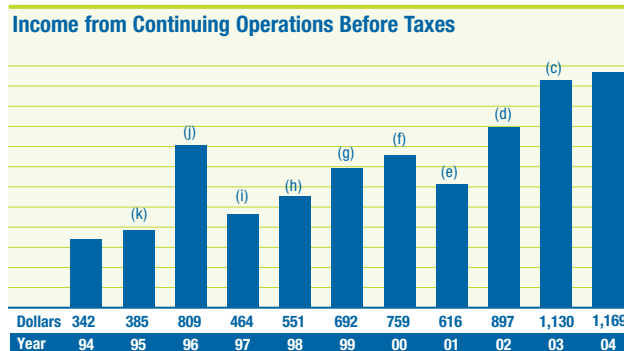
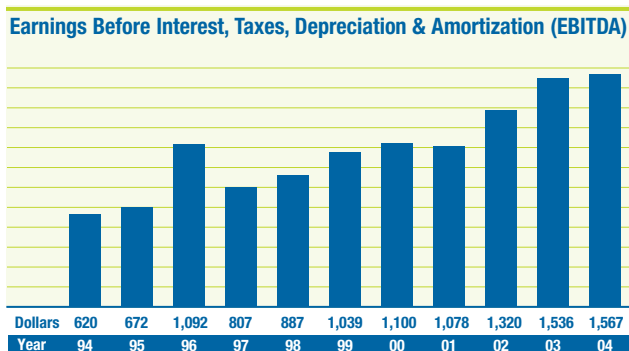
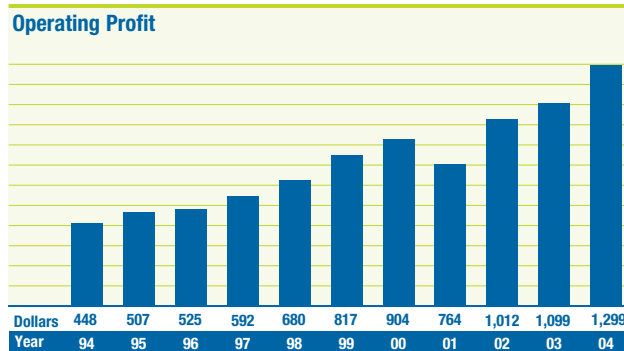
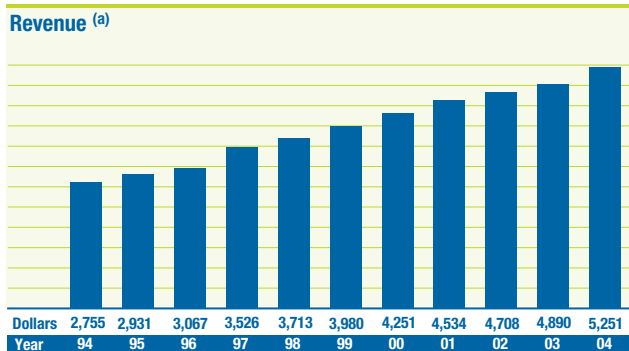
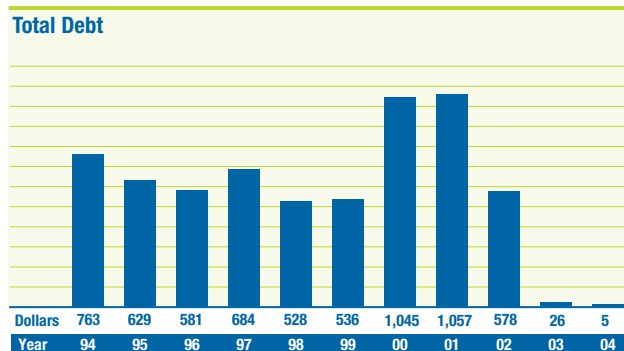
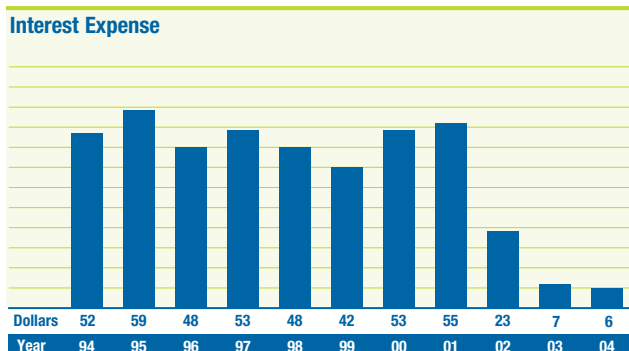
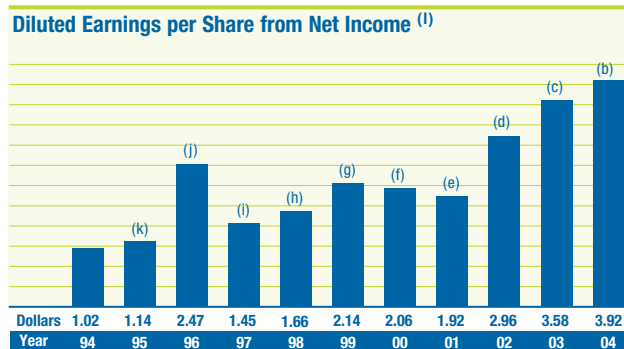
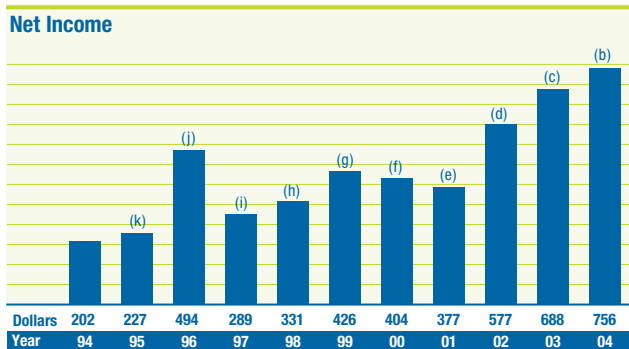


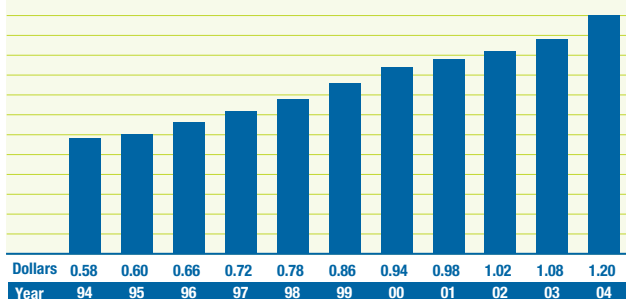
(dollars in millions, except per share data)



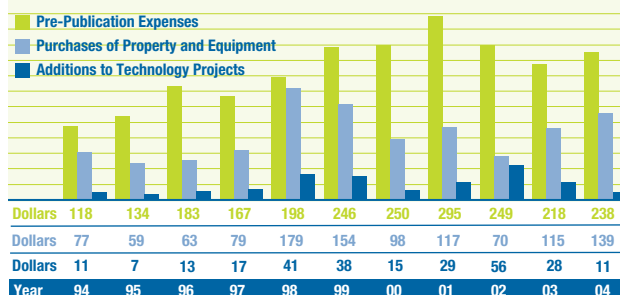
4

Please refer to EBITDA reconciliation table on page 14



Dividends per Share of Common Stock ⁽¹⁾

Capital Expenditures

Notes for Eleven-Year Financial Trends
(pages 4 and 5):

