



Attention: Business/Financial Editors

Stock Symbol: **MHR**

McGraw-Hill Ryerson Reports First Quarter Results

April 27, 2006 - Whitby, Ontario

<u>Three Months to March 31, 2006</u> (\$000)	This Year	Year Ago
Sales, net	\$12,276	\$ 8,236
Other	<u>415</u>	<u>359</u>
Total revenue	\$12,691	\$ 8,595
Net Loss	(1,239)	(2,759)
Net Loss per share	\$ (0.62)	\$ (1.38)

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

Summary

The first quarter of each fiscal year generally represents a small proportion (less than 15%) of McGraw-Hill Ryerson's total annual revenue. McGraw-Hill Ryerson typically reports a loss for the first quarter because of the seasonal nature of our sales results and the first quarter of 2006 is no exception. In 2006, the first quarter results are very positive compared to the prior year.

Revenue

Total revenue for the first quarter significantly increased by 47.7% to \$12.7 million in 2006 compared to \$8.6 million in 2005. Each of our three divisions is reporting a sales increase compared to prior year.

The Higher Education Division reported an increase of 11.7% over 2005 with sales of \$4.0 million in 2006. The first quarter is very minor for this division, who have reported annual sales in excess of \$50 million for each of the past three years.

School Division sales are \$5.9 million compared to \$2.7 million in 2005, a 117.9% increase. These results are caused by additional one-time funding by the Ontario and British Columbia governments to purchase textbooks. Ministries of Education and School Boards in these provinces had to spend these funds by March 31, 2006.

Sales in the Professional division increased by 9.1% in 2006 to \$2.0 million, up from \$1.8 million in the prior year. This is mainly the result of an increase in sales to national accounts. This Division is reporting a very strong market response to several key titles, including *A Thousand Barrels a Second* and *Chasing Daylight*.

Expenses

Operating expenses have increased to \$5.3 million, a \$1.0 million or 24.5% increase over 2005. These expenses consist of cost of product and royalty expenses which are both directly related to sales results.

Editorial, selling, general and administrative expenses have increased to \$8.4 million from \$7.5 million. This 11.2% increase is primarily the result of two factors: 1) the discontinuation of the Company's warehousing contract with Les Editions de la Cheneliere ("DLC") at the end of 2005, which had offset expenses, and 2) additional investment in sales and marketing costs to attract the additional government funding in the School Division.

Net Income/Loss

The sales increase in the first quarter had a positive impact on the bottom line. The Company's net loss of \$1,239 is a significant improvement compared to last year's loss of \$2,759.

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

Notice to Reader

The attached financial statements have been prepared by management of McGraw-Hill Ryerson Limited. The financial statements for the three month period ended March 31, 2006 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 2005 was \$88 million. Additional information is available at <http://www.mcgrawhill.ca>.

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and Chief Financial Officer
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McGRAW-HILL RYERSON LIMITED

BALANCE SHEETS

(unaudited)

(In Thousands of Dollars)

As of	March 31, 2006	December 31, 2005	March 31, 2005
ASSETS			
Current			
Cash	\$ 21,163	\$ 27,206	\$ 16,467
Accounts receivable	6,233	17,503	3,341
Due from affiliated companies	5,978	2,638	5,252
Inventories	12,534	8,006	14,218
Prepaid expenses and other assets	1,112	407	1,081
Income taxes receivable	3,370	190	3,626
Future tax assets	1,438	2,535	1,589
Total current assets	51,828	58,485	45,574
Capital assets, net	18,447	18,716	19,396
Other assets, net	11,546	10,483	11,996
Total assets	\$ 81,821	\$ 87,684	\$ 76,966
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued charges	7,727	9,966	5,842
Due to parent and affiliated companies	3,942	6,181	3,312
Total current liabilities	11,669	16,147	9,154
Future tax liabilities	641	398	1,097
Total liabilities	12,310	16,545	10,251
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	67,514	69,142	64,718
Total shareholders' equity	69,511	71,139	66,715
Total liabilities and shareholders' equity	\$ 81,821	\$ 87,684	\$ 76,966

STATEMENTS OF INCOME

(unaudited)

(In Thousands of Dollars except per share data)
For the three months ended

	March 31, 2006	March 31, 2005
REVENUE		
Sales, less returns	\$ 12,276	\$ 8,236
Other	415	359
Total revenue	12,691	8,595
EXPENSES		
Operating	5,258	4,224
Editorial, selling, general and administrative	8,369	7,526
Amortization	1,042	1,107
Exchange loss (gain)	(5)	190
Total operating expenses	14,664	13,047
Loss before income taxes	(1,973)	(4,452)
Provision for/(recovery of) income taxes		
Current	(1,910)	(2,794)
Future	1,176	1,101
	(734)	(1,693)
Net loss for the period	\$ (1,239)	\$ (2,759)
Retained earnings, beginning of period	69,142	67,836
Dividends paid to shareholders (\$0.195 per share; 2004 - \$0.18 per share)	(389)	(359)
Retained earnings, end of period	\$ 67,514	\$ 64,718
Loss per share		
Basic	\$ (0.62)	\$ (1.38)
Diluted	\$ (0.62)	\$ (1.38)

Weighted average number of shares for basic and diluted earnings per share for 2006 and 2005 is 1,996,638.

STATEMENTS OF CASH FLOWS

(unaudited)

(In Thousands of Dollars)

For the three months ended

	March 31, 2006	March 31, 2005
OPERATING ACTIVITIES		
Net loss for the period	\$ (1,239)	\$ (2,759)
Add/deduct charges to income not affecting cash:		
Amortization	1,042	1,107
Future income taxes	1,340	977
Net change in non-cash working capital balances related to operations	(4,961)	(3,083)
Cash used in operating activities	\$ (3,818)	\$ (3,758)
INVESTING ACTIVITIES		
Prepublication costs	(1,771)	(894)
Capital assets	(65)	(18)
Cash used in investing activities	(1,836)	(912)
FINANCING ACTIVITIES		
Dividends paid to shareholders	(389)	(359)
Cash used in financing activities	(389)	(359)
Net decrease in cash during period	(6,043)	(5,029)
Cash, beginning of period	27,206	21,496
Cash, end of period	\$ 21,163	\$ 16,467
Supplemental cash flow information		
Interest paid	\$ —	\$ —
Income taxes paid	\$ 1,105	\$ 1,096