



The McGraw-Hill Companies

2001 INVESTOR  
FACT  
BOOK

**Table of Contents**

<b>Introduction</b>	1
<b>Safe Harbor</b>	1
<b>The McGraw-Hill Companies Segments at a Glance</b>	2-3
<b>Eleven-Year Financial Trends</b>	4-5
<b>Eleven-Year Key Ratios</b>	6-7
<b>Segment Information</b>	
Eleven-Year Operating Revenue	8
Eleven-Year Operating Profit	9
Eleven-Year Segment Trends	10-11
Three-Year Quarterly Operating Revenue and Profit	12-13
<b>Eleven-Year Cash Flow Data</b>	14-15
<b>EBITDA by Segment, Total Company</b>	16
<b>Acquisitions and Divestitures (1990 – 2000)</b>	17
<b>Digital Asset Strategy</b>	
Steadily Increase Functionality of Content for Added Value	18-19
Use the Internet to Maximize Our Reach	20
Develop Online Marketplaces	21
Create New Ways to Monetize Communities, Improve Productivity, and Reduce Costs	22-23
Embed McGraw-Hill Solutions at Our Customers and in Their Products	24-25
<b>Expanding Globally</b>	
International Operations by Region	26
Foreign Source Revenue by Segment	27
<b>McGraw-Hill Education</b>	
The Value of Education	28
Elementary/High School Industry Sales Information	29
Elementary School Adoption Schedule	30
Secondary School Adoption Schedule	31
Elementary/High School Enrollments, Adoption States, Open Territories	32
Testing: CTB/McGraw-Hill	33
Higher Education	34
Professional	35
International	36
<b>Financial Services</b>	
Standard & Poor's Credit Market Services	37
Global Expansion	38
Eurobond, Yankee Bond Issuance (1995 – 2000)	39
U.S. Bond Market New Issue Volume (1995 – 2000)	40
Structured Finance	41
Non-Traditional Ratings	42
Standard & Poor's Information Services	43
Key Business Drivers	44
New Product Development	45
Index Services	46-47
Exchange-Traded Fund Expansion	48
Fee-Generating Portfolios	49
<b>Information and Media Services</b>	
<i>BusinessWeek</i>	50
<i>BusinessWeek</i> Online	51
<i>Aviation Week's</i> AviationNow.com	52
construction.com	53
Platts.com	54
<b>Common Stock Dividend and Stock Split History (1937 – 2000)</b>	55
<b>Share Purchase Program History (1987 – 2000)</b>	55
<b>Stock Price and Volume History (1990 – 2000)</b>	56

**Principal Executives**

**Harold McGraw III**

*Chairman, President and Chief Executive Officer*

**Corporate**

**Robert J. Bahash**  
*Executive Vice President and Chief Financial Officer*

**Barbara B. Maddock**  
*Executive Vice President Organizational Effectiveness*

**John D. Negroponte**  
*Executive Vice President Global Markets*

**Kenneth M. Vittor**  
*Executive Vice President and General Counsel*

**Peter Watkins**  
*Executive Vice President and Chief Technology Officer*

**Glenn S. Goldberg**  
*Senior Vice President, Corporate Affairs Assistant to the Chairman and CEO*

**Operations**

**Robert E. Evanson**  
*President McGraw-Hill Education*

**Scott C. Marden**  
*President Information and Media Services*

**Leo C. O'Neill**  
*President Financial Services*

**The McGraw-Hill Companies**

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June, 2001

**Building on a Record of Growth**

Earnings at The McGraw-Hill Companies since 1994 have grown at a compound rate of 15.4%. To sustain growth, MHP has developed a portfolio of businesses in education, financial services, and information and media that will benefit from worldwide opportunities for many years.

In the 2001 edition of the Investor Fact Book, you will find information about key trends in MHP’s three vital market-places, fundamental data about corporate and segment performance, and measures of financial strength.

In Education, The McGraw-Hill Companies has produced a strong growth record in a consolidating market. We will benefit from increasing enrollments around the world, the recognition that education is key to growth in the knowledge economy, and the use of English as the international language of commerce and the Internet. (See pages 28-36.)

In Financial Services, where there are global opportunities to serve investors, issuers, and intermediaries, we have built Standard & Poor’s into the biggest, fastest growing, most diverse ratings business in the world. Creator of the S&P 500 stock price index, Standard & Poor’s is also the world leader in providing index-based products and services for investors. The combination of an aging population in Europe and Japan and underfunded pension systems will create greater demand for better returns and more information on stocks and mutual funds – long-standing offerings of Standard & Poor’s. (See pages 37-49.)

In Information and Media Services, we have transformed *BusinessWeek* into a global franchise and used technology to create proprietary, value-added information and facilitation services in three major markets where we are the leader. These are aviation, construction, and energy. (See pages 50-54.)

**“Safe Harbor” Statement Under the Private Securities Litigation Reform Act of 1995**

Portions of this document contain certain forward-looking statements about the company’s business, new products, sales, expenses, cash flows, and operating and capital requirements. Such forward-looking statements include, but are not limited to: future paper, printing and distribution prices; pay merit increase rates; Educational Publishing’s level of success in 2001 adoptions and enrollment and demographic trends, the level of educational funding; the strength of higher education, professional, and international publishing markets and the impact of technology on them; the strength of profit levels and the capital markets in the U.S. and abroad with respect to Standard & Poor’s Credit Market Services; the level of success of new product development and global expansion and strength of domestic and international markets at Standard & Poor’s Information Services; *BusinessWeek*’s success in expansion into international markets; the strength of the domestic and international advertising markets; the volatility of the energy marketplace; the strength of the pharmaceutical marketplace; the contract

The rise of the digital economy is creating new opportunities to grow revenue and reduce costs. The McGraw-Hill Companies is ideally suited to leverage brands and products through technology and the Internet. Virtually all of our products are now digital as we find new ways to organize and deliver information. (See pages 18-25.)

As The McGraw-Hill Companies has invested in technology and global expansion, it has maintained a strong financial position. (See pages 2-16; 26-27.) And, as the following table shows, the rating agencies have consistently given the Corporation’s long-term notes and commercial paper the highest available single A rating.

**MHP Ratings History**

**Long-Term Notes**

	2000	1999	1998	1997	1996
<b>Moody’s</b>	A1	A1	A1	A1	A1
<b>DCR</b>	A+	A+	A+	A+	A+
<b>S&amp;P</b>	NA*	NA*	NA*	NA*	NA*

\* S&P does not rate The McGraw-Hill Companies’ Long-Term Notes.

**Commercial Paper Ratings**

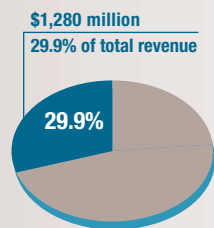
	2000	1999	1998	1997	1996
<b>Moody’s</b>	P1	P1	P1	P1	P1
<b>DCR</b>	D1	D1	D1	D1	D1
<b>S&amp;P</b>	A1	A1	A1	A1	A1

value of public works, manufacturing, and single family unit construction; Broadcasting’s level of political advertising and the cost of syndicated programming; and the level of future cash flow, debt levels, capital expenditures, and prepublication cost investment.

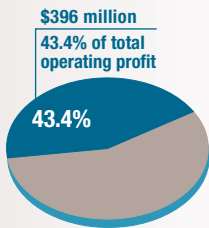
Actual results may differ materially from those in any forward-looking statements because any such statements involve risks and uncertainties and are subject to change based upon various important factors, including, but not limited to, worldwide economic, financial, and political conditions (including the lack of a serious economic downturn in the U.S. and global economy), currency and foreign exchange volatility, the health of capital and equity markets, continued strength in advertising, continued strength and funding in the education markets (both domestically and internationally), continued strength in advertising, continued investment by the construction, computer and aviation industry, the successful marketing of new products, and the effect of competitive products and pricing.

**Financial Services**

**2000 Revenue**



**2000 Operating Profit**



**Operating Revenue, Operating Profit and Operating Margin**  
(restated)

(dollars in millions)	2000	1999	1998
Revenue	\$1,280	\$1,225	\$1,088
Profit	\$ 396	\$ 370	\$ 356
Profit Margin	30.9%	30.2%	32.7%

**Standard & Poor's**

**Credit Market Services**

- Corporate & Government
- Structured Finance
- Risk Solutions
- E-business Services

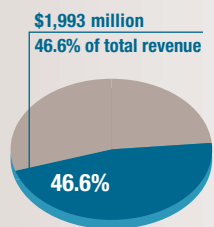
**Information Services**

- Institutional Market Services
- Retail Market Services
- Fund Services
- Portfolio Services

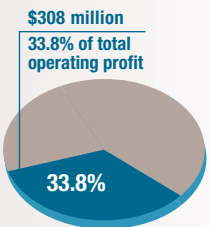
*Key Markets:* Global financial markets. Customers include debt issuers, investors, intermediaries, corporations, government agencies, financial institutions, portfolio managers, brokers, fund managers, and securities and foreign exchange traders.

**McGraw-Hill Education**

**2000 Revenue**



**2000 Operating Profit**



**Operating Revenue, Operating Profit and Operating Margin**  
(restated)

(dollars in millions)	2000	1999	1998
Revenue	\$1,993	\$1,735	\$1,620
Profit	\$ 308	\$ 274	\$ 202
Profit Margin	15.4%	15.8%	12.5%

**School Education Group**

**CTB/McGraw-Hill, Educators' Professional Development/McGraw-Hill, Glencoe/McGraw-Hill, Macmillan/McGraw-Hill, McGraw-Hill Children's Publishing, McGraw-Hill Digital Learning, SRA/McGraw-Hill, Wright Group/McGraw-Hill**

*Key Markets:* U.S. markets for elementary, secondary, testing, supplemental, vocational and post-secondary fields.

**Higher Education, Professional and International Group**

**McGraw-Hill Higher Education**

McGraw-Hill/Irwin; McGraw-Hill Science, Engineering & Mathematics; McGraw-Hill Humanities, Social Sciences & World Languages; McGraw-Hill/Dushkin; McGraw-Hill/ Primis Custom Publishing; McGraw-Hill Contemporary

*Key Markets:* International college, university and post-graduate fields/markets and ESOL.

**McGraw-Hill Professional**

Business/General Reference; Scientific, Technical & Medical; McGraw-Hill/Osborne Media Group

**McGraw-Hill Lifetime Learning**

Xebec McGraw-Hill

*Key Markets:* Global markets in engineering, science, medicine, health care, computer technology, business, government and general reference publishing. Global training markets.

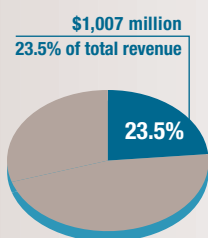
**McGraw-Hill International**

McGraw-Hill Latin America, Europe, Asia, Australia/New Zealand, McGraw-Hill Ryerson (Canada), Tata/McGraw-Hill (India)

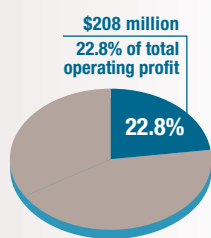
*Key Markets:* International education, business and professional markets.

## Information and Media Services

### 2000 Revenue <sup>(a)</sup>



### 2000 Operating Profit <sup>(a,b)</sup>



### Operating Revenue, Operating Profit and Operating Margin <sup>(a,b)</sup> (restated)

(dollars in millions)	2000	1999	1998
Revenue	\$1,007	\$1,032	\$1,017
Profit	\$ 208	\$ 180	\$ 127
Profit Margin	20.7%	17.4%	12.5%

### Business-to-Business Group

**B-to-B hubs:** BusinessWeek.com, AviationNow.com, construction.com, Platts.com

#### BusinessWeek Group

*BusinessWeek* magazine, *BusinessWeek International*, *BusinessWeek Online*

#### Aviation Week Group

*AviationNow.com*, *Aviation Week & Space Technology*, *A/C Flyer*, *Business & Commercial Aviation*, *World Aviation Directory*, *O&M Magazine*

#### McGraw-Hill Construction Information Group

*construction.com*, F.W. Dodge, Sweet's, *Architectural Record*, *Engineering News-Record*, *Design-Build*

#### Platts Group

*Platts.com*, Natural Gas Information Services, Electric Power Information Services, Nuclear Power Information Services, Coal Information Services, Utility Data Institute, Energy Magazines (*Energy IT*, *Electrical World T&D*, *Power*, *Global Energy Business*)

#### Healthcare Information Group

*Hospital Practice*, *The Physician and Sportsmedicine*, *Postgraduate Medicine*, *Healthcare Informatics*, *e.MD*, *Your Patient & Fitness*

*Key Markets:* Global business and financial professionals, investors, advertisers and consumers worldwide. Professionals and corporate executives in aviation, construction, energy, and healthcare.

### Broadcasting Group

#### ABC affiliates:

KMGH-TV (Denver), KGTV (San Diego), KERO-TV (Bakersfield), WRTV (Indianapolis)

*Key Markets:* Television audiences in Denver, Colorado; Indianapolis, Indiana; San Diego and Bakersfield, California.

Note: 2000 results reflect the adoption of SEC-mandated Staff Accounting Bulletin No. 101 – Revenue Recognition in Financial Statements

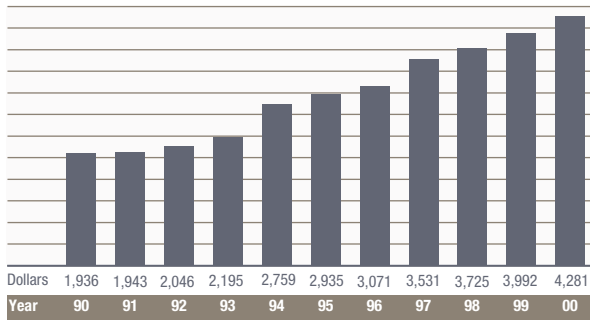
(a) 1998 and 1999 figures were restated to reflect the accounting change from a cash basis to an accrual basis for units whose principal revenue source is advertising

(b) Reflects a one-time gain on the sale of Tower Group International. Excluding this item, the operating margin was 19%

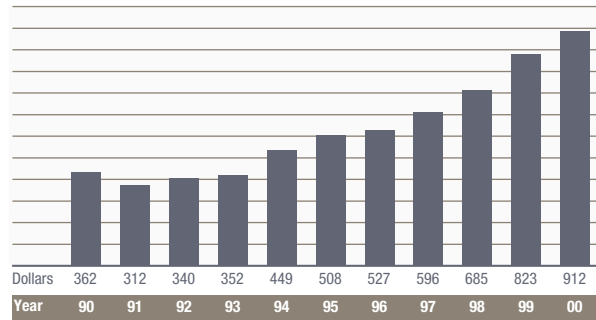
# ELEVEN-YEAR FINANCIAL TRENDS (restated)

(in millions, except per share data)

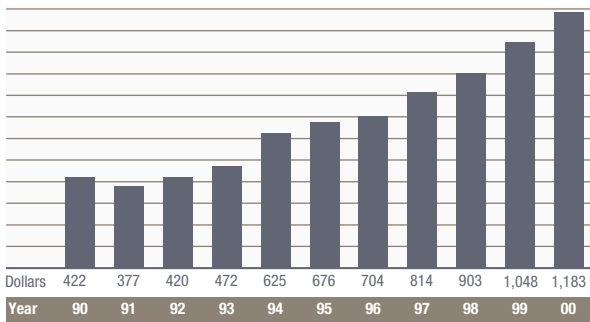
## Operating Revenues



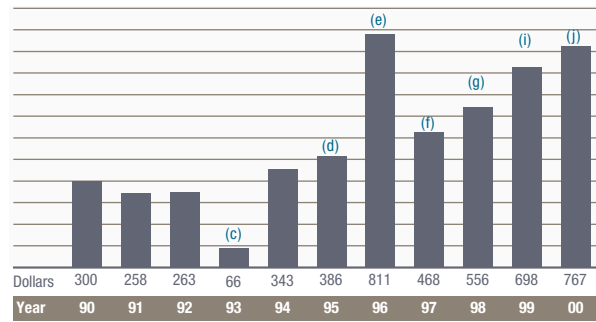
## Operating Profits (a)



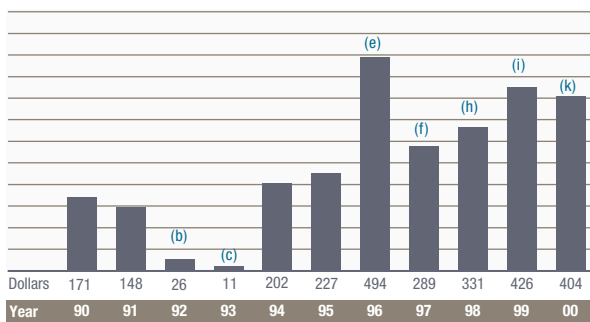
## Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)



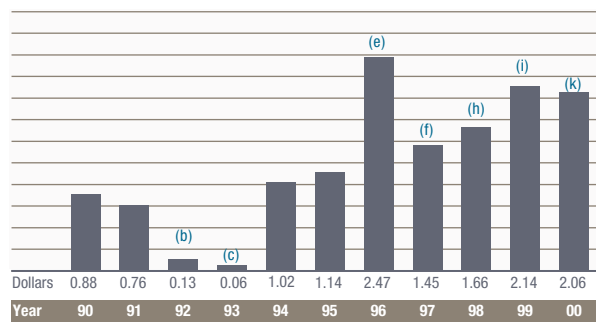
## Income Before Taxes



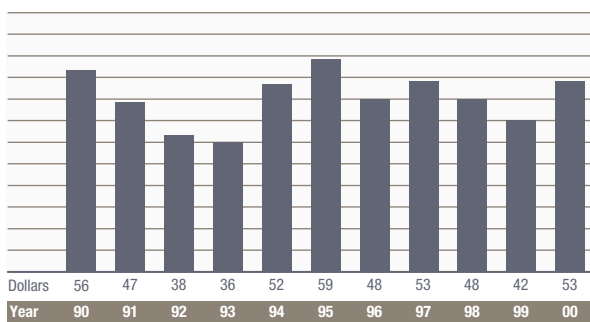
## Net Income



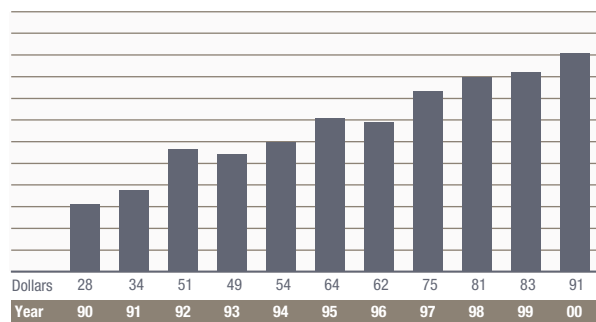
## Diluted Earnings per Share (k)



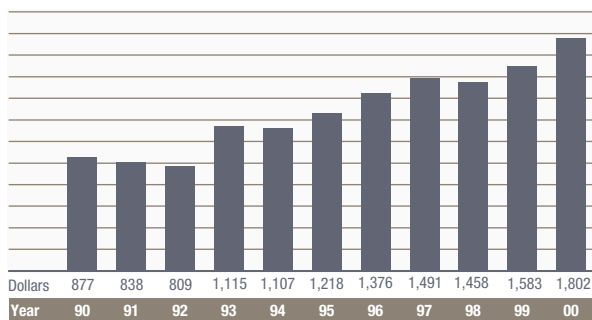
## Interest Expense (net)



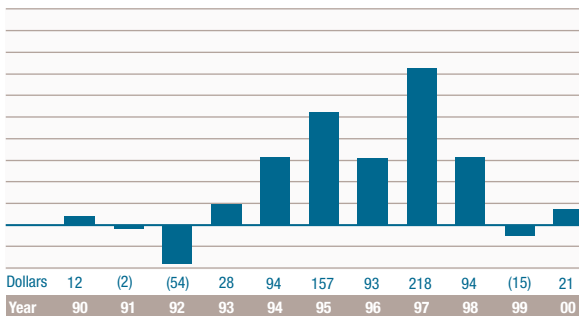
## General Corporate Expense (b)



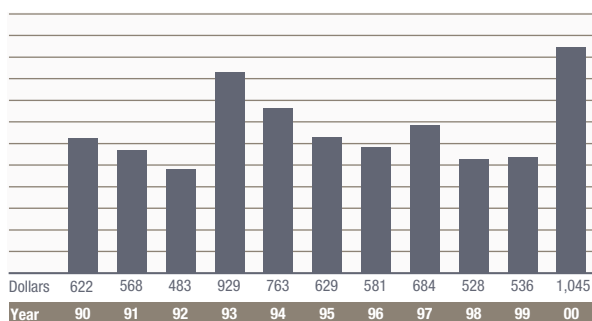
## Current Assets



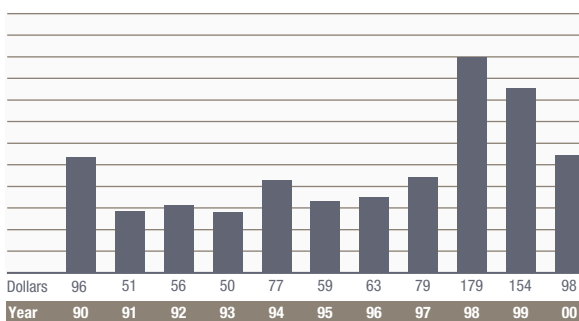
## Working Capital



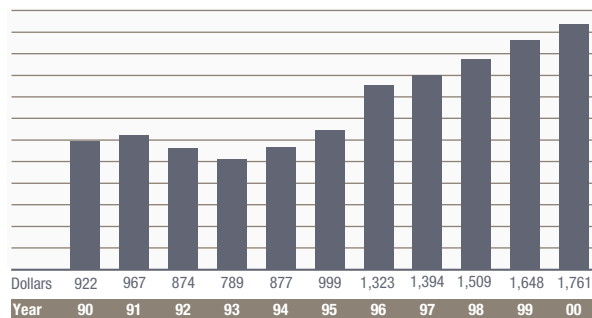
## Total Debt



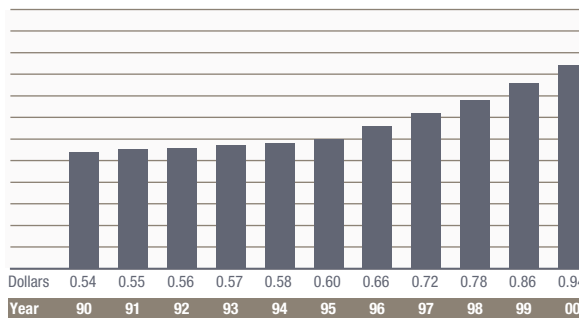
## Purchases of Property and Equipment



## Shareholders' Equity



## Dividends per Share of Common Stock <sup>(1)</sup>



Note: All figures were restated to reflect the adoption of SEC-mandated Staff Accounting Bulletin No. 101 – Revenue Recognition in Financial Statements

(a) Operating profit from 1990-1993 excludes the company's 50% share of Macmillan/McGraw-Hill joint venture

(b) Includes the cumulative effect on prior years of changes in accounting of \$124.6 million or \$0.64 per diluted share; income before the cumulative adjustment was \$151 million or \$0.77 per diluted share