Certain prior year amounts have been reclassified for comparability purposes

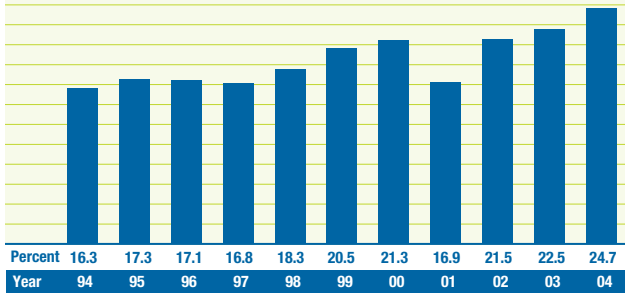
- (a) In 2004, all revenue in prior periods were reclassified in accordance with Emerging Issues Task Force Issue 00-10, "Accounting for Shipping and Handling Fees and Costs," resulting in an increase in revenues in all years presented
- (b) 2004 includes a non-cash benefit of approximately \$20 million (\$0.10 per diluted share) as a result of the Company's completion of various federal, state and local, and foreign tax audit cycles. In the first quarter of 2004 the Company accordingly removed approximately \$20 million from its accrued income tax liability accounts. This non-cash item resulted in a reduction to the overall effective tax rate from continuing operations to 35.3%
- (c) 2003 income from continuing operations includes a pre-tax gain on sale of real estate of \$131.3 million (\$58.4 million after-tax gain, or \$0.30 per diluted earnings per share)
- (d) Includes a \$14.5 million pre-tax loss (\$2.0 million after-tax benefit, or \$0.01 per diluted share) on the disposition of MMS International

- (e) Includes impact of the following items: a \$159.0 million provision for restructuring and asset write-down (\$112.0 million after taxes, or \$0.57 per diluted share), a \$6.9 million pre-tax gain on the sale of real estate (\$0.02 per diluted share), an \$8.8 million pre-tax gain on the sale of DRI (\$26.3 million after taxes, or \$0.13 per diluted share), and a \$22.8 million pre-tax charge for the write-down of certain assets, the shutdown of *Blue List* and the contribution of Rational Investors (\$21.9 million after taxes, or \$0.11 per diluted share)
- (f) Includes a \$16.6 million gain on sale of Tower Group International (\$10.2 million after taxes, or \$0.05 per diluted share) and the cumulative effect on prior years of changes in accounting of \$68.1 million or \$0.35 per diluted share for the adoption of SAB 101, "Revenue Recognition in Financial Statements"
- (g) Includes a \$39.7 million gain on the sale of the Petrochemical publications (\$24.2 million after taxes, or \$0.12 per diluted share)

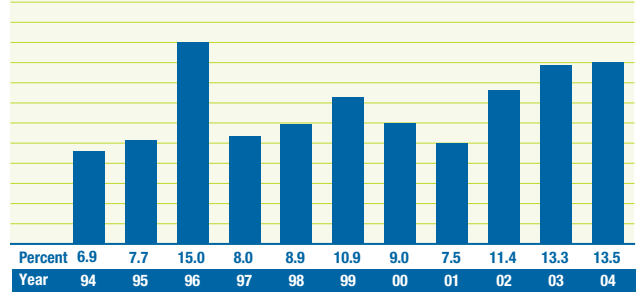
- (h) Includes a \$26.7 million gain on sale of a building (\$16.3 million after-tax, or \$0.08 per diluted share) and a \$16.0 million provision (\$9.8 million after-tax, or \$0.05 per diluted share) at Continuing Education Center for write-down of assets due to a continuing decline in enrollments and the impact of an extraordinary loss of \$8.7 million (\$5.6 million after taxes, or \$0.04 per diluted share) on the early extinguishment of debt
- (i) Includes a provision of \$33.2 million (\$19.9 million after taxes, or \$0.10 per diluted share) for real estate write-downs for the consolidation of office space in New York City; also includes a gain on the sale of Datapro Information Services of \$20.4 million (\$20.2 million after taxes, or \$0.10 per diluted share)
- (j) Includes a gain on the exchange of Shepard's/McGraw-Hill for the Times Mirror Higher Education Group of \$418.7 million (\$260.5 million after taxes, or \$1.30 per diluted share) and a one-time charge of \$25.0 million (\$14.9 million after taxes, or \$0.07 per diluted share) for integration costs

- (k) Includes a \$26.8 million provision for best-practice initiatives and a \$23.8 million gain on the sale of the topical publishing division of Shepard's/McGraw-Hill
- (l) All per share data and all prior periods reflect the 2-for-1 stock split declared by the Company's Board of Directors on January 27, 1999

Operating Profit Margin

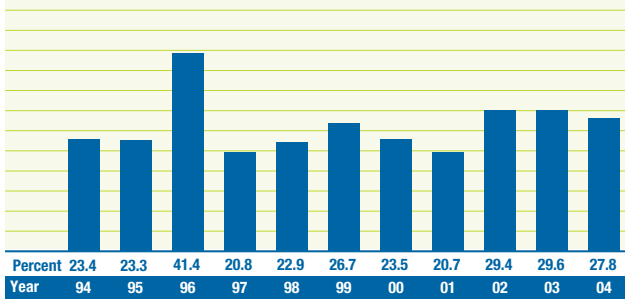


Return on Average Assets*

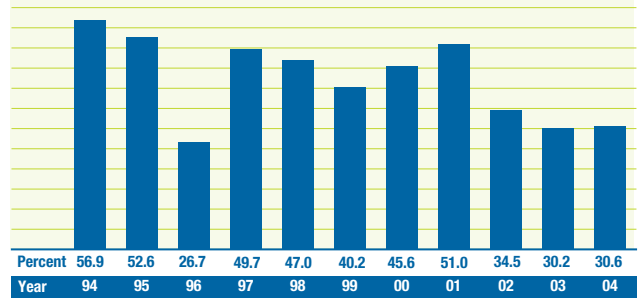


* Certain prior year amounts have been reclassified for comparability purposes

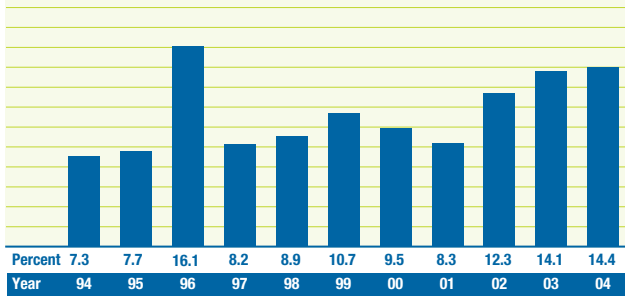
Return on Average Shareholders' Equity



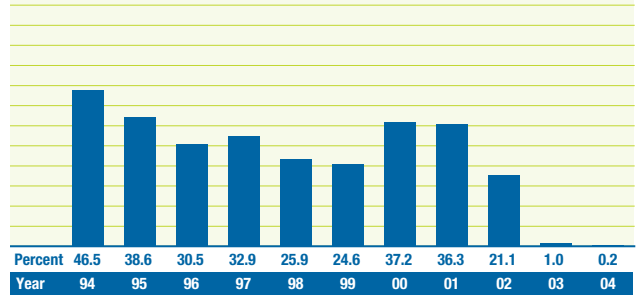
Dividend Payout (as a percentage of current year's earnings)



