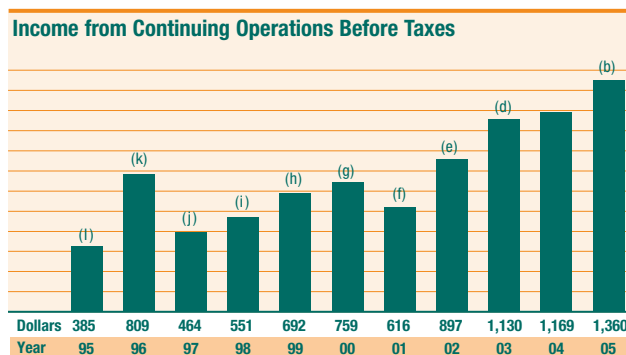
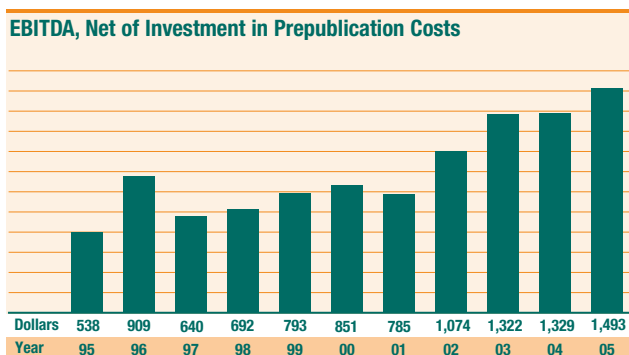
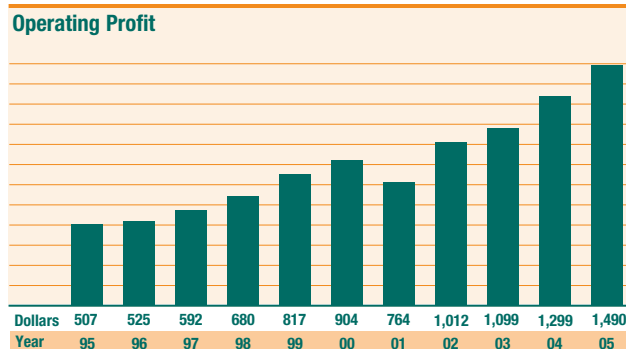
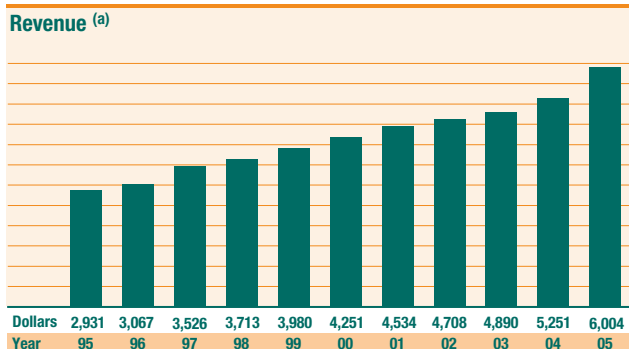
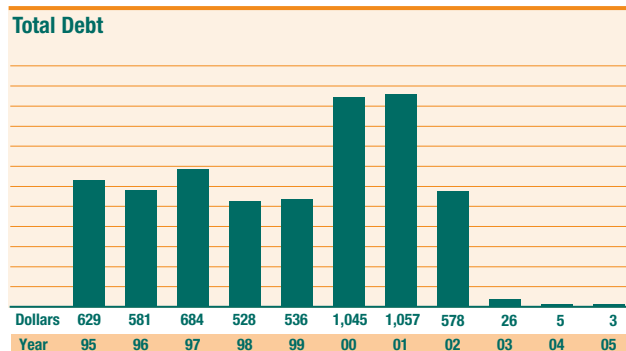
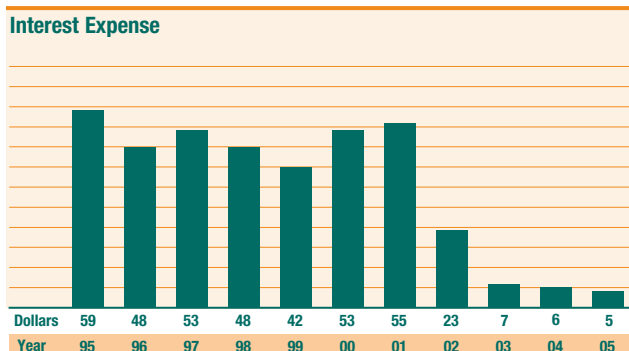
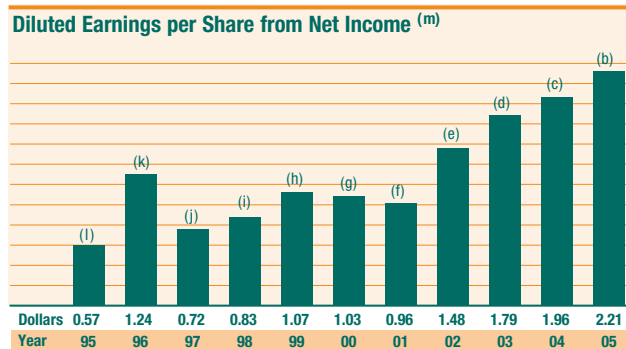
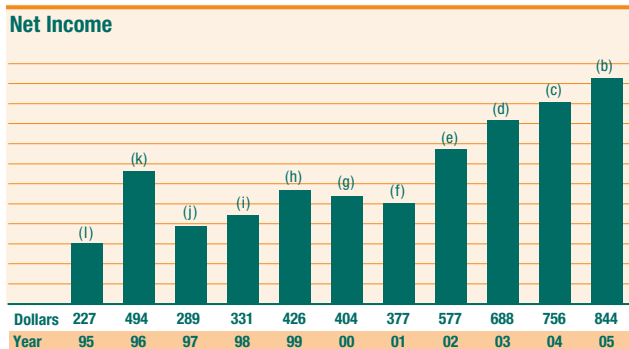
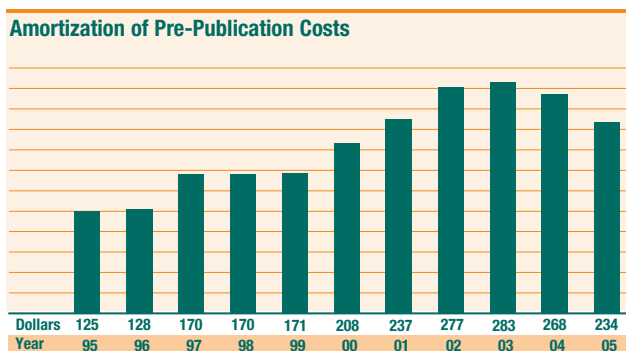
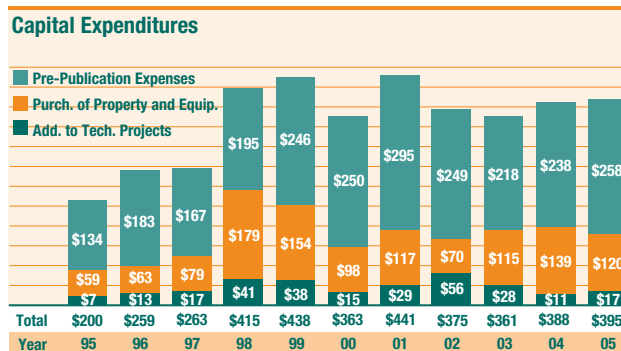
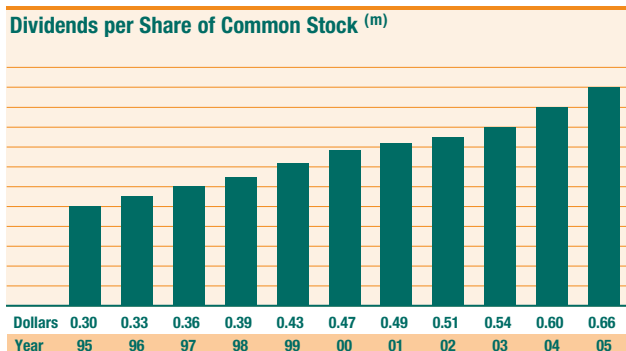