(c) Includes unusual charges in connection with the acquisition of the additional 50% interest in Macmillan/McGraw-Hill of \$220 million (\$160.8 million after taxes, or \$0.82 per diluted share)

(d) Income before taxes reflects a \$26.8 million provision for best practice initiatives and a \$23.8 million gain on the sale of the topical publishing division of Shepard's/McGraw-Hill

(e) Includes a gain on the exchange of Shepard's/McGraw-Hill for the Times Mirror Higher Education Group of \$418.7 million (\$260.5 million after taxes, or \$1.30 per diluted share) and a one-time charge of \$25 million (\$14.9 million after taxes, or \$0.07 per diluted share) for costs of integrating the company's College Division with the acquired higher education business

(f) Includes a provision of \$33.2 million (\$19.9 million after taxes, or \$0.10 per diluted share) for real estate write-downs for the consolidation of office

space in New York City; also includes a gain on the sale of Datapro Information Services of \$20.4 million (\$20.2 million after taxes, or \$0.10 per diluted share)

(g) Includes a \$26.7 million gain (\$16.3 million after taxes, or \$0.08 per diluted share) on the sale of an office building and a \$16 million provision (\$9.8 million after taxes, or \$0.05 per diluted share) for the write-down of assets at the Continuing Education Center

(h) Includes the impact of an extraordinary loss of \$8.7 million (\$5.6 million after taxes, or \$0.04 per diluted share) on the early extinguishment of debt and the items in (i)

(i) Includes a \$39.7 million gain on the sale of the Petrochemical publications

(j) Includes a \$16.6 million gain on sale of Tower Group International

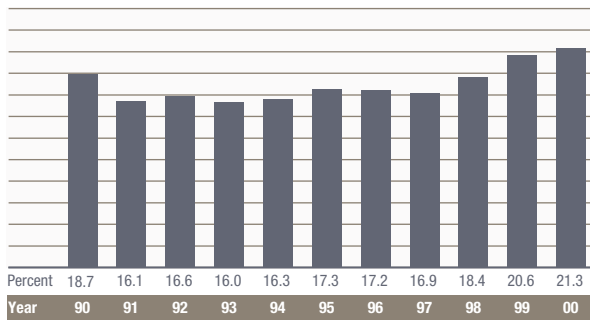
(k) Includes the cumulative effect on prior years of changes in accounting of \$68.1 million or \$0.35 per diluted share; income before the cumulative adjustment was \$472 million or \$2.41 per diluted share

(l) All per share data reflects the 2-for-1 stock split declared by the company's Board of Directors on January 27, 1999. All prior periods have been restated to reflect the split

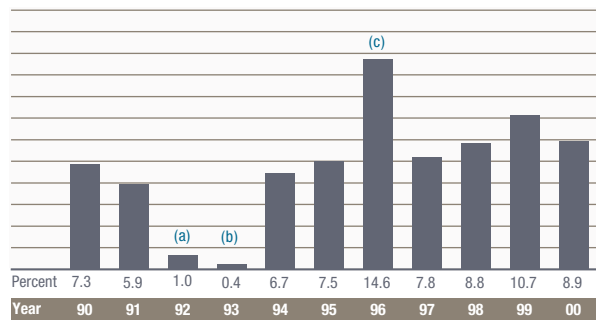
# ELEVEN-YEAR KEY RATIOS (restated)

(percentages, except Asset Turnover)

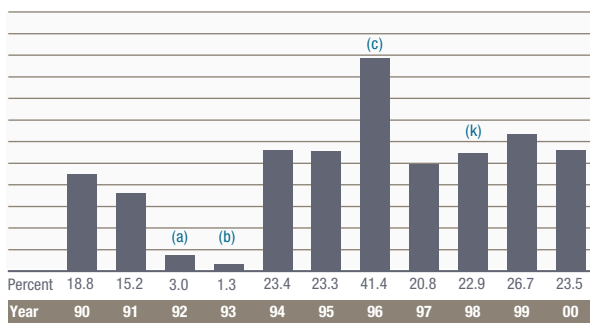
## Operating Profit Margin



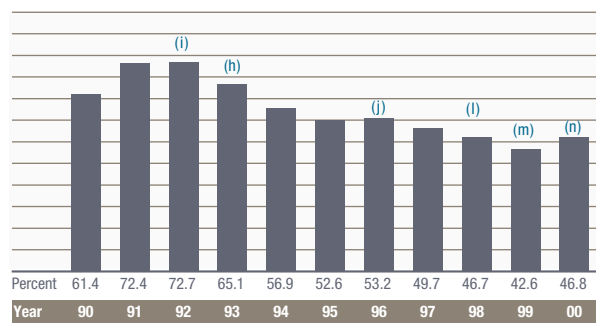
## Return on Average Assets



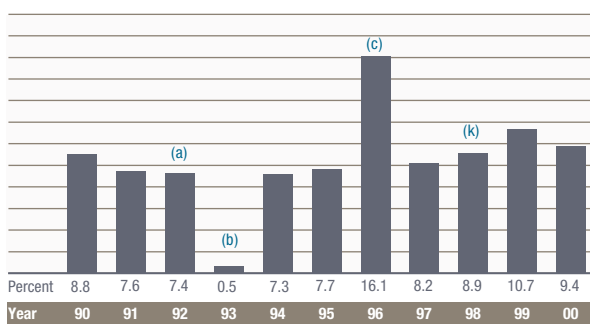
## Return on Average Shareholders' Equity



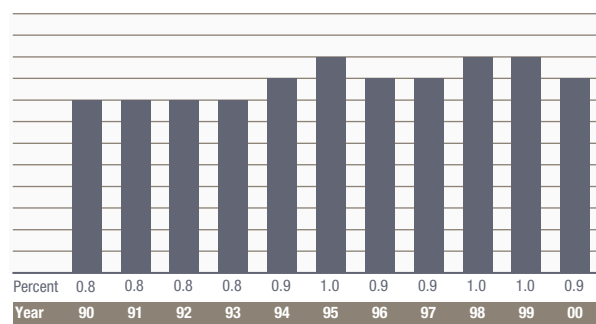
## Dividend Payout (as a percentage of current year's earnings)



## Net Income Margin

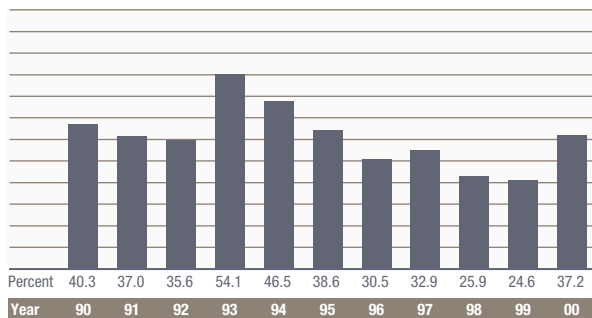


## Asset Turnover

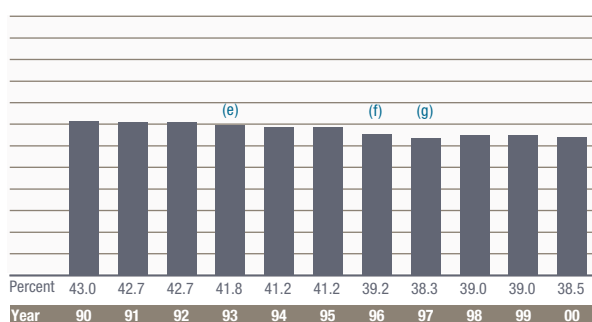




## Total Debt to Capitalization



## Tax Rate <sup>(d)</sup>



Note: All figures were restated to reflect the adoption of SEC-mandated Staff Accounting Bulletin No. 101 – Revenue Recognition in Financial Statements

- (a) For 1992, net income margin, return on average shareholders' equity, and return on average assets is based on income before cumulative adjustments and on average shareholders' equity after reflecting the cumulative adjustment in the beginning balance. After the cumulative adjustment, net income margin was 1.4% and the return on average assets was 1.2%
- (b) Excluding unusual charges, the net income margin was 7.8%, the return on equity was 18.2%, and the return on average assets was 6.2%
- (c) Excluding the gain on the exchange of Shepard's/McGraw-Hill and the one-time integration charge, the net income margin was 8.1%, the return on equity was 23.3%, and the return on average assets was 7.5%
- (d) The Federal statutory tax rate was 35% in 1993 through 1997 and 34% in 1990 through 1992
- (e) 1993 reflects the tax rate excluding unusual charges related to the acquisition of the additional 50% interest in Macmillan/McGraw-Hill
- (f) Excluding the gain on the exchange and one-time integration charge, the rate for 1996 was 40.6%
- (g) Excluding the gain on the sale of Datapro Information Services, the rate for 1997 was 40%
- (h) Excludes unusual charges in 1993 in connection with the acquisition of the additional 50% interest in Macmillan/McGraw-Hill
- (i) Excludes cumulative effect on prior years of changes in accounting
- (j) Excludes gain on exchange and one-time integration charge
- (k) Excluding the gain on the sale of an office building, the extraordinary loss on the early extinguishment of debt, and the write-down at Continuing Education Center, the net income margin was 9.0% and the return on equity was 22.4%
- (l) Excludes the gain on the sale of an office building, the write-down at Continuing Education Center, and the extraordinary loss from the early extinguishment of debt
- (m) Excludes the gain on the sale of Petrochemical publications
- (n) Excludes the gain on the sale of Tower Group International

## OPERATING REVENUE BY SEGMENT (restated)

### Operating Revenue by Segment (restated)

(in thousands)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
<b>McGraw-Hill</b>											
<b>Education</b>	\$1,993,189	\$1,734,922	\$1,620,343	\$1,573,797	\$1,277,895	\$1,235,578	\$1,162,157	\$667,444	\$567,363	\$532,438	\$534,724
% increase (decrease)	14.9%	7.1%	3.0%	23.2%	3.4%	6.3%	74.1%	17.6%	6.6%	(0.4%)	10.6%
% of total	46.6%	43.5%	43.5%	44.6%	41.6%	42.1%	42.1%	30.4%	27.7%	27.4%	27.6%
<b>Financial Services</b>											
	\$1,280,349	\$1,224,605	\$1,087,817	\$921,135	\$802,280	\$736,788	\$699,436	\$651,601	\$573,864	\$515,218	\$470,689
% increase (decrease)	4.6%	12.6%	18.1%	14.8%	8.9%	5.3%	7.3%	13.5%	11.4%	9.5%	17.4%
% of total	29.9%	30.7%	29.2%	26.1%	26.1%	25.1%	25.4%	29.7%	28.0%	26.5%	24.3%
<b>Information &amp; Media</b>											
<b>Services</b>	\$1,007,430	\$1,032,158	\$1,016,811	\$1,035,834	\$990,924	\$962,379	\$896,960	\$876,098	\$905,184	\$895,327	\$930,399
% increase (decrease)	(2.4%)	1.5%	(1.8%)	4.5%	3.0%	7.3%	2.4%	(3.2%)	1.1%	(3.8%)	2.9%
% of total	23.5%	25.8%	27.3%	29.3%	32.3%	32.8%	32.5%	39.9%	44.2%	46.1%	48.1%
<b>Total operating</b>											
<b>revenue</b>	\$4,280,968	\$3,991,685	\$3,724,971	\$3,530,766	\$3,071,099	\$2,934,745	\$2,758,553	\$2,195,143	\$2,046,411	\$1,942,983	\$1,935,812
% increase (decrease)	7.2%	7.2%	5.5%	15.0%	4.6%	6.4%	25.7%	7.3%	5.3%	0.4%	8.2%

Note: All figures were restated to reflect the adoption of SEC-mandated Staff Accounting Bulletin No. 101 – Revenue Recognition in Financial Statements.

## OPERATING PROFIT BY SEGMENT (restated)

### Operating Profit by Segment (restated)

(in thousands, except per share data)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
<b>McGraw-Hill Education</b>	\$307,712	\$273,667	\$202,076	\$187,722	\$151,921	\$162,604	\$125,765	\$49,374	\$62,746	\$48,928	\$70,196
% increase (decrease)	12.4%	35.4%	7.6%	23.6%	(6.6%)	29.3%	154.7%	(21.3%)	28.2%	(30.3%)	59.1%
% of total	33.8%	33.3%	29.5%	31.5%	28.8%	32.0%	28.0%	14.0%	18.4%	15.7%	19.4%
<b>Financial Services</b>	\$395,509	\$369,740	\$355,869	\$256,078	\$243,889	\$215,320	\$202,757	\$186,148	\$155,186	\$131,683	\$115,796
% increase (decrease)	7.0%	3.9%	39.0%	5.0%	13.3%	6.2%	8.9%	20.0%	17.8%	13.7%	48.3%
% of total	43.4%	44.9%	52.0%	43.0%	46.3%	42.4%	45.2%	52.8%	45.6%	42.2%	32.0%
<b>Information &amp; Media Services</b>	\$208,342	\$179,548	\$126,949	\$152,021	\$131,397	\$130,145	\$120,482	\$116,751	\$122,326	\$131,586	\$176,165
% increase (decrease)	16.0%	41.4%	(16.5%)	15.7%	1.0%	8.0%	3.2%	(4.6%)	(7.0%)	(25.3%)	(11.6%)
% of total	22.8%	21.8%	18.5%	25.5%	24.9%	25.6%	26.8%	33.1%	36.0%	42.1%	48.6%
<b>Total operating profit</b>	\$911,563	\$822,955	\$684,894	\$595,821	\$527,207	\$508,069	\$449,004	\$352,273	\$340,258	\$312,197	\$362,157
% increase (decrease)	10.8%	20.2%	14.9%	13.0%	3.8%	13.2%	27.5%	3.5%	9.0%	(13.8%)	12.7%
<b>Share of profit of Macmillan/McGraw-Hill School Publishing Company</b>	—	—	—	—	—	—	—	28,376	11,280	27,483	21,601
<b>Unusual charges</b>	—	—	—	—	(25,000)	—	—	(229,800)	—	—	—
<b>Gain on exchange of Shepard's/McGraw-Hill</b>	—	—	—	—	418,731	—	—	—	—	—	—
<b>General corporate (expense)/income</b>	(91,380)	(83,280)	(80,685)	(75,342)	(62,073)	(63,570)	(54,134)	(48,538)	(50,774)	(34,415)	(28,370)
<b>Interest (expense)/income – net</b>	(52,841)	(42,013)	(47,961)	(52,542)	(47,656)	(58,766)	(51,746)	(36,342)	(37,557)	(46,987)	(55,627)
<b>Income before taxes on income</b> <sup>(b, c, d, e)</sup>	767,342	697,662	556,248	467,937	811,209	385,733	343,124	65,969	263,207	258,278	299,761
<b>Provision for taxes on income</b>	295,426	272,088	216,937	179,238	317,665	158,922	141,367	54,582	112,390	110,285	128,897
<b>Income before extraordinary item and cumulative adjustment</b>	471,916	425,574	339,311	288,699	493,544	226,811	201,757	11,387	150,817	147,993	170,864
<b>Early extinguishment of debt, net of tax</b>	—	—	(8,716)	—	—	—	—	—	—	—	—
<b>Cumulative effect on prior years of changes in accounting</b>	(68,122)	—	—	—	—	—	—	—	(124,587)	—	—
<b>Net income</b>	\$403,794	\$425,574	\$330,595	\$288,699	\$493,544	\$226,811	\$201,757	\$11,387	\$26,230	\$147,993	\$170,864
<b>Earnings per share</b>											
Basic	\$2.08 <sup>(a)</sup>	\$2.17	\$1.68	1.46	\$2.48 <sup>(f)</sup>	\$1.14	\$1.02	\$0.06 <sup>(g)</sup>	\$0.13 <sup>(h)</sup>	\$0.76	\$0.88
Diluted	\$2.06 <sup>(a)</sup>	\$2.14	\$1.66	1.45	\$2.47 <sup>(f)</sup>	\$1.14	\$1.02	\$0.06 <sup>(g)</sup>	\$0.13 <sup>(h)</sup>	\$0.76	\$0.88

Note: All figures were restated to reflect the adoption of SEC-mandated Staff Accounting Bulletin No. 101 – Revenue Recognition in Financial Statements

(a) Excluding the cumulative effect on prior years of a change in accounting, basic and diluted earnings per share was \$2.43 and \$2.41, respectively

(b) 2000 income before taxes on income reflects a \$16.6 million gain on the sale of Tower Group International

(c) 1999 income before taxes on income reflects a \$39.7 million gain on the sale of the Petrochemical publications

(d) 1998 reflects a \$26.7 million gain on the sale of building and a \$16.0 million charge at Continuing Education Center for the write-down of assets due to a continuing decline in enrollments

(e) 1997 reflects a \$33.2 million provision for the consolidation of office space in New York City and a \$20.4 million gain on sale of Datapro Information Services

(f) Excluding the gain on the exchange of Shepard's/McGraw-Hill and the one-time integration charge, diluted earnings per share were \$1.25

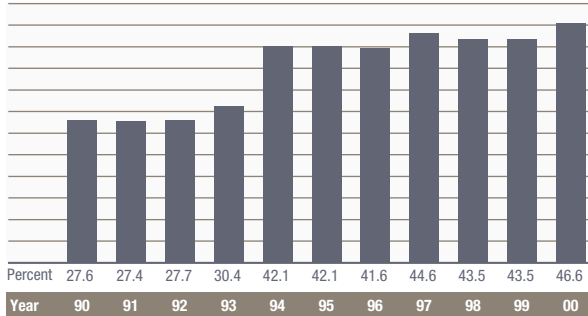
(g) 1993 includes effect of unusual charges in connection with the acquisition of the additional 50% interest in Macmillan/McGraw-Hill of \$0.82

(h) Excluding the cumulative effect on prior years of changes in accounting, earnings per share was \$0.79

**McGraw-Hill Education**

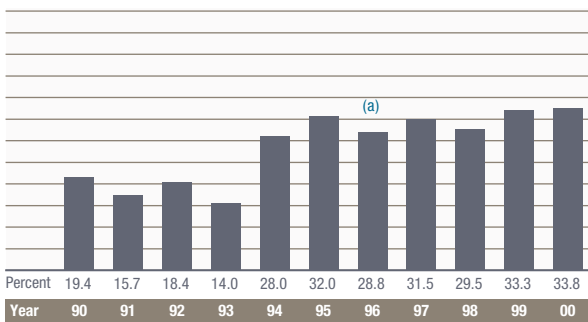
**Percent of Total Operating Revenue**

McGraw-Hill Education



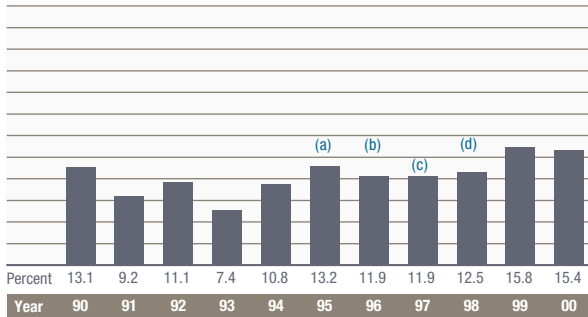
**Percent of Total Operating Profit**

McGraw-Hill Education



**Operating Profit Margin**

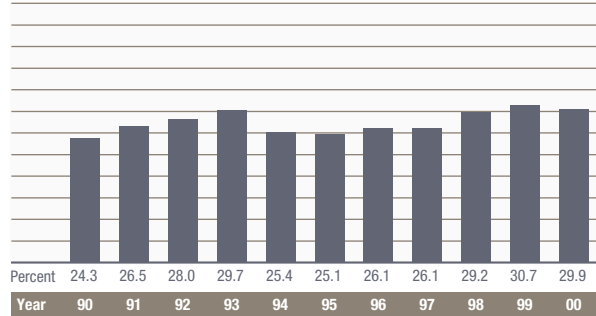
McGraw-Hill Education



**Financial Services**

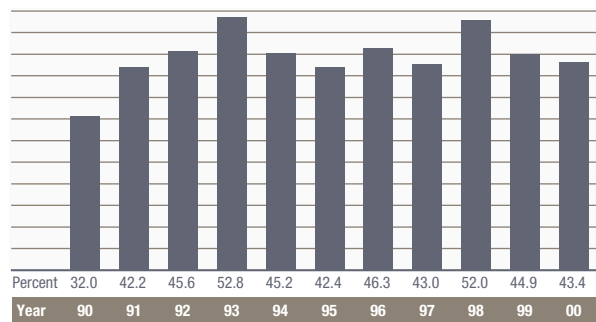
**Percent of Total Operating Revenue**

Financial Services



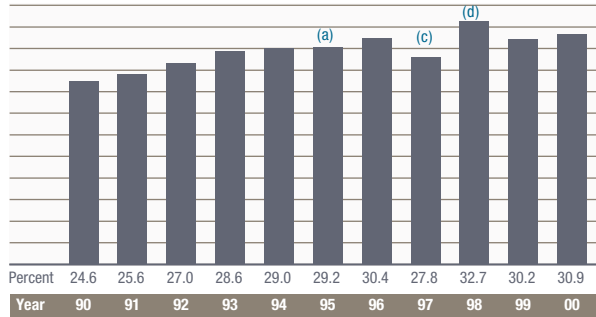
**Percent of Total Operating Profit**

Financial Services



**Operating Profit Margin**

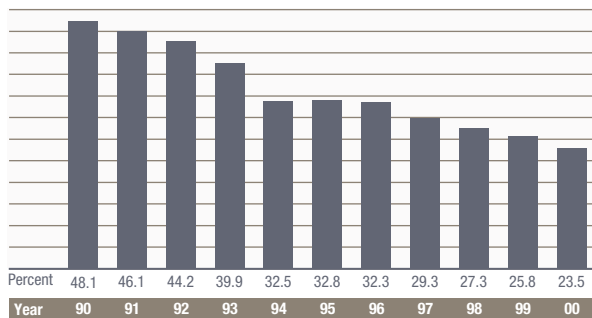
Financial Services



## Information & Media Services

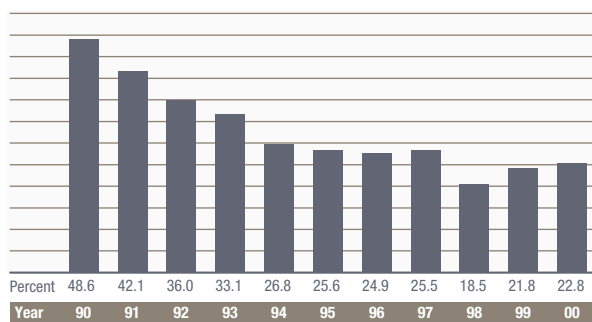
### Percent of Total Operating Revenue

Information & Media Services



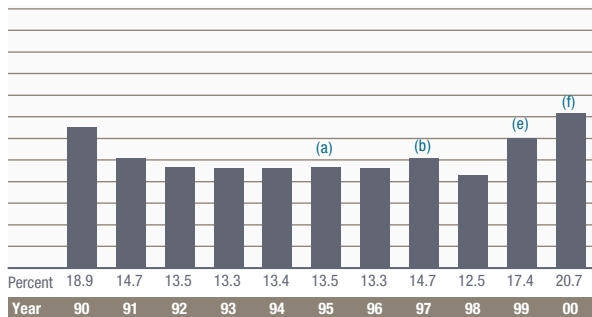
### Percent of Total Operating Profit

Information & Media Services



### Operating Profit Margin

Information & Media Services



Note: All figures were restated to reflect the adoption of SEC-mandated Staff Accounting Bulletin No. 101 – Revenue Recognition in Financial Statements