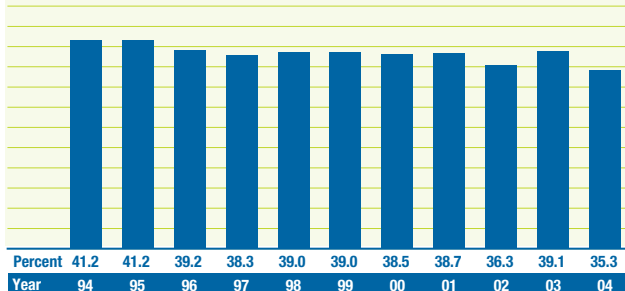
Net Income Margin



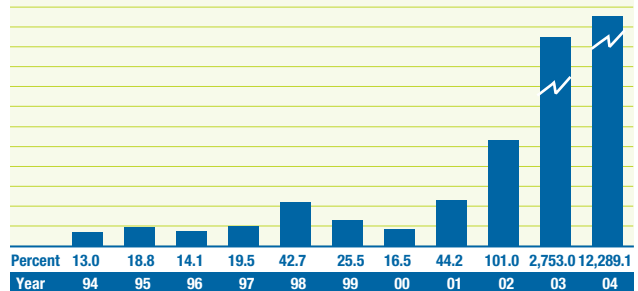
Total Debt to Capitalization



Tax Rate



Free Cash Flow to Debt



Please see free cash flow table on page 1

RETURN ON INVESTED CAPITAL											
(dollars in millions)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Income from continuing operations before taxes on income	\$1,168.9	\$1,130.3	\$897.4	\$616.1	\$759.4	\$692.1	\$551.4	\$463.9	\$808.8	\$385.1	\$342.0
Interest expense	5.8	7.1	22.5	55.1	52.8	42.0	48.0	52.5	47.7	58.8	51.7
Early extinguishment of debt, net of tax	–	–	–	–	–	–	(8.7)	–	–	–	–
Cumulative effect on prior years of changes in accounting	–	–	–	–	(68.1)	–	–	–	–	–	–
EBIT	\$1,174.7	\$1,137.4	\$919.9	\$671.2	\$744.1	\$734.1	\$590.7	\$516.4	\$856.5	\$443.9	\$393.7
Present value of operating lease obligations (average)	\$1,082.3	\$1,109.0	\$851.4	\$576.0	\$515.0	\$448.3	\$344.9	\$239.1	\$188.8	\$202.5	\$240.0
Short-term debt (average)	15.3	72.7	171.2	225.4	204.8	128.6	76.4	51.0	47.9	88.3	138.0
Long-term debt (average)	0.5	229.7	646.2	825.6	586.2	403.4	529.6	581.9	557.1	607.4	707.5
Non-current deferred taxes (average)	201.6	167.9	156.7	132.1	98.4	75.3	56.9	61.3	69.9	54.1	39.0
Shareholders' equity (average)	2,770.8	2,361.4	2,009.9	1,807.5	1,704.8	1,578.7	1,451.7	1,358.6	1,160.9	938.1	832.9
Invested capital (avg)	\$4,070.5	\$3,940.7	\$3,835.4	\$3,566.6	\$3,109.2	\$2,634.3	\$2,459.5	\$2,291.9	\$2,024.6	\$1,890.4	\$1,957.4
Return on invested capital	28.9%	28.9%	24.0%	18.8%	23.9%	27.9%	24.0%	22.5%	42.3%	23.5%	20.1%

Notes for Eleven-Year Key Ratios (pages 6 and 7):

Certain prior year amounts have been reclassified for comparability purposes

The following one-time items were included in the calculation of the eleven-year key ratios on pages six and seven:

2004: The Company reclassified revenue in accordance with Emerging Issues Task Force 00-10, "Accounting for Shipping and Handling Fees and Costs," resulting in an increase in revenue in all years presented

Includes a non-cash benefit of approximately \$20 million (\$0.10 per diluted share) as a result of the Company's completion of various federal, state and local, and foreign tax audit cycles

In the first quarter of 2004 the Company accordingly removed approximately \$20 million from its accrued income tax liability accounts. This non-cash item resulted in a reduction to the overall effective tax rate from continuing operations to 35.3%

2003: Income from continuing operations includes a pre-tax gain on sale of real estate of \$131.3 million (\$58.4 million after-tax gain, or \$0.30 per diluted earnings per share)

2002: \$14.5 million pre-tax loss on the disposition of MMS International. The variance between the \$14.5 million pre-tax loss and the \$2.0 million after-tax benefit on the sale of MMS International is the result of previous book write-downs and the inability of the Company to take a tax benefit for the write-downs until the unit was sold. This transaction reduced the effective tax rate by 1.2 percentage points

2001: \$159.0 million pre-tax charge for restructuring and asset write-down (\$112.0 million after-tax, or \$0.57 per diluted share). A \$26.3 million after-tax gain (\$8.8 million pre-tax, or \$0.13 per diluted share) from the divestiture of DRI. The variance between the pre-tax gain and the after-tax benefit – which reduced the effective tax rate by 3.4 percentage points – is the result of previous book write-downs and the inability of the Company to take a tax benefit for the write-downs until the unit was sold. Also included in the effective tax rate was the write-down of certain assets, the shut-down of the *Blue List*, and the contribution of Rational Investors to mPower.com in exchange for an equity position in the company. The total charge for these items was \$21.9 million after-tax (\$22.8 million pre-tax, or \$0.11 per diluted share). This transaction increased the effective tax rate by 1.3 percentage points due to the Company's inability to take a benefit for these write-downs

2000: \$16.6 million pre-tax gain on the sale of Tower Group International; \$68.1 million after-tax cumulative change in accounting related to the implementation of SAB 101, "Revenue Recognition in Financial Statements"

1999: \$39.7 million pre-tax gain on the sale of the Petrochemical publications

1998: \$26.7 million pre-tax gain on the sale of a building; \$16.0 million pre-tax charge at Continuing Education Center for write-down of assets; \$8.7 million after-tax loss on the early extinguishment of debt

1997: \$33.2 million pre-tax provision for the consolidation of office space in New York City; \$20.4 million pre-tax gain on the sale of Datapro Information Services

1996: \$418.7 million pre-tax gain on the exchange of Shepard's/McGraw-Hill for the Times Mirror Higher Education Group and a \$25.0 million pre-tax charge for integration costs

1995: \$26.8 million pre-tax provision for best-practices initiatives; \$23.8 million gain on the sale of the topical publishing division of Shepard's/McGraw-Hill

REVENUE BY SEGMENT											
(dollars in millions)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
McGraw-Hill											
Education^(a)	\$2,395.5	\$2,348.6	\$2,342.5	\$2,289.6	\$2,038.6	\$1,786.2	\$1,660.1	\$1,611.9	\$1,309.1	\$1,263.4	\$1,188.7
% increase/(decrease)*	2.0%	0.3%	2.3%	12.3%	14.1%	7.6%	3.0%	23.1%	3.6%	6.3%	71.7%
% of total revenue	45.6%	48.0%	49.8%	50.5%	48.0%	44.9%	44.7%	45.7%	42.7%	43.1%	43.1%
Financial Services											
	\$2,055.3	\$1,769.1	\$1,555.7	\$1,398.3	\$1,205.0	\$1,163.6	\$1,037.0	\$878.3	\$766.6	\$705.0	\$669.7
% increase/(decrease)*	16.2%	13.7%	11.3%	16.0%	3.6%	12.2%	18.1%	14.6%	8.7%	5.3%	6.6%
% of total revenue	39.2%	36.2%	33.0%	30.8%	28.3%	29.2%	27.9%	24.9%	25.0%	24.1%	24.3%
Information and Media Services											
	\$799.7	\$772.6	\$809.5	\$846.1	\$1,007.6	\$1,030.0	\$1,015.6	\$1,035.8	\$990.9	\$962.4	\$897.0
% increase/(decrease)*	3.5%	(4.6%)	(4.3%)	(16.0%)	(2.2%)	1.4%	(2.0%)	4.5%	3.0%	7.3%	2.4%
% of total revenue	15.2%	15.8%	17.2%	18.7%	23.7%	25.9%	27.4%	29.4%	32.3%	32.8%	32.6%
Total revenue^(a)											
	\$5,250.5	\$4,890.3	\$4,707.7	\$4,534.0	\$4,251.2	\$3,979.8	\$3,712.7	\$3,526.0	\$3,066.6	\$2,930.8	\$2,755.4
% increase/(decrease)*	7.4%	3.9%	3.8%	6.7%	6.8%	7.2%	5.3%	15.0%	4.6%	6.4%	25.4%