(dollars in millions, except per share data)



Please refer to EBITDA reconciliation table on page 16

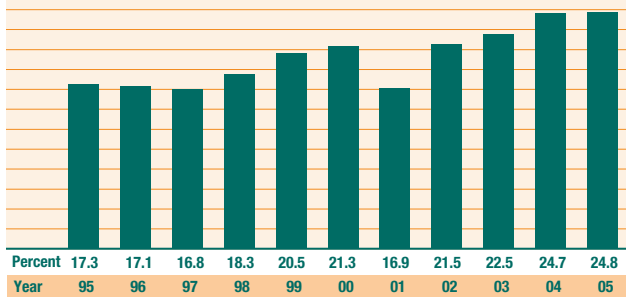




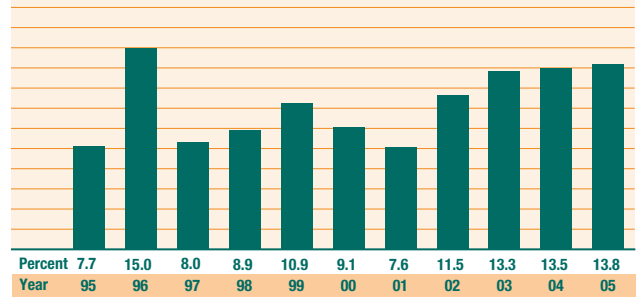
Notes for Eleven-Year Financial Trends (pages 6 and 7):

- Certain prior year amounts have been reclassified for comparability purposes
- (a) In 2004, all revenue in prior periods was 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) Includes a \$6.8 million pre-tax gain (\$4.2 million after-tax, or \$0.01 per diluted share) on the sale of the Corporate Value Consulting business, a \$5.5 million loss (\$3.5 million after-tax) on the sale of the Healthcare Information Group, and a \$23.2 million pre-tax charge (\$14.6 million after-tax, or \$0.04 per diluted share) for restructuring. Net income includes a \$10.0 million (\$0.03 per diluted share) increase in income taxes on the repatriation of funds
 - (c) Includes a non-cash benefit of approximately \$20.0 million (\$0.05 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 \$20.0 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%
 - (d) Includes a pre-tax gain on sale of real estate of \$131.3 million (\$58.4 million after-tax, or \$0.15 per diluted share)
 - (e) 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
 - (f) Includes impact of the following items: a \$159.0 million pre-tax charge for restructuring and asset write-down (\$112.0 million after-tax, or \$0.29 per diluted share), a \$6.9 million pre-tax gain on the sale of real estate (\$0.01 per diluted share), an \$8.8 million pre-tax gain on the sale of DRI (\$26.3 million after-tax, or \$0.07 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-tax, or \$0.06 per diluted share)
 - (g) Includes a \$16.6 million gain on sale of Tower Group International (\$10.2 million after-tax, or \$0.03 per diluted share) and the cumulative effect on prior years of changes in accounting of \$68.1 million (\$0.17 per diluted share) for the adoption of SAB 101, "Revenue Recognition in Financial Statements"
 - (h) Includes a \$39.7 million gain on the sale of the Petrochemical publications (\$24.2 million after-tax, or \$0.06 per diluted share)
 - (i) Includes a \$26.7 million gain on sale of a building (\$16.3 million after-tax, or \$0.04 per diluted share) and a \$16.0 million provision (\$9.8 million after-tax, or \$0.02 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-tax, or \$0.01 per diluted share) on the early extinguishment of debt
 - (j) Includes a provision of \$33.2 million (\$19.9 million after-tax, or \$0.05 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-tax, or \$0.05 per diluted share)
 - (k) 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-tax, or \$0.65 per diluted share) and a one-time charge of \$25.0 million (\$14.9 million after-tax, or \$0.04 per diluted share) for integration costs
 - (l) 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
 - (m) All per share data have been restated to reflect the Company's two-for-one stock split completed on May 17, 2005