(a) Operating margins for 1995 reflect a \$26.8 million provision for best practice initiatives and a \$23.8 million gain on sale of the topical publishing division of Shepard's/McGraw-Hill. Excluding these items, operating margins would have been 12.5% for McGraw-Hill Education, 29.9% for Financial Services and 13.3% for Information and Media Services

(b) Margin excludes the impact of the gain on the exchange of Shepard's/McGraw-Hill and the one-time integration charge

(c) Operating margins for 1997 reflect a \$33.2 million provision for real estate write-downs for the consolidation of office space in New York City and a \$20.4 million gain on the sale of Datapro Information Services. Excluding these items, operating margins would have been 12.5% for McGraw-Hill Education, 29.6% for Financial Services and 12.5% for Information and Media Services

(d) Operating margins for 1998 reflect a \$16.0 million provision for the write-down of assets at the Continuing Education Center and a \$26.7 million gain on the sale of an office building. Excluding these items, operating margins would have been 13.5% for McGraw-Hill Education and 29.3% for Financial Services

(e) Operating margins for 1999 reflect a \$39.7 million gain on the sale of the Petrochemical publications. Excluding this item, operating margins would have been 13.6% for Information and Media Services

(f) Operating margins for 2000 reflect a \$16.6 million gain on the sale of Tower Group International. Excluding this item, operating margins would have been 19.0% for Information and Media Services

## QUARTERLY OPERATING REVENUE AND PROFIT BY SEGMENT (restated)

### 2000 Quarterly Operating Revenue and Profit by Segment (restated)

(in thousands, except earnings per share)	1Q	2000 vs. 1999	2Q	2000 vs. 1999	3Q	2000 vs. 1999	4Q	2000 vs. 1999	Total	2000 vs. 1999
<b>Operating Revenue</b>										
McGraw-Hill Education	\$236,362	13.1%	\$447,734	20.7%	\$847,710	10.6%	\$461,383	18.8%	\$1,993,189	14.9%
Financial Services	304,729	4.1%	316,012	5.8%	321,290	5.0%	338,318	3.4%	1,280,349	4.6%
Information & Media Services	243,123	13.1%	252,178	2.4%	225,470	(10.5%)	286,659	(10.2%)	1,007,430	(2.4%)
Total operating revenue	\$784,214	9.4%	\$1,015,924	10.9%	\$1,394,470	5.3%	\$1,086,360	5.0%	\$4,280,968	7.2%
<b>Operating Profit</b>										
McGraw-Hill Education	(38,395)	(12.5%)	51,126	23.9%	257,714	9.6%	37,266	(9.4%)	307,711	12.4%
Financial Services	89,199	(2.7%)	97,418	4.7%	100,762	14.4%	108,131	11.6%	395,510	7.0%
Information & Media Services	47,886	159.6%	57,561	64.1%	31,631	0.2%	71,264	(24.5%)	208,342	16.0%
Total operating profit	\$98,690	49.0%	\$206,105	21.7%	\$390,107	10.0%	\$216,661	(6.8%)	\$911,563	10.8%
General corporate expense	(18,784)	14.8%	(21,157)	15.6%	(24,484)	2.1%	(26,955)	9.4%	(91,380)	9.7%
Interest expense – net	(9,345)	(1.0%)	(11,238)	9.1%	(15,035)	19.4%	(17,223)	77.8%	(52,841)	25.8%
Income before taxes on income	70,561	74.5%	173,710	23.4%	350,588	10.2%	172,483	(13.0%)	767,342	10.0%
Provision for taxes on income	27,166	72.3%	66,878	21.8%	134,977	8.8%	66,405	(14.1%)	295,426	8.6%
Income before extraordinary item	43,395	75.9%	106,832	24.4%	215,611	11.1%	106,078	(12.3%)	471,916	10.9%
Cumulative change in accounting, net of tax	(68,122)	–	–	–	–	–	–	–	(68,122)	–
Net income	(\$24,727)	75.9%	\$106,832	24.4%	\$215,611	11.1%	\$106,078	(12.3%)	\$403,794	(5.1%)
Earnings per share:										
Basic	(\$0.13)	(208.3%)	\$0.55	25.0%	\$1.11	12.1%	\$0.55	(11.3%)	\$2.08	(4.1%)
Diluted	(\$0.13)	(208.3%)	\$0.55	27.9%	\$1.10	12.2%	\$0.54	(11.5%)	\$2.06	(3.7%)

Note: 2000 operating profit for the 1st quarter reflects a \$16.6 million gain on the sale of Tower Group International. All figures were restated to reflect the adoption of SEC-mandated Staff Accounting Bulletin No. 101 – Revenue Recognition in Financial Statements.

### 1999 Quarterly Operating Revenue and Profit by Segment (restated)

(in thousands, except earnings per share)	1Q	1999 vs. 1998	2Q	1999 vs. 1998	3Q	1999 vs. 1998	4Q	1999 vs. 1998	Total	1999 vs. 1998
<b>Operating Revenue</b>										
McGraw-Hill Education	\$208,983	0.3%	\$371,068	4.8%	\$766,557	7.5%	\$388,314	12.6%	\$1,734,922	7.1%
Financial Services	292,846	10.1%	298,723	12.3%	305,983	13.0%	327,053	14.8%	1,224,605	12.6%
Information & Media Services	215,001	(6.0%)	246,160	(7.0%)	251,792	12.5%	319,205	6.6%	1,032,158	1.5%
Total operating revenue	\$716,830	1.9%	\$915,951	3.5%	\$1,324,332	9.7%	\$1,034,572	11.3%	\$3,991,685	7.2%
<b>Operating Profit</b>										
McGraw-Hill Education	(43,857)	10.4%	41,250	16.3%	235,122	27.8%	41,152	83.6%	273,667	35.4%
Financial Services	91,653	11.4%	93,069	10.5%	88,086	(18.5%)	96,932	19.1%	369,740	3.9%
Information & Media Services	18,443	1.8%	35,078	(16.7%)	31,576	34.5%	94,451	118.3%	179,548	41.4%
Total operating profit	\$66,239	9.3%	\$169,397	4.7%	\$354,784	12.5%	\$232,535	58.1%	\$822,955	20.2%
General corporate expense	(16,361)	4.2%	(18,298)	5.1%	(23,975)	4.8%	(24,646)	(0.2%)	(83,280)	3.2%
Interest expense – net	(9,441)	(22.0%)	(10,296)	(21.0%)	(12,591)	(7.7%)	(9,685)	5.4%	(42,013)	(12.4%)
Income before taxes on income	40,437	23.2%	140,803	7.2%	318,218	14.1%	198,204	75.2%	697,662	25.4%
Provision for taxes on income	15,770	23.2%	54,914	7.2%	124,105	14.1%	77,299	75.2%	272,088	25.4%
Income before extraordinary item	24,667	23.2%	85,889	7.2%	194,113	14.1%	120,905	75.2%	425,574	25.4%
Early extinguishment of debt, net of tax	–	–	–	–	–	(100.0%)	–	–	–	(100.0%)
Net income	\$24,667	23.2%	\$85,889	7.2%	\$194,113	20.3%	\$120,905	75.2%	\$425,574	28.7%
Earnings per share:										
Basic	\$0.12	20.0%	\$0.44	7.3%	\$0.99	20.7%	\$0.62	77.1%	\$2.17	29.2%
Diluted	\$0.12	20.0%	\$0.43	7.5%	\$0.98	21.0%	\$0.61	74.3%	\$2.14	28.9%

Note: 1999 operating profit for the 4th quarter reflects a \$39.7 million gain on the sale of Petrochemical publications. All figures were restated to reflect the adoption of SEC-mandated Staff Accounting Bulletin No. 101 – Revenue Recognition in Financial Statements.

## 1998 Quarterly Operating Revenue and Profit by Segment (restated)

(in thousands, except earnings per share)	1Q	1998 vs. 1997	2Q	1998 vs. 1997	3Q	1998 vs. 1997	4Q	1998 vs. 1997	Total	1998 vs. 1997
<b>Operating Revenue</b>										
McGraw-Hill Education	\$208,357	5.8%	\$354,217	(0.9%)	\$713,023	4.7%	\$344,746	1.9%	\$1,620,343	3.0%
Financial Services	266,046	20.4%	265,980	20.8%	270,784	18.0%	285,007	13.8%	1,087,817	18.1%
Information & Media Services	228,827	(0.4%)	264,671	0.6%	223,819	(3.7%)	299,494	(3.5%)	1,016,811	(1.8%)
Total operating revenue	\$703,230	8.6%	\$884,868	5.3%	\$1,207,626	5.6%	\$929,247	3.3%	\$3,724,971	5.5%
<b>Operating Profit</b>										
McGraw-Hill Education	(39,731)	(6.6%)	35,457	3.7%	183,930	3.2%	22,420	26.0%	202,076	7.6%
Financial Services	82,247	16.3%	84,247	28.6%	108,017	135.8%	81,358	9.9%	355,869	39.0%
Information & Media Services	18,111	8.8%	42,086	(0.9%)	23,477	(42.2%)	43,275	(17.2%)	126,949	(16.5%)
Total operating profit	\$60,627	35.3%	\$161,790	13.8%	\$315,424	19.2%	\$147,053	2.1%	\$684,894	14.9%
General corporate expense	(15,701)	14.6%	(17,410)	12.6%	(22,867)	(4.7%)	(24,707)	11.4%	(80,685)	7.1%
Interest expense – net	(12,102)	6.3%	(13,025)	(8.5%)	(13,643)	(10.8%)	(9,191)	(20.9%)	(47,961)	(8.7%)
Income before taxes on income	32,824	66.4%	131,355	16.8%	278,914	23.7%	113,155	2.6%	556,248	18.9%
Provision for taxes on income	12,801	62.9%	51,229	13.8%	108,776	32.3%	44,131	0.1%	216,937	21.0%
Income before extraordinary item	20,023	68.7%	80,126	18.7%	170,138	18.8%	69,024	4.3%	339,311	17.5%
Early extinguishment of debt, net of tax	–	–	–	–	(8,716)	–	–	–	(8,716)	–
Net income	\$20,023	68.7%	\$80,126	18.7%	\$161,422	12.7%	\$69,024	4.3%	\$330,595	14.5%
<b>Earnings per share:</b>										
Basic	\$0.10	66.7%	\$0.41	20.6%	\$0.86	17.8%	\$0.35	6.1%	\$1.72	17.8%
Diluted	\$0.10	66.7%	\$0.40	17.6%	\$0.81	12.5%	\$0.35	6.1%	\$1.66	14.5%

Note: 1998 operating profit for the 3rd quarter reflects a \$26.7 million gain on the sale of building and a \$16.0 million charge at Continuing Education Center for the write-down of assets due to a continuing decline in enrollments. All figures were restated to reflect the adoption of SEC-mandated Staff Accounting Bulletin No. 101 – Revenue Recognition in Financial Statements.

## CASH FLOW DATA

### Eleven-Year Cash Flow Data (restated)

Years ended December 31 (in thousands)	2000	1999	1998	1997	1996
<b>Cash flow from operating activities</b>					
Net income	\$403,794	\$425,574	\$330,595	\$288,699	\$493,544
Cumulative change in accounting principle	68,122	—	—	—	—
Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation	86,993	82,110	77,168	73,151	71,097
Amortization of goodwill and intangibles	66,715	55,586	52,530	50,034	39,190
Amortization of prepublication costs	208,617	170,653	169,542	170,333	128,271
Provision for losses on accounts receivable	47,589	68,657	104,597	80,600	65,116
Gains on disposition of businesses	(16,587)	(39,668)	—	(20,404)	(418,731)
Gain on sale of building	—	—	(26,656)	—	—
Unusual charges	—	—	—	33,152	25,000
Extraordinary loss on early extinguishment of debt	—	—	14,289	—	—
Undistributed share of profit of Macmillan/McGraw-Hill joint venture	—	—	—	—	—
Cumulative effect of changes in accounting	—	—	—	—	—
Gain on settlement of pension obligation	—	—	—	—	—
Other	(9,173)	1,372	(4,595)	342	5,839
Change in assets and liabilities net of effect of acquisitions and dispositions	(150,510)	(56,231)	37,600	(302,831)	50,826
<b>Cash provided by operating activities</b>	<b>705,560</b>	<b>708,053</b>	<b>755,070</b>	<b>373,076</b>	<b>460,152</b>
Investment in prepublication costs	(250,005)	(246,341)	(194,978)	(166,784)	(182,978)
Purchase of property and equipment	(97,721)	(154,324)	(178,889)	(78,724)	(63,313)
Dividends paid to shareholders	(182,462)	(169,049)	(154,386)	(142,705)	(131,375)
Exercise of stock options	45,317	22,813	16,080	15,208	19,869
<b>Free cash flow</b>	<b>220,689</b>	<b>161,152</b>	<b>242,897</b>	<b>71</b>	<b>102,355</b>
<b>Other investing activities</b>					
Acquisition of businesses and equity interests	(703,719)	(67,085)	(24,720)	(43,780)	(31,195)
Disposition of property, equipment and businesses	142,418	67,244	66,479	64,507	36,610
Investment in Macmillan/McGraw-Hill School Publ. Co.	—	—	—	—	—
Distribution from Macmillan/McGraw-Hill joint venture	—	—	—	—	—
(Purchase) Sale of short-term investments – net	—	—	—	—	—
Other	—	—	—	—	689
<b>Cash provided by/(used for) other investing activities</b>	<b>(561,301)</b>	<b>159</b>	<b>41,759</b>	<b>20,727</b>	<b>6,104</b>
<b>Other financing activities</b>					
Repayment of commercial paper and other debt – net	606,276	11,899	(1,660)	62,340	(47,487)
Repurchase of treasury shares	(167,611)	(173,784)	(105,637)	(79,899)	(63,314)
Repayment of long-term debt – 9.43% senior notes	(95,043)	—	(154,989)	—	—
Debt for acquisition of Macmillan/McGraw-Hill	—	—	—	—	—
Issuance of 9.43% senior notes	—	—	—	—	—
Other	(6,328)	(3,388)	(16,687)	(1,901)	(4,478)
<b>Cash provided by/(used for) other financing activities</b>	<b>337,294</b>	<b>(165,273)</b>	<b>(278,973)</b>	<b>(19,460)</b>	<b>(115,279)</b>
Net change in cash and equivalents	(3,318)	(3,962)	5,683	1,338	(6,820)
Cash and equivalents at the beginning of year	6,489	10,451	4,768	3,430	10,250
<b>Cash and equivalents at end of the year</b>	<b>\$3,171</b>	<b>\$6,489</b>	<b>\$10,451</b>	<b>\$4,768</b>	<b>\$3,430</b>

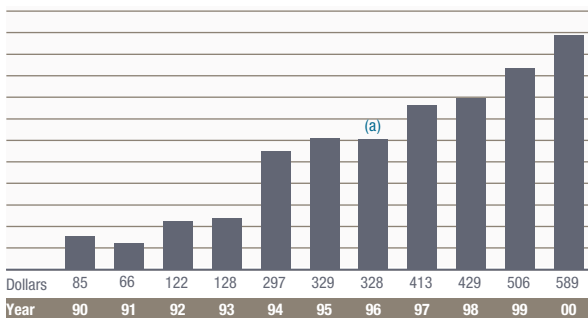


1995	1994	1993	1992	1991	1990
\$226,811	\$201,757	\$11,387	\$26,230	\$147,993	\$170,864
—	—	—	—	—	—
67,916	64,281	54,941	51,325	48,884	44,544
38,548	37,489	27,939	22,994	23,235	22,231
124,944	128,256	56,739	44,900	37,681	33,567
65,385	67,508	60,401	64,067	61,972	59,467
(23,782)	—	—	—	—	—
—	—	—	—	—	—
—	—	229,800	—	—	—
—	—	—	—	—	—
—	—	(26,318)	(2,030)	(3,483)	(8,601)
—	—	—	124,587	—	—
—	—	—	—	—	—
6,120	3,862	1,234	4,042	4,895	1,698
(72,706)	(89,234)	49,433	(32,544)	(62,424)	(86,694)
<b>433,236</b>	<b>413,919</b>	<b>465,556</b>	<b>303,571</b>	<b>258,753</b>	<b>237,076</b>
(134,118)	(118,377)	(74,489)	(52,485)	(50,130)	(44,733)
(58,776)	(77,068)	(49,808)	(55,922)	(51,223)	(95,834)
(119,653)	(114,317)	(111,833)	(109,386)	(107,272)	(105,322)
20,616	13,983	19,047	4,718	2,526	1,153
<b>141,305</b>	<b>118,140</b>	<b>248,473</b>	<b>90,496</b>	<b>52,654</b>	<b>(7,660)</b>
(36,246)	(1,219)	(323,913)	(17,242)	(14,854)	(172,697)
35,481	12,962	492	7,467	16,379	13,540
—	—	—	—	—	—
—	—	—	—	—	70,000
—	—	—	—	—	—
700	2,655	—	3,432	3,161	(1,530)
<b>(65)</b>	<b>14,398</b>	<b>(323,421)</b>	<b>(6,343)</b>	<b>4,686</b>	<b>(90,687)</b>
(134,240)	(166,102)	(226,001)	(84,103)	(58,987)	(163,453)
—	—	—	—	—	—
—	—	—	—	—	—
—	—	337,500	—	—	—
—	—	—	—	—	250,000
(4,806)	(6,333)	(1,826)	(3,451)	(2,335)	(2,175)
<b>(139,046)</b>	<b>(172,435)</b>	<b>109,673</b>	<b>(87,554)</b>	<b>(61,322)</b>	<b>84,372</b>
2,194	(39,897)	34,725	(3,401)	(3,982)	(13,975)
8,056	47,953	13,228	16,629	20,611	34,586
<b>\$10,250</b>	<b>\$8,056</b>	<b>\$47,953</b>	<b>\$13,228</b>	<b>\$16,629</b>	<b>\$20,611</b>

## EBITDA BY SEGMENT (restated)

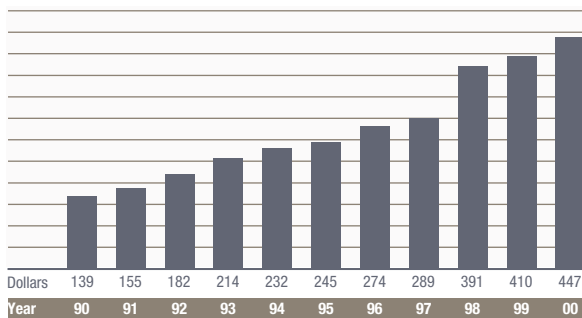
### McGraw-Hill Education

(dollars in millions)



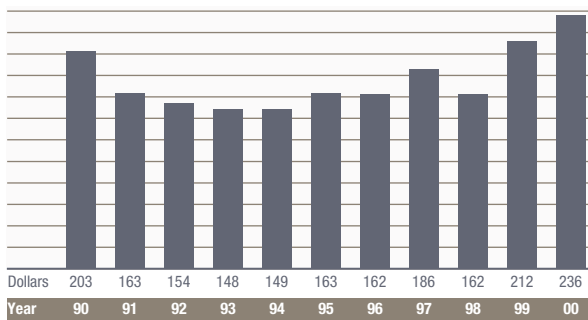
### Financial Services

(dollars in millions)



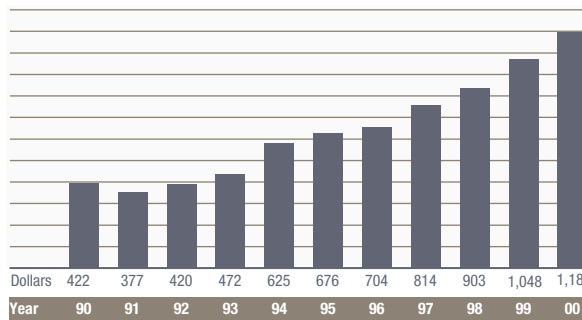
### Information & Media Services

(dollars in millions)



### Total Company EBITDA

(dollars in millions)



## Earnings Before Interest, Taxes, Depreciation & Amortization – EBITDA by Segment (restated)

(in thousands)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
McGraw-Hill Education	\$588,746	\$506,276	\$429,015	\$412,752	\$327,992 <sup>(a)</sup>	\$329,451	\$297,014	\$128,168	\$121,708	\$65,572	\$84,889
Financial Services	446,793	410,413	391,359	289,450	274,367	244,651	231,784	214,175	182,119	154,873	139,341
Information & Media Services	235,881	212,406	161,547	185,892	162,267	163,231	149,032	148,160	154,252	162,897	203,337
<b>Total Segments EBITDA</b>	<b>\$1,271,420</b>	<b>\$1,129,095</b>	<b>\$981,921</b>	<b>\$888,094</b>	<b>\$764,626</b>	<b>\$737,333</b>	<b>\$677,830</b>	<b>\$490,503</b>	<b>\$458,079</b>	<b>\$383,342</b>	<b>\$427,567</b>
Share of profit of Macmillan/ McGraw-Hill joint venture	–	–	–	–	–	–	–	28,376	11,280	27,483	21,601
General corporate (expense)/ before depreciation and amortization	(88,912)	(81,066)	(78,470)	(74,097)	(60,934)	(61,426)	(52,934)	(47,149)	(49,376)	(33,441)	(27,005)
<b>Total Company EBITDA</b>	<b>\$1,182,508</b>	<b>\$1,048,029</b>	<b>\$903,451</b>	<b>\$813,997</b>	<b>\$703,692</b>	<b>\$675,907</b>	<b>\$624,896</b>	<b>\$471,730</b>	<b>\$419,983</b>	<b>\$377,384</b>	<b>\$422,163</b>

Note: All figures were restated to reflect the adoption of SEC-mandated Staff Accounting Bulletin No. 101 – Revenue Recognition in Financial Statements.

(a) Excludes gain on exchange of Shepard's/McGraw-Hill and one-time integration charge.