* % increase/(decrease) over prior year

Notes for Revenue and Operating Profit by Segment (pages 8 and 9):

Certain prior year amounts have been reclassified for comparability purposes

- (a) In 2004, all revenue in prior periods were reclassified in accordance with Emerging Issues Task Force Issue 00-10, "Accounting for Shipping and Handling Fees and Costs," resulting in an increase in revenue in all years presented
- (b) 2004 includes a non-cash benefit of approximately \$20 million (\$0.10 per diluted share) as a result of the Company's completion of various federal, state and local, and foreign tax audit cycles. In the first quarter of 2004 the Company accordingly removed approximately \$20 million from its accrued income tax liability accounts. This non-cash item resulted in a reduction to the overall effective tax rate from continuing operations to 35.3%
- (c) In 2003, the Company adopted the Discontinued Operations presentation, outlined in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Discontinued operating components, revenue and operating profit of S&P ComStock and juvenile retail publishing business historically included in the Financial Services and McGraw-Hill Education segments, respectively, were presented as discontinued operations.

- 2003 discontinued operations include \$87.5 million on the divestiture of S&P ComStock (\$57.2 million after-tax gain, or \$0.30 per diluted earnings per share), and an \$81.1 million loss on the planned disposition of juvenile retail publishing business (\$57.3 million after-tax loss, or \$0.30 per diluted earnings per share) which was subsequently sold on January 30, 2004. Discontinued operations in years 2002 - 2000 reflect net after-tax earnings/(loss) from the operations of S&P ComStock and juvenile retail publishing business and 1999 - 1993 reflect net after-tax earnings/(loss) from the operations of S&P ComStock. Discontinued operations in 2004 reflect the net after-tax (loss) from the operations of juvenile retail publishing business in January of 2004 before the sale of the business
- (d) 2003 income from continuing operations before taxes includes a pre-tax gain on sale of real estate of \$131.3 million (\$58.4 million after-tax gain, or \$0.30 per diluted earnings per share)
- (e) 2002 income from continuing operations before taxes reflects a \$14.5 million pre-tax loss (\$2.0 million after-tax benefit, or \$0.01 per diluted share) on the disposition of MMS International

- (f) 2001 income from continuing operations before taxes reflects the following items: a \$159.0 million pre-tax charge for restructuring and asset write-down; an \$8.8 million pre-tax gain on the disposition of DRI; a \$22.8 million pre-tax loss on the closing of *Blue List*, the contribution of Rational Investors and the write-down of selected assets; and a \$6.9 million pre-tax gain on the sale of a building
- (g) 2000 income from continuing operations before taxes reflects a \$16.6 million gain on the sale of Tower Group International
- (h) 1999 income from continuing operations before taxes on income reflects a \$39.7 million gain on the sale of the Petrochemical publications
- (i) 1998 income from continuing operations before taxes on income reflects a \$26.7 million gain on sale of a building and a \$16.0 million charge at Continuing Education Center for write-down of assets due to a continuing decline in enrollments
- (j) 1997 income from continuing operations before taxes on income reflects a \$33.2 million provision for the consolidation of office space in New York City and a \$20.4 million gain on the sale of Datapro Information Services

- (k) 1996 operating profit excludes a net gain on the exchange of Shepard's/McGraw-Hill for the Times Mirror Higher Education group comprising a \$418.7 million gain on the exchange and a \$25.0 million one-time charge for integration costs
- (l) 1995 income from continuing operations before taxes on income reflects a \$26.8 million provision for best-practice initiatives and a \$23.8 million gain on sale of the topical publishing division of Shepard's/McGraw-Hill
- (m) The cumulative adjustment in 2000 reflects the adoption of SAB 101, "Revenue Recognition in Financial Statements." The extraordinary item in 1998 relates to costs for the early extinguishment of \$155 million of the Company's 9.43% Notes during the third quarter

OPERATING PROFIT BY SEGMENT											
(\$ in millions, except per share data)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
McGraw-Hill Education	\$340.1	\$321.8	\$333.0	\$273.3	\$307.7	\$273.7	\$202.1	\$187.7	\$151.9	\$162.6	\$125.8
% increase/(decrease)*	5.7%	(3.4%)	21.8%	(11.2%)	12.4%	35.4%	7.6%	23.6%	(6.6%)	29.3%	N/M
% of total	26.2%	29.3%	32.9%	35.8%	34.0%	33.5%	29.7%	31.7%	29.0%	32.0%	28.1%
Financial Services	\$839.4	\$667.6	\$560.8	\$425.9	\$383.0	\$358.2	\$338.7	\$245.2	\$241.5	\$214.7	\$201.6
% increase/(decrease)*	25.7%	19.0%	31.7%	11.2%	6.9%	5.8%	38.1%	1.5%	12.5%	6.5%	8.2%
% of total	64.6%	60.7%	55.4%	55.7%	42.4%	43.8%	49.8%	41.4%	46.0%	42.3%	45.0%
Information and Media Services	\$119.3	\$109.8	\$118.0	\$65.0	\$212.9	\$185.5	\$139.3	\$158.9	\$131.4	\$130.2	\$120.5
% increase/(decrease)*	8.6%	(7.0%)	81.6%	(69.5%)	14.8%	33.2%	(12.3%)	20.9%	1.0%	8.0%	3.2%
% of total	9.2%	10.0%	11.7%	8.5%	23.6%	22.7%	20.5%	26.9%	25.0%	25.7%	26.9%
Total operating profit	\$1,298.8	\$1,099.2	\$1,011.8	\$764.2	\$903.6	\$817.4	\$680.1	\$591.8	\$524.8	\$507.5	\$447.9
% increase/(decrease)*	18.2%	8.6%	32.4%	(15.4%)	10.6%	20.2%	14.9%	12.8%	3.4%	13.3%	27.0%
Unusual charges ^(k)	—	—	—	—	—	—	—	—	(25.0)	—	—
Gain on exchange of Shepard's/McGraw-Hill ^(k)	—	—	—	—	—	—	—	—	418.7	—	—
General corporate income/(expense) ^(d)	(124.1)	38.2	(91.9)	(93.0)	(91.4)	(83.3)	(80.7)	(75.3)	(62.1)	(63.6)	(54.1)
Interest expense	(5.8)	(7.1)	(22.5)	(55.1)	(52.8)	(42.0)	(48.0)	(52.6)	(47.6)	(58.8)	(51.8)
Income from continuing operations before taxes on income^(d,e,f,g,h,i,j,l)	1,168.9	1,130.3	897.4	616.1	759.4	692.1	551.4	463.9	808.8	385.1	342.0
Provision for taxes on income ^(b)	412.5	442.5	325.4	238.4	292.4	269.9	215.0	177.6	316.7	158.7	140.9
Income from continuing operations before extraordinary item and cumulative adjustment	756.4	687.8	572.0	377.7	467.0	422.2	336.4	286.3	492.1	226.4	201.1
Discontinued operations											
Net earnings/(loss) from discontinued operations ^(c)	(0.6)	(0.1)	4.8	(0.7)	4.9	3.4	2.9	2.4	1.4	0.4	0.7
Income before extraordinary item and cumulative adjustment	755.8	687.7	576.8	377.0	471.9	425.6	339.3	288.7	493.5	226.8	201.8
Early extinguishment of debt, net of tax ^(m)	—	—	—	—	—	—	(8.7)	—	—	—	—
Cumulative effect on prior years of changes in accounting ^(m)	—	—	—	—	(68.1)	—	—	—	—	—	—
Net income	\$755.8	\$687.7	\$576.8	\$377.0	\$403.8	\$425.6	\$330.6	\$288.7	\$493.5	\$226.8	\$201.8
Basic earnings per share											
Income from continuing operations before extraordinary item and cumulative adjustment	\$3.98	\$3.61	\$2.97	\$1.95	\$2.41	\$2.15	\$1.71	\$1.45	\$2.48	\$1.14	\$1.02
Discontinued operations ^(c)	—	—	0.02	—	0.02	0.02	0.01	0.01	—	—	—
Income before extraordinary item and cumulative adjustment	\$3.98	\$3.61	\$2.99	\$1.95	\$2.43	\$2.17	\$1.72	\$1.46	\$2.48	\$1.14	\$1.02
Extraordinary item and cumulative adjustment ^(m)	—	—	—	—	(0.35)	—	(0.04)	—	—	—	—
Net income	\$3.98	\$3.61	\$2.99	\$1.95	\$2.08	\$2.17	\$1.68	\$1.46	\$2.48	\$1.14	\$1.02
Diluted earnings per share											
Income from continuing operations before extraordinary item and cumulative adjustment	\$3.92	\$3.58	\$2.94	\$1.93	\$2.38	\$2.13	\$1.69	\$1.43	\$2.46	\$1.14	\$1.02
Discontinued operations ^(c)	—	—	0.02	(0.01)	0.03	0.01	0.01	0.02	0.01	—	—
Income before extraordinary item and cumulative adjustment	\$3.92	\$3.58	\$2.96	\$1.92	\$2.41	\$2.14	\$1.70	\$1.45	\$2.47	\$1.14	\$1.02
Extraordinary item and cumulative adjustment ^(m)	—	—	—	—	(0.35)	—	(0.04)	—	—	—	—
Net income	\$3.92	\$3.58	\$2.96	\$1.92	\$2.06	\$2.14	\$1.66	\$1.45	\$2.47	\$1.14	\$1.02

