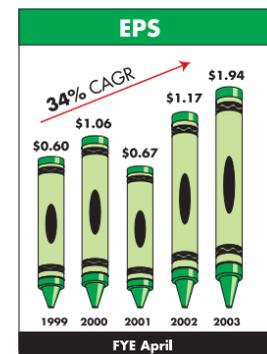
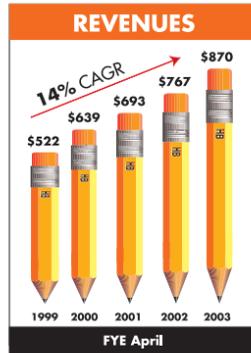


To Our Shareholders:

Fiscal 2003 was our fifth year as a public company and it was another record setting year for both revenues and earnings. Our revenues increased 13% this year to \$870 million, and our net earnings grew 82% to \$39.6 million. Earnings per share increased from \$1.17 per share to \$1.94 per share, a 66% increase. Our associates achieved these record results in spite of the pressure placed upon the industry by budget cuts in education. Product mix, increasingly weighted toward proprietary products developed and sourced for specific age groups and curriculum areas, contributes significantly to our quality of earnings and market recognition.



Targeted acquisitions that offer proprietary products, brand recognition and geographic penetration are important to our efforts to expand market share. During 2003, we acquired companies in the Traditional segment as well as the early childhood and character education curriculum areas. The largest company acquired was ABC School Supply in Atlanta, Georgia, a strong competitor of Childcraft, our early childhood brand. During the year we integrated all of the operations of Childcraft and ABC to create the largest early childhood offering in the industry. This acquisition also focused our efforts on the early learning and daycare markets, which we did not serve in the past. We have now expanded our target market to include this important education segment, increasing the market we serve by 15%.

We finished the integration of Hammond & Stephens and Premier Agendas this year as well. Shortly after the year ended, we acquired a fourth agenda company, Select Agendas, located in Canada. This acquisition will be integrated in 2004 and brings the total number of agendas sold to schools in the United States and Canada to 27 million. The content of our agendas, centered around student success, continues to be an important component of the agenda's power in the marketplace.

The acquisition of Premier last year also gave us an organizational structure in Canada. In 2003 we leveraged that structure by introducing all of our specialty brands to Canada's education market. The expansion of our marketplace to include Canada increases the size of the market we serve by an additional 10%.

We introduced a number of new catalogs in 2003. One of our most successful new catalogs is Integrations, a unique collection of products for children with learning and sensory disabilities. This catalog complements Abilitations, which we introduced a few years ago, and is targeted at teachers who work with children who have physical disabilities. The special education market is a fast growing, well funded and attractive market for School Specialty.

We hired several new executives this year, increasing the depth and experience of our leadership team at School Specialty:

Ron Cox joined us in August 2002 as Executive Vice President for Frey Scientific following the retirement of Garrett Reid. Ron has extensive experience in the education industry having held senior management positions with LeapFrog and Steck Vaughn.

Steve Christiansen became Executive Vice President for Specialty Companies in November 2002. Steve has held progressive marketing and general management positions in the United States and Latin America with Kimberly-Clark Corporation, a world-wide manufacturer of personal care and health care products.

Jim Burgraff joined School Specialty in November 2002 as Vice President of Marketing. Jim has a broad background and extensive sales and marketing management experience having held positions previously with Coca-Cola, Leaf, Gold Bond and Del Monte Foods.

Bob Puissant became our Executive Vice President for Strategy and Business Development in May 2003. Bob has held key strategy and business development positions across several fast paced, highly competitive industries including telecommunications, energy, education and technology.

Dave Zasada joined School Specialty in May 2003 as Executive Vice President for Teacher's Video following the reassignment of its former Executive Vice President to another of our specialty companies. Dave has held senior marketing, merchandising and general management positions with Learning Resources, Forest Technologies, Elektek and Educational Resources.

As we look forward to next year, we expect the modest recovery of the economy to continue to place pressure on school funding. However, we also expect to navigate this environment successfully, relying on our 600 sales people and their commitment to customer service, our 40 million catalogs designed to help educators enable student success and our approach to new markets employing the unique business model that has made us successful thus far.



Sincerely,
David J. Vander Zanden
David J. Vander Zanden
President & CEO
School Specialty, Inc.

We have the best people in the business. Our associates are passionate about helping children learn and participating in the development of the next generation of young adults. We are committed to helping students develop their talents and achieve personal success in their lives.

Thanks for investing in School Specialty.

Directors

Leo C. McKenna
Chairman of the Board
Financial Consultant

David J. Vander Zanden
President and Chief Executive Officer
School Specialty, Inc.

Jonathan J. Ledecy
Chairman
The Ledecy Foundation

Rochelle Lamm
Chairman, Chief Executive Officer
Precision Marketing Partners, LLC

Jerome M. Pool
Former President
Jantzen, Inc.

Officers

David J. Vander Zanden*
President and Chief Executive Officer

Mary M. Kabacinski*
Executive Vice President
Chief Financial Officer

A. Brent Pulsipher*
Executive Vice President
Corporate Logistics & Technology

Stephen R. Christiansen*
Executive Vice President
Specialty Companies

Robert E. Puissant
Executive Vice President
Strategy and Business Development

Douglas L. Jehle
Executive Vice President
Traditional Company

Ronald L. Cox
Executive Vice President
Frey Scientific

John Jeffery
Executive Vice President
Sax Arts & Crafts and ClassroomDirect

David G. Loepky
Executive Vice President
Premier Agendas

Peter S. Savitz
Executive Vice President
Sportime

Ronald E. Suchodolski
Executive Vice President
Childcraft

David M. Zasada
Executive Vice President
Teacher's Video

Joseph F. Franzoi IV
Secretary and Corporate Counsel

*Section 16 Officer

Investor Information

Corporate Headquarters

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W6316 Design Drive
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Fax: 920-882-5863

Stock Listing

School Specialty's common stock is traded on NASDAQ under the symbol SCHS.

Shareholder Information

For information about School Specialty, including copies of annual reports, forms 10-K and 10-Q and other available information, please contact:

Mary M. Kabacinski
Executive Vice President and CFO
Phone: 920-882-5852
Fax: 920-882-5863
Email:
mkabacinski@schoolspecialty.com

Dividend Policy

School Specialty's present policy is to retain earnings to finance its growth. As a result, the company does not expect to pay cash dividends in the foreseeable future.

Annual Meeting

All shareholders are welcome to attend School Specialty's annual meeting. It will be held at 10:00 a.m. Central Standard Time on August 26, 2003, at the Radisson Paper Valley Hotel in Appleton, Wisconsin.

Websites

Investor information can be found under that title at School Specialty's website: www.schoolspecialty.com. You also are invited to visit www.junebox.com and www.classroomdirect.com to see how School Specialty assists school business officials, teachers and consumers who purchase educational products and materials.

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