## ACQUISITIONS AND DIVESTITURES

	Acquisitions	Divestitures		Acquisitions	Divestitures
<b>2000</b>	<b>\$703,719,000</b> Tribune Education BuildPoint Corporation Canadian Bond Rating Service Portfolio Management Data, LLC MPI Interactive – e-Builder, Inc. Thomas Murray Network Management Ltd.	<b>\$138,150,000</b> Tower Group International	<b>1994</b>	<b>\$1,219,000</b> Iberating S.A. Trans Global Logistics, Inc. Trade Link, Inc. InteGrade Software Winston Press JOY Program	<b>\$700,000</b> Coal Technology International SRA Speech/Language titles
<b>1999</b>	<b>\$67,100,000</b> Appleton & Lange, Inc. IFIS, Inc. Rational Investors, Inc. Micropal France Thesys Information, Ltd. Emerging Markets Data Base	<b>\$64,734,000</b> Petrochemical Publications ( <i>Chemical Engineering, Modern Plastics, Modern Plastics International</i> ) Libri Italia SRL (school titles only)	<b>1993</b>	<b>\$345,508,000</b> Francis Marion Titles Black Letter Legal Software CAVAL Distribuidora Cientes y Technica ICV, Limited School Publishing Union Brokerage, Inc.	<b>None</b>
<b>1998</b>	<b>\$25,428,000</b> Xebec Multimedia Solutions, Ltd. Optical Data Corporation	<b>\$28,600,000</b> Information Technology and Communications Group ( <i>BYTE, Data Communications, LAN Times, tele.com, NSTL</i> )	<b>1992</b>	<b>\$16,742,000</b> Creative Information Systems George S. Bush & Co., Inc. MBC Data Distribution Publications Utility Data Institute	<b>\$6,547,000</b> Byte Information Exchange Dodge Europe Medsi/McGraw-Hill SysteMetrics, Inc.
<b>1997</b>	<b>\$85,698,000</b> Argentina Ratings Fund Research, Ltd. Thomson Technical List Published Image Micropal Group, Ltd. Taiwan Ratings Corp. (50%) CRISIL (9.6%)	<b>\$54,521,000</b> London House McGraw-Hill School Systems Datapro Information Services	<b>1991</b>	<b>\$18,354,000</b> Castelazo & Associates Professional Medical Management Corporation Maxwell/Macmillan Medical titles W.N. Proctor Co., Inc.	<b>\$5,300,000</b> Black's Guide, Inc. Green Markets
<b>1996</b>	<b>\$516,195,000</b> Times Mirror Higher Education Group Open Court Publishing Tata Publishing Co. Healthcare Informatics/InfoCare Magazine Cavalier Shipping Co.	<b>\$491,383,000</b> Shepard's/McGraw-Hill Global Finance College BRAVO titles Healthcare Management Group	<b>1990</b>	<b>\$179,597,000</b> Australian Ratings, Pty, Ltd. California Tort Reporter and Federal Litigator Computer Aided Planning Garland Titles – Shepard's Insurance Solvency International J.J. Kenny Co., Inc. Local Classified Directory Louisiana Contractor and Southwest Contractor Nordisk Ratings, A.B. Profile U.K. Ltd. Sioux Falls Builders Exchange TAB Books	<b>\$6,012,000</b> BMI CCMI Graduating Engineer Numerax
<b>1995</b>	<b>\$36,246,000</b> ADEF (50%) Hospital Practice UCB Canada College Titles FAME List BidFax	<b>\$34,828,000</b> Ryerson French Language Division Hazardous Waste Strategies SRA Technology Training Shepard's Topical			

## Digital Asset Strategy

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1. Steadily increase functionality of content for added value
2. Use the Internet to maximize our reach
3. Develop online marketplaces
4. Create new ways to monetize communities, improve productivity and reduce costs
5. Embed McGraw-Hill solutions at our customers and in their products

## Steadily Increase Functionality of Content for Added Value



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- Initially targeted to first and second year college math markets
- Expanded ALEKS in secondary school markets

**Multiplication of Two Mixed Numbers**

Perform the multiplication of the following two mixed numbers and write your answer as a mixed number.

$$2\frac{1}{3} \times 1\frac{1}{2} =$$

First, we write both mixed numbers as improper fractions:

$$2\frac{1}{3} = 2 + \frac{1}{3} = \frac{2 \times 3 + 1}{3} = \frac{7}{3}$$

$$1\frac{1}{2} = 1 + \frac{1}{2} = \frac{1 \times 2 + 1}{2} = \frac{3}{2}$$

Then we multiply:

$$2\frac{1}{3} \times 1\frac{1}{2} = \frac{7}{3} \times \frac{3}{2}$$

$$= \frac{7}{\cancel{3}^1} \times \frac{\cancel{3}^1}{2}$$

Divide by the common factor of 3

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- Currently 21 interactive textbooks online. Includes national editions of our science titles and several state editions of science, pre-algebra, and algebra titles
- School: Teachers can correlate lessons to state and national standards, generate custom assignments and tests; Students can receive and complete assignments, take tests online
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Student Home | Help | Log Off | Search:   [Advanced Search](#)

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The McGraw-Hill Learning Network  
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**McGraw-Hill School Division**

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**Table of Contents**

• **Student Edition**

[National Geographic Invitation to Science](#) (S2-S3)  
[Be a Scientist](#) (S18-S19)  
**[Unit 1 Properties of Matter and Energy](#)** (1U-96)  
[Chapter 1 Properties and Changes](#) (1-48)  
[Topic 1 Physical Properties](#) (2-17)  
[Topic 2 Elements and Atoms](#) (18-31)  
[Topic 3 Chemical Changes](#) (32-47)  
[Chapter 1 Review](#) (48-48)  
[Chapter 2 Temperature, Heat, and Energy](#) (49-93)  
[Topic 4 Temperature and Heat](#) (50-63)  
[Topic 5 Temperature, Heat, and Matter](#) (64-77)  
[Topic 6 Sources of Energy](#) (78-92)  
[Chapter 2 Review](#) (93-93)  
[Unit 1 Review](#) (94-96)  
**[Unit 2 Cells, Growth, and Reproduction](#)** (97U-192)  
[Chapter 3 Cells](#) (97-150)

Research Assistant - Step 1 (Money Management)

Companies:  Look Up Initial Set:

Find Similar Companies

SIC  
NAICS  
Industry Sector  
Economic Sector  
GICS Sector  
GICS-Group  
GICS-Industry

Period Selection  
Current Period

Institutional Holdings	Turnaround	Fundamentals	Returns
<input type="checkbox"/> 1 Month Return	<input type="text" value="5.0"/>		
<input type="checkbox"/> 1 Year Total Return	<input type="text" value="10.0"/>		
<input type="checkbox"/> 5 Year Total Return	<input type="text" value="10.0"/>		
<input checked="" type="checkbox"/> % Below 52 week High	<input type="text" value="50.0"/>		
<input type="checkbox"/> % Above 52 week Low	<input type="text" value="5.0"/>		
<input type="checkbox"/> 1 Yr Rel Price Chg	<input type="text" value="10.0"/>		

Right-click on description for definition of indicator

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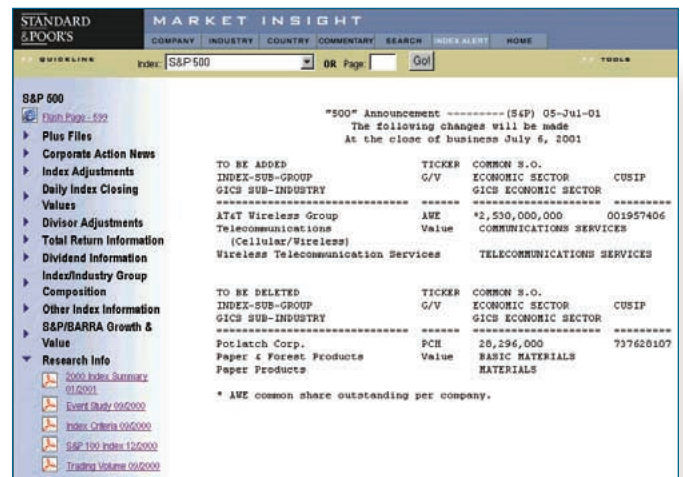


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## Develop Online Marketplaces

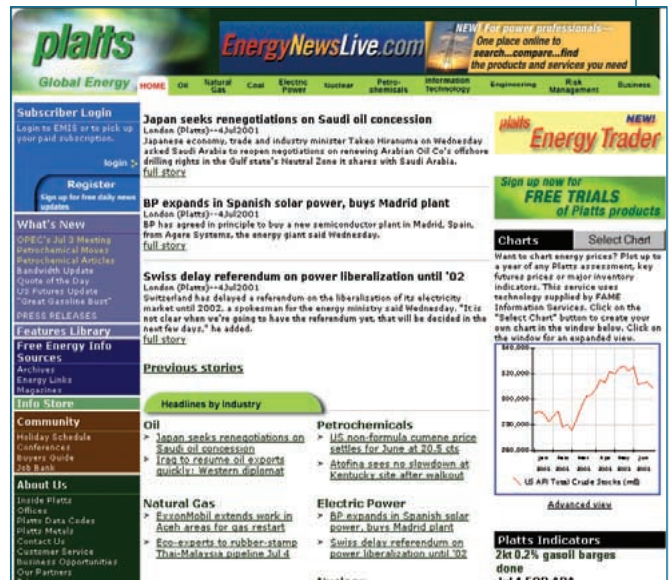


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<b>Armada Area Schools, Michigan</b>						District Perspectives & Q
S&P Observations	Data Highlights	School Building Data	Student Results	Spending	Return on Resources	Learning Environment
			College Prep	Finances, Taxes, Debt	Demographic Environment	
Non-Test Measures   State Tests   State Tests By Student Type   State Tests By Grade   State Tests By Subject						
Select Comparison Group: <a href="#">State</a>   <a href="#">County</a>   <a href="#">Peers</a>   <a href="#">Custom</a>   <a href="#">View Comparison Group Members</a>   <a href="#">Download</a>   <a href="#">Print Ready</a>						
<b>Student Results</b>						
<b>Non-Test Measures</b>						
Graduation Rate (%)	District		State		District as % of State	
1999	State Percentile	3-Year Numeric Change	1999	3-Year Numeric Change		
92.0	73.0	7.1	85.6	1.8	107.5	
<b>Student Results</b>						
<b>Non-Test Measures</b>						
Dropout Rate (%)	District		State		District as % of State	
1999	State Percentile	3-Year Numeric Change	1999	3-Year Numeric Change		
2.0	27.7	(1.6)	3.9	(0.6)	51.5	
<b>Student Results</b>						
<b>Non-Test Measures</b>						
Attendance Rate (%)	District		State		District as % of State	
1999	State Percentile	3-Year Numeric Change	1999	3-Year Numeric Change		
1.5	29.6	1.5	4.2	(0.5)	35.1	
4.5	62.1	(1.9)	4.1	(0.7)	110.0	
1.6	37.7	(0.5)	3.6	(0.5)	43.9	

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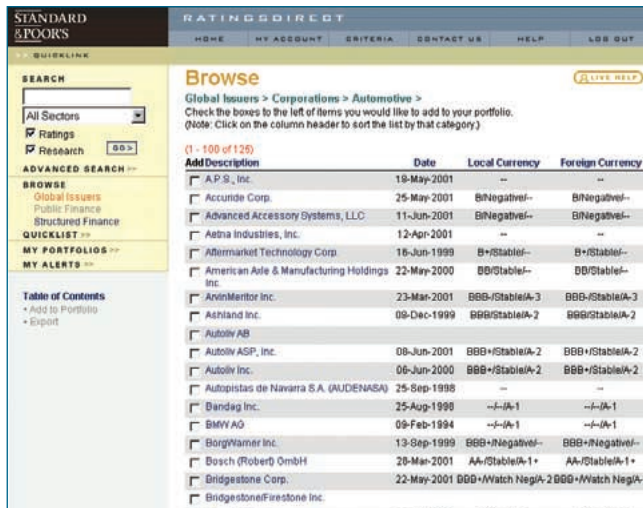
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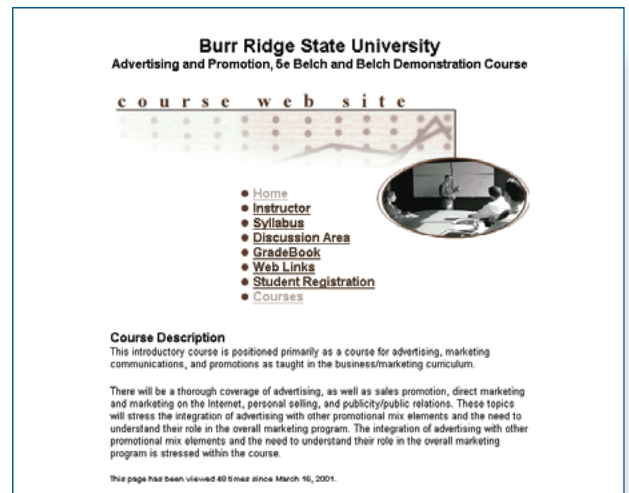


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STANDARD & POOR'S MARKET INSIGHT		Computers (Software & Services)			
COMPANY	INDUSTRY	COUNTRY	COMMENTARY	SEARCH	HOME
Computers (Software & Services) Industry Revenue Share (06/28/2001) (Industry Leaders Ranked by 12 Month Moving Sales)					
Industry Leaders	Company	Revenue Share (%)	Sales 12 Month Moving (mil)	Sales 1 Yr Chng (%)	
	MICROSOFT CORP	15.13	24645	7.5	
	ORACLE CORP	6.73	10970.098	13.1	
	UNISYS CORP	4.20	6840.1	-7.4	
	SAP AG	3.61	5885.411	16.1	
	COMPUTER ASSOCIATES INTL INC	2.58	4198	-31.2	
	CSR CORP	2.37	3860.075	77.3	
	COMPUWARE CORP	1.28	2077.613	-3.3	
	SIEBEL SYSTEMS INC	1.27	2064.434	108.4	
	AFFILIATED COMP SVCS	1.25	2041.491	8.3	
	PEOPLESOFT INC	1.14	1864.142	28.2	
<b>Total Industry Sales</b>			162897.168		

Note: The list of industry leaders includes companies with at least 1% revenue share. Revenue Share is defined as the percentage that a company's sales contribute to the total sales for the industry. The total industry sales figure is a combined figure for all companies in the S&P industry group.  
Report updated: 06/28/2001

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STARS Ranking Changes - LAST 5 DAYS -

Date	Sym	Stock	New	Old	Ranking
7/3	ADVA	Advanta Corp	***	***	Price rise
7/3	BS	Bethlehem Steel	***	***	No longer followed analytically
7/3	ELY	Callaway Golf	***	**	Price decline, takeover talk
7/3	CPA	Apple's-Cellers	***	**	Added to stars
7/3	IDM	Idemco Corp	***	**	No longer followed analytically
7/3	MW	Mohawk Inds	**	***	Possible EPS disappointment
7/3	PSS	Payless Shoe	***	***	Deterioration in sales trends

STARS Ranking Changes - LAST 5 DAYS -

Date	Sym	Stock	New	Old	Ranking
7/2	ABCO	Alberici Inc	***	***	Added to STARS
7/2	BGR	Earthgrains Co	***	***	Near takeover price
7/2	ICX	Incremental Comm	***	***	Dropped because acquired by WGM
6/29	EPG	El Paso Corp	****	****	Weak natural gas prices
6/29	PTM	Patterson-UTI	****	****	Smaller company in softening sector
6/29	RCS	Renal Care Grp	****	****	Price rise reached our target
6/28	NEU	Neuberger Ber	**	**	Recent price decline

STARS Ranking Changes - LAST 5 DAYS -

Date	Sym	Stock	New	Old	Ranking
6/28	PCBC	PF Changs China	****	****	Added to stars
6/28	URS	URS Corp	****	****	Added to stars

**Standard and Poor's Web Solutions**  
<http://www.sandpwebsolutions.com>

- Delivers financial information and customized solutions through a variety of options such as data feeds, URL links, and XML
- Provides quotes, news, charts, planning, recommendations, and advice

**Client examples:**

**E\*Trade**

- Delivers equity research: Standard & Poor's stock reports, investment commentary
- Used by more than 1.0 million online investors

The screenshot shows the E\*Trade website interface. At the top, there are navigation links for Home, Portfolio, Markets, Quotes & Research, Trading, and Account Services. A search bar is present with the text "Symbols or Names: View Quote". Below this, there are options for "Quote Style" (Summary, Detailed, Free Real-time, After Hours) and "Apply Now!". The main content area features "Examples of Exclusive Customer Features" including Stock Reports, Top Stock Picks, Real Time Analyst Upgrades/Downgrades, and Institutional Ownership. The primary focus is on the "Standard & Poor's 5 STAR Portfolio". It displays a return year-to-date through 8/31/99 of 19.8%, compared to the S&P 500 at 7.42%. A table lists the portfolio's holdings:

Company Name	Ticker Symbol	Current Price	Price When Recom'd	Date of Recom'd	Reason for Recom'd	P/E	More Info
Boeing Inc.	Boeing	86.50	53	07/14/98	Strong growth in Avionics MD drug	80.093	News S&P Report
Cisco Systems	CSCO	71.50	23.72*	05/01/97	Dominate its industry	117.213	News S&P Report
Dell Computer	DELL	48.06	12.92*	02/19/98	Consistent strong revenue growth	75.098	News S&P Report
Fox Entertainment	FOX	23.81	24	1/12/99	Priced below peers	66.148	News S&P Report
Goodrich(BF)	GR	39.44	41.1/2	07/21/99	Stock very attractively priced	12.886	News S&P Report
Intel Corp	INTC	85.31	64.85*	01/11/99	Strong high-end products	40.242	News S&P Report

The screenshot shows the T.Rowe Price website's "Quotes & Research" section. It features a navigation menu on the left with options like Home, Access My Account, and Opening a New Account. The main content area is titled "Economic Calendar" and "Calendar of Upcoming Economic Events". It provides a table of economic events for Thursday, August 10, 2000 (08:51 AM ET). The table includes columns for Date, Time, Release, For, Forecast, Median, and Last.

Date	Time	Release	For	Forecast	Median	Last
AUG 10	08:30	Export Price Index	JUL UNCH	UNCH		H-0.1%
AUG 10	08:30	Import Price Index	JUL UNCH	UNCH		0.1 % 0.8%
AUG 10	08:30	Initial Cms OBOS	JUL 293K	29	0.275K	
AUG 11	08:30	Retail Sales	JUL 0.4%	0.4		% 0.6%
AUG 11	08:30	Retail Sales Ex-Auto	JUL 0.4%	0.4		% 0.2%
AUG 11	08:30	PPI	JUL -0.2%	0.1		% 0.6%
AUG 11	08:30	PPI Ex-Food & Energy	JUL 0.1%	0.1		% -0.1%
AUG 14	08:30	Business Invent	JUL 0.5%	0.4		% 0.8%
AUG 15	09:15	Capacity Util	JUL 81.8%	82		2% 82.1%
AUG 15	09:15	Industrial Prod	JUL UNCH	0.4		% 0.2%
AUG 15	09:15	Capacity Util	JUL 81.8%	82.2		% 82.1%
AUG 16	08:30	GPI	JUL 0.1%	0.2		% N/A
AUG 16	08:30	CPI Ex-Food & Energy	JUL 0.2%	0.2		% N/A
AUG 16	08:30	Housing Starts	JUL 1.59M	1.57		M 1.56M
AUG 16	08:30	Building Permits	JUL 1.53M	N/A		A 1.51M
AUG 17	10:00	Phila. Fed Index	AUG 5.0	5		0.0.7
AUG 18	08:30	Gen&Sec Export(BOP)	JUL 897.26	896.4		B 895.88
AUG 18	08:30	Gen&Sec Import(BOP)	JUL 8119.28	117.5		B 8118.98
AUG 18	10:00	Mch Sentiment Pre	AUG 108.3	108		5 108.3
AUG 24	08:30	Durable Orders	JUL N/A	N/A		A 10%
AUG 24	08:30	Durable Shipments	JUL N/A	N/A		A 1.5%
AUG 25	08:30	GDP Preliminary	Q2 N/A	N/A		A 5.2%
AUG 25	08:30	GDP Chain Price Ind	Q2 N/A	N/A		A 2.3%
AUG 25	10:00	Existing Home Sales	JUL 5.10M	N/A		A 5.22M
AUG 26	08:30	Personal Income	JUL N/A	N/A		A 0.4%

**T. Rowe Price**

- Standard & Poor's hosts customized equity research
- Hosts premium section of service for high net-worth individuals

**Datek Online**

- Hosts Standard & Poor's customized stock and fund research
- Serves over 500,000 active online investors

The screenshot shows the Datek Online website's "Stock Research" section. It features a navigation menu on the left with options like Home, Access My Account, and Opening a New Account. The main content area is titled "S&P 5 STAR Portfolio" and displays a line chart showing the performance of the S&P 5 STAR Portfolio compared to the S&P 500 from January 1990 to January 2000. The chart shows the S&P 5 STAR Portfolio consistently outperforming the S&P 500. Below the chart, there is a section titled "Learn More About S&P's Universe of STARS Stocks and Our Selection Process" which describes the STARS (Stock Appreciation Ranking System) methodology.

International Operations by Region and Segment

Revenue from foreign sources continues to grow more rapidly than domestic revenue even though The McGraw-Hill Companies has acquired two substantial U.S.-oriented education businesses (Times Mirror Higher Education in 1996 and Tribune Education in 2000). In the last five years, foreign source revenue produced a compound growth rate of 7.4% while domestic revenue grew by 6.3%. At the end of 2000, foreign source revenue represented 18.4% of the Corporation's total.

Europe is MHP's biggest source of foreign revenue, producing 52% of the total in 2000. Asia was the fastest growing overseas market last year with a 16% increase in revenue.

Financial Services

Financial Services is the Corporation's biggest and fastest growing international business. With the creation of a single currency (the Euro) in 1999, the emphasis in Europe shifted from currency to credit risk. As a result, Standard & Poor's benefited from the surge of new activity in the European bond market. The continuing disintermediation of banks, the increase in securitization and privatization, and the growing need for financial information and analysis as Europe and Japan deal with aging populations and underfunded pension obligations are creating major opportunities for Standard & Poor's.

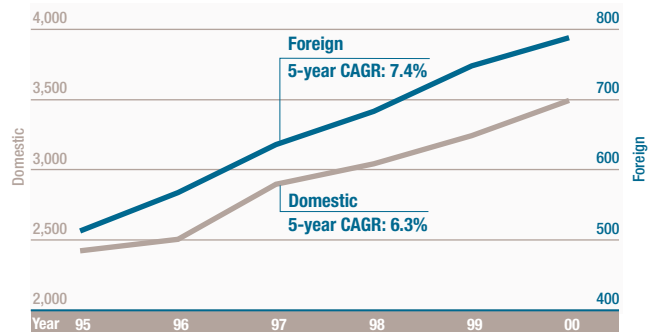
McGraw-Hill Education

International publishing operations, which distribute the company's educational and professional products outside the U.S., produced 38% of the Corporation's foreign source revenue last year. The recognition that education and professional training are essential to economic growth is a key to expanding opportunities around the world for McGraw-Hill Education.

Information and Media Services

The divestiture of Tower Group International in February 2000 led to a decline last year in foreign source revenue at Information and Media Services. But led by *BusinessWeek* and *Aviation Week*, segment operations actually produced a solid double-digit gain in 2000. With circulation continuing to grow overseas, *BusinessWeek* increased the rate base for international editions to 200,000 on January 1, 2001. *BusinessWeek* has more than 1.0 million subscribers worldwide.