Operating Profit Margin

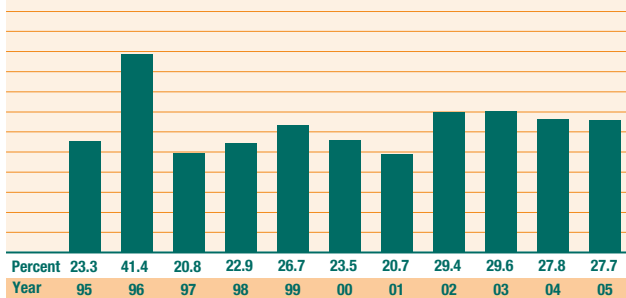


Return on Average Assets*

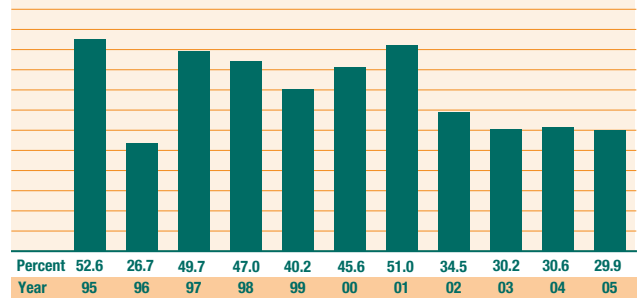


* Certain prior year amounts have been reclassified for comparability purposes

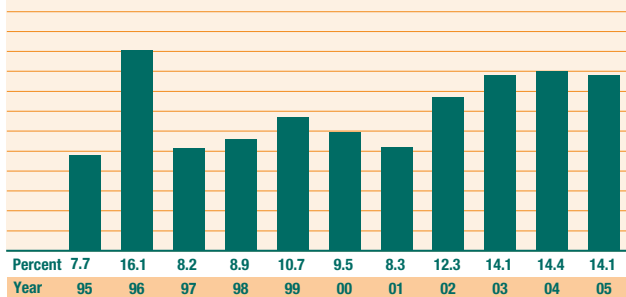
Return on Average Shareholders' Equity



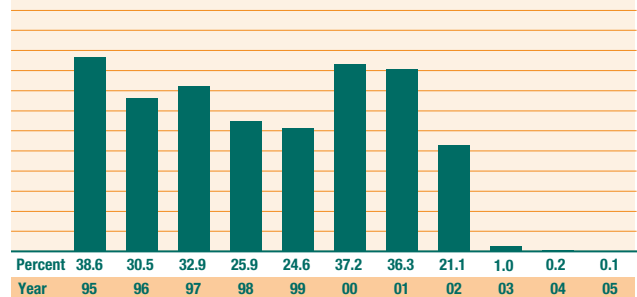
Dividend Payout (as a percentage of current year's earnings)



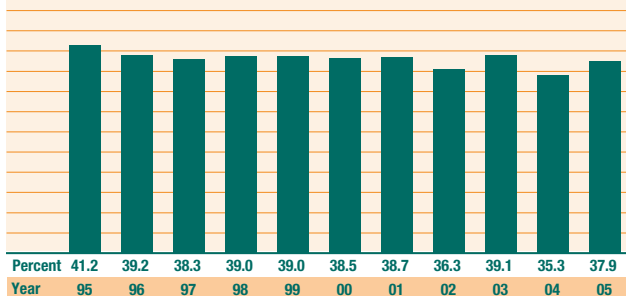
Net Income Margin



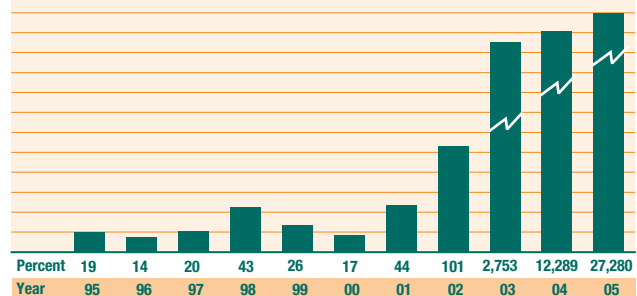
Total Debt to Capitalization



Tax Rate



Free Cash Flow to Debt



Please see free cash flow table on page 1

RETURN ON INVESTED CAPITAL											
(dollars in millions)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Income from continuing operations before extraordinary item and cumulative adjustment	\$844.3	\$756.4	\$687.8	\$572.0	\$377.7	\$467.0	\$422.2	\$336.4	\$286.3	\$492.1	\$226.5
Post-tax adjustments for one-time items ⁽¹⁾	20.4	(20.0)	(58.4)	(2.0)	103.4	(10.2)	(24.2)	(6.5)	(0.3)	(245.6)	0.6
Post-tax interest adjustment ⁽²⁾	43.3	44.6	46.6	47.6	67.8	63.1	61.1	51.8	46.2	37.3	42.6
Adjusted earnings before interest, after tax	\$908.0	\$781.0	\$676.0	\$617.6	\$548.9	\$519.9	\$459.1	\$381.7	\$332.2	\$283.8	\$269.7
Present value of operating lease obligations (average)	\$1,207.1	\$1,273.5	\$1,303.9	\$1,141.2	\$931.6	\$829.1	\$795.0	\$667.5	\$368.3	\$207.7	\$217.4
Short-term & long-term debt (average)	4.2	15.7	302.3	817.4	1,051.0	790.9	532.0	606.0	632.9	605.0	695.7
Shareholders' equity (average)	3,048.8	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
Cash (average)	(714.7)	(688.1)	(376.9)	(55.9)	(28.4)	(4.8)	(8.5)	(7.6)	(4.1)	(6.8)	(9.2)
Average invested capital	\$3,545.4	\$3,371.9	\$3,590.7	\$3,912.6	\$3,761.7	\$3,320.0	\$2,897.2	\$2,717.6	\$2,355.7	\$1,966.8	\$1,842.0
Return on invested capital	25.6%	23.2%	18.8%	15.8%	14.6%	15.7%	15.8%	14.0%	14.1%	14.4%	14.6%

(1) Adjustment to income from continuing operations to exclude all one-time items discussed in the notes below

(2) After-tax interest expense, adjusted for implied interest on capitalized operating lease obligations

Notes for Eleven-Year Key Ratios (pages 8 and 9):

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 page eight:

2005: Includes a \$6.8 million pre-tax gain (\$4.2 million after-tax, or \$0.01 per diluted share) on the sale of the Corporate Value Consulting business and a \$23.2 million pre-tax charge (\$14.6 million after-tax, or \$0.04 per diluted share) for restructuring. Includes a \$10.0 million (\$0.03 per diluted share) increase in income taxes on the repatriation of funds

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 \$20.0 million (\$0.05 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 \$20.0 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 \$0.15 per diluted 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 \$0.29 per diluted share). A \$26.3 million after-tax gain (\$8.8 million pre-tax, or \$0.07 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 \$0.06 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. Also included in income from continuing operations is a \$6.9 million pre-tax gain on the sale of real estate (\$4.2 million after-tax, or \$0.01 per diluted share)

2000: \$16.6 million pre-tax gain (\$10.2 million after-tax) 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 (\$24.2 million after-tax) on the sale of the Petrochemical publications

1998: \$26.7 million pre-tax gain (\$16.3 million after-tax) on the sale of a building; \$16.0 million pre-tax charge (\$9.8 million after-tax) 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 (\$19.9 million after-tax) for the consolidation of office space in New York City; \$20.4 million pre-tax gain (\$20.2 million after-tax) on the sale of Datapro Information Services

1996: \$418.7 million pre-tax gain (\$260.5 million after-tax) on the exchange of Shepard's/McGraw-Hill for the Times Mirror Higher Education Group and a \$25.0 million pre-tax charge (\$14.9 million after-tax) for integration costs

