

Attention: Business/Financial Editors

Stock Symbol: **MHR**

McGraw-Hill Ryerson Reports Second Quarter Results
July 28, 2005 - Whitby, Ontario

<u>Three Months to June 30, 2005</u> (\$000)	This Year	Year Ago
Sales, less returns	\$17,002	\$16,181
Other	<u>412</u>	<u>394</u>
Total revenue	\$17,414	\$16,575
Net Income	719	153
Net Income per share	\$ 0.36	\$ 0.08
 <u>Six Months to June 30, 2005</u> (\$000)		
Sales, less returns	\$25,238	\$26,616
Other	<u>771</u>	<u>704</u>
Total revenue	\$26,009	\$27,320
Net Loss	(2,040)	(1,665)
Net Loss per share	\$ (1.02)	\$ (0.83)

Note: Financial information commences on page 4 of this press release.

Summary

Our revenues are typically more heavily weighted towards the second half of the year while expenses are more evenly distributed across the year. Historically, this combination usually results in a net loss in the first quarter, and a modest profit in the second quarter of each year. 2005 is no exception.

Three Months Ended June 30, 2005

Quarterly revenue of \$17.4 million represents a 5.1% increase compared to the prior year, as a result of sales increases in Higher Education division and Trade, Professional, and Medical division with a slight decrease in the School division for the quarter.

The Higher Education Division reported sales of \$7.8 million which is a slight increase over the prior year's \$7.5 million.

School Division reported sales of \$6.7 million, a 2.6% decrease from 2004. This decrease was expected in light of market conditions.

Trade, Professional, and Medical sales increased by \$0.7 million to \$2.3 million because of orders received for “Back to School” promotions. These orders were received in the second quarter in 2005 compared to the third quarter last year.

Operating expenses, comprising cost of product and royalties, increased to \$6.9 million from \$6.6 million in the prior year. This is a direct result of the revenue increase discussed above. Editorial, selling, general and administrative expenses decreased 1.4% to \$7.6 million from \$7.7 million in the second quarter last year. This decrease is a result of the Company’s focused effort on improving processes.

Amortization expense has decreased 17.1% because of a decrease in plant amortization. The School division has reduced its pre-publication spending over the past two years in response to reduced high school curriculum reform in several provinces.

Income before tax is \$1.2 million compared to \$0.3 million in the second quarter last year. This was the result of the sales increase and the overall expenses remaining consistent.

Six Months Ended June 30, 2005

Total revenue of \$26.0 million decreased by 4.8% compared to the prior year. This decrease is the combination of a decrease in the School division offset by an increase in the Trade, Professional, and Medical division.

The Higher Education division sales of \$11.4 million remained consistent with sales of \$11.4 million in the first half of 2004.

School division sales decreased 16.1% to \$9.3 million. A decrease was expected in view of the current emphasis on spending in the Elementary market, where the company has minimal product offerings.

Trade, Professional, and Medical sales increased by \$0.5 million to \$4.2 million, as a result of large “Back to School” orders received earlier in the year compared with 2004.

Operating expenses, comprised of cost of product and royalties, have remained consistent at \$11.2 million as revenue has remained fairly stable. Margins have decreased slightly as a result of the product mix sold in the first half of this year compared to last year.

For the first half of the year, editorial, selling, general and administrative expenses have decreased 2.7% from the prior year. This decrease reflects the Company’s focus on productivity improvements that have resulted in cost savings across many areas.

Total amortization expense decreased 16.8%, caused by a decrease in pre-publication amortization. This is a result of the decrease in investment in the Canadian publishing program in the School Division as a result of reduced high school curriculum reform in several provinces. Amortization of capital assets has decreased 13.9% in 2005 due to reduced capital investments over the past few years.

The Company incurs foreign exchange gains and losses throughout the year as a result of the volume of related-party transactions, most of which are denominated in U.S. dollars. The Company reported a \$0.2 million loss at the end of the second quarter. This compares with a \$0.1 million loss in the prior year. The Company continues to employ policies to minimize the impact of currency fluctuations.

Year to date loss before tax is \$3.3 million, compared to \$2.9 million last year. The majority of this increased loss is caused by the \$1.4 million decrease in sales compared to the prior year.

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

The comparative quarterly information has been reclassified from statements previously presented to conform to the presentation of the 2005 quarterly information.

Notice to Reader

The attached financial statements have been prepared by management of McGraw-Hill Ryerson Limited. The financial statements for the three and six month periods ended June 30, 2005 have not been reviewed by the auditors of McGraw-Hill Ryerson Limited.

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>.