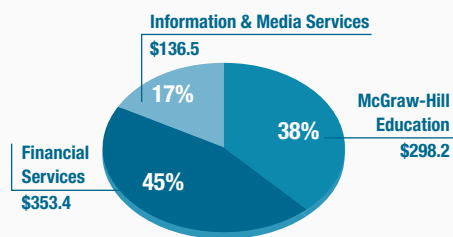
Domestic and Foreign Source Revenue Growth, 1995-2000\* (restated)  
(dollars in millions)



\* Foreign source revenue includes international sales of U.S. operations

Foreign Source Revenue by Segment\* 2000

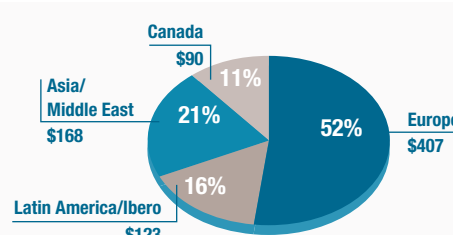
(in millions)



\* Foreign source revenue includes international sales of U.S. operations

Foreign Source Revenue by Geographic Region 2000

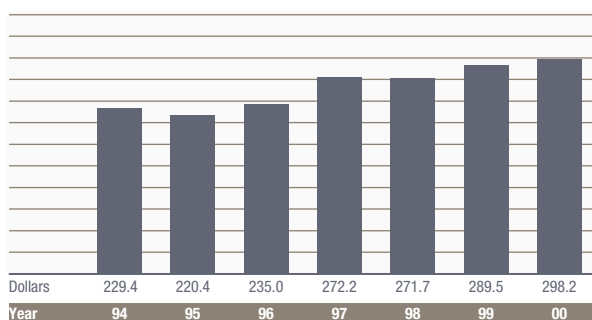
(in millions)



## Foreign Source Revenue by Segment 1994 – 2000\* (restated)

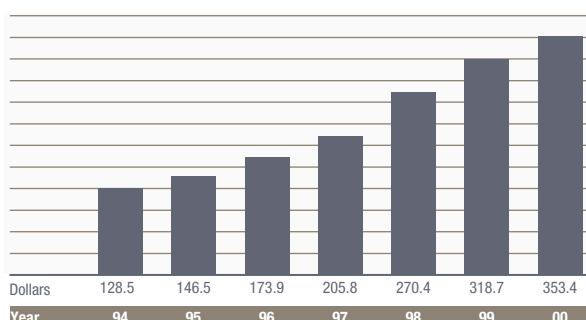
### McGraw-Hill Education

(in millions)



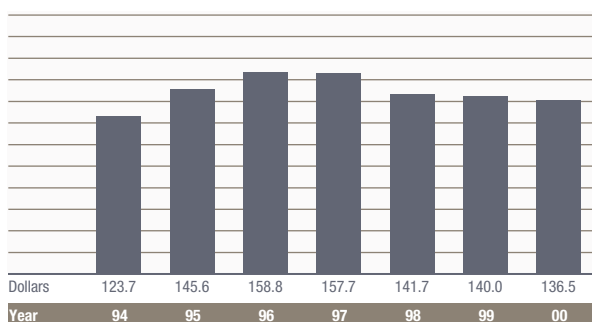
### Financial Services

(in millions)



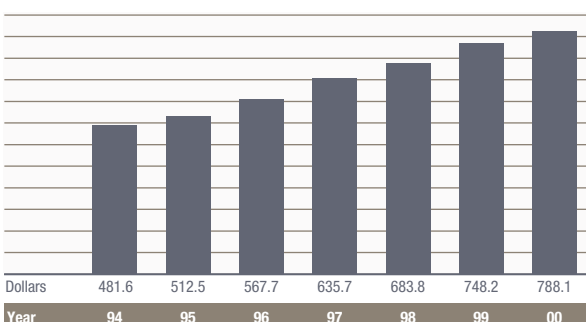
### Information & Media Services

(in millions)



### Total Company

(in millions)



## Summary of Domestic and Foreign Source Revenue 1994 – 2000 (restated)

(in thousands)	2000	1999	1998	1997	1996	1995	1994	CAGR '95 To '00
<b>Total Revenue</b>								
Domestic	\$3,492.9	\$3,243.5	\$3,041.2	\$2,895.1	\$2,503.4	\$2,422.2	\$2,277.0	6.3%
Foreign*	788.1	748.2	683.8	635.7	567.7	512.5	481.6	7.4%
<b>Total</b>	<b>\$4,281.0</b>	<b>\$3,991.7</b>	<b>\$3,725.0</b>	<b>\$3,530.8</b>	<b>\$3,071.1</b>	<b>\$2,934.7</b>	<b>\$2,758.6</b>	<b>6.5%</b>
<b>Total Segment Revenue</b>								
McGraw-Hill Education	\$1,993.2	\$1,734.9	\$1,620.3	\$1,573.8	\$1,277.9	\$1,235.5	\$1,162.2	8.3%
Financial Services	1,280.3	1,224.6	1,087.8	921.2	802.3	736.8	699.4	9.6%
Information & Media Services	1,007.5	1,032.2	1,016.8	1,035.8	990.9	962.4	897.0	0.8%
<b>Total</b>	<b>\$4,281.0</b>	<b>\$3,991.7</b>	<b>\$3,724.9</b>	<b>\$3,530.8</b>	<b>\$3,071.1</b>	<b>\$2,934.7</b>	<b>\$2,758.6</b>	<b>6.5%</b>
<b>Foreign Source Revenue by Segment *</b>								
McGraw-Hill Education	\$298.2	\$289.5	\$271.7	\$272.2	\$235.0	\$220.4	\$229.4	5.2%
Financial Services	353.4	318.7	267.6	205.8	173.9	146.5	128.5	15.8%
Information & Media Services	136.5	140.0	144.5	157.7	158.8	145.6	123.7	(1.1%)
<b>Total</b>	<b>\$788.1</b>	<b>\$748.2</b>	<b>\$683.8</b>	<b>\$635.7</b>	<b>\$567.7</b>	<b>\$512.5</b>	<b>\$481.6</b>	<b>7.4%</b>
<b>Number of Employees</b>								
Domestic	13,339	13,032	12,599	12,669	13,374	13,032	13,265	
Foreign	3,422	3,344	3,298	3,021	2,846	2,420	2,074	
<b>Total</b>	<b>16,761</b>	<b>16,376</b>	<b>15,897</b>	<b>15,690</b>	<b>16,220</b>	<b>15,452</b>	<b>15,339</b>	

\* Foreign source revenue includes international sales of U.S. operations.

Note: All figures were restated to reflect the adoption of SEC-mandated Staff Accounting Bulletin No. 101 – Revenue Recognition in Financial Statements.

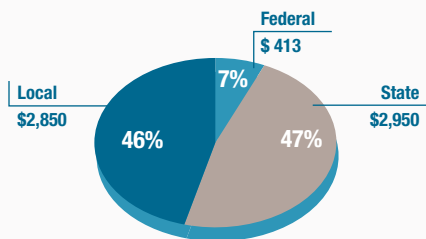
**The Value of Education**

The value of education has never been greater. As the charts and tables on this page show, education is a key to prosperity. The growing recognition that education is vital to economic performance underpins many of the market's fundamental trends.

- With increased emphasis on accountability, the effort to measure progress in America's schools continues to grow, enlarging the market for testing. Today, all 50 states have some form of assessment and the Federal government wants all children tested annually in reading and math in grades 3-8, and once while in high school.
- Funding continues at record levels as state, federal, and local governments invest in education to create more knowledge workers.

**Where the Money Comes From**

(in millions)



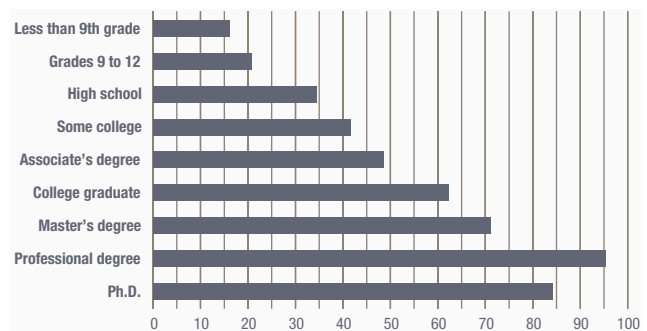
Source: U.S. Department of Education, 1994/95 school year

- There is more emphasis on professional development. Funds are becoming available to train the more than 1.5 million new teachers entering the system in the next five years.
- A new pre-kindergarten market with 10-12 million children is emerging as is new demand for intervention products to ensure that no child is left behind.
- Not only are enrollments growing, but the drop-out rate is falling as more students stay in school longer. In 1999, the total drop-out rate for 16-24-year-olds was 11.2%, down from 12.9% a decade earlier, according to the U.S. Census Bureau.

**More Education Means More Income**

Median income by education status of householder

(dollars in thousands)



Source: U.S. Census Bureau, 1998

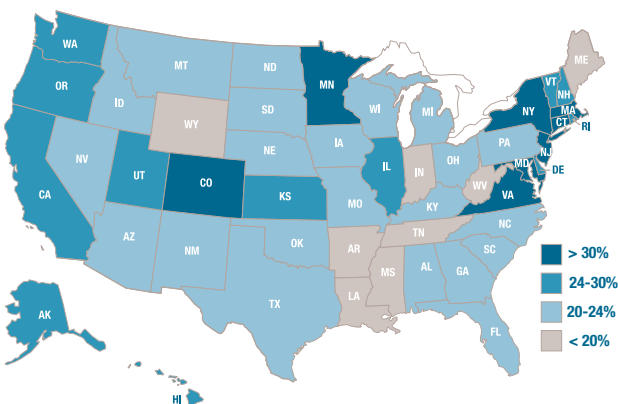
**Education: Critical to Economic Development**

Education is as critical to economic development as to personal development. More years of schooling results in lower unemployment and higher income. The best state economic development plan

is to increase the education of its citizens; the states with the highest educational attainment have the highest average incomes and lowest unemployment rates.

**States with the Highest Share of College Graduates...**

Percent of adult population

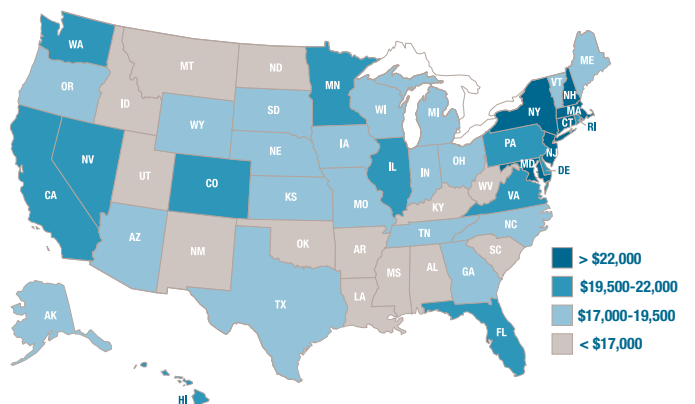


Source: U.S. Census Bureau, 1998

**Have the Highest Incomes**

Per capita after tax income

(dollars in thousands)



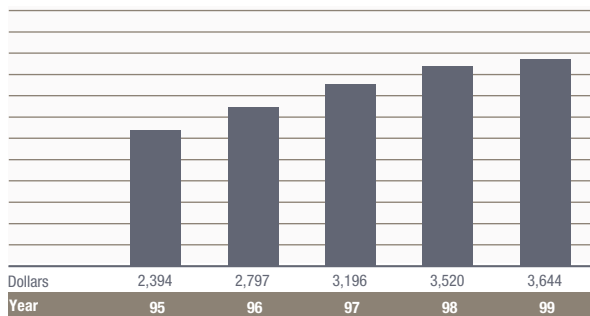
Source: U.S. Census Bureau, 1998

# McGRAW-HILL EDUCATION Elementary/High School Industry Sales

The favorable outlook for the elementary-high school market is underscored by growing enrollments and growing sales. In addition to the more than \$3.6 billion schools spent for texts, educational materials, and standardized tests in 1999, they purchased an estimated \$1.5 billion in supplemental materials. With the acquisition of Tribune

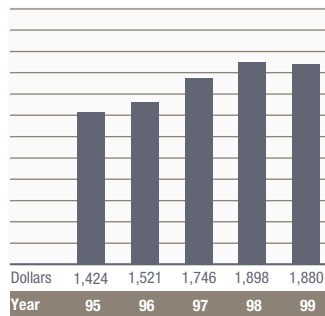
Education in 2000, McGraw-Hill Education became the largest supplemental publisher in the United States. A preliminary gain of 13.4% for sales of textbooks, educational materials, and standardized tests was estimated for 2000 by the AAP.

**Estimated Total Industry Sales, 1995-1999**  
of Textbooks, Educational Materials and Standardized Tests  
(sales in millions)



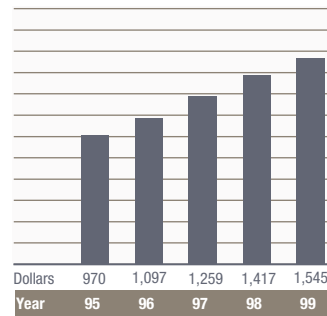
Source: AAP

**Estimated Industry Sales, 1995-99**  
Elementary  
(sales in millions)



Source: AAP

**Estimated Industry Sales, 1995-99**  
High School  
(sales in millions)



## Elementary Market

**Actual Sales by State** (in thousands)

	1999	% of 1999 Total	1998
1 California	\$210,027	12.4%	\$276,159
2 Texas	151,486	9.0%	125,430
3 New York	123,948	7.3%	122,738
<b>Top 3 for 1999</b>	<b>\$485,461</b>	<b>28.7%</b>	<b>\$524,327</b>
4 Illinois	108,471	6.4%	95,232
5 Florida	88,341	5.2%	100,374
6 New Jersey	79,053	4.7%	78,933
7 Ohio	74,181	4.4%	55,598
8 Georgia	67,295	4.0%	45,426
9 Pennsylvania	66,356	3.9%	68,976
10 Michigan	53,190	3.1%	56,270
<b>Top 10 for 1999</b>	<b>\$1,022,348</b>	<b>60.4%</b>	<b>\$1,025,136</b>
11 Virginia	\$38,735	2.3%	\$31,223
12 Indiana	36,617	2.2%	37,191
13 Missouri	35,633	2.1%	33,210
14 North Carolina	35,529	2.1%	35,934
15 Maryland	34,147	2.0%	39,560
<b>Top 15 for 1999</b>	<b>\$1,203,009</b>	<b>71.1%</b>	<b>\$1,202,254</b>
<b>All Others</b>	<b>\$489,278</b>	<b>28.9%</b>	<b>\$513,423</b>
<b>Total Domestic U.S.</b>	<b>\$1,692,287</b>	<b>100.0%</b>	<b>\$1,715,677</b>

Source: AAP. Actual domestic sales as reported by 11 publishers for 1999.  
State ranking varies each year in accordance with adoption cycle.

## Secondary Market

**Actual Sales by State** (in thousands)

	1999	% of 1999 Total	1998
1 California	\$119,914	10.9%	\$94,952
2 Texas	72,870	6.6%	85,321
3 New York	65,757	6.0%	58,832
<b>Top 3 for 1999</b>	<b>\$258,541</b>	<b>23.4%</b>	<b>\$239,105</b>
4 Florida	60,540	5.5%	73,123
5 Virginia	50,810	4.6%	26,698
6 Illinois	49,712	4.5%	58,088
7 Georgia	47,841	4.3%	43,397
8 Ohio	39,527	3.6%	39,129
9 Indiana	39,271	3.6%	25,140
10 New Jersey	38,145	3.5%	31,364
<b>Top 10 for 1999</b>	<b>\$584,387</b>	<b>52.9%</b>	<b>\$536,044</b>
11 Pennsylvania	36,089	3.3%	33,874
12 North Carolina	34,038	3.1%	23,189
13 Michigan	33,964	3.1%	34,367
14 Alabama	27,867	2.5%	18,840
15 Massachusetts	26,959	2.4%	24,620
<b>Top 15 for 1999</b>	<b>\$743,304</b>	<b>67.3%</b>	<b>\$670,934</b>
<b>All Others</b>	<b>\$361,504</b>	<b>32.7%</b>	<b>\$319,144</b>
<b>Total Domestic U.S.</b>	<b>\$1,104,808</b>	<b>100.0%</b>	<b>\$990,078</b>

Source: AAP. Actual domestic sales as reported by 11 publishers for 1999.  
State ranking varies each year in accordance with adoption cycle.

**Elementary Sales by Subject Category** (in millions)

	1999	% of 1999 Total	1998	% of 1998 Total
Reading	\$467	34.1%	\$585	41.1%
Mathematics	462	33.7%	428	30.1%
Social Studies	137	10.0%	105	7.4%
Language Arts	120	8.7%	93	6.6%
Science	55	4.0%	72	5.1%
Music	53	3.9%	39	2.8%
All Others	77	5.6%	100	7.0%
<b>Total</b>	<b>\$1,371</b>	<b>100%</b>	<b>\$1,422</b>	<b>100%</b>

Source: AAP. Actual domestic sales as reported by 10 publishers for 1999.

**Secondary Sales by Subject Category** (in millions)

	1999	% of 1999 Total	1998	% of 1998 Total
Mathematics	\$218	22.9%	\$168	19.9%
Social Studies	215	22.5%	171	20.2%
Science & Health	203	21.2%	183	21.6%
English	94	9.9%	97	11.4%
Foreign Language	78	8.2%	78	9.2%
Literature	70	7.3%	82	9.7%
Vocational	38	4.0%	35	4.2%
All Others	39	4.1%	33	3.9%
<b>Total</b>	<b>\$955</b>	<b>100%</b>	<b>\$847</b>	<b>100%</b>

Source: AAP. Actual domestic sales as reported by 9 publishers for 1999.

# McGRAW-HILL EDUCATION Elementary School Adoption Schedule

## El-Hi Adoption Opportunities

The adoption schedule is a key factor in the growth of the school market. Here are the key adoption opportunities:

### 2001

Reading in 8 states, including Texas and North Carolina  
Math in 3 states, including California\* and Georgia  
Social Studies in 3 states, including Florida\* and Oklahoma  
English/Language Arts in 5 states, including Texas and Florida  
Literature in 9 states, including Texas (6-8)  
Vocational/Tech Education in 4 states\*

### 2002

Reading in 4 states, including California and Florida  
Math in 1 state, South Carolina  
Social Studies in 2 states, including Tennessee  
Science in 9 states, including Alabama, Georgia, and Texas  
English/Language Arts in 6 states, including California\* and Indiana  
Literature in 3 states  
Foreign Languages in 5 states  
Business Education in 4 states  
Vocational/Tech Education in 4 states

### 2003

Reading in 3 states, including Georgia  
Math in 3 states, including Kentucky  
Social Studies in 6 states, including Texas and North Carolina  
Science in 4 states, including Florida\*, Tennessee, and Louisiana  
English/Language Arts in 3 states, including California and Georgia  
Health in 4 states, including Tennessee  
Literature in 3 states  
Foreign Languages in 4 states  
Business Education in 8 states  
Vocational/Tech Education in 4 states

### 2004

Reading in 1 state, Kentucky  
Math in 6 states, including Florida and North Carolina  
Social Studies in 2 states  
English/Language Arts in 5 states, including Tennessee and South Carolina  
Health in 6 states, including Florida, Texas, and North Carolina  
Foreign Languages in 4 states  
Business Education in 5 states, including Florida\*  
Vocational/Tech Education in 5 states, including Florida\*

## Elementary School Adoption Schedule

Bid Year	2000	2001	2002	2003	2004	2005	2006
Purchase Year	2001	2002	2003	2004	2005	2006	2007
<b>Reading</b>	Alabama (K-8) Idaho (K-8) Indiana (1-8) Louisiana (K-8) North Carolina (3-8) Tennessee (K-8) Texas (4-5) <i>Spn (4-5)</i> West Virginia (K-8)	California (K-8) Florida (K-8) Oklahoma (K-8) Virginia (K-5)	Georgia (K-8) Mississippi (K-8) New Mexico (P-8)	Kentucky (K-8)	Arkansas (K-8)	Idaho (K-8) North Carolina (K-8)	Florida (K-8) Indiana (1-8) Tennessee (K-8)
<b>Math</b>	California (K-8) Georgia (K-8) Mississippi (K-8)	South Carolina (K-8)	Kentucky (P-8) Oregon (K-8)	Alabama (K-8) Florida (K-8) Idaho (K-8) Indiana (1-8) North Carolina (K-8) Oklahoma (K-8)	Louisiana (K-8) Tennessee (K-8) Virginia (K-8) West Virginia (K-8)	Arkansas (K-8) New Mexico (P-8) Texas (1-5) <i>Spn (1-5)</i>	Mississippi (K-8) Texas (6-8) <i>Spn (6-8)</i>
<b>Social Studies</b>	Florida (K-8) Kentucky (P-8) Oklahoma (K-8)	Arkansas (K-8) Tennessee (K-8)	Idaho (K-8) Indiana (1-8) North Carolina (K-8) Texas (P-8) <i>Spn (1-6)</i> Virginia (K-8)	New Mexico (P-8) W. Virginia (K-8)	Alabama (K-8) California (K-8) Florida (K-8) Georgia (K-8) Mississippi (K-8) Oregon (K-8)	South Carolina (K-8)	Kentucky (K-8) Oklahoma (K-8)
<b>Science</b>	Arkansas (K-8) South Carolina (K-8)	Alabama (K-8) Georgia (K-8) Kentucky (P-8) Mississippi (K-8) Oregon (K-8) South Carolina (6-8) Texas (6-8) <i>Spn (6)</i>	Louisiana (K-8) Tennessee (K-8)	Florida (6-8)	Idaho (K-8) Indiana (1-8) New Mexico (P-8) North Carolina (K-8) Virginia (K-8)	California (K-8) Florida (K-8) Oklahoma (K-8) West Virginia (K-8)	Arkansas (K-8)
<b>English/ Language Arts</b>	Florida (K-8) New Mexico (P-8) North Carolina (K-8) Texas (2-8) <i>Spn (2-6)</i>	Idaho (K-8) Indiana (1-8) Louisiana (K-8) Virginia (K-5) West Virginia (K-8)	Georgia (K-8)	Mississippi (K-8) South Carolina (K-5) Tennessee (1-8)	Arkansas (K-8) Oklahoma (K-8) South Carolina (6-8) Virginia (6-8)	Kentucky (K-8) Louisiana (K-8) North Carolina (K-8)	Alabama (K-8) Idaho (K-8) Oregon (K-8) West Virginia (K-8)
<b>Spelling</b>		Arkansas (K-8) Idaho (K-8) Indiana (1-8) South Carolina (K-6)		Mississippi (K-8) North Carolina (2-8)	Oklahoma (K-8)	Kentucky (K-8) Tennessee (1-8)	Alabama (K-8) Idaho (K-8)
<b>Music</b>	Oklahoma (K-8)	Idaho (K-8) North Carolina (K-8) South Carolina (K-8)	Arkansas (K-8) Florida (K-8)	Louisiana (K-8)	Georgia (K-8) Kentucky (P-8) Texas (1-8) West Virginia (K-8)	Alabama (K-8) Indiana (1-8) Mississippi (K-8) New Mexico (P-8) Oregon (K-8) Tennessee (K-8)	North Carolina (K-8) Oklahoma (K-8)
<b>Literature</b>	Alabama (6-8) Idaho (6-8) North Carolina (6-8) Texas (6-8) <i>Spn (6-8)</i> West Virginia (6-8)	Oklahoma (6-8)	Florida (6-8)		Virginia (6-8)	Louisiana (6-8) North Carolina (6-8) Tennessee (6-8)	
<b>Health</b>	Mississippi (K-8) Oregon (K-8)	Georgia (K-8)	Louisiana (K-8) Oklahoma (1-8) South Carolina (K-8) Tennessee (K-8)	Alabama (K-8) Arkansas (K-8) California (K-6) Kentucky (P-8) North Carolina (K-8)	Idaho (K-8) Indiana (1-8) New Mexico (P-8) Texas (1-8)	West Virginia (K-8)	Florida (K-8) Mississippi (K-8)

