

# The McGraw-Hill Companies: Committed to Creating Shareholder Value

Maintaining a strong balance sheet, positioning the company for growth, and advancing shareholder value are key priorities for The McGraw-Hill Companies. In January 2010, the Board of Directors increased the dividend for the 37th consecutive year. Since 1974, McGraw-Hill's annual dividend has grown at an average compound rate of 9.9%. In the second quarter of 2010, the Corporation resumed share repurchases and bought 6.5 million shares for a total cost of \$186.9 million, leaving 10.6 million shares in the 2007 program authorized by the Board of Directors. Approximately \$9.7 billion has been returned to shareholders through dividends and stock buyback programs since 1996.

## Free Cash Flow

Years ended December 31  
(dollars in thousands)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Cash provided by operating activities</b>	<b>\$1,320,779</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
Investment in prepublication costs	(176,996)	(254,106)	(298,984)	(276,810)	(257,795)	(237,760)	(218,049)	(249,317)	(294,538)	(250,005)	(246,341)
Purchase of property and equipment	(68,526)	(105,978)	(229,609)	(126,593)	(120,232)	(139,003)	(114,984)	(70,019)	(116,895)	(97,721)	(154,324)
Additions to technology projects	(23,764)	(25,353)	(16,654)	(22,978)	(16,456)	(10,623)	(28,145)	(55,477)	(28,840)	(15,194)	(38,315)
<b>Free cash flow before dividends</b>	<b>\$1,051,493</b>	\$783,316	\$1,171,704	\$1,082,923	\$1,165,407	\$676,086	\$1,021,167	\$767,578	\$659,308	\$357,834	\$307,388
Dividends paid to shareholders	(281,553)	(280,455)	(277,746)	(260,323)	(246,048)	(228,166)	(206,543)	(197,016)	(189,834)	(182,462)	(169,049)
Tax payment/(dividend) from divestitures <sup>(a,b)</sup>	—	—	—	—	—	172,000	(103,500)	—	—	—	—
<b>Free cash flow after dividends</b>	<b>\$769,940</b>	\$502,861	\$893,958	\$822,600	\$919,359	\$619,920	\$711,124	\$570,562	\$469,474	\$175,372	\$138,339

(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)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Cash and equivalents	\$1,209.9	\$471.7	\$396.1	\$353.5	\$748.8	\$680.6	\$695.6	\$58.2	\$53.5	\$3.2	\$6.5
Total debt	1,197.8	1,267.6	1,197.4	2.7	3.3	5.1	26.3	578.3	1,056.5	1,045.4	536.4
Net debt/(cash)	\$ (12.1)	\$795.9	\$801.4	\$(350.8)	\$(745.5)	\$(675.5)	\$669.2	\$520.2	\$1,003.0	\$1,042.2	\$530.0
<b>Net debt/EBITDA</b>	<b>0.0x</b>	0.5x	0.5x	(0.2x)	(0.5x)	(0.5x)	0.5x	0.5x	1.3x	1.2x	0.7x

Note: EBITDA is net of investment in prepublication costs

## Cash Returned to Shareholders

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	10-year CAGR
MHP dividends paid	\$281.6	\$280.5	\$277.7	\$260.3	\$246.0	\$228.2	\$206.5	\$197.0	\$189.8	\$182.5	\$169.0	5.2%
MHP shares repurchased	0.0	447.2	2,212.7	1,540.1	677.7	409.4	216.4	183.1	176.5	167.6	173.8	N/M
<b>Total</b>	<b>\$281.6</b>	<b>\$727.7</b>	<b>\$2,490.4</b>	<b>\$1,800.4</b>	<b>\$923.7</b>	<b>\$637.6</b>	<b>\$422.9</b>	<b>\$380.1</b>	<b>\$366.3</b>	<b>\$350.1</b>	<b>\$342.8</b>	<b>(1.9%)</b>
<i>MHP growth</i>	<b>(61.3%)</b>	<b>(70.8%)</b>	<b>38.3%</b>	<b>94.9%</b>	<b>44.9%</b>	<b>50.8%</b>	<b>11.3%</b>	<b>3.8%</b>	<b>4.6%</b>	<b>2.1%</b>	<b>31.8%</b>	
S&P 500 dividend	\$22.41	\$28.39	\$27.73	\$24.88	\$22.22	\$19.44	\$17.38	\$16.07	\$15.74	\$16.27	\$16.69	3.0%
<i>S&amp;P 500 growth</i>	<b>(21.1%)</b>	<b>2.4%</b>	<b>11.5%</b>	<b>12.0%</b>	<b>14.3%</b>	<b>11.9%</b>	<b>8.2%</b>	<b>2.1%</b>	<b>(3.3%)</b>	<b>(2.5%)</b>	<b>3.0%</b>	

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

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