

Attention: Business/Financial Editors

Stock Symbol: **MHR**

McGraw-Hill Ryerson Reports Third Quarter Results and Announces Retirement of John Dill, President and CEO

October 27, 2005 - Whitby, Ontario

<u>Three Months to September 30, 2005</u> (\$000)	This Year	Year Ago
Sales, less returns	\$37,155	\$37,779
Other	<u>596</u>	<u>455</u>
Total revenue	\$37,751	\$38,234
Net Income	6,317	6,124
Net Income per share	\$ 3.16	\$ 3.07

Nine Months to September 30, 2005 (\$000)

Sales, less returns	\$62,393	\$64,395
Other	<u>1,367</u>	<u>1,159</u>
Total revenue	\$63,760	\$65,554
Net Income	4,277	4,460
Net Income per share	\$ 2.14	2.23

Summary

In the third quarter of each year McGraw-Hill Ryerson's revenues exceed the total of the first two quarters combined. This trend continued in 2005, with the Company reporting revenue down slightly from prior year, but improved bottom line results.

Three Months Ended September 30, 2005

Total revenue of \$37.7 million was a 1.3% decrease compared to prior year. Increased sales in Higher Education were offset by lower results in the School Division and Trade, Professional and Medical.

The Higher Education Division reported sales of \$26.1 million which is a 4.0% increase compared to prior year's \$25.1 million. This increase is the result of a successful sales quarter for our Business and Economics titles.

School Division reported sales of \$8.3 million, a 13.5% decrease from 2004. This decrease was expected, and is caused by a stronger emphasis in several provinces on Kindergarten-Grade 8 core subjects, where McGraw-Hill Ryerson has few product offerings.

Trade, Professional, and Medical sales of \$2.4 million is lower than prior year by \$0.2 million, caused by several customers placing large orders in the second quarter this year, as compared to the third quarter in the prior year.

Operating expenses, comprised of cost of product and royalties decreased 4.6% to \$17.0 million from \$17.9 million in the prior year. This is a result of the revenue decrease discussed above as well as the product mix being sold.

Editorial, selling, general and administrative expenses decreased 5.8% to \$7.5 million from \$8.0 million in the third quarter last year. The decrease is the result of strong expense controls throughout the Company as well as increased income from our distribution contract with Cheneliere/McGraw-Hill.

Income before tax is \$10.1 million compared to \$9.5 million in the third quarter last year, mainly the result of lower expenses in the current year.

Nine Months Ended September 30, 2005

Total revenue of \$63.8 million is a 2.7% decrease compared to prior year.

The Higher Education division sales of \$37.5 million exceeded prior year sales by 2.5%. The improvement is the result of increased sales in the Business and Economics subject areas.

School division sales decreased 14.9% to \$17.7 million. A larger proportion of industry-wide spending is now focused on the elementary market where the Company has minimal product offerings.

Trade, Professional, and Medical sales increased by \$0.3 million to \$6.6 million, as a result of strong sales results for several Medical titles.

Operating expenses, comprised of cost of product and royalties, have decreased 3.1% to \$28.2 million which is consistent with the decrease in revenue. Margins have remained consistent with the prior year's results.

For the first nine months of the year, editorial, selling, general and administrative expenses have decreased 3.8% from the prior year. This decrease reflects strong results from the Company's distribution contract with Cheneliere/McGraw-Hill as well as the Company's focus on productivity and process improvements.

Year to date income before tax is \$6.8 million, compared to \$6.6 million last year. The majority of this increase is caused by the reduction in editorial, selling, general and administrative expenses.

Other News

McGraw-Hill Ryerson's Board of Directors also announced that John D. Dill, 63, president and CEO, will retire from his position effective Dec. 31, 2005. "John's leadership and achievements have contributed to McGraw-Hill Ryerson's significant growth in the last decade," said H. Ian Macdonald, chairman of McGraw-

Hill Ryerson's board. "McGraw-Hill Ryerson will continue to build on its solid performance by developing the exceptional products and services that meet the growing information needs of the Canadian marketplace." Dill joined McGraw-Hill Ryerson in 1993 after seven years as president of John Wiley & Sons Canada. Prior to Wiley, he was at Holt, Rinehart and Winston of Canada where he was president of the School Division and vice president of the College Division. A committee appointed by the board is conducting a search for Dill's successor.

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>.