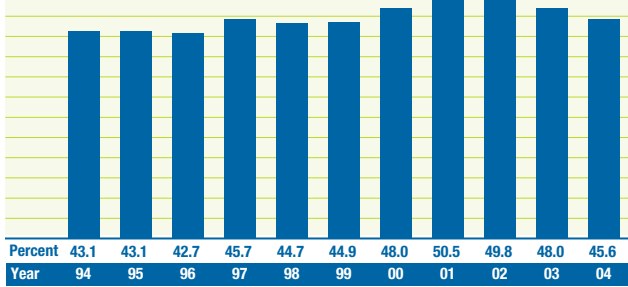
* % increase/(decrease) over prior year

N/M indicates a non-meaningful or non-calculable variance

MCGRAW-HILL EDUCATION

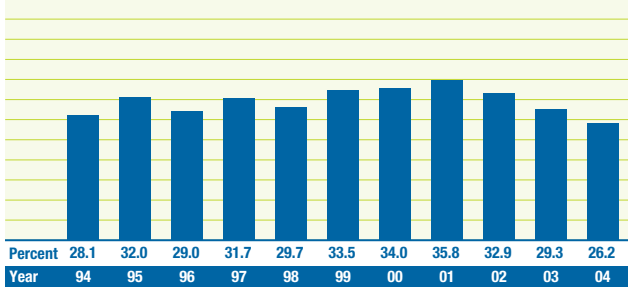
Percent of Total Revenue

McGraw-Hill Education



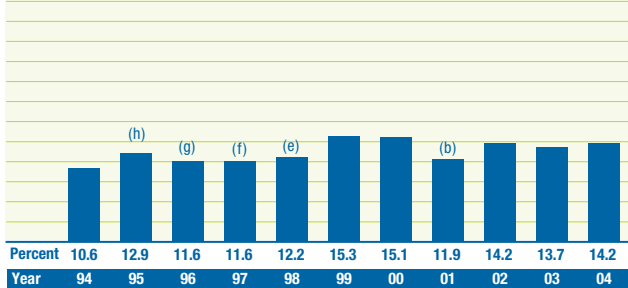
Percent of Total Operating Profit

McGraw-Hill Education



Operating Profit Margin

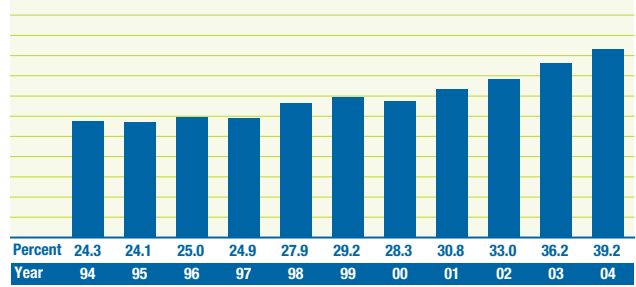
McGraw-Hill Education



FINANCIAL SERVICES

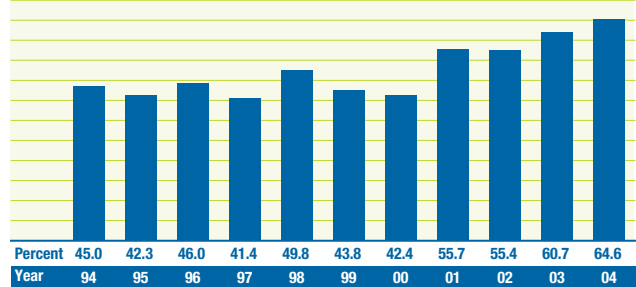
Percent of Total Revenue

Financial Services



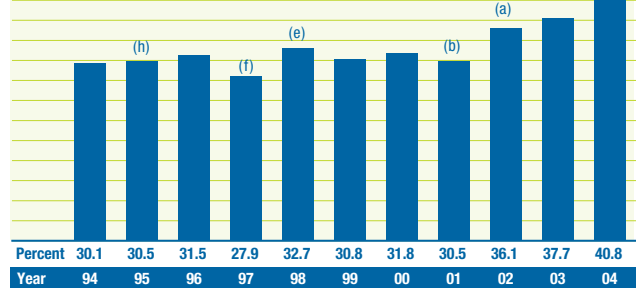
Percent of Total Operating Profit

Financial Services



Operating Profit Margin

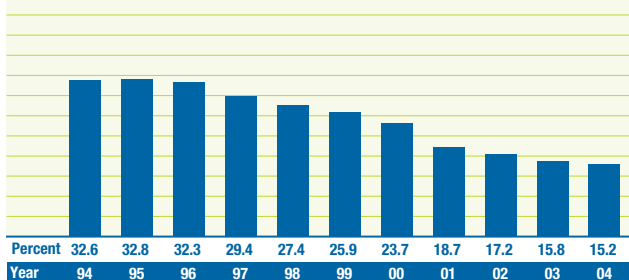
Financial Services



INFORMATION AND MEDIA SERVICES

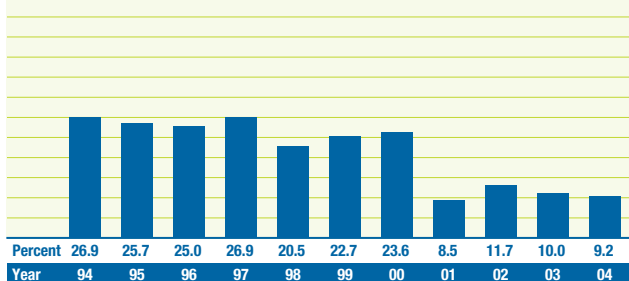
Percent of Total Revenue

Information and Media Services



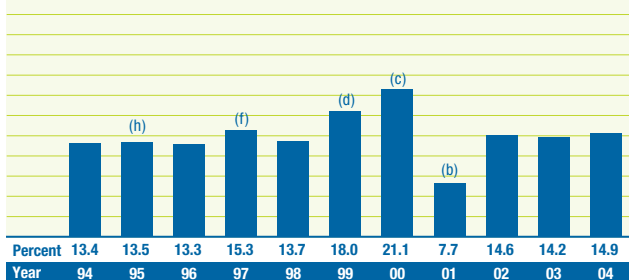
Percent of Total Operating Profit

Information and Media Services



Operating Profit Margin

Information and Media Services



Notes for Segment Trends (pages 10 and 11):