\*Selected titles

Subjects are listed in order of average market size based on AAP estimates  
*Italics indicate Spanish-language program*

Source: AAP School Division/NASTA



# McGraw-Hill Education Secondary School Adoption Schedule

## Secondary School Adoption Schedule

Bid Year	2000	2001	2002	2003	2004	2005	2006
Purchase Year	2001	2002	2003	2004	2005	2006	2007
<b>Science</b>	Arkansas California (2nd yr.) South Carolina (6-8)	Alabama Georgia Kentucky Mississippi Oregon South Carolina* Texas Virginia West Virginia*	Florida* Louisiana South Carolina* Tennessee	Florida*	Idaho Indiana New Mexico North Carolina	California (6-8) Florida Oklahoma West Virginia	California (2nd yr.)
<b>Social Studies</b>	Florida * Kentucky Oklahoma	Tennessee	Arkansas Idaho Indiana North Carolina Texas Virginia	New Mexico West Virginia	Alabama California (6-8) Florida (6-12) Georgia Mississippi Oregon	South Carolina	Kentucky Oklahoma
<b>Mathematics</b>	California (6-8)* Georgia Mississippi	California (2nd yr.) South Carolina (6-8) West Virginia*	Kentucky Oregon South Carolina (9-12)	Alabama Florida (6-12) Idaho Indiana North Carolina Oklahoma	Arkansas Louisiana Tennessee Virginia West Virginia	New Mexico Texas	California (6-8) Mississippi
<b>Literature</b>	Alabama Idaho Indiana (6-8 Reading) Louisiana (6-8 2nd yr.) New Mexico North Carolina (6-12) South Carolina (9-12) Texas (6-8) West Virginia	Arkansas Indiana Oklahoma (6-12)	Florida Mississippi New Mexico		Virginia	Idaho Kentucky Louisiana (6-12) North Carolina (6-12) Tennessee	Indiana (6-8 Reading) New Mexico Oregon West Virginia
<b>English/ Language Arts</b>	Florida Louisiana (9-12)* New Mexico North Carolina Texas	California (6-8)* Idaho Indiana West Virginia	California (2nd yr.) Georgia (6-8) Virginia (9-12)	Arkansas Georgia (9-12) Mississippi Tennessee	Oklahoma South Carolina Virginia (6-8)	Kentucky Louisiana (6-8) North Carolina (6-12)	Idaho Louisiana (9-12) New Mexico Oregon
<b>Foreign Languages</b>	South Carolina	Idaho Indiana Mississippi North Carolina* West Virginia (7-8)	California (6-8) New Mexico Oklahoma West Virginia (9-12)	Georgia Louisiana Oregon Tennessee	Kentucky North Carolina* Virginia	Alabama Arkansas (9-12)	Florida Idaho North Carolina* Texas
<b>Business Education</b>	Idaho* Mississippi* South Carolina*	Idaho* Louisiana New Mexico South Carolina*	Alabama Florida* Idaho* Louisiana* Mississippi* North Carolina* Oklahoma South Carolina*	Florida* Idaho* Kentucky* South Carolina* Texas	Arkansas Idaho* Louisiana South Carolina* Tennessee*	Georgia Idaho Indiana Louisiana* Mississippi* Oklahoma* South Carolina* Tennessee	Florida* Idaho* Mississippi*
<b>Health</b>	Arkansas Mississippi Oregon	Georgia	Louisiana Oklahoma South Carolina Tennessee	Alabama California (6-8) Kentucky North Carolina (6-9) Texas	Idaho Indiana New Mexico	West Virginia	Florida Mississippi
<b>Family/ Consumer Science</b>		Louisiana New Mexico North Carolina South Carolina*	Alabama Oklahoma Tennessee West Virginia	Florida* Texas	Arkansas* South Carolina*	Arkansas* Indiana Mississippi	Florida North Carolina
<b>Art/Drama Music/Speech</b>	Florida* New Mexico* Oklahoma* South Carolina*	Arkansas* Idaho* North Carolina* South Carolina* West Virginia*	Florida* Idaho*	Arkansas* Louisiana* Mississippi* Tennessee*	Florida * Georgia* Kentucky* Mississippi* Oklahoma*	Alabama* California* Indiana* Kentucky* New Mexico Oregon Tennessee*	Florida* Idaho* New Mexico* North Carolina* Oklahoma* Texas*
<b>Vocational/ Technical Education</b>	Arkansas* Florida* Mississippi* South Carolina*	Louisiana* Mississippi New Mexico South Carolina*	Alabama Mississippi* Oklahoma South Carolina*	Florida* Idaho Kentucky North Carolina Texas	Arkansas* Florida South Carolina*	Arkansas* Georgia Indiana Mississippi* Tennessee	Florida*
<b>Career Education</b>	Mississippi South Carolina*	New Mexico	Alabama Oklahoma	Idaho Texas	Arkansas Mississippi		
<b>Driver Education</b>	Idaho Mississippi West Virginia	New Mexico	Arkansas Florida Oklahoma	Kentucky		Alabama Idaho Tennessee	Florida Mississippi



## Testing: CTB/McGraw-Hill

Excellent prospects for CTB/McGraw-Hill, the industry's only full-service educational test publisher, continue to improve as federally-mandated annual testing becomes a reality. The new plan will require that students be tested in reading and math in grades three through eight, and once while in high school.

Today, all 50 states use standardized assessment to measure student progress. In addition, most of the nation's school districts have augmented state assessments with additional tests at various grade levels. Approximately 6,500 of the nation's 15,000 school districts use CTB's products and services. CTB provides test results for more than 10 million students annually. CTB/McGraw-Hill's goals are to help schools, districts, and states effectively measure student progress toward educational standards and link assessment results to instructional strategies.

### CTB's Range of Offerings

As the leading publisher of standardized achievement tests and customized assessments, CTB/McGraw-Hill offers a comprehensive range of testing tools to help customers achieve diverse educational goals. CTB supports its customers' efforts to provide individual student diagnostic information as well as district-level accountability. Because curricular emphases and testing purposes differ from state to state, CTB works with customers to put the right kind of assessment to work for the right purpose. CTB collaborates with clients to create highly customized programs – from achievement tests that match all aspects of curriculum and standards to high-school graduation exams and innovative statewide performance assessments.



### CTB Solutions – Products and Services

CTB's flexible assessments, software products, and consulting services are used nationwide to help educators determine what students know and can do, including:

- **K-12 achievement and aptitude:** These assessments range from nationally normed standardized achievement tests to assessments of students' cognitive abilities.
- **Early learner:** Programs help educators assess a wide range of skills in young children, from language and comprehension to social and emotional development.

- **Language proficiency:** Language Assessment Scales (LAS®) products provide an accurate assessment of language ability and proficiency, from pre-kindergarten through adult.
- **Adult education and career development:** The Tests of Adult Basic Education (TABE®) series offers an ideal way for adult educators to plan instruction that helps build successful careers. Multiple versions of TABE serve the educational, business, and industrial marketplaces.
- **Computer-based products and services:** Assessment software for educators provides advanced tools that help school administrators and teachers track student data and develop, score, and manage testing and instructional programs.
- **Additional services:** A wide range of resources help teachers and parents understand assessments and use test results effectively.

### Basic Definitions

Educators use assessment results to help improve teaching and learning and to evaluate programs and schools. Assessment is also used to generate the data on which policy decisions are made. Common assessment terms include:

- **High-stakes test:** An assessment that has direct positive or negative consequences for students, teachers, schools, districts, or programs. For example, some states require that students pass an exit exam in order to graduate from high school. Some states reward teachers or schools whose students perform at specified levels on state tests.
- **Low-stakes test:** An assessment that has few direct consequences for students, teachers, schools, districts, or programs. Low-stakes assessments typically provide information to support instructional or program planning. For example, some tests are designed to indicate whether a student needs additional work in specific subjects.
- **Norm-referenced test:** A standardized assessment in which all students perform under the same conditions. Norm-referenced tests compare a student or group of students with a specified reference group – the norm group. For K–12 students, the norm group usually includes others of the same grade and age.
- **Criterion-referenced test:** A test in which every item is directly identified with an explicitly stated educational behavioral objective – typically, a content or performance standard. Criterion-referenced tests measure students' mastery of specific learning objectives, for example, ability to spell correctly, read and interpret text, or solve math problems.
- **Multiple measures:** A multiple-measures assessment program may combine performance assessments, norm-referenced tests, and other measures. This balanced approach provides more valid, reliable, and fair information about students' performance than any single-measure assessment.
- **Performance assessment:** A test that requires students to construct a response, create a product, or perform a demonstration. Performance assessments typically allow multiple ways to approach a problem and more than one correct answer.
- **Standards-based assessment:** A test that measures students' progress toward meeting specific content or performance objectives defined by national, state, or local standards of learning.

**Digital Solutions for Higher Education**

The electronic delivery of instruction is increasing as a portion of the overall mix of instructional solutions in higher education. McGraw-Hill Higher Education (MHHE) is well positioned to compete aggressively as the world of higher education is transformed by electronic delivery and electronic products and services. MHHE is

developing e-Learning Solutions that are superior to print and is bringing them to market faster than competitors. MHHE aims to increase market share and improve profitability by migrating our content to e-delivery. By 2002, over 2 million students are expected to be enrolled in at least one course that is offered online via the Web.

**IT Trends in Higher Education**

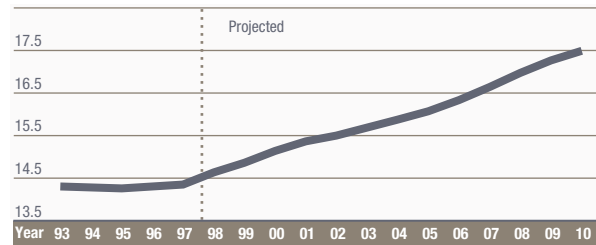
The Internet has become ubiquitous on campus, reaching classrooms, student dorms, and residence halls.

- 100% of U.S. colleges and universities provide Internet access to students in the library; 94% provide access via the computer lab.
- 64% offer Internet access in the classroom (an increase of 20% over 1999-2000 results).
- 41% provide access in student centers (up from 30% in 1999-2000), and 40% offer access in dorms and residence halls.

Source: *The College Technology Review 2000-2001*

**U. S. Higher Education Enrollments**

(millions of students)



Source: U.S. Dept. of Education, National Center for Education Statistics

**e-Learning Solutions from McGraw-Hill Higher Education**

Market Needs in Online Education Environment	MHHE e-Learning Solutions	Delivery Options	Technology Partners
<b>Online course management</b> - Course syllabus - Online testing and assessment - Online gradebook - Teacher/student discussion area - Class announcements - Online research links	<b>PageOut®</b> - Instructors can easily create a custom course Web site without being tech-savvy - Hosted on McGraw-Hill servers; no impact on school - Spanish-language version in 2001/02 <b>PageOut® Library</b> - Pre-built course Web sites that follow a standard semester-long syllabus	- Internet - Can link to Online Learning Centers	netLibrary's MetaText
<b>Textbook pedagogy and supplements</b> - Self-grading quizzes - Interactive exercises - Access to lecture material online	<b>Online Learning Centers</b> - Course specific Web sites that contain a textbooks' pedagogy and supplements - Supports all major MHHE titles - Developing Spanish-language OLC	- Can be used alone or assigned through instructor's interactive syllabus in PageOut	Blackboard, eCollege, TopClass, WebCT
<b>Course packs</b> - Web-based editions of course packs	<b>PowerWeb</b> - Web-delivered articles, news, and essays selected by experts for discipline-specific topics	- Password-protected site bundled with a MHHE textbook	Northern Light
<b>e-Textbooks</b> - Text of print books, enhanced with the latest teaching and learning technologies - Multimedia (sound/video/animation) - Interactive, easy-to-use search capabilities, i.e. annotate and highlight areas for quick reference	<b>Primis Online</b> - MHHE's proprietary Web-based platform for building custom e-books - Powered by the Primis database; 350,000 pages of content <b>McGraw-Hill e-Textbooks</b> - Complete e-textbooks; developed by McGraw-Hill through alliances with external e-textbook developers	- e-Book or printed textbook - Internet (HTML and PDF) - CD-ROM	Partnership with netLibrary's MetaText to integrate e-textbooks into MHHE's course management system
<b>Remedial math instruction through artificial intelligence software</b> - Determines a student's math and algebra levels - Offers individualized remedial instruction through interactive lessons and tutorials - Tracks student progress through course management system and detailed assessment reports	<b>ALEKS™</b> <i>Assessment and Learning in Knowledge Spaces</i> - Individualized math learning, targeted to first and second year college math markets - Statistics, calculus, and accounting are in development	- Internet only - Internet-access, bundled with MHHE textbook	ALEKS Corporation
<b>Online student self-assessment and diagnostics</b> - Students: Optimize study time. Links to online material that will improve proficiency in subject - Teachers: Tailor lectures to the areas where a class needs the most help	<b>Grade Summit</b> - An online diagnostic self-assessment tool - Analyzes and measures student progress - Tailored to the top four to six textbooks (MHHE and competitors) in the top 100 course markets across all disciplines	- Internet-access - Bundled with MHHE textbook or sold stand-alone	Exam Web
<b>e-Learning services for instructors</b> - Customer support, training, and resources - Premium teaching and learning support tools - Pedagogical support for building online courses	<b>Knowledge Gateway</b> Level 1: Free online access Level 2: Password-protected; premium content for instructors using McGraw-Hill digital content	- Support provided by phone and/or e-mail	Exclusive agreement with Eduprise to support Blackboard, TopClass, or WebCT course management systems

## Digital Publishing

McGraw-Hill Professional is aggressively pursuing new opportunities to distribute its content via the Internet, and in the process is transforming its products, business models, and relationships with its customers.

### Internet Subscription Model

McGraw-Hill Professional is converting its business model by transforming leading print products into Web-based subscription products. These online products are sold on an annual basis to libraries and institutions through a site license. Subscription renewal rates are over 95% and sites are expanding license agreements as end-user demand increases.

The group is rapidly expanding its portfolio of Web-based subscription products under the “Access” Internet brand. New content is published every day providing research updates, concise reviews, an extensive news service as well as new references and Web links. The model allows access to our end-customers. These new customer relationships allow direct feedback, which will enhance product development.

**Access Medicine** is the new McGraw-Hill medical Internet portal with an extensible suite of cross-searchable subscription products. Customers may purchase access to any or all of the online products:

- Harrison’s Online, based on *Harrison’s Principles of Internal Medicine* and available since 1998
- Medical Genetics Online, based on *Metabolic and Molecular Basis of Inherited Disease* by Scriver
- Current Medicine Online, based on *Current Medical Diagnosis and Treatment* by Tierney

**Access Science**, launched in 2000, has gained rapid market acceptance. It is currently available to a population of 25 million through libraries worldwide (public, school, academic, government, and corporate). Access Science includes the contents of the world-renowned *Encyclopedia of Science and Technology*, a comprehensive science dictionary, with biographies, daily science news, and an interactive “Ask the Experts” service designed for use by science students.

**Access Perry’s** is an online engineering subscription service for professionals and students. It is based on two of the most widely recognized engineering references in the world, Perry’s *Handbook of Chemical Engineering*, and Lange’s *Handbook of Chemistry*. Access Perry’s features hundreds of interactive, searchable, and exportable tables; dynamic graphing and plotting capabilities; and a robust search engine designed specifically for chemical properties.

### e-Books

Thousands of McGraw-Hill Professional books can be purchased in digital format from a variety of e-book retailers. The number continues to grow as McGraw-Hill Professional partners with technology and marketing companies to distribute its products online and through digital devices, including PCs, dedicated book readers, and personal digital assistants. Partners include netLibrary and Books24x7.com.

In addition, new digital storage and high-speed printing technologies are enabling the group to keep books in stock much longer than previously possible through ultra-short-run and “on-demand” printing programs.

### Computing: McGraw-Hill/Osborne Media Group

McGraw-Hill/Osborne Media Group has several key electronic publishing initiatives in 2001. By year end, over 150 titles will be available as e-books through Osborne’s own e-book online store as well as e-book retail partners. In addition, Osborne will have over 200 hours of online e-courses available, primarily on programming and Web development skills. Osborne will also introduce CER-TRAINER, the first widely available DVD-based training solution for the technical certifications offered by Microsoft, Cisco, and others.

#### Best Sellers

*Hacking Exposed: Network Security Secrets and Solutions*  
*A+ All-In-One Certification Exam Guide*, 3rd Edition  
*Flash 5 Virtual Classroom*  
*Cisco: A Beginner’s Guide*, 2nd Edition

### Business and General/Reference

The Business and General/Reference group publishes for a wide variety of markets. It is a leading publisher of books in business, management, technology/e-commerce, as well as books in finance and investments for both individual and professional investors. The group also has growing programs in self-help, educational and testing guides, and general science books. With the acquisition in 2000 of Tribune Education’s Contemporary Books imprint, the group has broadened its editorial scope into English and foreign language dictionaries, foreign language instruction, sports, fitness, and health and consumer reference.

#### Best Sellers

*24 Essential Lessons for Investment Success*  
*Net Ready: Strategies for Success in the E-economy*  
*Wake-Up Calls* by Joan Lunden  
*Jack Welch and The GE Way*

### Scientific, Technical and Medical (STM)

The acquisition of Appleton & Lange Medical Publishing in 1999 greatly enhanced McGraw-Hill’s position as a world leader in medical publishing and as the publisher of key global medical brands and series, including the *Lange* series of guides for medical students and the *First-Aid* series of medical board exam review books. The group has long been the worldwide leader in books for engineering and technical professionals.

#### Best Sellers

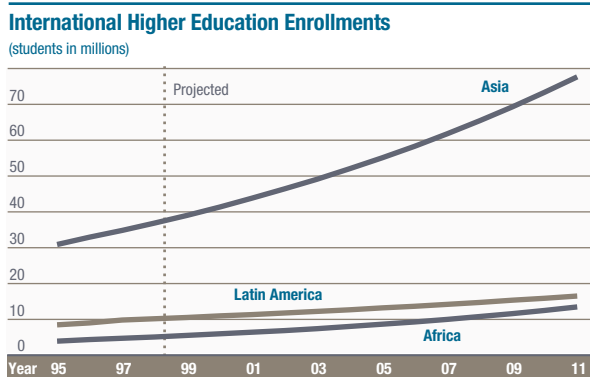
*Hurst’s the Heart*, 10th Edition  
*Pharmacotherapy*, 4th Edition  
*Harrison’s Principles of Internal Medicine*, 15th Edition  
*Current Medical Diagnosis and Treatment 2001*, 40th Edition

**New Media Initiatives**

The growing application of technology from e-books to course management in markets around the world is a key strategy for the International Publishing Group. New media initiatives include PageOut, Online Learning Centers, and Primis Online.

PageOut, which enables college and university instructors to easily create a course-specific Web site, had more than 10,000 registered users overseas by May 2001. Online Learning Centers (OLC) support our best-selling texts. Already a fixture in the U.S., OLCs are being developed for markets overseas, starting with a Spanish-language OLC to accompany the best-selling *Principles of Economics* by Mochon. Primis Online, the world's largest digitized textbook database, was introduced in Canada and the United Kingdom.

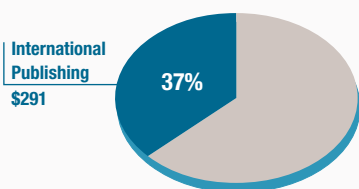
Higher education enrollments are increasing faster overseas than in the United States. Growth of 5.9% per year in Asia, 3.8% per year in Latin America, and 7.7% per year in Africa is expected over the next decade.



Source: UNESCO 1999 Yearbook and Standard & Poor's Global Emerging Markets Group

**2000 Foreign Source Revenue\***

Total Company: \$788 million  
(in millions)



\*Foreign source revenue includes international sales of U.S. operations

**McGraw-Hill's Global Publishing Network**

International Publishing distributes McGraw-Hill's Professional, Medical, Higher Education, Lifetime Learning, and School products outside the United States. An active translation program, by both McGraw-Hill subsidiaries and third-party translators, is a key part of the marketing plan. These publishing programs create new products for local markets, as well as translating and adapting titles developed in the U.S. With nearly 2,000 employees in 23 locations, International Publishing produces titles in 16 languages worldwide.

**Growth Trends**

Improved political and economic conditions and ratings in Mexico, South Africa, and a large portion of Asia have added funding and a focus on education in the technology and business fields. This, along with improving demographics, expanding enrollments and an improved political environment focused on educational reform and global standards are driving a demand for access to world-class educational and training materials worldwide.

- Use of Web sites in course instruction is growing. PageOut is gaining acceptance in Asia, Australia, and Europe. A Spanish version of McGraw-Hill's Online Learning Centers and PageOut are being developed for launch in Spain in 2001/02, and Latin America thereafter.
- Enrollments in Spanish-speaking countries are rising as access to education increases. Local governments are encouraging education and professional training to improve global competitiveness. World Bank, Interamerican Development Bank, and other sources of funding are making important contributions to educational technology and access to the Internet. Demand is also growing for books and materials leading to certification in computing and information technology.
- Demand for English Language Training (ELT) materials based on American English is increasing in the major markets of Latin America and Asia, replacing aging British-based practices as the focus on U.S. business connections grow. New opportunities to tie new media technology and Web-based instruction offer further expansion of access globally.
- Educational reform movements are increasing in both stable and emerging markets, as nations make financial commitments to upgrade their educational programs and institutions.
- In developing economies, the need for computer and high-tech skills not traditionally taught in schools presents opportunities for continuing education, lifetime learning, and corporate training.
- There is growing international demand for books and materials in technical and computer-based areas leading to certification in software programs such as Windows NT, Java, and Oracle.
- Internet growth rates are spurring Internet delivery of content, particularly in Latin and South America, Asia, and India where demand for education is outpacing the institutional facilities.
- As Asian countries with government monopolies over textbook publishing seek to reduce their level of ownership, new opportunities will arise for foreign participation. McGraw-Hill has received initial approvals from the Chinese Government for the first major foreign publisher joint venture. Focused on local language publishing in the disciplines of business, economics, and accounting, this will provide access to one of the world's fastest developing countries.

**Locations**

Australia	Korea	South Africa
Canada	Malaysia	Spain
Chile	Mexico	Taiwan
Colombia	New Zealand	Thailand
Hong Kong	Philippines	United Kingdom
India	Portugal	United States
Indonesia	Puerto Rico	Venezuela
Italy	Singapore	

### **Biggest, Most Diverse Ratings Agency**

In 2000, Standard & Poor's conducted a comprehensive review of its ratings business. Standard & Poor's studied its customer needs, identified and tracked global market trends, and reevaluated how its business could better serve its customers and the global financial markets.

As a result of this broad reassessment, Standard & Poor's announced the strategic repositioning of its ratings business, which is central to the company's continued growth and success. This division was renamed Standard & Poor's Credit Market Services (CMS) to more accurately reflect the full range of its capabilities. In addition to reorganizing some "traditional" business units under CMS, Standard & Poor's has established a new unit that heightens CMS' focus on "non-traditional" services where the CMS customer base is fast growing. By aggregating its products and streamlining processes, CMS achieves several objectives. CMS focuses its energies as a full-service turnkey organization for credit assessment needs. In addition, CMS gains a more powerful, solution-focused structure that better supports and extends the reach of its outstanding financial analysis and content.

