



Attention: Business/Financial Editors

Stock Symbol: **MHR**

**McGraw-Hill Ryerson Reports 2004 Annual Results –
Improvement in Earnings per Share
February 3, 2005 - Whitby, Ontario**

<u>Three Months to December 31, 2004</u> (\$000)	This Year	Year Ago
Sales, less returns	\$22,587	\$19,512
Other	<u>844</u>	<u>852</u>
Total revenue	\$23,431	\$20,364
Net Income	2,563	703
Net Income per share	\$ 1.28	\$ 0.35
<u>Twelve Months to December 31, 2004</u> (\$000)		
Sales, less returns	\$86,222	\$86,864
Other	<u>2,003</u>	<u>1,871</u>
Total revenue	\$88,225	\$88,735
Net Income	7,023	6,104
Net Income per share	\$ 3.52	\$ 3.06

Note: Financial information commences on page 3 of this press release.

Annual Results

For the fiscal year ended December 2004, McGraw-Hill Ryerson's net sales decreased 0.7% and net income increased 15%. The bottom line improvement was primarily the result of improved margins and reduced expenses.

McGraw-Hill Ryerson's Higher Education Division enjoyed another year of sales growth and gained market share. Sales grew by 2.1% to \$52.1 million, up from \$51.0 million last year. The School Division sales decreased to \$24.4 million, or 3.9% lower than the \$25.4 million in 2003. This resulted from Ontario School Boards' focus on purchasing core resources for elementary schools (as opposed to the High School market), where the Company does not have significant product offerings. Trade, Professional, and Medical sales declined 6.9% from 2003 sales of \$10.4 million to \$9.7 million, mainly the result of the Company terminating several agency relationships at the end of 2003 and the continued decline of the computer book market.

Total Operating Expenses, comprised of cost of product and royalties, decreased by 5.4% over prior year, which is related to the sales decline as well as stronger margins for both Canadian and imported product.

Strong expense controls and productivity improvements across many divisions of the Company resulted in a decrease in editorial, selling, general, and administrative expenses (a 0.6% decrease from \$30.7M in 2003 to \$30.5M in 2004). The Oracle ERP system, now fully implemented, has helped to produce these savings. These expenses as a percentage of sales are consistent with 2003 at 35.3%.

Improved margins, reduced expenses and a reduction in the effective tax rate all contributed to improved Net Income and EPS results despite difficult market conditions in two of our major market segments.

Q4 Results

Company-wide net sales were up \$3.0M, or 15.7% compared to prior year. Sales in the Higher Education Division were up \$2.7M or 21% compared to the fourth quarter last year, mainly the result of decreased customer returns. Total Operating Expenses, comprised of cost of product and royalties, increased 14.1%, in line with the revenue increase.

The significant revenue increase generated a Net Income increase of \$1.8 million compared to the final quarter of 2003.

The accompanying financial statements should be read in conjunction with the “Notes to Financial Statements” included in McGraw-Hill Ryerson’s Annual Report.

In business since 1944, McGraw-Hill Ryerson Limited is a leading Canadian publisher of educational resources, and information products and services for lifelong learning and enjoyment. Revenue in 2004 was \$88 million. Additional information is available at <http://www.mcgrawhill.ca>.

Gordon Dyer, Executive Vice President
and Chief Financial Officer
(905) 430-5032
<http://www.mcgrawhill.ca>

BALANCE SHEETS

(unaudited)

(In thousands of dollars)

As at December 31

	2004	2003
ASSETS		
Current		
Cash and cash equivalents	\$ 21,496	\$21,452
Accounts receivable [net of allowance for book returns Of \$6,820; [2003 - \$6,962]	17,231	14,991
Due from parent and affiliated companies	2,776	2,009
Inventories	11,543	11,483
Prepaid expenses and other	328	297
Future tax assets	2,411	2,461
Total current assets	55,785	52,693
Capital assets, net	19,733	20,673
Other assets, net	11,854	13,515
Total assets	\$87,372	\$86,881
LIABILITIES & SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued charges	\$7,409	\$ 7,298
Income taxes payable	453	1,708
Due to parent and affiliated companies	8,735	12,182
Total current liabilities	16,597	21,188
Future tax liabilities	942	1,475
Total liabilities	17,539	22,663
Shareholders' equity		
Share capital		
Authorized – 5,000,000 common shares		
Issued and outstanding – 1,996,638 common shares	1,997	1,997
Retained earnings	67,836	62,221
Total shareholders' equity	69,833	64,218
Total liabilities and shareholders' equity	\$87,372	\$86,881

STATEMENTS OF INCOME

(unaudited)

(In thousands of dollars except per share data)

For the year ended December 31	2004	2003
Revenue		
Sales, less returns	\$ 86,222	\$ 86,864
Other	2,003	1,871
Total revenue	88,225	88,735
Expenses		
Operating	38,859	41,058
Editorial, selling, general, and administrative	30,507	30,694
Amortization	8,339	8,184
Foreign exchange gain	(248)	(1,014)
Interest	—	87
Total operating expenses	77,457	79,009
Income before income taxes	10,768	9,726
Provision for/(recovery of) income taxes		
Current	4,228	4,000
Future	(483)	(378)
	3,745	3,622
Net income for the year	\$ 7,023	\$ 6,104
Retained earnings, beginning of year	\$ 62,221	\$ 57,405
Dividends paid to shareholders (\$0.705 per share; 2003—\$0.645 per share)	(1,408)	(1,288)
Retained earnings, end of year	\$ 67,836	\$ 62,221
Earnings per share		
Basic	\$ 3.52	\$ 3.06

Weighted average number of shares for basic and diluted earnings per share for 2004 and 2003 is 1,996,638.

STATEMENTS OF CASH FLOW

(unaudited)

(In thousands of dollars)

For the year ended December 31

	2004	2003
OPERATING ACTIVITIES		
Net income for the year	\$ 7,023	\$ 6,104
Add/deduct non cash items		
Amortization	8,339	8,184
Future income taxes	(483)	(378)
	14,879	13,910
Net change in non-cash working capital balances related to operations	(7,689)	(19)
Cash provided by operating activities	7,190	13,891
INVESTING ACTIVITIES		
Prepublication costs	(5,079)	(4,836)
Additions to capital assets	(659)	(436)
Cash used in investing activities	(5,738)	(5,272)
FINANCING ACTIVITIES		
Dividends paid to shareholders	(1,408)	(1,288)
Cash used in financing activities	(1,408)	(1,288)
Net increase in cash during period	44	7,331
Cash, beginning of year	21,452	14,121
Cash, end of year	21,496	21,452
Supplemental cash flow information		
Interest paid	\$ —	\$ 87
Income taxes paid	\$ 5,743	\$ 824