

# In the 2009/2010 MHP Investor Fact Book,

The McGraw-Hill Companies focuses on its long-term record of achievement, durable growth trends in key markets, and how new opportunities are being developed by integrating content, technology, and distribution. With the scale to create operating leverage, The McGraw-Hill Companies will continue to reshape its businesses by connecting content, digital assets, and talent to sustain a record of growth.

A strong balance sheet, solid free cash flow generation after dividends, and returning cash to shareholders are hallmarks of The McGraw-Hill Companies for more than a decade. Between 1998 and 2008, cash returned to shareholders through dividends and share repurchases has grown at a compound annual rate of 10.8% (see table below).

## Free Cash Flow

Years ended December 31  
(dollars in thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Cash provided by operating activities</b>	\$ 1,168,753	\$ 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
Investment in prepublication costs	(254,106)	(298,984)	(276,810)	(257,795)	(237,760)	(218,049)	(249,317)	(294,538)	(250,005)	(246,341)	(194,978)
Purchase of property and equipment	(105,978)	(229,609)	(126,593)	(120,232)	(139,003)	(114,984)	(70,019)	(116,895)	(97,721)	(154,324)	(178,889)
Additions to technology projects	(25,353)	(16,654)	(22,978)	(16,456)	(10,623)	(28,145)	(55,477)	(28,840)	(15,194)	(38,315)	(41,414)
Other adjustments, principally foreign exchange	(47,633)	16,567	2,831	(22,947)	10,019	14,115	13,817	(2,221)	(3,089)	(1,679)	(1,715)
Dividends paid to shareholders	(280,455)	(277,746)	(260,323)	(246,048)	(228,166)	(206,543)	(197,016)	(189,834)	(182,462)	(169,049)	(154,386)
Tax payment/(dividend) from divestitures (a,b)	—	—	—	—	172,000	(103,500)	—	—	—	—	—
<b>Free cash flow</b>	\$ 455,228	\$ 910,525	\$ 825,431	\$ 896,412	\$ 629,939	\$ 725,239	\$ 584,379	\$ 467,253	\$ 172,283	\$ 136,660	\$ 225,102

(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

## Net Debt to EBITDA

Years ended December 31  
(dollars in millions)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Cash and equivalents	\$ 471.7	\$ 396.1	\$ 353.5	\$ 748.8	\$ 680.6	\$ 695.6	\$ 58.2	\$ 53.5	\$ 3.2	\$ 6.5	\$ 10.5
Total short-term and long-term debt	1,267.6	1,197.4	2.7	3.3	5.1	26.3	578.3	1,056.5	1,045.4	536.4	527.6
<b>Net debt/(cash)</b>	\$ 795.9	\$ 801.4	\$(350.8)	\$(745.5)	\$(675.5)	\$ 669.2	\$ 520.2	\$ 1,003.0	\$ 1,042.2	\$ 530.0	\$ 517.1
Net debt/EBITDA	0.5x	0.5x	(0.2x)	(0.5x)	(0.5x)	0.5x	0.5x	1.3x	1.2x	0.7x	0.7x

Note: EBITDA is net of investment in prepublication costs

## Cash Returned to Shareholders

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	10-year CAGR
MHP dividends paid	\$ 280.5	\$ 277.7	\$ 260.3	\$ 246.0	\$ 228.2	\$ 206.5	\$ 197.0	\$ 189.8	\$ 182.5	\$ 169.0	\$ 154.4	6.2%
MHP shares repurchased	447.2	2,212.7	1,540.1	677.7	409.4	216.4	183.1	176.5	167.6	173.8	105.6	15.5%
<b>Total</b>	\$ 727.7	\$ 2,490.4	\$ 1,800.4	\$ 923.7	\$ 637.6	\$ 422.9	\$ 380.1	\$ 366.3	\$ 350.1	\$ 342.8	\$ 260.0	10.8%
<i>MHP growth</i>	(70.8%)	38.3%	94.9%	44.9%	50.8%	11.3%	3.8%	4.6%	2.1%	31.8%	16.8%	
S&P 500 dividend per share	\$ 28.39	\$ 27.73	\$ 24.88	\$ 22.22	\$ 19.44	\$ 17.38	\$ 16.07	\$ 15.74	\$ 16.27	\$ 16.69	\$ 16.20	5.8%
<i>S&amp;P 500 growth</i>	2.4%	11.5%	12.0%	14.3%	11.9%	8.2%	2.1%	(3.3%)	(2.5%)	3.0%	4.6%	

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