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

Gordon Dyer, Executive Vice President
and Chief Financial Officer
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McGRAW-HILL RYERSON LIMITED

BALANCE SHEETS

(In thousands of dollars)

As of
(unaudited)

	September 30, 2005	December 31, 2004	September 30, 2004
ASSETS			
Current			
Cash and cash equivalents	\$15,507	\$21,496	10,486
Accounts receivable	27,598	17,231	26,358
Due from affiliated companies	1,999	2,776	2,942
Inventories	10,531	11,543	13,109
Prepaid expenses and other assets	632	328	488
Income taxes recoverable	138	—	—
Future tax assets	2,485	2,411	2,505
Total current assets	58,890	55,785	55,888
Capital assets, net	18,914	19,733	19,874
Other assets, net	10,062	11,854	12,126
Total assets	\$87,866	\$87,372	\$87,888
LIABILITIES & SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued charges	\$ 7,140	\$ 7,409	\$7,083
Income taxes payable	—	453	93
Due to affiliated companies	7,290	8,735	12,173
Total current liabilities	14,430	16,597	19,349
Future tax liabilities	464	942	909
Total liabilities	14,894	17,539	20,258
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	70,975	67,836	65,633
Total shareholders' equity	72,972	69,833	67,630
Total liabilities and shareholders' equity	\$87,866	\$87,372	\$87,888

McGRAW-HILL RYERSON LIMITED

STATEMENTS OF INCOME AND RETAINED EARNINGS

(unaudited)

(In thousands of dollars except per share data)

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
Revenue				
Sales, less returns	\$ 37,155	\$ 37,779	\$ 62,393	\$ 64,395
Other	596	455	1,367	1,159
Total revenue	37,751	38,234	63,760	65,554
Expenses				
Operating	17,038	17,856	28,204	29,104
Editorial, selling, general, and administrative	7,525	7,991	22,673	23,556
Amortization	3,334	3,196	6,081	6,496
Exchange (gain)/loss	(199)	(305)	29	(194)
Interest	—	—	—	7
Total operating expenses	27,698	28,738	56,987	58,969
Income before income taxes	10,053	9,496	6,773	6,585
Provision for/(recovery of) income taxes				
Current	5,586	5,227	2,944	2,734
Future	(1,850)	(1,855)	(448)	(609)
	3,736	3,372	2,496	2,125
Net income for the period	\$ 6,317	\$ 6,124	\$ 4,277	\$ 4,460
Retained earnings, beginning of period	\$ 65,047	\$ 59,868	\$ 67,836	\$ 62,221
Dividends declared to shareholders to date (\$0.57 per share; 2004 - \$0.525 per share)	(389)	(359)	(1,138)	(1,048)
Retained earnings, end of period	\$ 70,975	\$ 65,633	\$ 70,975	\$ 65,633

Earnings per share

Basic	\$ 3.16	\$ 3.07	\$ 2.14	\$ 2.23
Diluted	\$ 3.16	\$ 3.07	\$ 2.14	\$ 2.23

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

McGRAW-HILL RYERSON LIMITED**STATEMENTS OF CASH FLOW**

(unaudited)

(In thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
OPERATING ACTIVITIES				
Net income for the period	\$ 6,317	\$ 6,124	\$ 4,277	\$ 4,460
Add/deduct charges to income not affecting cash:				
Amortization	3,334	3,196	6,081	6,496
Future income taxes	(1,849)	(1,855)	(552)	(609)
Net change in non-cash working capital balances related to operations	(1,901)	(3,116)	(11,187)	(15,958)
Cash provided by (used in) operating activities	5,901	4,349	(1,381)	(5,611)
INVESTING ACTIVITIES				
Prepublication costs	(1,250)	(1,525)	(3,232)	(3,890)
Capital assets	(75)	(248)	(238)	(417)
Cash used in investing activities	(1,325)	(1,773)	(3,470)	(4,307)
FINANCING ACTIVITIES				
Dividends paid to shareholders	(389)	(359)	(1,138)	(1,048)
Cash used in financing activities	(389)	(359)	(1,138)	(1,048)
Net increase/(decrease) in cash during period	4,187	2,217	(5,989)	(10,966)
Cash and cash equivalents, beginning of period	11,320	8,269	21,496	21,452
Cash and cash equivalents, end of period	15,507	10,486	15,507	10,486
Supplemental cash flow information				
Interest paid	\$ —	\$ —	\$ —	\$ 7
Income taxes refund	\$ (87)	\$ —	\$ (87)	\$ —

Income taxes paid

\$ 994

\$ 1,096

\$ 3,496

\$ 4,646