1995: \$26.8 million pre-tax provision (\$15.7 million after-tax) for best-practices initiatives; \$23.8 million gain (\$15.1 million after-tax) on the sale of the topical publishing division of Shepard's/McGraw-Hill

REVENUE BY SEGMENT											
(dollars in millions)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
McGraw-Hill											
Education^(c)	\$2,671.7	\$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
% increase/(decrease)*	11.5%	2.0%	0.3%	2.3%	12.3%	14.1%	7.6%	3.0%	23.1%	3.6%	6.3%
% of total revenue	44.5%	45.6%	48.0%	49.8%	50.5%	48.0%	44.9%	44.7%	45.7%	42.7%	43.1%
Financial Services											
	\$2,400.8	\$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
% increase/(decrease)*	16.8%	16.2%	13.7%	11.3%	16.0%	3.6%	12.2%	18.1%	14.6%	8.7%	5.3%
% of total revenue	40.0%	39.2%	36.2%	33.0%	30.8%	28.3%	29.2%	27.9%	24.9%	25.0%	24.1%
Information & Media											
	\$931.1	\$799.7	\$772.6	\$809.5	\$846.1	\$1,007.6	\$1,030.0	\$1,015.6	\$1,035.8	\$990.9	\$962.4
% increase/(decrease)*	16.4%	3.5%	(4.6%)	(4.3%)	(16.0%)	(2.2%)	1.4%	(2.0%)	4.5%	3.0%	7.3%
% of total revenue	15.5%	15.2%	15.8%	17.2%	18.7%	23.7%	25.9%	27.4%	29.4%	32.3%	32.8%
Total revenue^(a)											
	\$6,003.6	\$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
% increase/(decrease)*	14.3%	7.4%	3.9%	3.8%	6.7%	6.8%	7.2%	5.3%	15.0%	4.6%	6.4%

* % increase/(decrease) over prior year

Notes for Revenue and Operating Profit by Segment (pages 10 and 11):

- Certain prior year amounts have been reclassified for comparability purposes. All per share amounts have been restated to reflect the Company's two-for-one stock split, completed on May 17, 2005
- (a) 2005 income from continuing operations before taxes on income includes the following items: a \$6.8 million pre-tax gain (\$4.2 million after-tax, or \$0.01 per diluted share) on the sale of the Corporate Value Consulting business, a \$5.5 million loss (\$3.5 million after-tax) on the sale of the Healthcare Information Group, and a \$23.2 million pre-tax charge (\$14.6 million after-tax, or \$0.04 per diluted share) for restructuring
- (b) 2005 includes a \$10.0 million (\$0.03 per diluted share) increase in income taxes on the repatriation of funds
- (c) 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
- (d) 2004 includes a non-cash benefit of approximately \$20.0 million (\$0.05 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 \$20.0 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%
- (e) In 2003, the Company adopted the Discontinued Operations presentation, outlined in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Revenue and operating profit of S&P ComStock and the 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 \$0.15 per diluted share), and an \$81.1 million loss on the planned disposition of the juvenile retail publishing business (\$57.3 million after-tax loss, or \$0.15 per diluted 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 the juvenile retail publishing business and 1999-1995 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
- (f) 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 \$0.15 per diluted share)
- (g) 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
- (h) 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
- (i) 2000 income from continuing operations before taxes reflects a \$16.6 million gain on the sale of Tower Group International
- (j) 1999 income from continuing operations before taxes on income reflects a \$39.7 million gain on the sale of the Petrochemical publications
- (k) 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
- (l) 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
- (m) 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
- (n) 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
- (o) 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 \$155.0 million of the Company's 9.43% Notes during the third quarter

OPERATING PROFIT BY SEGMENT											
(\$ in millions, except per share data)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
McGraw-Hill Education	\$410.2	\$340.1	\$321.8	\$333.0	\$273.3	\$307.7	\$273.7	\$202.1	\$187.7	\$151.9	\$162.6
% increase/(decrease)*	20.6%	5.7%	(3.4%)	21.8%	(11.2%)	12.4%	35.4%	7.6%	23.6%	(6.6%)	29.3%
% of total	27.5%	26.2%	29.3%	32.9%	35.8%	34.0%	33.5%	29.7%	31.7%	29.0%	32.0%
Financial Services	\$1,019.2	\$839.4	\$667.6	\$560.8	\$425.9	\$383.0	\$358.2	\$338.7	\$245.2	\$241.5	\$214.7
% increase/(decrease)*	21.4%	25.7%	19.0%	31.7%	11.2%	6.9%	5.8%	38.1%	1.5%	12.5%	6.5%
% of total	68.4%	64.6%	60.7%	55.4%	55.7%	42.4%	43.8%	49.8%	41.4%	46.0%	42.3%
Information & Media	\$60.6	\$119.3	\$109.8	\$118.0	\$65.0	\$212.9	\$185.5	\$139.3	\$158.9	\$131.4	\$130.2
% increase/(decrease)*	(49.2%)	8.6%	(7.0%)	81.6%	(69.5%)	14.8%	33.2%	(12.3%)	20.9%	1.0%	8.0%
% of total	4.1%	9.2%	10.0%	11.7%	8.5%	23.6%	22.7%	20.5%	26.9%	25.0%	25.7%
Total operating profit	\$1,490.0	\$1,298.8	\$1,099.2	\$1,011.8	\$764.2	\$903.6	\$817.4	\$680.1	\$591.8	\$524.8	\$507.5
% increase/(decrease)*	14.7%	18.2%	8.6%	32.4%	(15.4%)	10.6%	20.2%	14.9%	12.8%	3.4%	13.3%
Unusual charges ^(m)	—	—	—	—	—	—	—	—	—	(25.0)	—
Gain on exchange of Shepard's/McGraw-Hill ^(m)	—	—	—	—	—	—	—	—	—	418.7	—
General corporate income/(expense) ^(f)	(124.8)	(124.1)	38.2	(91.9)	(93.0)	(91.4)	(83.3)	(80.7)	(75.3)	(62.1)	(63.6)
Interest expense	(5.2)	(5.8)	(7.1)	(22.5)	(55.1)	(52.8)	(42.0)	(48.0)	(52.6)	(47.6)	(58.8)
Income from continuing operations before taxes on income^(a, f, g, h, i, j, k, l, n)	1,360.0	1,168.9	1,130.3	897.4	616.1	759.4	692.1	551.4	463.9	808.8	385.1
Provision for taxes on income ^(b, d)	515.7	412.5	442.5	325.4	238.4	292.4	269.9	215.0	177.6	316.7	158.7
Income from continuing operations before extraordinary item and cumulative adjustment	844.3	756.4	687.8	572.0	377.7	467.0	422.2	336.4	286.3	492.1	226.4
Discontinued operations											
Net earnings/(loss) from discontinued operations ^(e)	—	(0.6)	(0.1)	4.8	(0.7)	4.9	3.4	2.9	2.4	1.4	0.4
Income before extraordinary item and cumulative adjustment	844.3	755.8	687.7	576.8	377.0	471.9	425.6	339.3	288.7	493.5	226.8
Early extinguishment of debt, net of tax ^(o)	—	—	—	—	—	—	—	(8.7)	—	—	—
Cumulative effect on prior years of changes in accounting ^(o)	—	—	—	—	—	(68.1)	—	—	—	—	—
Net income	\$844.3	\$755.8	\$687.7	\$576.8	\$377.0	\$403.8	\$425.6	\$330.6	\$288.7	\$493.5	\$226.8
Basic earnings per share											
Income from continuing operations before extraordinary item and cumulative adjustment	\$2.25	\$1.99	\$1.81	\$1.48	\$0.97	\$1.21	\$1.07	\$0.85	\$0.72	\$1.24	\$0.57
Discontinued operations ^(e)	—	—	—	0.01	—	0.01	0.01	0.01	0.01	—	—
Income before extraordinary item and cumulative adjustment	\$2.25	\$1.99	\$1.81	\$1.49	\$0.97	\$1.22	\$1.08	\$0.86	\$0.73	\$1.24	\$0.57
Extraordinary item and cumulative adjustment ^(o)	—	—	—	—	—	(0.18)	—	(0.02)	—	—	—
Net income	\$2.25	\$1.99	\$1.81	\$1.49	\$0.97	\$1.04	\$1.08	\$0.84	\$0.73	\$1.24	\$0.57
Diluted earnings per share											
Income from continuing operations before extraordinary item and cumulative adjustment	\$2.21	\$1.96	\$1.79	\$1.47	\$0.96	\$1.19	\$1.06	\$0.84	\$0.71	\$1.24	\$0.57
Discontinued operations ^(e)	—	—	—	0.01	—	0.01	0.01	0.01	0.01	—	—
Income before extraordinary item and cumulative adjustment	\$2.21	\$1.96	\$1.79	\$1.48	\$0.96	\$1.20	\$1.07	\$0.85	\$0.72	\$1.24	\$0.57
Extraordinary item and cumulative adjustment ^(o)	—	—	—	—	—	(0.17)	—	(0.02)	—	—	—
Net income	\$2.21	\$1.96	\$1.79	\$1.48	\$0.96	\$1.03	\$1.07	\$0.83	\$0.72	\$1.24	\$0.57

