

Attention: Business/Financial Editors

Stock Symbol: **MHR**

**McGraw-Hill Ryerson Reports 2009 Annual Results**  
**February 5, 2010 - Whitby, Ontario**

<b><u>Three Months to December 31, 2009</u> (\$000)</b> (unaudited)	<b>This Year</b>	<b>Year Ago</b>
Sales, less returns	\$22,167	\$23,769
Other	<u>1,014</u>	<u>1,495</u>
<b>Total revenue</b>	<b>\$23,181</b>	<b>\$25,264</b>
<b>Net Income</b>	<b>3,644</b>	3,459
<b>Net Income per share</b>	<b>\$ 1.83</b>	\$ 1.73
<b><u>Twelve Months to December 31, 2009</u> (\$000)</b> (unaudited)		
Sales, less returns	\$85,818	\$91,485
Other	<u>2,191</u>	<u>3,065</u>
<b>Total revenue</b>	<b>\$88,009</b>	<b>\$94,550</b>
<b>Net Income</b>	<b>9,296</b>	10,502
<b>Net Income per share</b>	<b>\$ 4.66</b>	\$ 5.26

**Annual Results**

The Company's total revenue decreased 6.9% in 2009, with revenue of \$88.0 million, compared to \$94.6 million in 2008.

In the Company's Higher Education Division, sales of both imported U.S. titles and locally published titles increased in 2009, leading to an overall sales increase of 3% compared to 2008. The Division continued its growth in the digital marketplace with the launch of *McGraw-Hill Connect™*, the next-generation online study tool. The School Division's sales decreased by 20% compared to the previous year. This decrease was distributed equally across our Canadian publishing program and our imported products, where imprints include Glencoe/McGraw-Hill, SRA, and TWG. The decline in revenue from the Canadian publishing program is a function of several factors including: non-repeating 2008 sole-source contracts, ramp-down in spending in science in British Columbia compared to prior years (the new curriculum is now implemented) and, industry-wide sales declines, a function of cutbacks in education budgets in many provinces. McGraw-Hill Ryerson's Professional Division sales declined by 7% in 2009, primarily the result of an agency termination in 2008 as well as a reduction in the number of key US publications.

Cost of product and royalties (referred to as "Operating Expenses" in prior years), decreased to \$35.0 million in 2009, from \$37.6 million in 2008. This 6.8% decrease is consistent with the sales decline.

Editorial, selling, general, and administrative expenses decreased 6.7% to \$30.8 million in 2009, from \$33.0 million in 2008. This decrease is mainly the result of a \$1.0 million reduction in bonuses and sales commissions, a reduction of travel and entertainment expenses of \$0.3 million, as well as a reduction in headcount-related costs. These expenses as a percentage of sales decreased slightly to 35.9% from 36.1%.

Amortization of pre-publication costs increased 13.5% to \$7.0 million from \$6.2 million in the prior year, as a result of the continuing investment in the Canadian publishing program in the Higher Education and School Divisions in recent years. Capital asset amortization decreased to \$1.1 million in 2009 compared to \$1.3 million in 2008 as a result of the minimal amount of capital investment required in recent years.

Cash and cash equivalents as of December 31, 2009 decreased to \$35.9 million from \$43.2 million in 2008, mainly driven by the \$14.0 million special dividend payment made in early 2009.

#### Q4 Results

The Company's sales are cyclical during the year, based on the education industry's school terms for the School and Higher Education Divisions. As a result, the Company earns a significant amount of its total sales in the third and fourth quarters of each year.

In the fourth quarter of 2009, total revenue decreased 6.7% compared to the prior year, caused by decreased sales in the Higher Education and School divisions. Higher Education sales decreased to \$16.0 million from \$16.8 million partially driven by a decline in sales of imported products. School Division sales decreased \$0.7 million compared to the fourth quarter of 2008 to \$3.5 million. Professional sales remained consistent at \$2.6 million. Net income increased by \$0.2 million, mainly driven by reduced editorial, general, selling and administrative expenses.