The newly created Risk Solutions unit within CMS helps customers take advantage of the major innovations in risk measurement and management that are driven by more open and competitive financial markets, changing regulation and greater application of technology. The unit combines Standard & Poor's offerings into an integrated set of products and services, which include training, credit risk management consulting, benchmarking, modeling, and default and loss databases.

Driven by a substantial credit market opportunity, Standard & Poor's is increasing the range of credit risk tools and services it offers new and existing customers. This broader opportunity extends outside the United States, complementing CMS' growing ratings business in many countries.

Standard & Poor's is also actively pursuing opportunities to broaden its franchise through acquisitions and alliances. In 2000, the global network continued to expand with the acquisition of Canadian Bond Rating Service, a leading domestic rating agency in Canada. In addition, Standard & Poor's further secured its leading position in the bank loan market with the acquisition of Portfolio Management Data, the leading provider of default and recovery information. Standard & Poor's also enhanced its position in the commercial real estate market in 2000 by making minority equity investments in MortgageRamp.com and Precept Corporation, two newly formed Internet commercial mortgage origination and trading exchanges. To bolster its e-commerce position in the municipal and global securities processing markets, Standard & Poor's also made a minority investment in DPC Data, a major provider of Web-based municipal bond information.

### **New Product Development**

Credit Market Services is also generating new revenues by developing new analytical services.

### **School Evaluation Services**

School Evaluation Services is a new analytical system that enables state and local officials to monitor school districts' performance. The product determines the key strengths, challenges, and risks relating to each school district's performance; recognizes areas of financial or academic strength (weakness) or improvement (vulnerability), promotes sharing of assessment of "best practices"; measures a district's return on educational resources; and facilitates recommendations for allocation of discretionary resources. School Evaluation Services has received significant response from the market. The state of Michigan and the state of Pennsylvania have signed multi-year service contracts.

### **Risk Learning Institute**

Standard and Poor's Risk Learning Institute (RLI) is a valuable insight into Standard & Poor's rating methodologies and criteria. It is a dynamic and interactive learning experience that focuses on real life examples and case studies. In 2001, RLI is offering 46 courses spanning five different industries in sixteen cities around the globe. RLI also offers select courses in multiple languages. Clients can elect to either have standard or custom courses tailored to their corporate objectives.

### **Global Network**

#### **North America**

Boston (1994)  
Chicago (1994)  
Dallas (1996)  
New York (1860)  
San Francisco (1990)  
Toronto (1993)  
Washington, D.C. (1994)

#### **Latin America**

Brazil (1997) \*  
Buenos Aires (1997)  
Chile (1996) \*  
Mexico City (1993)  
São Paulo (1998)

#### **Europe**

Frankfurt (1992)  
London (1984)  
Madrid (1992)  
Milan (1999)  
Paris (1990)  
Stockholm (1988)

#### **Asia-Pacific**

Hong Kong (1994)  
India (1996) \*  
Indonesia (1996) \*  
Melbourne (1990)  
Philippines (1999) \*  
Seoul (2000)\*  
Singapore (1996)  
Taiwan (1997) \*  
Tokyo (1985)

#### **Eastern Europe/Middle East/ Africa**

Israel (1998) \*  
Moscow (1998)  
Russia (1998) \*  
South Africa (1997) \*

*\* Affiliate office*

**Global Expansion**

Standard & Poor's Credit Market Services (CMS) continues to grow in overseas markets, with a current emphasis on Europe, Japan, and the emerging markets. CMS opened its first international office in London in 1984. In 2000, a representative office was opened in Seoul, becoming the 31st link in CMS's global network of offices and affiliates worldwide.

**Europe**

CMS' foreign source revenue from the U.K. and Continental Europe increased to 67% in 2000 from 65% in the prior year. A higher percentage of revenues is expected with the development of a unified European debt market over the next several years. The introduction of the new Euro currency in January 1999 created demand for credit ratings as investors shifted their focus to credit risk from currency risk. Ratings demand was also fueled by more European companies seeking financing through debt markets as an alternative to bank financing. In 2000, Standard & Poor's continued to add new customers for ratings in Europe, although not at the previous year's rate. As Standard & Poor's market penetration in Europe increases, the number of new issuers is expected to decline.

There are three main reasons why CMS' European revenues increased in 2000:

**Transaction size:** Our revenues generally increase as the size of a transaction increases. In 2000, the size of many of the transactions rated by Standard & Poor's was larger.

**Annual fees:** We have transitioned some of our clients to annual (or multi-year) contracts. Clients pay an annual fee for a predetermined level of issuance; there is an additional charge for excess issuance. As more clients move to annual fees, our revenues become less dependent on the number of ratings/transactions and, therefore, less volatile.

**Non-traditional revenues:** Some of our non-traditional products, such as Standard & Poor's Ratings Evaluation Services (RES), are not recorded as ratings. We have also seen an increase in our non-traditional products in Europe.

The fastest-growing sector of the European bond market is the structured finance sector. Issuers, faced with increasing pressures to increase shareholder value, are securitizing large asset-laden balance sheets. Investors are attracted to the value that structured securities offer relative to other fixed income products. Standard & Poor's assigned 136 new structured ratings in Western Europe in 2000 versus 77 in 1999, a 77% increase.

**New Customers for Ratings in Europe, by Sector**

	2000	1999	1998	1997
<b>Corporate</b>	74	82	64	26
<b>Financial Institutions</b>	25	47	27	31
<b>Public Finance</b>	36	47	16	12
<b>Infrastructure</b>	13	24	11	N/A*
<b>Insurance</b>	82	132	63	42
<b>Structured Finance</b>	136	77	76	69
<b>Total</b>	366	409	257	180

\*Formerly included in public finance.

Source: Standard & Poor's Credit Market Services

**Eastern Europe/Middle East/Africa**

Growth in the region's emerging markets continues to be driven by the substantial need for capital and the formation of domestic capital markets. Governments are responding to their economic challenges by quickening the pace of structural reforms in their financial markets.

**Asia-Pacific**

Business conditions in the region were mixed in 2000. Deleveraging by corporates, tight margins in the syndicated loan markets, and growth of domestic bond markets constrained cross-border bond issuance. While conditions in Asia stabilized during the year and liquidity returned to the debt markets, the market remained dominated by the commercial banks. Long-term prospects for Standard & Poor's, however, remain positive given the commitment to strengthening the financial systems and developing stable capital markets. Marketing and franchise-building outreach efforts, throughout 2000, have positioned Standard & Poor's as the local credit rating company of choice with significant local resources providing depth and breadth of coverage in this region.

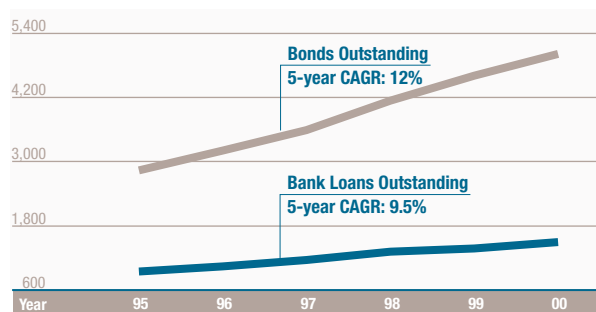
Japan, as the world's 3rd largest financial market and 2nd largest investment market, remains a major focus for CMS. Japanese markets have accepted securitization as a financing alternative. The securitization of new asset classes offers strong growth opportunities. Standard & Poor's expects to provide value-added products to support the country's development of risk-based and responsibility-driven economic and business models.

**Latin America**

Latin America finished 2000 slightly more upbeat than it started and there is significant expectation of stronger economies in the region for 2001. As investor sentiment improves, Standard & Poor's is well positioned with offices and affiliate relationships throughout the region.

**Declining Importance of Bank Lending**

(dollars in billions)



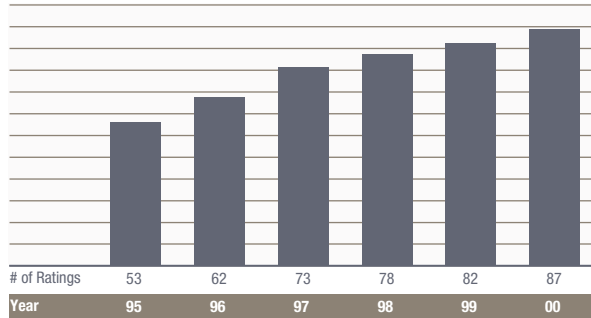
Source: Board of Governors of the Federal Reserve System



**Sovereign Ratings**

Credit Market Services has increased its sovereign coverage 64% since 1995, to 87 ratings at year-end 2000. Sovereign ratings, which measure a government's creditworthiness and its capacity to pay financial obligations, are a strong indicator of CMS's growth potential in emerging global markets. Since the sovereign rating is the first rating conducted in any new market, it opens the door for ratings of other public and private entities.

**Sovereign Ratings by Standard & Poor's Credit Market Services**



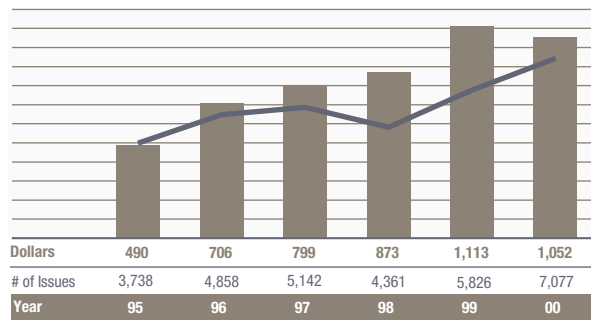
Source: Standard & Poor's Credit Market Services

**Non-U.S. Issuers**

In 2000, the issuance of European bonds grew by 21% even though the dollar value declined by 5%. The number of issues denominated in Euros also increased in 2000, representing 43.5% of the total issuance of European bonds. Yankee bond volume (bonds issued by foreign entities into the U.S. market) increased 39% over 1999, while new issues declined by 20%.

**European Bond Issuance**

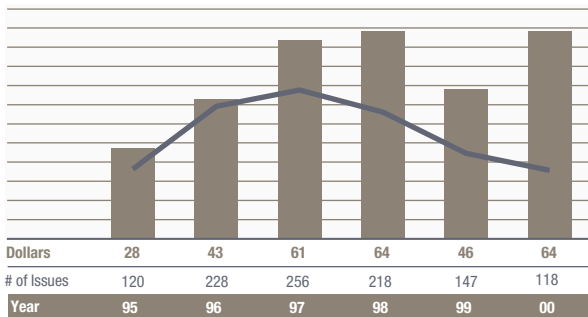
(US\$ equivalent; in billions)



Source: Bondware

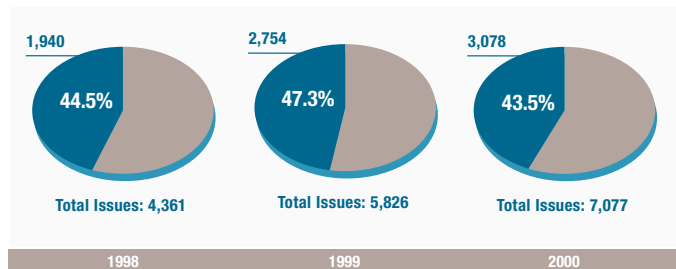
**Yankee Bonds**

(dollars in billions)



Source: Standard & Poor's Global Fixed Income Research Group

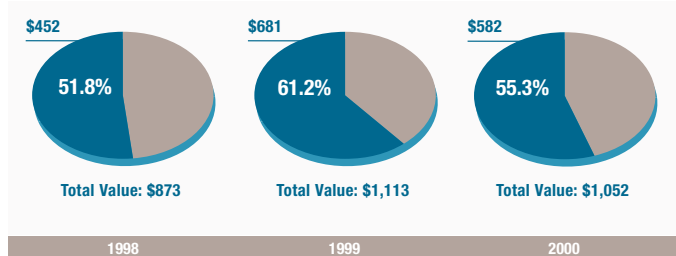
**Number of Eurobonds Denominated in Euros**



Source: Bondware

**Value of Eurobonds Denominated in Euros**

(US\$ equivalent; in billions)



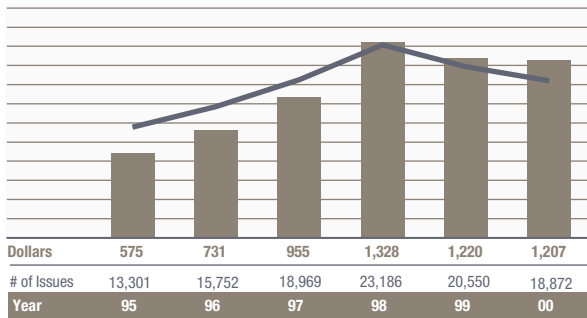
Source: Bondware

**U.S. Bond Market New Issue Volume**

In 2000, U.S. bond issuance experienced a moderate pullback from its 1999 level. Total dollar volume in 2000 was down 1% versus 1999, while the number of issues declined 8%. 2000 U.S. corporate bond and asset-backed dollar volume increased 2% and 16%, respectively, while municipal and mortgage-backed dollar volumes were off 11% and 27%, respectively.

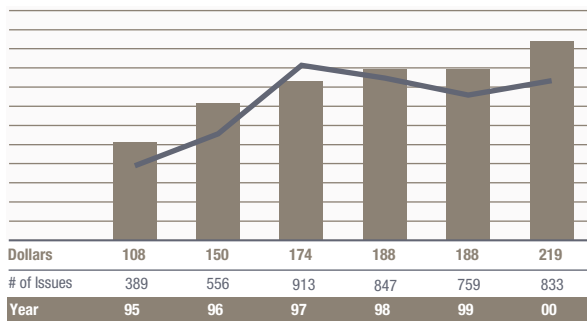
(Annual figures; dollars in billions)

**Total U. S. Bond Market**



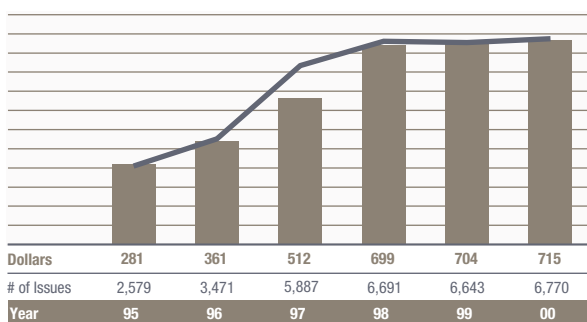
Source: Securities Data Company

**Asset-Backed**



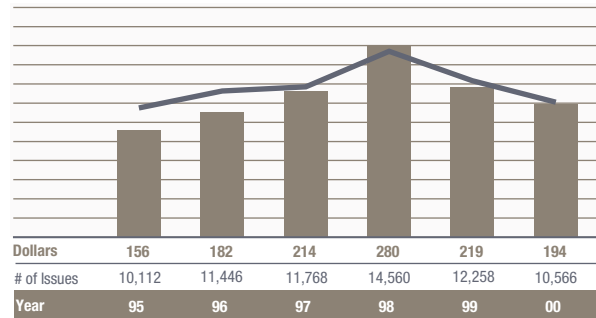
Source: Securities Data Company

**Corporates**



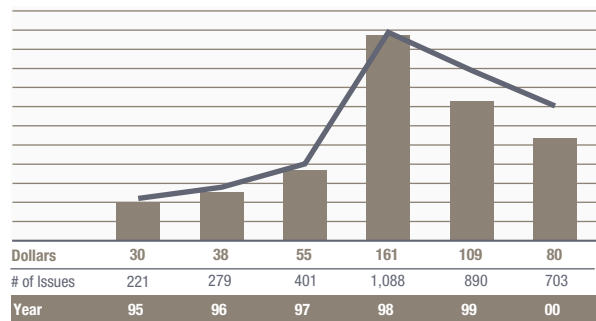
Source: Securities Data Company

**Municipals**



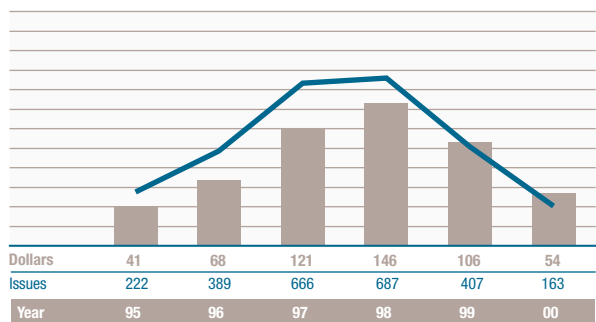
Source: Securities Data Company

**Mortgage-Backed**



Source: Securities Data Company

**High-Yield Market**  
 Subset of Corporates



Source: Standard & Poor's Global Fixed Income Research Group

**Structured Finance**

Securitization is fast becoming the finance tool of choice for an ever-broadening array of global issuers looking for capital efficiency. The key to successful securitization is an independent and objective analysis of both the structure and the credit strength of the assets. It is in this function that CMS' Structured Finance has excelled.

Standard & Poor's strategy is to maintain its leadership position in providing ratings and other credit risk evaluation services to the rapidly growing global securitization market.

Standard & Poor's market penetration in private label mortgage-backed and traditional asset-backed is very high. In commercial real estate we have an opportunity to increase market penetration.

The CBO/CLO market is a new, very strong asset class for Standard & Poor's that emerged just a little over three years ago. The underlying assets in these transactions in 1999 and 2000 were corporate loans and corporate bonds purchased either in the open market or from the balance sheets of financial institutions. At the end of 2000 we saw the emergence of a new class of underlying assets for these

transactions – asset- and mortgage-backed securities. In 2001 we expect to see more of these new vehicles.

In addition, Standard & Poor's sees exciting opportunities for its structured finance expertise overseas. Securitization in Europe has really hit its stride as regulatory and legal impediments have been removed. What started as a residential mortgage-backed market in the U.K. has expanded into a diversified asset-backed market in France, Germany, Italy, and a few other countries.

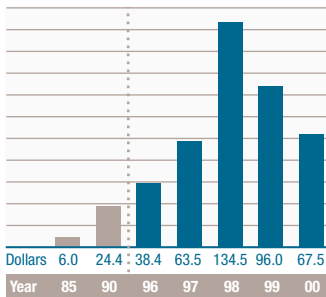
The markets in Asia (outside of Australia which has a well-developed residential mortgage-backed market) and Latin America are still in their infancy, but continue to grow nicely. Asia is starting to address its many legal and regulatory hurdles to securitization. Standard & Poor's expects to see strong growth in Japan in 2001.

In Latin America, most transactions are future flow transactions, which are securitizations of cash flows off of future sales of goods and services. In addition, there is a healthy securitization market in Argentina.

**North American Issuance Volume**

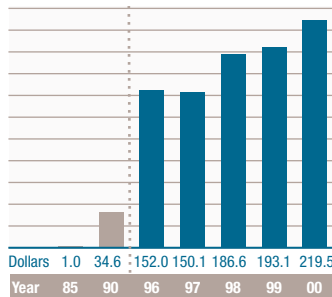
**Residential Mortgage-Backed Securities**

(dollars in billions)



**Asset-Backed Securities**

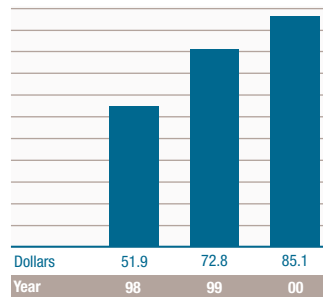
(dollars in billions)



**Non-U.S. Issuance Volume**

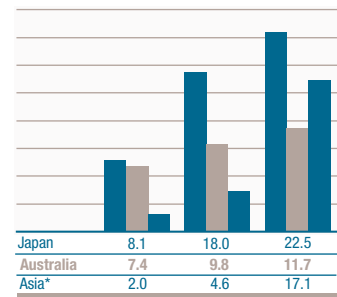
**European Issuance Volume**

(dollars in billions)



**Asian Issuance Volume**

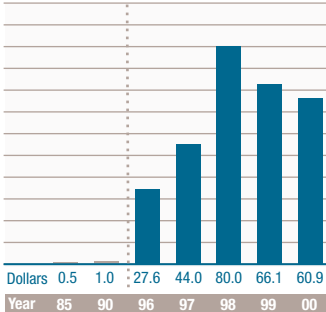
(dollars in billions)



\*excluding Japan and Australia

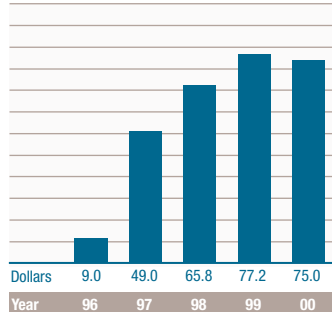
**Commercial Mortgage-Backed Securities**

(dollars in billions)



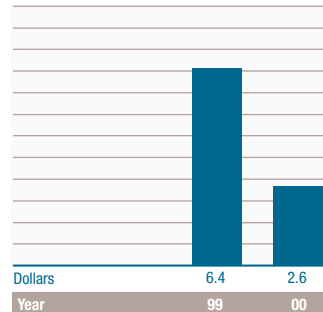
**CBO/CLO Issuance Volume**

(dollars in billions)



**Latin American Issuance Volume**

(dollars in billions)



Source: Standard & Poor's Structured Finance Ratings

**Non-Traditional Ratings**

Credit Market Services is successfully diversifying its business and reducing dependency on new issue volume in the bond markets by leveraging its expertise into new—but related—areas. These areas tap into growing sensitivity to risk and increased regulatory and public concern about the ability of financial markets to manage risk adequately. These factors continue to fuel demand for “non-traditional” ratings, which are expanding more rapidly than traditional ratings. Since 1995, the growth has been 185%.

**Financial Strength Ratings, Counterparty Ratings, Corporate Credit Ratings, and Derivative Product Company Ratings:**

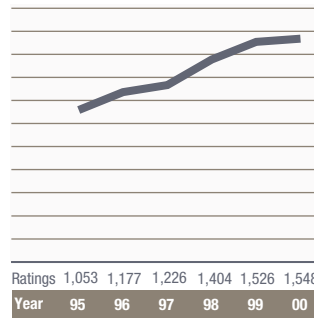
An opinion of an entity’s overall creditworthiness and capacity to pay its financial obligations. These ratings do not apply to specific financial obligations.

**Bank Loan Ratings:** An evaluation of a syndicated loan based on the likelihood of ultimate repayment of the loan, and on the recovery value in the case of default.

**Rating Evaluation Services:** A confidential, definitive assessment of how potential acquisitions, debt issues, stock repurchases, recapitalizations, consolidations, and other actions will impact a company’s creditworthiness and credit rating.

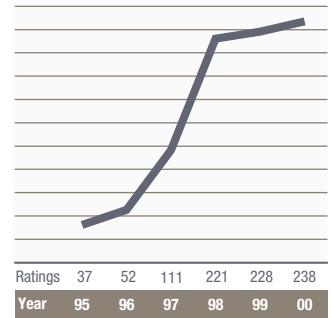
**Project Finance Ratings:** An opinion of the ability of a project’s assets to generate cash flow for operations and debt service.