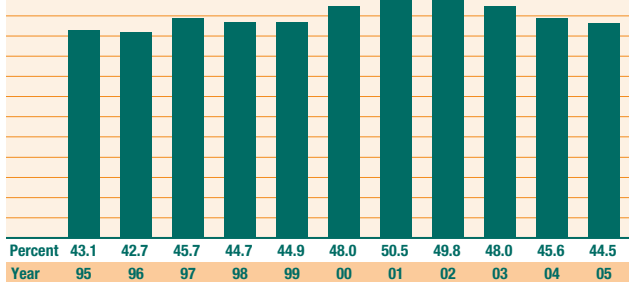
* % increase/(decrease) over prior year

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

MCGRAW-HILL EDUCATION

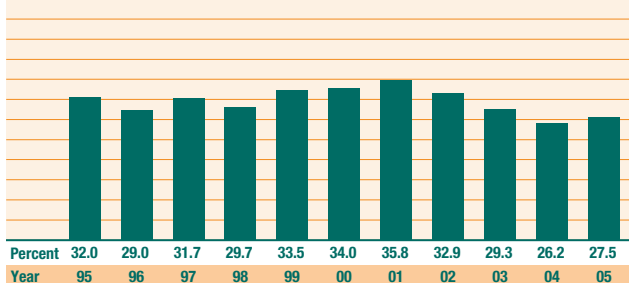
Percent of Total Revenue

McGraw-Hill Education



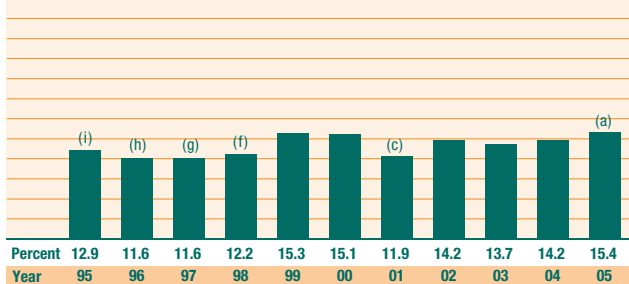
Percent of Total Operating Profit

McGraw-Hill Education



Operating Profit Margin

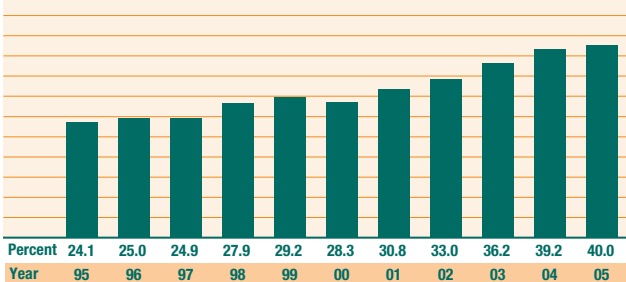
McGraw-Hill Education



FINANCIAL SERVICES

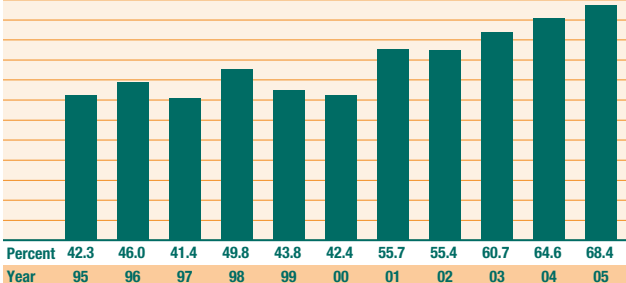
Percent of Total Revenue

Financial Services



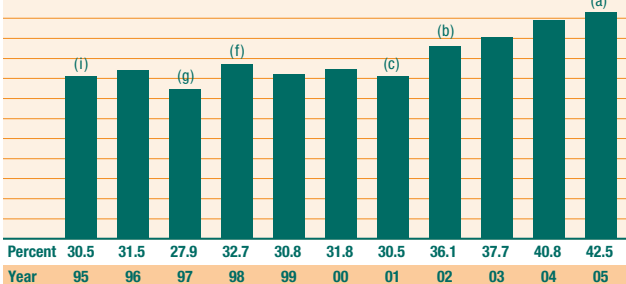
Percent of Total Operating Profit

Financial Services



Operating Profit Margin

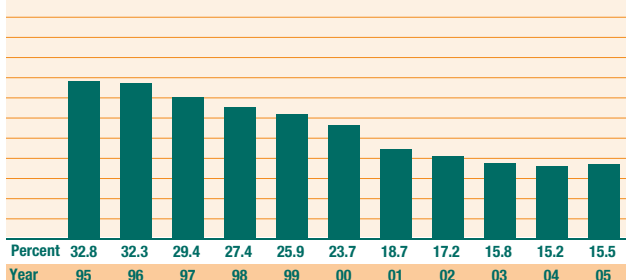
Financial Services



INFORMATION & MEDIA

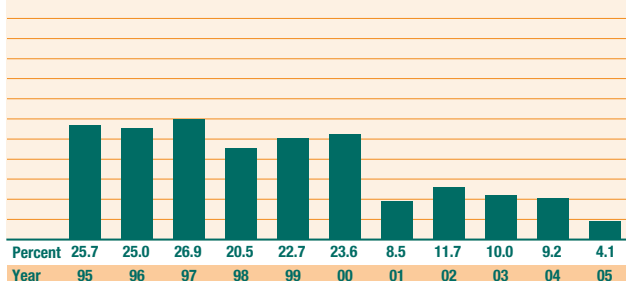
Percent of Total Revenue

Information & Media



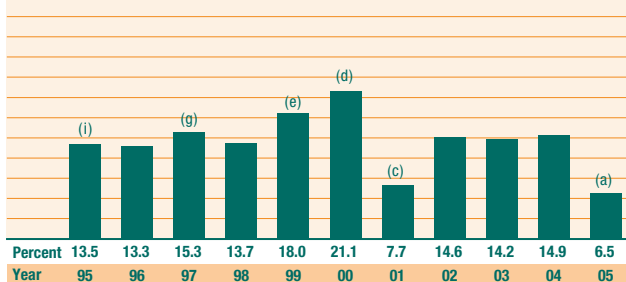
Percent of Total Operating Profit

Information & Media



Operating Profit Margin

Information & Media



Notes for Segment Trends (pages 12 and 13):

- (a) Operating margin for 2005 reflects a \$6.8 million pre-tax gain (\$4.2 million after-tax, or \$0.01 per diluted share) on the sale of the Corporate Value Consulting business, a \$5.5 million loss (\$3.5 million after-tax) on the sale of the Healthcare Information Group, and a \$23.2 million pre-tax charge (\$14.6 million, or \$0.04 per diluted share) for restructuring. The pre-tax restructuring charge by segment is as follows: McGraw-Hill Education – \$9.0 million; Financial Services – \$1.2 million; Information & Media – \$10.2 million; and Corporate – \$2.8 million
- (b) 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)
- (c) Operating margins for 2001 reflect the following items: a \$159.0 million provision for restructuring and asset write-down (\$112.0 million after-tax, or \$0.29 per diluted share), a \$6.9 million pre-tax gain on the sale of real estate (\$0.01 per diluted share), an \$8.8 million pre-tax gain on the sale of DRI (\$26.3 million after-tax, or \$0.07 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-tax, or \$0.06 per diluted share)
- (d) Operating margin for 2000 reflects a \$16.6 million gain on the sale of Tower Group International
- (e) Operating margin for 1999 reflects a \$39.7 million gain on the sale of the Petrochemical publications
- (f) 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
- (g) 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
