

The *McGraw-Hill* Companies

**INVESTOR FACT BOOK**  
**2008-2009**

**M M H P**

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## PRINCIPAL EXECUTIVES

### Harold McGraw III

Chairman, President and Chief Executive Officer

#### Corporate

**Robert J. Bahash**  
Executive Vice President and  
Chief Financial Officer

**Peter C. Davis**  
Executive Vice President  
Global Strategy

**Bruce D. Marcus**  
Executive Vice President and  
Chief Information Officer

**David L. Murphy**  
Executive Vice President  
Human Resources

**Kenneth M. Vittor**  
Executive Vice President and  
General Counsel

**Kenneth J. Michaels**  
Senior Vice President  
Business Process Management

**David B. Stafford**  
Senior Vice President,  
Corporate Affairs and  
Executive Assistant to the  
Chairman and Chief Executive  
Officer

#### Operations

**Henry Hirschberg**  
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McGraw-Hill Education

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May 2008

**COMMITTED TO CREATING SHAREHOLDER VALUE**

The 2008-09 *Investor Fact Book* offers a look back at a decade of corporate achievement and a look ahead at promising new opportunities for The McGraw-Hill Companies.

Since 1996, MHP has returned \$8.4 billion to shareholders through dividends and share buybacks, a tangible measure of management's commitment to advancing total shareholder value. As shown in the table below, cash returned to shareholders through dividends and share repurchases has grown at a compound annual rate of 27.3% between 1997 and 2007. In that decade, MHP produced a total shareholder return of 10.8% versus 5.9% for the S&P 500.

In 2007, MHP issued \$1.2 billion in long-term debt, but remains conservatively financed with a ratio of 0.5x net debt to EBITDA (see table below).

MHP's future is inextricably linked to the growth of global demand for capital, education and information – powerful trends with significant potential (see page 4). In a rapidly changing world, integrating content, technology, and distribution offers significant growth opportunities. With scale to create more operating leverage, MHP will continue to reshape its businesses by connecting content, digital assets, and talent to sustain a record of growth.

**FREE CASH FLOW**

Years ended December 31  
(dollars in thousands)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Cash provided by operating activities</b>	\$1,716,951	\$1,509,304	\$1,559,890	\$1,063,472	\$1,382,345	\$1,142,391	\$1,099,581	\$720,754	\$746,368	\$796,484	\$390,498
Investment in prepublication costs	(298,984)	(276,810)	(257,795)	(237,760)	(218,049)	(249,317)	(294,538)	(250,005)	(246,341)	(194,978)	(166,784)
Purchase of property and equipment	(229,609)	(126,593)	(120,232)	(139,003)	(114,984)	(70,019)	(116,895)	(97,721)	(154,324)	(178,889)	(78,724)
Additions to technology projects	(16,654)	(22,978)	(16,456)	(10,623)	(28,145)	(55,477)	(28,840)	(15,194)	(38,315)	(41,414)	(17,422)
Other adjustments, principally foreign exchange	16,567	2,831	(22,947)	10,019	14,115	13,817	(2,221)	(3,089)	(1,679)	(1,715)	(1,500)
Dividends paid to shareholders	(277,746)	(260,323)	(246,048)	(228,166)	(206,543)	(197,016)	(189,834)	(182,462)	(169,049)	(154,386)	(142,705)
Tax payment/(dividend) from divestitures (a, b, c)	–	–	–	172,000	(103,500)	–	–	–	–	–	150,000
<b>Free cash flow</b>	\$910,525	\$825,431	\$896,412	\$629,939	\$725,239	\$584,379	\$467,253	\$172,283	\$136,660	\$225,102	\$133,363

(a) 2004, \$172.0 million tax payment related to a 2003 gain from sale of real estate

(b) 2003, \$103.5 million dividend received from the sale of the Corporation's equity interest in real estate

(c) 1997, \$150.0 million tax payment related to the sale of Shepard's/McGraw-Hill in 1996

**NET DEBT TO EBITDA**

(dollars in millions)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Cash and equivalents	\$396.1	\$353.5	\$748.8	\$680.6	\$695.6	\$58.2	\$53.5	\$3.2	\$6.5	\$10.5	\$4.8
Total short-term and long-term debt	1,197.4	2.7	3.3	5.1	26.3	578.3	1,056.5	1,045.4	536.4	527.6	684.4
<b>Net debt/(cash)</b>	\$801.4	\$(350.8)	\$(745.5)	\$(675.5)	\$(669.2)	\$520.2	\$1,003.0	\$1,042.2	\$530.0	\$517.1	\$679.7
Net debt/EBITDA	0.5x	(0.2x)	(0.5x)	(0.5x)	(0.5x)	0.5x	1.3x	1.2x	0.7x	0.7x	1.1x

Note: EBITDA is net of investment in prepublication costs

**CASH RETURNED TO SHAREHOLDERS**

(dollars in millions, except S&P 500 dividend)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	10-year CAGR
MHP dividends paid	\$277.7	\$260.3	\$246.0	\$228.2	\$206.5	\$197.0	\$189.8	\$182.5	\$169.0	\$154.4	\$142.7	6.9%
MHP shares repurchased	2,212.7	1,540.1	677.7	409.4	216.4	183.1	176.5	167.6	173.8	105.6	79.9	39.4%
<b>Total</b>	\$2,490.4	\$1,800.4	\$923.7	\$637.6	\$422.9	\$380.1	\$366.3	\$350.1	\$342.8	\$260.0	\$222.6	27.3%
<i>MHP growth</i>	38.3%	94.9%	44.9%	50.8%	11.3%	3.8%	4.6%	2.1%	31.8%	16.8%	n/a	
S&P 500 dividend per share	\$27.73	\$24.88	\$22.22	\$19.44	\$17.38	\$16.07	\$15.74	\$16.27	\$16.69	\$16.20	\$15.49	6.0%
<i>S&amp;P 500 growth</i>	11.5%	12.0%	14.3%	11.9%	8.2%	2.1%	(3.3%)	(2.5%)	3.0%	4.6%	n/a	

Note: Shares repurchased are reported on a settlement-date basis