- (a) Operating margin for 2002 reflects a \$14.5 million pre-tax loss on the disposition of MMS International (\$2.0 million after-tax benefit, or \$0.01 per diluted share)
- (b) Operating margins for 2001 reflect the following items: a \$159.0 million provision for restructuring and asset write-down (\$112.0 million after taxes, or \$0.57 per diluted share), a \$6.9 million pre-tax gain on the sale of real estate (\$0.02 per diluted share), an \$8.8 million pre-tax gain on the sale of DRI (\$26.3 million after taxes, or \$0.13 per diluted share), and a \$22.8 million pre-tax charge for the write-down

of certain assets, the shutdown of *Blue List*, and the contribution of Rational Investors (\$21.9 million after taxes, or \$0.11 per diluted share)

(c) Operating margin for 2000 reflects a \$16.6 million gain on the sale of Tower Group International

(d) Operating margin for 1999 reflects a \$39.7 million gain on the sale of the Petrochemical publications

(e) Operating margins for 1998 reflect a \$16.0 million provision for the write-down of assets at the Continuing Education Center and a \$26.7 million gain on the sale of an office building

(f) Operating margins for 1997 reflect a \$33.2 million provision for real estate write-downs for the consolidation of office space in New York City and a \$20.4 million gain on the sale of Datapro Information Services

(g) Operating margin for 1996 excludes the impact of the gain on the exchange of Shepard's/McGraw-Hill and the one-time integration charge

(h) Operating margins for 1995 reflect a \$26.8 million provision for best-practice initiatives and a \$23.8 million gain on sale of the topical publishing division of Shepard's/McGraw-Hill

2004 QUARTERLY REVENUE AND OPERATING PROFIT BY SEGMENT										
(dollars in thousands, except earnings per share) favorable/(unfavorable)	2004 vs. 2003	2004 vs. 2003	2004 vs. 2003	2004 vs. 2003	2004 vs. 2003	2004 vs. 2003	2004 vs. 2003	2004 vs. 2003	Total	2004 vs. 2003
	1Q	2Q	3Q	4Q	Total					
Revenue										
McGraw-Hill Education	\$286,489	5.5%	\$547,386	(2.3%)	\$1,032,318	2.0%	\$529,320	4.9%	\$2,395,513	2.0%
Financial Services	456,635	15.6%	504,472	14.8%	502,799	14.1%	591,382	19.6%	2,055,288	16.2%
Information and Media Services	176,743	1.3%	194,104	2.5%	187,759	6.6%	241,131	3.7%	799,737	3.5%
Total revenue	\$919,867	9.4%	\$1,245,962	4.8%	\$1,722,876	5.8%	\$1,361,833	10.6%	\$5,250,538	7.4%
Operating Profit										
McGraw-Hill Education	\$(68,796)	2.0%	\$57,055	2.6%	\$323,255	9.1%	\$28,553	(28.6%)	\$340,067	5.7%
Financial Services	173,839	19.9%	214,205	24.9%	202,022	17.7%	249,332	39.0%	839,398	25.7%
Information and Media Services	13,651	9.4%	24,841	1.6%	23,808	23.3%	57,013	6.3%	119,313	8.6%
Total operating profit	\$118,694	36.0%	\$296,101	17.7%	\$549,085	12.7%	\$334,898	22.7%	\$1,298,778	18.2%
General corporate income/(expense)	\$(27,646)	29.6%	\$(31,041)	39.2%	\$(32,169)	23.7%	\$(33,232)	N/M	\$(124,088)	N/M
Interest expense	(1,737)	(35.2%)	(2,161)	(19.2%)	(1,867)	(7.8%)	(20)	N/M	(5,785)	(18.5%)
Income from continuing operations before taxes on income	89,311	41.2%	262,899	16.0%	515,049	12.2%	301,646	(20.9%)	1,168,905	3.4%
Provision for taxes on income	13,045	(44.3%)	97,273	16.0%	190,568	12.2%	111,609	(32.5%)	412,495	(6.8%)
Income from continuing operations before cumulative change in accounting	\$76,266	91.3%	\$165,626	16.0%	\$324,481	12.2%	\$190,037	(12.0%)	\$756,410	10.0%
Earnings/(loss) from discontinued operations	(587)	N/M	—	N/M	—	N/M	—	N/M	(587)	N/M
Net income	\$75,679	(20.7%)	\$165,626	16.6%	\$324,481	11.8%	\$190,037	18.8%	\$755,823	9.9%
Earnings per share:										
<u>Basic earnings per share</u>										
Income from continuing operations	\$0.40	90.5%	\$0.87	16.0%	\$1.71	12.5%	\$1.00	(11.5%)	\$3.98	10.2%
Net income	\$0.40	(20.0%)	\$0.87	16.0%	\$1.71	12.5%	\$1.00	19.0%	\$3.98	10.2%
<u>Diluted earnings per share</u>										
Income from continuing operations	\$0.39	85.7%	\$0.86	14.7%	\$1.69	11.9%	\$0.98	(12.5%)	\$3.92	9.5%
Net income	\$0.39	(22.0%)	\$0.86	16.2%	\$1.69	11.9%	\$0.98	18.1%	\$3.92	9.5%