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 2009 was \$88 million. Additional information is available at <http://www.mcgrawhill.ca>.*

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## BALANCE SHEETS

[in thousands of dollars]

As at December 31

	2009 \$ (unaudited)	2008 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	35,878	43,180
Marketable securities	821	676
Accounts receivable [net of allowance for sales returns of \$6,974; 2008 - \$6,986]	11,319	14,285
Due from parent and affiliated companies [note 2]	2,564	1,827
Inventories [note 4]	6,052	7,082
Prepaid expenses and other	318	296
Income taxes receivable	2,368	—
Future tax assets [note 7]	2,117	2,263
<b>Total current assets</b>	<b>61,437</b>	<b>69,609</b>
Capital assets, net [note 5]	15,182	16,048
Other assets, net [note 6]	19,411	16,540
Future tax assets [note 7]	—	623
	<b>96,030</b>	<b>102,820</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued charges	9,862	10,721
Dividends payable	—	13,976
Income taxes payable	—	359
Due to parent and affiliated companies [note 2]	5,998	5,669
<b>Total current liabilities</b>	<b>15,860</b>	<b>30,725</b>
Employee future benefits [note 8]	2,038	2,026
Future tax liabilities	774	—
<b>Total liabilities</b>	<b>18,672</b>	<b>32,751</b>
Commitments [note 9]		
<b>Shareholders' equity</b>		
Share capital		
Authorized 5,000,000 common shares		
Issued and outstanding 1,996,638 common shares	1,997	1,997
Retained earnings	75,361	68,072
<b>Total shareholders' equity</b>	<b>77,358</b>	<b>70,069</b>
	<b>96,030</b>	<b>102,820</b>

**McGraw-Hill Ryerson Limited****STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS**

[in thousands of dollars except per share data]

Years ended December 31

	2009 \$ (unaudited)	2008 \$
<b>REVENUE</b>		
Sales, less returns	85,818	91,485
Other	2,191	3,065
	<b>88,009</b>	<b>94,550</b>
<b>EXPENSES</b>		
Cost of product and royalties <i>[notes 2 and 4]</i>	35,062	37,613
Editorial, selling, general and administrative <i>[note 3]</i>	30,816	33,030
Amortization – prepublication costs	7,045	6,206
Amortization – capital assets	1,129	1,349
Employee future benefits <i>[note 8]</i>	115	99
Foreign exchange loss	239	345
	<b>74,406</b>	<b>78,642</b>
Income before income taxes	<b>13,603</b>	<b>15,908</b>
Provision for income taxes <i>[note 7]</i>		
Current	2,764	5,320
Future	1,543	86
	<b>4,307</b>	<b>5,406</b>
<b>Net income and comprehensive income for the year</b>	<b>9,296</b>	<b>10,502</b>
Retained earnings, beginning of year	68,072	73,433
Dividends paid and payable to shareholders [\$1.005 per share; 2008 - \$7.945 per share]	(2,007)	(15,863)
<b>Retained earnings, end of year</b>	<b>75,361</b>	<b>68,072</b>
<b>Earnings per share</b>		
Basic	<b>\$4.66</b>	\$5.26
Diluted	<b>\$4.66</b>	\$5.26

**STATEMENTS OF CASH FLOWS**

[in thousands of dollars]

Years ended December 31

	2009 \$ (unaudited)	2008 \$
<b>OPERATING ACTIVITIES</b>		
Net income for the year	9,296	10,502
Add (deduct) non-cash items		
Amortization – prepublication costs	7,045	6,206
Amortization – capital assets	1,129	1,349
Employee future benefits	12	43
Future income taxes	1,543	86
	<b>19,025</b>	18,186
Net change in non-cash working capital balances related to operations <i>[note 12]</i>	<b>(341)</b>	381
<b>Cash provided by operating activities</b>	<b>18,684</b>	18,567
<b>INVESTING ACTIVITIES</b>		
Marketable securities (increase) decrease	<b>(145)</b>	120
Pre-publication costs	<b>(9,595)</b>	(8,320)
Additions to capital assets	<b>(263)</b>	(150)
<b>Cash used in investing activities</b>	<b>(10,003)</b>	(8,350)
<b>FINANCING ACTIVITIES</b>		
Dividends paid to shareholders	<b>(15,983)</b>	(1,887)
<b>Cash used in financing activities</b>	<b>(15,983)</b>	(1,887)
<b>Net increase (decrease) in cash during the year</b>	<b>(7,302)</b>	8,330
Cash and cash equivalents, beginning of year	<b>43,180</b>	34,850
<b>Cash and cash equivalents, end of year</b>	<b>35,878</b>	43,180