- (h) Operating margin for 1996 excludes the impact of the gain on the exchange of Shepard's/McGraw-Hill and the one-time integration charge
- (i) 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

2005 QUARTERLY REVENUE AND OPERATING PROFIT BY SEGMENT										
(dollars in thousands, except earnings per share) favorable/(unfavorable)	2005 vs. 2004	2005 vs. 2004	2005 vs. 2004	2005 vs. 2004	2005 vs. 2004	2005 vs. 2004	2005 vs. 2004	Total	2005 vs. 2004	
	1Q	2Q	3Q	4Q	Total					
Revenue										
McGraw-Hill Education	\$307,300	7.3%	\$628,647	14.8%	\$1,142,331	10.7%	\$593,454	12.1%	\$2,671,732	11.5%
Financial Services	547,281	19.9%	597,366	18.4%	605,751	20.5%	650,411	10.0%	2,400,809	16.8%
Information & Media	174,425	(1.3%)	230,264	18.6%	228,959	21.9%	297,453	23.4%	931,101	16.4%
Total revenue	\$1,029,006	11.9%	\$1,456,277	16.9%	\$1,977,041	14.8%	\$1,541,318	13.2%	\$6,003,642	14.3%
Operating Profit										
McGraw-Hill Education	\$(78,674)	(14.4%)	\$71,591	25.5%	\$380,847	17.8%	\$36,449	27.7%	\$410,213	20.6%
Financial Services	222,512	28.0%	258,286	20.6%	251,945	24.7%	286,458	14.9%	1,019,201	21.4%
Information & Media	4,746	(65.2%)	13,608	(45.2%)	12,437	(47.8%)	29,785	(47.8%)	60,576	(49.2%)
Total operating profit	\$148,584	25.2%	\$343,485	16.0%	\$645,229	17.5%	\$352,692	5.3%	\$1,489,990	14.7%
General corporate (expense)/income	\$(22,910)	(17.1%)	\$(29,512)	(4.9%)	\$(35,274)	9.7%	\$(37,130)	11.7%	\$(124,826)	(0.6%)
Interest expense	(698)	(59.8%)	(3,512)	62.5%	(2,808)	50.4%	1,816	N/M	(5,202)	(10.1%)
Income from continuing operations before taxes on income	124,976	39.9%	310,461	18.1%	607,147	17.9%	317,378	5.2%	1,359,962	16.3%
Provision for taxes on income	46,241	N/M	115,491	18.7%	225,858	18.5%	128,066	14.7%	515,656	25.0%
Income from continuing operations	\$78,735	3.2%	\$194,970	17.7%	\$381,289	17.5%	\$189,312	(0.4%)	\$844,306	11.6%
Earnings/(loss) from discontinued operations	—	N/M	—	N/M	—	N/M	—	N/M	—	N/M
Net income	\$78,735	4.0%	\$194,970	17.7%	\$381,289	17.5%	\$189,312	(0.4%)	\$844,306	11.7%
Earnings per share:										
<u>Basic earnings per share</u>										
Income from continuing operations	\$0.21	5.0%	\$0.52	18.2%	\$1.02	18.6%	\$0.51	2.0%	\$2.25	13.1%
Net income	\$0.21	5.0%	\$0.52	18.2%	\$1.02	18.6%	\$0.51	2.0%	\$2.25	13.1%
<u>Diluted earnings per share</u>										
Income from continuing operations	\$0.20	0.0%	\$0.51	18.6%	\$1.00	17.7%	\$0.50	2.0%	\$2.21	12.8%
Net income	\$0.20	0.0%	\$0.51	18.6%	\$1.00	17.7%	\$0.50	2.0%	\$2.21	12.8%