2003 QUARTERLY REVENUE AND OPERATING PROFIT BY SEGMENT										
(dollars in thousands, except earnings per share) favorable/(unfavorable)	2003 vs. 2002	2003 vs. 2002	2003 vs. 2002	2003 vs. 2002	2003 vs. 2002	2003 vs. 2002	2003 vs. 2002	2003 vs. 2002	Total	2003 vs. 2002
	1Q	2Q	3Q	4Q	Total					
Revenue										
McGraw-Hill Education	\$271,632	0.9%	\$560,337	(1.4%)	\$1,011,914	0.8%	\$504,741	0.8%	\$2,348,624	0.3%
Financial Services	394,895	8.3%	439,365	9.7%	440,525	15.1%	494,308	21.3%	1,769,093	13.7%
Information and Media Services	174,489	(5.2%)	189,418	(4.2%)	176,130	(3.5%)	232,566	(5.1%)	772,603	(4.6%)
Total revenue	\$841,016	2.8%	\$1,189,120	1.9%	\$1,628,569	3.8%	\$1,231,615	6.8%	\$4,890,320	3.9%
Operating Profit										
McGraw-Hill Education	\$(70,180)	1.4%	\$55,626	(10.0%)	\$296,319	(2.2%)	\$39,986	1.9%	\$321,751	(3.4%)
Financial Services	144,991	9.6%	171,557	12.3%	171,618	33.6%	179,431	21.8%	667,597	19.0%
Information and Media Services	12,476	4.3%	24,443	(8.0%)	19,311	(2.4%)	53,611	(10.3%)	109,841	(7.0%)
Total operating profit	\$87,287	19.5%	\$251,626	4.4%	\$487,248	7.9%	\$273,028	10.8%	\$1,099,189	8.6%
General corporate income/(expense)	\$(21,335)	5.3%	\$(22,295)	14.1%	\$(26,016)	5.5%	\$107,831	N/M	\$38,185	N/M
Interest expense	(2,679)	(58.3%)	(2,673)	(62.6%)	(2,026)	(66.0%)	281	N/M	(7,097)	(68.5%)
Income from continuing operations before taxes on income	63,273	36.4%	226,658	5.7%	459,206	9.1%	381,140	76.6%	1,130,277	26.0%
Provision for taxes on income	23,410	34.6%	83,863	4.3%	169,907	15.8%	165,286	N/M	442,466	36.0%
Income from continuing operations	\$39,863	37.5%	\$142,795	6.6%	\$289,299	5.6%	\$215,854	60.0%	\$687,811	20.3%
Earnings/(loss) from discontinued operations	55,532	N/M	(760)	N/M	997	N/M	(55,930)	N/M	(161)	N/M
Net income	\$95,395	N/M	\$142,035	4.1%	\$290,296	5.1%	\$159,924	18.6%	\$687,650	19.2%
Earnings per share:										
<u>Basic earnings per share</u>										
Income from continuing operations	\$0.21	40.0%	\$0.75	8.7%	\$1.52	7.0%	\$1.13	61.4%	\$3.61	21.5%
Net income	\$0.50	N/M	\$0.75	5.6%	\$1.52	6.3%	\$0.84	20.0%	\$3.61	20.7%
<u>Diluted earnings per share</u>										
Income from continuing operations	\$0.21	40.0%	\$0.75	8.7%	\$1.51	7.1%	\$1.12	62.3%	\$3.58	21.8%
Net income	\$0.50	N/M	\$0.74	5.7%	\$1.51	6.3%	\$0.83	20.3%	\$3.58	20.9%

2002 QUARTERLY REVENUE AND OPERATING PROFIT BY SEGMENT

(dollars in thousands, except earnings per share) favorable/(unfavorable)	2002 vs. 2001	2002 vs. 2001	2002 vs. 2001	2002 vs. 2001	2002 vs. 2001	2002 vs. 2001	2002 vs. 2001	Total	2002 vs. 2001	
	1Q	2Q	3Q	4Q	Total					
Revenue										
McGraw-Hill Education	\$269,092	(9.4%)	\$568,483	2.3%	\$1,004,260	0.5%	\$500,693	14.4%	\$2,342,528	2.3%
Financial Services	364,769	12.6%	400,586	16.0%	382,814	15.9%	407,557	2.3%	1,555,726	11.3%
Information and Media Services	184,152	(4.8%)	197,724	(9.1%)	182,461	(2.1%)	245,102	(1.5%)	809,439	(4.3%)
Total revenue	\$818,013	0.4%	\$1,166,793	4.3%	\$1,569,535	3.6%	\$1,153,352	6.3%	\$4,707,693	3.8%
Operating Profit										
McGraw-Hill Education	\$(71,206)	(27.4%)	\$61,780	(11.4%)	\$303,116	(1.3%)	\$39,259	N/M	\$332,949	21.8%
Financial Services	132,312	27.3%	152,714	41.3%	128,493	19.2%	147,326	38.8%	560,845	31.7%
Information and Media Services	11,962	(12.5%)	26,556	(19.7%)	19,791	N/M	59,743	N/M	118,052	81.6%
Total operating profit	\$73,068	18.5%	\$241,050	14.3%	\$451,400	6.7%	\$246,328	N/M	\$1,011,846	32.4%
General corporate income/(expense)	\$(20,261)	63.2%	\$(19,540)	(7.2%)	\$(24,651)	21.2%	\$(27,482)	(30.0%)	\$(91,934)	(1.2%)
Interest expense	(6,422)	(62.0%)	(7,151)	(55.4%)	(5,965)	(56.0%)	(2,979)	(65.4%)	(22,517)	(59.1%)
Income from continuing operations before taxes on income	46,385	43.2%	214,359	23.3%	420,784	8.1%	215,867	N/M	897,395	45.7%
Provision for taxes on income	17,394	39.5%	80,385	49.0%	146,700	(2.1%)	80,950	N/M	325,429	36.5%
Income from continuing operations	\$28,991	45.6%	\$133,974	11.8%	\$274,084	14.5%	\$134,917	N/M	\$571,966	51.4%
Earnings/(loss) from discontinued operations	211	(55.6%)	2,496	N/M	2,135	N/M	(48)	(96.7%)	4,794	N/M
Net income	\$29,202	43.2%	\$136,470	13.7%	\$276,219	15.3%	\$134,869	N/M	\$576,760	53.0%
Earnings per share:										
<u>Basic earnings per share</u>										
Income from continuing operations	\$0.15	50.0%	\$0.69	11.3%	\$1.42	15.4%	\$0.70	N/M	\$2.97	52.3%
Net income	\$0.15	36.4%	\$0.71	14.5%	\$1.43	15.3%	\$0.70	N/M	\$2.99	53.3%
<u>Diluted earnings per share</u>										
Income from continuing operations	\$0.15	50.0%	\$0.69	13.1%	\$1.41	15.6%	\$0.69	N/M	\$2.94	52.3%
Net income	\$0.15	50.0%	\$0.70	14.8%	\$1.42	16.4%	\$0.69	N/M	\$2.96	54.2%

N/M indicates a non-meaningful or non-calculable variance

Notes for Quarterly Revenue and Operating Profit by Segment (pages 12 and 13):

The Company reclassified revenue in accordance with Emerging Issues Task Force 00-10, "Accounting for Shipping and Handling Fees and Costs," resulting in an increase in revenue of \$8.3 million, \$15.7 million, \$27.0 million and \$11.5 million in the first, second, third and fourth quarters of 2004, respectively; an increase in revenue of \$10.2 million, \$17.1 million, \$25.9 million and \$9.3 million in the first, second, third and fourth quarters of 2003, respectively and an increase in revenue of \$8.7 million, \$17.4 million, \$29.3 million and \$12.1 million in the first, second, third and fourth quarters of 2002, respectively

Basic and diluted earnings per share are computed independently for each quarter and full year presented. The number of weighted average shares outstanding changes as common shares are issued pursuant to employee stock option plans, as shares are repurchased by the Company and as other activity occurs throughout the year. Accordingly, the sum of the quarterly earnings per share data may not agree with the calculated full year earnings per share

2004 includes a non-cash benefit of approximately \$20 million (\$0.10 per diluted share) as a result of the Company's completion of various federal, state and local, and foreign tax audit cycles. In the first quarter of 2004, the Company accordingly removed approximately \$20 million from its accrued income tax liability accounts. This non-cash item resulted in a reduction to the overall effective tax rate from continuing operations to 35.3%

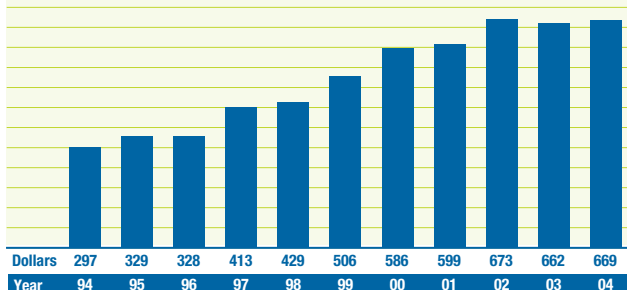
2003 4th quarter corporate expenses includes a \$131.3 million pre-tax gain on sale of real estate (\$58.4 million after-tax loss, or \$0.30 per diluted earnings per share)