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and Chief Financial Officer
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BALANCE SHEETS

(unaudited)

(In thousands of dollars)

As of	June 30, 2005	December 31, 2004	June 30, 2004
ASSETS			
Current			
Cash and cash equivalents	\$11,320	\$21,496	\$ 8,269
Accounts receivable	10,678	17,231	13,364
Due from affiliated companies	4,415	2,776	6,866
Inventories	13,550	11,543	13,844
Prepaid expenses and other assets	952	328	1,358
Income taxes recoverable	4,690	—	4,090
Future tax assets	1,250	2,411	1,181
Total current assets	46,855	55,785	48,972
Capital assets, net	19,188	19,733	20,019
Other assets, net	11,797	11,854	13,403
Total assets	\$77,840	\$87,372	\$82,394
LIABILITIES & SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued charges	\$6,999	\$ 7,409	\$ 10,764
Income taxes payable	—	453	—
Due to affiliated companies	2,719	8,735	8,326
Total current liabilities	9,718	16,597	19,090
Future tax liabilities	1,078	942	1,440
Total liabilities	10,796	17,539	20,530
Shareholders' Equity			
Share capital			
Authorized – 5,000,000 common shares			
Issued and outstanding – 1,996,638 common shares	1,997	1,997	1,997
Retained earnings	65,047	67,836	59,867
Total shareholders' equity	67,044	69,833	61,864
Total liabilities and shareholders' equity	\$77,840	\$87,372	\$82,394

STATEMENTS OF INCOME/(LOSS) AND RETAINED EARNINGS

(unaudited)

(In thousands of dollars except per share data)

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
		(restated-Note 1)		(restated-Note 1)
Revenue				
Sales less returns	\$17,002	\$ 16,181	\$25,238	\$ 26,616
Other	412	394	771	704
Total revenue	17,414	16,575	26,009	27,320
Expenses				
Operating	6,942	6,559	11,166	11,250
Editorial, selling, general, and administrative	7,622	7,731	15,148	15,565
Amortization	1,640	1,979	2,747	3,300
Exchange (gain) loss	38	(24)	228	111
Interest	—	6	—	7
Total operating expenses	16,242	16,251	29,289	30,233
Income/(loss) before income taxes	1,172	324	(3,280)	(2,913)
Provision for/(recovery of) income taxes				
Current	152	80	(2,642)	(2,494)
Future	301	91	1,402	1,246
	453	171	(1,240)	(1,248)
Net income/(loss) for the period	\$ 719	\$ 153	\$(2,040)	\$ (1,665)
Retained earnings, beginning of period	\$64,718	\$ 60,074	\$67,836	\$ 62,221
Dividends paid to shareholders to date (2005 - \$0.375 per share; 2004 - \$0.345 per share)	(390)	(360)	(749)	(689)
Retained earnings, end of period	\$65,047	\$ 59,867	\$65,047	\$ 59,867
Earnings (loss) per share				
Basic	\$ 0.36	\$ 0.08	\$ (1.02)	\$ (0.83)
Diluted	\$ 0.36	\$ 0.08	\$ (1.02)	\$ (0.83)

Weighted average number of shares for basic and diluted earnings (loss) per share for 2005 and 2004 is 1,996,638.

STATEMENTS OF CASH FLOW

(unaudited)

(In thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
OPERATING ACTIVITIES				
Net income/(loss) for the period	\$ 719	\$ 153	\$(2,040)	\$ (1,665)
Add/deduct non-cash items				
Amortization	1,640	1,979	2,747	3,300
Future income taxes	320	91	1,297	1,246
Net change in non-cash working capital balances related to operations	(6,203)	(2,968)	(9,286)	(12,841)
Cash used in operating activities	(3,524)	(745)	(7,282)	(9,960)
INVESTING ACTIVITIES				
Prepublication costs	(1,088)	(1,172)	(1,982)	(2,365)
Additions to capital assets	(145)	(44)	(163)	(169)
Cash used in investing activities	(1,233)	(1,216)	(2,145)	(2,534)
FINANCING ACTIVITIES				
Dividends paid to shareholders	(390)	(360)	(749)	(689)
Cash used in financing activities	(390)	(360)	(749)	(689)
Net decrease in cash during period	(5,147)	(2,321)	(10,176)	(13,183)
Cash and cash equivalents, beginning of period	16,467	10,590	21,496	21,452
Cash and cash equivalents, end of period	11,320	8,269	11,320	8,269
Supplemental cash flow information				
Interest paid	\$ —	\$ 1	\$ —	\$ 7
Income taxes paid	\$1,406	\$1,095	\$2,502	\$ 3,550