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	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 & Media	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 & Media	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 (expense)/income	\$(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	\$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	\$0.20	100.0%	\$0.44	18.9%	\$0.86	13.2%	\$0.50	(12.3%)	\$1.99	9.9%
Net income	\$0.20	(20.0%)	\$0.44	18.9%	\$0.86	13.2%	\$0.50	19.0%	\$1.99	9.9%
<u>Diluted earnings per share</u>										
Income from continuing operations	\$0.20	100.0%	\$0.43	16.2%	\$0.85	13.3%	\$0.49	(12.5%)	\$1.96	9.5%
Net income	\$0.20	(20.0%)	\$0.43	16.2%	\$0.85	11.8%	\$0.49	16.7%	\$1.96	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	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 & Media	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 & Media	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 (expense)/income	\$(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	\$0.10	25.0%	\$0.37	5.7%	\$0.76	7.0%	\$0.57	62.9%	\$1.81	22.3%
Net income	\$0.25	N/M	\$0.37	5.7%	\$0.76	5.6%	\$0.42	20.0%	\$1.81	21.5%
<u>Diluted earnings per share</u>										
Income from continuing operations	\$0.10	42.9%	\$0.37	8.8%	\$0.75	7.1%	\$0.56	60.0%	\$1.79	21.8%
Net income	\$0.25	N/M	\$0.37	5.7%	\$0.76	7.0%	\$0.42	20.0%	\$1.79	20.9%

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

Notes for Quarterly Revenue and Operating Profit by Segment (pages 14 and 15):

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. All per share data have been restated to reflect the Company's two-for-one stock split completed on May 17, 2005

2005: In the third quarter, operating profit at the Financial Services segment includes a \$6.8 million pre-tax gain (\$4.2 million after-tax, or \$0.01 per diluted share) on the sale of the Corporate Value Consulting business. In the fourth quarter, operating profit at the Information & Media segment includes a \$5.5 million loss (\$3.5 million after-tax) on the sale of the Healthcare Information Group. In the fourth quarter,

net income includes the impact of a \$23.2 million pre-tax charge (\$14.6 million after-tax, or \$0.04 per diluted share) for restructuring. The pre-tax restructuring charge by segment is as follows: McGraw-Hill Education – \$9.0 million; Financial Services – \$1.2 million; Information & Media – \$10.2 million; and Corporate – \$2.8 million. Net income in the fourth quarter also includes a \$10.0 million (\$0.03 per diluted share) increase in income taxes on the repatriation of funds

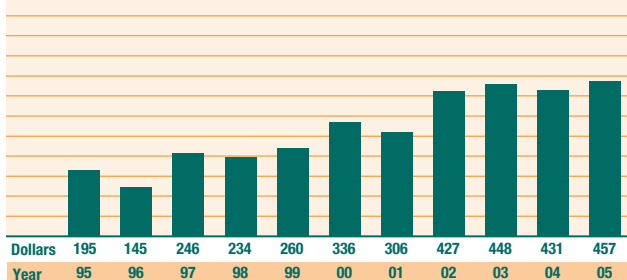
2004: The Company reclassified revenue in accordance with Emerging Issues Task Force 00-10, "Accounting for Shipping and Handling Fees and Costs," resulting in an increase in revenue of \$8.3 million, \$15.7 million, \$27.0 million and \$11.5 million in the first, second, third and fourth quarters of 2004, respectively; and 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

2004: Includes a non-cash benefit of approximately \$20.0 million (\$0.05 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 \$20.0 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%

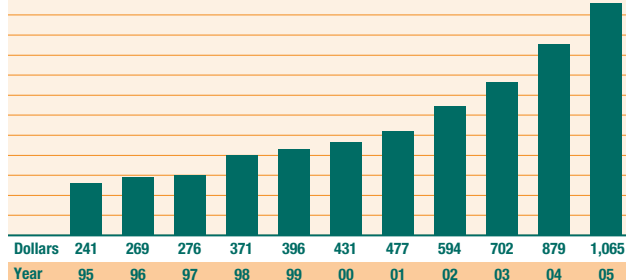
2003: In the fourth quarter, corporate expense includes a \$131.3 million pre-tax gain on sale of real estate (\$58.4 million after-tax gain, or \$0.15 per diluted share)

2002: In the third 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

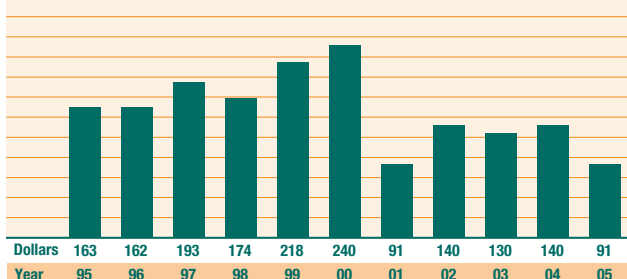
McGraw-Hill Education, Net of investment in prepublishing costs^(c)
(dollars in millions)



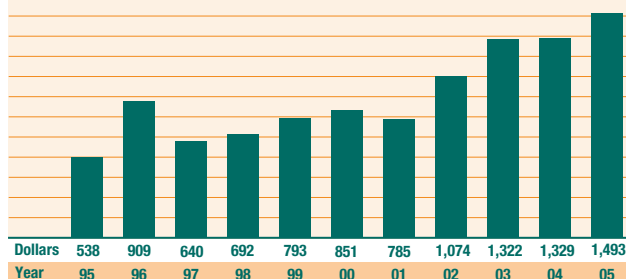
Financial Services^(c)
(dollars in millions)



Information & Media
(dollars in millions)



Total Company EBITDA, Net of investment in prepublishing costs^(c)
(dollars in millions)



