	\$37.7	(\$3.0)	\$34.7
Operating income (loss) from continuing operations	(\$34.3)	\$1.7	(\$32.6)	(\$27.4)	\$3.0	(\$24.4)	\$14.5	\$22.6	\$37.1	\$27.6	\$3.0	\$30.6

- In the nine months ended February 28, 2014, the Company recognized a pretax goodwill impairment charge of \$13.4 in the Children's Book Publishing and Distribution segment.
- In the nine months ended February 28, 2014, the Company recognized a pretax severance charge in its International segment of \$0.6 related to the Company's cost savings initiatives.
- In the three and nine months ended February 28, 2014, the Company recognized pretax severance charges of \$1.7 and \$8.6, respectively, in Corporate Overhead related to the Company's cost savings initiatives. In the three and nine months ended February 28, 2013, the Company recognized pretax severance charges of \$3.0 in Corporate Overhead related to the Company's cost savings initiatives.



Free Cash Flow and Balance Sheet

In \$ Millions	Feb 28, 2014	Feb 28, 2013
Free cash flow (use) (9 month period ending) ¹	\$18.6	\$12.9
Accounts receivable, net	\$206.0	\$196.4
Inventories, net	\$335.6	\$352.5
Accounts payable	\$159.8	\$157.9
Accrued royalties	\$53.9	\$66.3
Total debt	\$179.7	\$154.8
Cash and cash equivalents	22.0	196.7
Net debt ²	\$157.7	(\$41.9)

1. Free cash flow (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.
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.



FY 2014 Outlook:

Affirmed Guidance & Expectations for Profitable Revenue Growth

Revenue	≈ \$1.8 billion
Earnings from Continuing Operations ¹	\$1.40 - \$1.80 per diluted share
Free Cash Flow	\$60 - \$80 million
Capital Expenditures	\$55 - \$65 million
Prepublication/Production Spending	\$65 - \$75 million

1. Outlook for EPS and operating income **excludes** severance and other one-time items 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