2002 3rd quarter operating profit reflects a \$14.5 million pre-tax loss (\$2.0 million after-tax benefit, or \$0.01 per diluted share) on the sale of MMS International

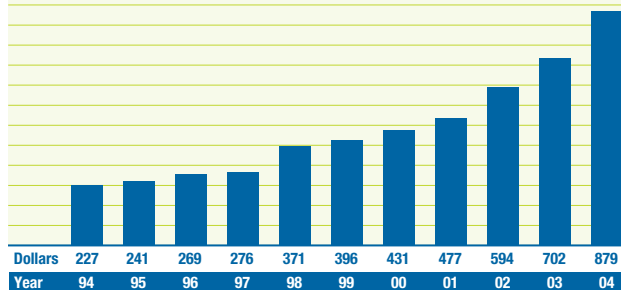
2001 1st quarter general corporate expense includes a \$6.9 million pre-tax gain (\$0.02 per diluted share) on sale of real estate. 2nd quarter operating profit includes an \$8.8 million pre-tax gain (\$0.13 per diluted share) on the sale of DRI and a \$22.8 million pre-tax charge (\$0.11 per diluted share) for restructuring initiatives. 4th quarter includes a \$159.0 million (\$0.57 per diluted share) provision for restructuring and asset write-down

McGraw-Hill Education

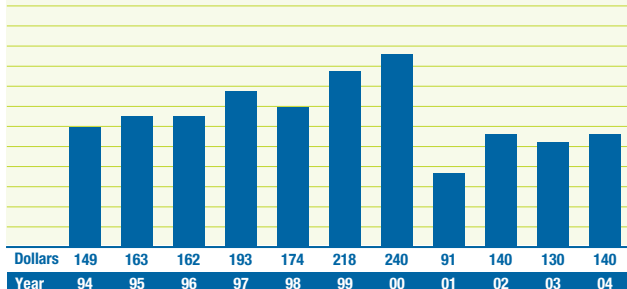
(dollars in millions)

**Financial Services**

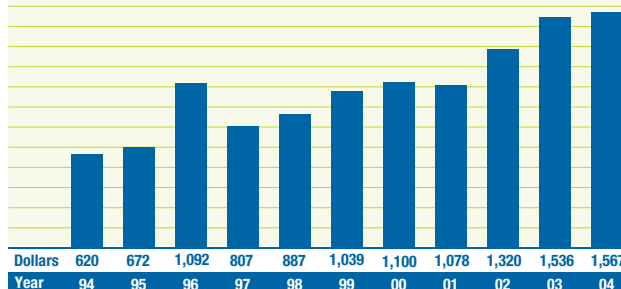
(dollars in millions)

**Information and Media Services**

(dollars in millions)

**Total Company EBITDA**

(dollars in millions)

**EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION – EBITDA**

(dollars in thousands)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
McGraw-Hill Education	\$340,067	\$321,751	\$332,949	\$273,339	\$307,672	\$273,667	\$202,076	\$187,722	\$151,921	\$162,604	\$125,765
Financial Services	839,398	667,597	560,845	425,911	383,025	358,155	338,655	245,150	241,479	214,707	201,642
Information and Media Services	119,313	109,841	118,052	65,003	212,921	185,551	139,352	158,879	131,397	130,145	120,482
Total operating profit	\$1,298,778	\$1,099,189	\$1,011,846	\$764,253	\$903,618	\$817,373	\$680,083	\$591,751	\$524,797	\$507,456	\$447,889
Unusual gain/(loss) ^(a)	–	–	–	–	\$(68,122)	–	\$(8,716)	–	\$393,731	–	–
Corporate income/(expense) ^(b)	(124,088)	38,185	(91,934)	(93,062)	(91,380)	(83,280)	(80,685)	(75,342)	(62,073)	(63,570)	(54,134)
Depreciation	92,268	82,827	86,818	85,748	84,812	80,348	75,538	71,689	69,673	65,748	62,194
Amortization	300,213	315,478	313,351	320,728	271,314	225,020	220,852	219,147	166,242	162,278	164,525
EBITDA	\$1,567,171	\$1,535,679	\$1,320,081	\$1,077,667	\$1,100,242	\$1,039,461	\$887,072	\$807,245	\$1,092,370	\$671,912	\$620,474

Notes:

(a) The unusual gains and losses are as follows:

In 2000, the cumulative adjustment for the adoption of Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements"

In 1998, the early extinguishment of \$155 million of the Company's 9.43% debt

In 1996, the net gain on the exchange of Shepard's/McGraw-Hill for the Times Mirror Higher Education Group

(b) In 2003, corporate expenses includes a pre-tax gain on sale of real estate of \$131.3 million

	ACQUISITIONS	DIVESTITURES		ACQUISITIONS	DIVESTITURES
2004	\$303,351,000 Center for Business Intelligence (energy conference business only) Grow.net, Inc. Capital IQ, Inc. PRCEDU Corporation (8.7%)	\$46,142,000 Landoll, Frank Schaffer and related juvenile retail publishing businesses J.J. Kenny Drake, Inc.	1998	\$25,428,000 Xebec Multimedia Solutions, Ltd. Optical Data Corporation	\$28,600,000 Information Technology and Communications Group (BYTE, Data Communications, LAN Times, tele.com, NSTL)
2003	\$1,800,000 FriedWire, Inc.	\$497,658,000 Rock-McGraw, Inc. (45% interest) S&P ComStock	1997	\$85,698,000 Argentina Ratings Fund Research, Ltd. Thomson Technical List Published Image Micropal Group, Ltd. Taiwan Ratings Corp. (50%) CRISIL (9.6%)	\$54,521,000 London House McGraw-Hill School Systems Datapro Information Services
2002	\$19,310,000 Open University Press Reality Based Learning Bredex Corporation Clear Learning EA Ratings	\$23,136,000 MMS International Lifetime Learning CAP	1996	\$516,195,000 Times Mirror Higher Education Group Open Court Publishing Tata Publishing Co. Healthcare Informatics/InfoCare Magazine Cavalier Shipping Co.	\$491,383,000 Shepard's/McGraw-Hill Global Finance College BRAVO titles Healthcare Management Group
2001	\$333,234,000 Mayfield Publishing Company Charter Research Corporation Frank Schaffer Publications Corporate Value Consulting Financial Times Energy Visual Education Corporation BizNet TV, Inc. Uniscore, Inc.	\$29,979,000 Data Resources Inc. Rational Investors	1995	\$36,246,000 ADEF (50%) Hospital Practice UCB Canada College Titles FAME List BidFax	\$34,828,000 Ryerson French-Language Division Hazardous Waste Strategies SRA Technology Training Shepard's Topical
2000	\$703,719,000 Tribune Education BuildPoint Corporation Canadian Bond Rating Service Portfolio Management Data, LLC MPI Interactive – e-Builder, Inc. Thomas Murray Network Management Ltd.	\$138,150,000 Tower Group International	1994	\$1,219,000 Iberating S.A. Trans Global Logistics, Inc. Trade Link, Inc. InteGrade Software Winston Press JOY Program	\$700,000 Coal Technology International SRA speech/language titles
1999	\$67,100,000 Appleton & Lange, Inc. IFIS, Inc. Rational Investors, Inc. Micropal France Thesys Information, Ltd. Emerging Markets Data Base	\$64,734,000 Petrochemical Publications (Chemical Engineering, Modern Plastics, Modern Plastics International) Libri Italia SRL (school titles only)			