EBITDA, NET OF INVESTMENT IN PREPUBLICATION COSTS

(dollars in thousands)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
McGraw-Hill Education	\$ 410,213	\$ 340,067	\$ 321,751	\$ 332,949	\$ 273,339	\$ 307,672	\$ 273,667	\$ 202,076	\$ 187,722	\$ 151,921	\$ 162,604
Financial Services	1,019,201	839,398	667,597	560,845	425,911	383,025	358,155	338,655	245,150	241,479	214,707
Information & Media	60,576	119,313	109,841	118,052	65,003	212,921	185,551	139,352	158,879	131,397	130,145
Total operating profit	\$ 1,489,990	\$ 1,298,778	\$ 1,099,189	\$ 1,011,846	\$ 764,253	\$ 903,618	\$ 817,373	\$ 680,083	\$ 591,751	\$ 524,797	\$ 507,456
Unusual (loss)/gain ^(a)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (68,122)	\$ -	\$ (8,716)	\$ -	\$ 393,731	\$ -
Corporate (expense)/income ^(b)	(124,826)	(124,088)	38,185	(91,934)	(93,062)	(91,380)	(83,280)	(80,685)	(75,342)	(62,073)	(63,570)
Depreciation ^(c)	106,750	92,268	82,827	86,818	85,748	84,812	80,348	75,538	71,689	69,673	65,748
Amortization of intangibles ^(c)	44,235	32,470	32,973	36,270	84,108	63,508	54,366	51,310	48,814	37,971	37,334
Amortization of prepublishing costs ^(c)	234,276	267,743	282,505	277,081	236,620	207,806	170,653	169,542	170,333	128,271	124,944
Investment in prepublishing costs ^(c)	(257,795)	(237,760)	(213,954)	(246,577)	(293,002)	(249,333)	(246,341)	(194,978)	(166,784)	(182,978)	(134,118)
EBITDA	\$ 1,492,630	\$ 1,329,411	\$ 1,321,725	\$ 1,073,504	\$ 784,665	\$ 850,909	\$ 793,119	\$ 692,094	\$ 640,461	\$ 909,392	\$ 537,794

Notes for EBITDA, Net of investment in prepublishing costs:

(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 \$155.0 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

(c) Amounts have been adjusted to exclude the juvenile retail publishing business and S&P ComStock, which are included in discontinued operations

ACQUISITIONS			DIVESTITURES			
2005	\$460,852,000				\$131,310,000	
	CRISIL Limited (58.5% interest after acquisition of additional 49.07% interest)	FS	J.D. Power and Associates	I&M	Corporate Value Consulting	FS
	Vista Research, Inc.	FS	TurnLeaf Solutions	MHE	Healthcare Information Group	I&M
	ASSIRT Pty Limited	FS	Azteca America affiliate low-powered TV stations (KZCS, KZFC, KZCO in Colorado from Syncom Media Group, Inc. and KZSD in San Diego from Una Vez Mas San Diego)*	I&M	Standard & Poor's Securities, Inc.	FS
	Taiwan Ratings Corporation (51% interest after acquisition of additional 1% interest)	FS	USDTV	I&M		
	TheMarkets.com (2.76% interest)	FS				
2004	\$303,351,000				\$46,142,000	
	Center for Business Intelligence (energy conference business only)	I&M	Capital IQ, Inc.	FS	Landoll, Frank Schaffer and related juvenile retail publishing businesses	MHE
	Grow.net, Inc.	MHE	PRCEDU Corporation (8.7% interest)	MHE	J.J. Kenny Drake, Inc.	FS
2003	\$1,800,000				\$497,658,000	
	FriedWire, Inc.	I&M			Rock-McGraw, Inc. (45% interest)	Corporate
					S&P ComStock	FS
2002	\$19,310,000				\$23,136,000	
	Open University Press	MHE	Clear Learning	MHE	MMS International	FS
	Reality Based Learning	MHE	EA Ratings	FS	Lifetime Learning	MHE
	Bredex Corporation	MHE			CAP	I&M
2001	\$333,234,000				\$29,979,000	
	Mayfield Publishing Company	MHE	Financial Times Energy	I&M	Data Resources Inc.	FS
	Charter Research Corporation	FS	Visual Education Corp.	MHE	Rational Investors	FS
	Frank Schaffer Publications	MHE	BizNet TV, Inc.	I&M		
	Corporate Value Consulting	FS	Uniscore, Inc.	MHE		
2000	\$703,719,000				\$138,150,000	
	Tribune Education	MHE	MPI Interactive – eBuilder, Inc.	I&M	Tower Group International	I&M
	BuildPoint Corporation	I&M	Thomas Murray Network Management Ltd.	FS		
	Canadian Bond Rating Service	FS				
	Portfolio Management Data, LLC	FS				
1999	\$67,100,000				\$64,734,000	
	Appleton & Lange, Inc	MHE	Micropal France	FS	Petrochemical Publications (<i>Chemical Engineering, Modern Plastics, Modern Plastics International</i>)	I&M
	IFIS, Inc.	FS	Thesys Information, Ltd.	FS	Libri Italia SRL (School titles only)	MHE
	Rational Investors, Inc.	FS	Emerging Markets Data Base	FS		
1998	\$25,428,000				\$28,600,000	
	Xebec Multimedia Solutions, Ltd.	MHE			Information Technology and Communications Group (<i>BYTE, Data Communications, LAN Times, tele.com, NSTL</i>)	I&M
	Optical Data Corporation	MHE				
1997	\$85,698,000				\$54,521,000	
	Argentina Ratings	FS	Micropal Group, Ltd	FS	London House	MHE
	Fund Research, Ltd.	FS	Taiwan Ratings Corp. (50% interest)	FS	McGraw-Hill School Systems	MHE
	Thomson Technical List	MHE	CRISIL Limited (9.6% interest)	FS	Datapro Information Services	I&M
	Published Image	FS				
1996	\$516,195,000				\$491,383,000	
	Times Mirror Higher Education Group	MHE	Healthcare Informatics/ InfoCare Magazine	I&M	Shepard's/McGraw-Hill	MHE
	Open Court Publishing	MHE			Global Finance	FS
	Tata Publishing Co.	MHE			College BRAVO titles	MHE
	Cavalier Shipping Co.	I&M			Healthcare Management Group	I&M
1995	\$36,246,000				\$34,828,000	
	ADEF (50% interest)	FS	College Titles	MHE	Ryerson French-Language Division	MHE
	Hospital Practice	I&M	FAME List	I&M	Hazardous Waste Strategies	I&M
	UCB Canada	I&M	BidFax	I&M	SRA Technology Training	MHE
					Shepard's Topical	MHE

Note:

MHE McGraw-Hill Education
 FS Financial Services
 I&M Information & Media

* Some station's call letters were changed after acquired:
 KZCO-TV was previously KCIN-TV; KZSD-TV was previously KSDF-TV