



SCHOLASTIC

READ
Every Day

Lead a Better
LIFE

FISCAL 2012 YEAR END EARNINGS PRESENTATION

July 19, 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

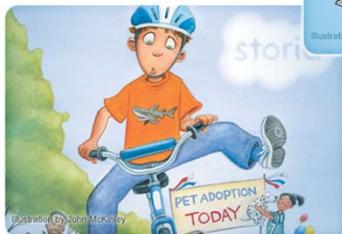


Children's Books

- Segment sales up 20%, profits nearly doubled in fiscal 2012
- Extraordinary Trade sales driven by The Hunger Games and multiple best-sellers
- Solid growth in School Book Fairs, driven by strong participation by families
- Targeted promotions yielding higher profits on lower revenue in School Book Clubs
- New releases and modest growth in Fairs to partially offset lower sales of The Hunger Games in fiscal 2013



Storia™ Ereader App and System



- Introduced Storia in spring 2012 to broad praise
- Over 2,000 titles (incl. 350 enriched) to be available for purchase in fall
- Strong positive reaction from teachers and parents
- Continuing roll out to teachers through Clubs and to families in Fairs this fall



Education

- Profits in Educational Technology and Services up significantly in fiscal 2012, driven by READ 180[®] Next Generation launch
- Focus on Common Core State Standards (CCSS), as positive catalyst for U.S. education and Scholastic
- Major, CCSS-aligned Educational Technology products to launch in fiscal 2014: MATH 180[™], iREAD[™], System 44[®] Next Generation
- Solid growth in Classroom and Supplemental Materials Publishing, with new CCSS-aligned reading and writing programs to launch in fiscal 2013



International

- Strong, profitable growth in fiscal 2012, driven by success of The Hunger Games, improvements in UK
- Growth in Asia and continued improvement in UK to partly offset lower sales of The Hunger Games in fiscal 2013
- Progress developing new curriculum programs for Asian and emerging markets, to launch in fiscal 2014



Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer



Income Statement

\$M (except per share)	Fiscal Year	
	2012	2011
Revenues	\$2,148.8	\$1,887.9
Cost of goods sold	989.2	873.7
Selling, general and administrative expenses ¹	885.2	833.1
Bad debt expense ²	12.3	13.6
Depreciation and amortization	68.8	60.1
Loss on leases and asset impairments ³	7.0	3.4
Total operating costs and expenses	1,962.5	1,783.9
Operating income (loss) from continuing operations	\$186.3	\$104.0
Other income (loss)	(0.1)	(0.4)
Interest expense, net	15.5	15.6
Loss on investments ⁴	-	3.6
Provision (benefit) for income taxes	62.0	38.9
Earnings (loss) from continuing operations	\$108.7	\$45.5
Loss from discontinued operations, net of tax	(6.3)	(6.1)
Net Income (loss)	\$102.4	\$39.4
Earnings (loss) per diluted share from continuing operations	3.41	1.34
Loss per share from discontinued operations, net of tax	(0.20)	(0.18)
Earnings (loss) per diluted share	3.21	1.16

Note: Results include one-time charges of (1) \$9.3 associated with a voluntary retirement program in 2012, and \$3.0 associated with UK restructuring in 2011; (2) \$3.5 of bad debt expense related to Borders in 2011; (3) \$6.2 associated with a non-cash loss on sublease arrangements in 2012, and \$3.4 associated with an impairment in the library publishing and classroom magazine division in 2011; and (4) \$3.6 associated with a loss on an investment in 2011.



Segment Results

\$M	Fiscal Year	
	2012	2011
Children's Book Publishing and Distribution		
Revenue	\$1,111.3	\$922.0
Operating income (loss) ¹	153.0	78.1
Educational Technology and Services		
Revenue	\$254.7	\$230.8
Operating income (loss)	49.2	38.0
Classroom and Supplemental Materials Publishing		
Revenue	\$208.2	\$197.2
Operating income (loss) ²	18.3	13.6
International		
Revenue	\$489.6	\$444.9
Operating income (loss) ³	57.6	38.3
Media, Licensing and Advertising		
Revenue	\$85.0	\$93.0
Operating income (loss)	(4.7)	3.0
Corporate overhead ⁴	\$87.1	\$67.0
Operating income (loss) from continuing operations	\$186.3	\$104.0

Note: Results include one-time charges of (1) \$3.5 of bad debt expense related to Borders in 2011; (2) \$3.4 associated with an impairment in the library publishing and classroom magazine division in 2011; (3) \$3.0 associated with UK restructuring in 2011; and (4) \$15.5 associated with the Company's cost reduction programs in 2012.



Free Cash Flow and Balance Sheet

\$M	May 31, 2012	May 31, 2011
Free cash flow (use) (12 month period ending) ¹	\$147.6	\$120.5
Accounts receivable, net	\$314.1	\$220.3
Inventories, net	\$295.3	\$308.7
Accounts payable	\$119.6	\$120.1
Accrued royalties	\$92.7	\$35.4
Total debt	\$159.3	\$203.4
Cash and cash equivalents	194.9	105.3
Net debt ²	(\$35.6)	\$98.1

Note: (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.



Key Elements of Fiscal 2013 Outlook

- In Children's Books, lower expected sales of The Hunger Games, partially offset by new Trade releases and modest growth in Fairs
- In Educational Technology and Services, lower product sales, relative to prior year launch of READ 180 Next Generation, offset by growth in service sales
- In International, continued improvements in UK and growth in Asia to partly offset lower expected sales of The Hunger Games
- Corporate Overhead expected to decline



Financial Guidance

Revenue \$1.9 to \$2.0 billion

**Earnings from
Continuing Operations** \$2.20 to \$2.40 per diluted share

Free Cash Flow \$120 to \$140 million

**Capital
Expenditures** \$65 to \$75 million

**Prepublication and
Production Spending** \$65 to \$75 million

Note: Outlook for EPS and operating income excludes 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