**Financial Strength Ratings\***

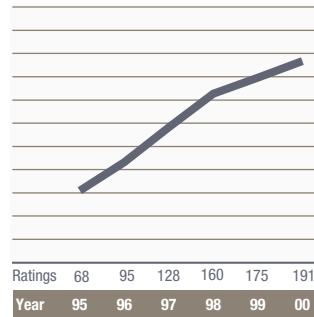


\*Formerly Claims-Paying Ability Ratings

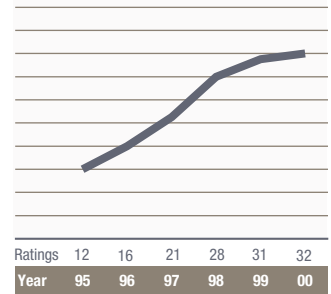
**Counterparty Ratings**



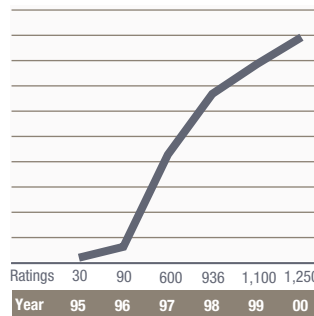
**Corporate Credit Ratings**



**Derivative Product Company Ratings**



**Bank Loan Ratings\***



\*New in 1995

**Rating Evaluation Services\***



\*Corporate ratings only

**Project Finance Ratings\***



\*New in 1995

### Leveraging Standard & Poor's Proprietary Content

Standard & Poor's Information Services, structured around Institutional Markets, Retail Markets, Portfolio Services, and Fund Services, is focused on the most attractive business opportunities being created by a worldwide demand by investors for information and analysis covering equities and managed portfolios. The need for independent and integrated analysis and advice has never been greater, and Standard & Poor's has a unique capability to fill those needs.

The organization:

**Institutional Markets:** The voice of Standard & Poor's to the institutional marketplace. Represents all Standard & Poor's content, analysis, and analytics to the investment and dealing room professional. Services include: Compustat, Market Insight, Globalmarkets.com, Research Insight, and Web Solutions

**Retail Markets:** The voice of Standard & Poor's to the retail marketplace through financial intermediaries (B2B2C) and reference markets. Retail Markets is a major redistributor of content to financial Web sites. Services include: Advisor Insight, ComStock, Corporate Profiles, Industry Surveys, MarketScope, Advantage, Outlook, Stock Reports, and Web Solutions

**Portfolio Services:** Provides a global family of index products for the benchmarking of financial performance for market professionals. Provides investment portfolio strategies and stock selection services. Services include: Exchange-Traded Funds (ETFs), Indices, Investment Advisory Services, and Customized Portfolios

**Fund Services:** Provides fund analytics and information services on bond and equity funds on a worldwide basis. Services include: Fund Data, Fund Ratings, Financial Communications, and Web Solutions

### Priority Growth Initiatives

Standard & Poor's Information Services' priority growth initiatives focus on: global expansion by building revenues and capabilities outside the U.S.; development of 'breakaway' global content that will provide Information Services with a sustainable differentiated competitive advantage in its targeted markets and the accelerated migration of information products to high market impact, Web-based solutions.

Important growth initiatives in 2000 included:

- Expanded coverage in the Compustat database, which powers new generations of Research Insight and Market Insight products, allowing clients to more easily analyze company financial information for making investment decisions.
- Standard & Poor's ComStock, the world's leading quote provider to Internet sites, continued to expand its U.S. and European activities off the strength of modern ticker plants and further developed its Internet distribution capabilities through the creation of a new Web Solutions business.

- The Web Solutions group worked with clients to develop Internet sites, hosted either by Standard & Poor's or by the client, using Standard & Poor's data and analytics.
- Standard & Poor's Index Services business continued to expand rapidly both domestically and internationally. On the international front in 2000, Standard & Poor's purchased the Emerging Markets Database from the IFC at year-end 1999 and has created alliances with a number of international exchanges to operate their index businesses: Australia (S&P/ASX), Canada (S&P/TSE), and Japan (S&P/TOPIX). Index Services also created a European Index Services Group, whose promotional efforts are focused on the S&P Euro 350 and related industry sectors. In addition, the S&P Global 100 Index was unveiled and a new exchange-traded fund (ETF), based on that index, was launched in December 2000 on the New York Stock Exchange.
- Mutual funds continued to be a popular asset class for individuals to invest in and this interest continued to drive strong revenue growth for the information, analytics, and ratings provided by Standard & Poor's Fund Services. Services include performance data, ratings and analytics for investment funds, and accelerated Web Solutions opportunities.

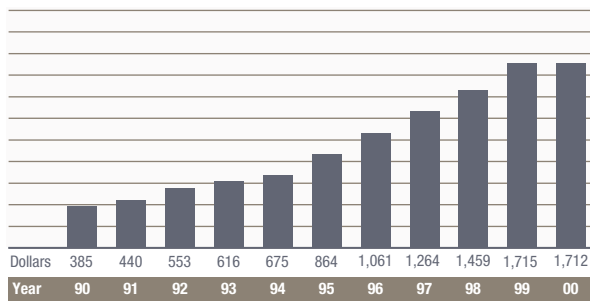
### Key Business Drivers

Growing global equity market, disintermediation of traditional financial services providers such as brokerage firms, privatization, and growing market power of the individual investor are creating new opportunities for Standard & Poor's. All of this is happening in an era of tremendous technological change that is enabling our customers to distribute and receive data and research, conduct transactions, and manage financial strategies primarily over the Internet. See page 44 for some of the key business drivers for Standard & Poor's Information Services.

**Key Business Drivers**

**401(k) Retirement Plan Assets**

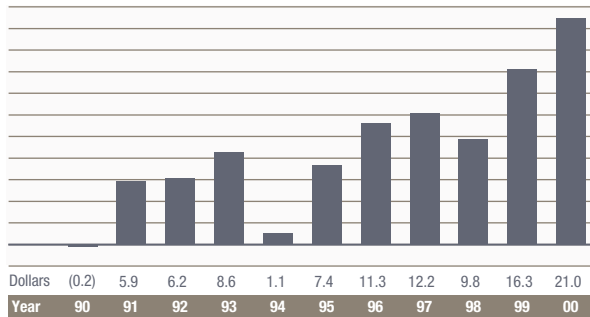
(in billions)



Source: Investment Company Institute

**Wall Street Pre-Tax Profits**

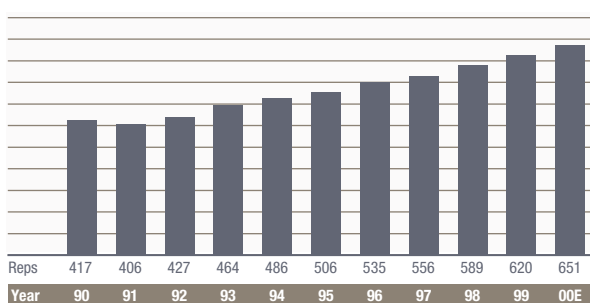
(in billions)



Source: Securities Industry Association

**Number of NASD Registered Representatives**

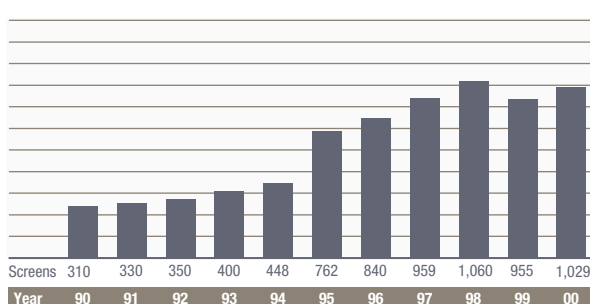
(in thousands)



Source: Securities Industry Association

**Number of Quote Vendor Screens Worldwide**

(in thousands)

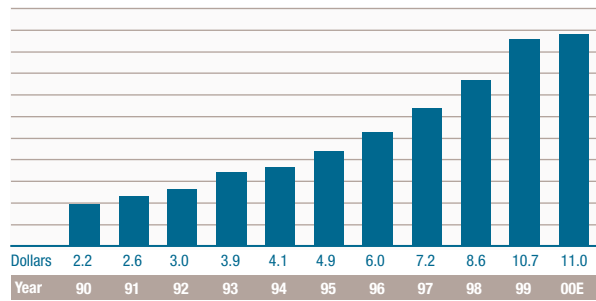


Source: Waters Information Services

Note: 2000 data is actual, unless "E", which indicates Standard & Poor's forecast.

**Global Fund Assets**

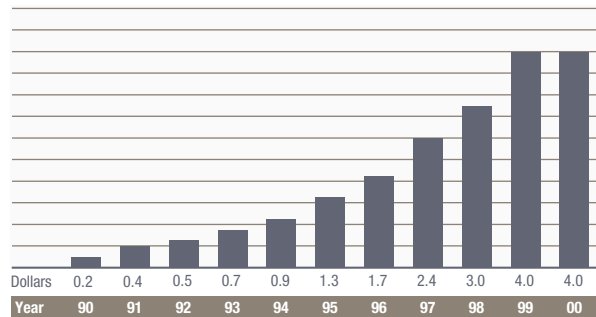
(in trillions)



Source: Standard & Poor's

**U.S. Equity Fund Assets**

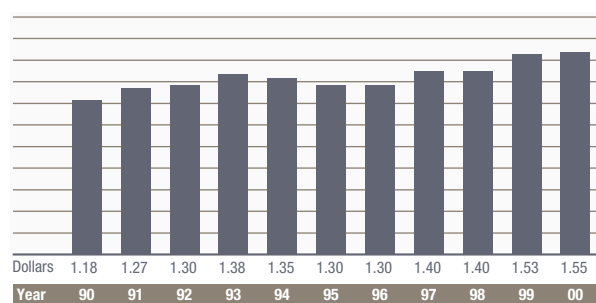
(in trillions)



Source: Investment Company Institute

**Municipal Bonds Outstanding (U.S.)**

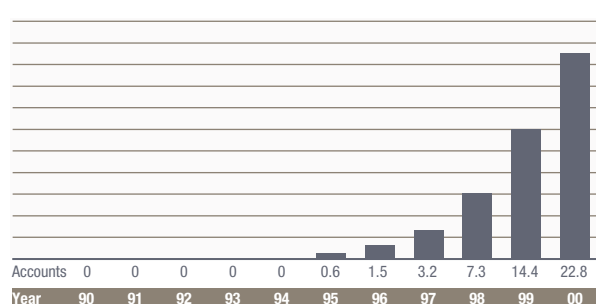
(in trillions)



Source: The Bond Buyer

**U.S. Online Brokerage Accounts**

(in millions)



Source: TowerGroup

**Integrated Solutions**

Standard and Poor's is committed to providing integrated content solutions to the financial marketplace. Information Services is rapidly transitioning 100% of its information services to electronic offerings. The group is also pursuing the development of e-products that will accelerate the migration to high market impact, e-based solutions.

Standard & Poor's delivers its data and analysis to traditional financial institutions, as well as new financial intermediaries, in the following formats:

- **Web Stations:** Financial applications designed by Standard & Poor's and available for financial professionals who want turn-key solutions.
- **Web Solutions:** Modular blocks of Standard & Poor's content that allow customers to build customized offerings on their Web sites.
- **Content Feeds:** Typically sold to large financial institutions that want Standard & Poor's data fed into their own repositories.

**New Product Development**

Standard & Poor's new product development efforts are concentrated on achieving top quality, global coverage in data, analysis, opinions, and benchmarks that will provide Standard & Poor's with a sustainable, competitive advantage in its targeted markets. Important initiatives and products include:

**Web Solutions**

<http://www.sandpwebsolutions.com>

Standard & Poor's content is provided to financially-oriented Web sites that seek independent, highly-valued, analytical services and information in order to differentiate themselves. These customers use Standard & Poor's customized content on the firms' intranets; on their Internet products or portals; and on the financial channels of infomediaries.

**Advisor Insight**

<http://www.AdvisorInsight.com>

Designed specifically for financial advisors, Advisor Insight leverages Standard & Poor's investment services and financial databases and presents this rich content in an integrated Web-based tool.

**Market Insight**

<http://mi.compustat.com>

A Web-based research tool that links company, industry, and country information and delivers fundamental company data, EDGAR filings, corporate actions, news, analysis, and more. Valuable add-on components can easily be added to the base package, such as Index Alert, global equity information, Execucomp, and DRI-WEFA Country Risk Reports.

**Compustat Xpressfeed**

<http://www.compustat.com>

Xpressfeed provides over 900 financial data items on more than 45,000 global active and inactive public companies. Data includes competitive analysis, balance sheets, annual data, income statements, cash flows, market, and operating segment information. Compustat Xpressfeed's users include investment analysts, corporate finance officers, and money managers.

**Stock Reports**

<http://www.AdvisorInsight.com/ai/preview/index.htm>

Standard & Poor's Stock Reports are the industry standard in top-shelf equity analysis, covering approximately 6,000 publicly traded companies listed on the New York, American, Nasdaq, and regional stock exchanges. Stock Report "tear sheets" include Standard & Poor's price-volume chart, statistical measures, and fundamental analytics. The electronic version includes additional information on analysts' earnings-per-share estimates, industry outlook, and the latest news on the company.

**Xstream Quotes**

<http://www.xstreamquotes.com>

In 2000, Standard and Poor's launched Xstream Quotes, a Java applet that delivers professional quality streaming real-time quotes into a standard Web page. Sponsoring firms can private-label the applet and customize specific features such as the number of stocks in the watchlists. The Xstream server is offered to online portals and investment institutions for redistribution to customers and clients.

**Research Insight<sup>SM</sup>**

<http://www.compustat.com>

Standard & Poor's Research Insight provides money managers a powerful, easy-to-use tool for stock screening and portfolio management. Utilizing Standard & Poor's COMPUSTAT<sup>®</sup> databases, the user can easily access data downloads and upgrades online. Research Insight add-ons include Market Insight, **Stern Stewart's EVAntage<sup>SM</sup>** financial modeling, and the new Global Industry Classification Standard (GICS).

**Globalmarkets.com**

<http://www.globalmarkets.com>

Provides actionable insight, news, analysis, charts, and research on market activity, market-moving events, economic trends, and market expectations on the Global Fixed Income, Foreign Exchange, Emerging, and U.S. Equity markets. In 2000, Standard & Poor's launched its Chinese language-based Globalmarkets.com.hk and expanded its analysis and commentary coverage of Central and Eastern Europe.



**Creating New Investment Opportunities**

Standard & Poor's Index Services continues to lead the way in providing tradable portfolio indices for the investment community. The S&P Global 1200 is the world's first real-time, investable global equity index. It is a series of building blocks that provide investors with high quality, investable portfolio indices in a variety of regional and sectoral combinations. The S&P Global 1200 is made up of six component indices: S&P 500 (US), S&P/TSE 60 (Canada), S&P Latin America 40, S&P/TOPIX 150 (Japan), S&P Asia Pacific 100, and S&P Europe 350. Alternatively, the S&P Global 1200 can be divided into ten sectors based on the Global Industry

Classification Standard (GICS). GICS covers more than 19,000 companies, representing 90% of the entire market capitalization of all the global and emerging market companies. Standard & Poor's continued its global expansion in 2000, formalizing the acquisition of the index business of the Australian Stock Exchange in March. Last year also saw the launch of the iShare S&P Global 100 exchange-traded fund (ETF) on the New York Stock Exchange, as well as the launch of the iShare S&P Europe 350. A total of 13 S&P index-linked iShare products were created in 2000.

**EXCHANGE-TRADED FUNDS ON STANDARD & POOR'S INDICES**

<b>Global Industry Classification Standard (GICS)*</b>	<b>REGION</b>	<b>EXCHANGE-TRADED FUNDS</b>
The S&P Global 1200 can be divided into ten sectors based on the Global Industry Classification Standard.	<b>USA</b> S&P 500, <sup>b</sup> S&P 100, <sup>c</sup> S&P MidCap 400, <sup>d</sup> S&P SmallCap 600, <sup>e</sup> S&P SuperComposite 1500 <sup>f</sup>	iS&P 500, iS&P 100, iS&P MidCap 400, S&P SmallCap 600, SPDR, MidCap SPDR
<b>Sectors:</b> - Consumer Discretionary - Consumer Staples - Energy - Financials - Health Care - Industrials - Information Technology - Materials - Telecommunication Services - Utilities	<b>Canada<sup>g</sup></b> S&P/TSE 60, S&P/TSE 60 Capped, TSE 300, TSE 300 Capped, S&P/TSE Canadian MidCap, S&P/TSE Canadian SmallCap	iS&P/TSE 60, iS&P/TSE MidCap, TSE 300
* GICS, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI), establishes a common global standard for categorizing companies into sectors and industries, thereby enabling asset owners, asset managers, and investment research specialists to make seamless global comparisons by industry.	<b>Europe</b> S&P Europe 350 <sup>h</sup>	iS&P Europe 350
The classification standard consists of 10 economic sectors aggregated from 23 industry groups, 59 industries, and 123 sub-industries currently covering over 19,000 companies globally.	<b>Japan</b> S&P/TOPIX 150 <sup>i</sup>	iS&P/TOPIX 150
	<b>Asia Pacific</b> S&P Asia Pacific 100 <sup>j</sup>	iS&P Asia Pacific 100
	<b>Latin America</b> S&P Latin America 40 <sup>k</sup>	iS&P Latin America 40
	<b>Global</b> S&P Global 100, <sup>l</sup> S&P Global 700 <sup>m</sup>	iS&P Global 100 (NYSE)
		iS&P Global 700
		iShares S&P Global 1200 Sectors expected late 2001

**Legend**

- Existing ETFs
- To be announced

i BGI iShare (U.S.) or BGI iUnit (Canada)

Tickers given are Reuters RICs.



- a) *S&P Global 1200 (SPGLOBAL): The world's first real-time, investable global equity index.*
- b) *S&P 500 (SPX): The most widely followed U.S. equity benchmark with over \$1 trillion indexed to it at year-end 2000. Companies included generally have over \$5 billion in market capitalization.*
- c) *S&P 100 (OEX): Covers 100 stocks in the S&P 500.*
- d) *S&P MidCap 400 (MID): Measures the mid-size segment of the U.S. equity market – primarily companies with \$1 to \$5 billion in market capitalization.*
- e) *S&P SmallCap 600 (SML): Covers equities with \$250 million to \$1 billion in market capitalization.*
- f) *S&P SuperComposite 1500: Combines the S&P 500, S&P MidCap 400, and S&P SmallCap 600. Represents 87% of the U.S. equity market capitalization.*
- g) *S&P Canadian Indices: This complete family serves as a basis for derivative and investment products, including the S&P/TSE Canadian sectors: Energy (SPTTEN), Financials (SPTTFS), Information Technology (SPTTTK), Gold (SPTTGD).*
- h) *S&P European Indices, S&P Europe 350: The S&P Europe 350 (SPEUR, SPEURD for euro and US\$ versions) measures equities in 15 pan-European markets, covering approximately 70% of European market cap. It has three country/regional sub-indices: S&P Euro Plus (SPEP, SPEPD); S&P Euro (SPEU, SPEUD); S&P United Kingdom (SPUK, SPUKD).*
- i) *S&P/TOPIX 150 (SPTPX, SPTPXD): Created with the Tokyo Stock Exchange, covers 150 Japanese companies from each major sector of the market.*
- j) *S&P Asia Pacific 100 (SPASIA): Covers 100 Asia/Pacific (ex-Japan) companies in seven countries.*
- k) *S&P Latin America 40 (SPLAC): Covers 40 Latin American companies in four countries.*
- l) *S&P Global 100 (OOI): Measures the performance of 100 large, global companies. S&P maintains the index with the New York Stock Exchange, Tokyo Stock Exchange, and the Deutsche Börse.*
- m) *S&P Global 700: Covers the Global 1200, ex-S&P 500.*
- n) *S&P/Barra Growth and Value Indices: The S&P 500 (SGX, SVX), S&P MidCap 400, and S&P SmallCap 600 each have Growth and Value sub-indices derived from their respective constituent's price-to-book ratios.*
- o) *S&P Australian All Ordinaries: Covers 500 Australian companies.*

### SECTOR FUNDS

9 Select Sector SPDRs (Basic Industries, Consumer Services, Consumer Staples, Cyclical/Transportation, Energy, Financial, Industrial, Technology, Utilities)

iEnergy, iInformation Technology, iFinancials, iGold

### STYLE FUNDS

iS&P 500/Barra Value & Growth, iS&P 400/Barra Value & Growth, iS&P 600/Barra Value & Growth<sup>n</sup>

### OTHER PRODUCTS

Futures (CME), E-mini Futures (CME), E-mini Options (CME), Options (CBOE), S&P 500 SPDR ETF, iShares S&P 500 ETF (AMEX), iShares S&P 100 ETF (CBOE), S&P MidCap 400 SPDR ETF, iShares S&P MidCap 400 ETF (AMEX), iShares S&P SmallCap 600 ETF (AMEX), Options on Futures (CME), Complete iShares S&P/Barra Growth and Value series of ETFs (AMEX)

Futures (ME), iShares series of ETFs (Toronto TSE)

Futures and Options (MEFF/CME) on the S&P Europe 350; Futures and Options (MEFF/CME) on the Financials, Information Technology, Telecommunication Services sectors *expected mid/late 2001*

Futures (TSE), ETF (TSE, AMEX) *expected late 2001*

Futures *expected late 2001*

### OTHER STANDARD & POOR'S INDICES:

#### S&P Australian All Ordinaries<sup>o</sup>

Sub-indices:

S&P/ASX 200, S&P/ASX 300, S&P/ASX 100, S&P/ASX 50, S&P/ASX 20, and the Small Ordinaries Index

ETF: S&P 100 (ASX)

Other products: Futures and Options (SFE)

Value & Growth

**Exchange-Traded Fund Expansion**

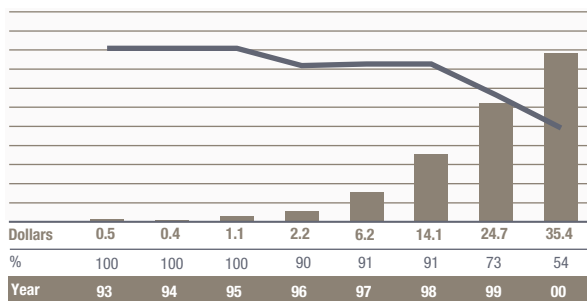
Exchange-Traded Funds (ETFs), which represent share ownership of an index fund but trade like shares of stock, have become the most popular securities on the American Stock Exchange. Standard & Poor's has been on the forefront of ETF development since the launch of the S&P 500 SPDR in 1993. Development of new ETFs increased significantly in 2000. As of year-end 2000, 54% of all ETF assets in the U.S. were based on S&P indices.

An ETF based on an S&P index generates revenue for Standard & Poor's through fees based on trading volume and assets in the underlying fund.

Barclays Global Investors launched the iShares series of domestic and international funds, including 13 based on S&P indices. For the first time, an ETF is listed on the Chicago Board Options Exchange (the iShares S&P 100) and the New York Stock Exchange (the iShares S&P Global 100). Around the world, initiatives for ETFs on S&P indices are underway. In Canada, for example, as of March 2001, there were nine ETFs based on S&P indices, representing over 90% of the equity ETF market. In less than a year, the 13 ETFs comprising the iShares S&P index family reached a consolidated fund size of \$3.6 billion at year-end 2000.

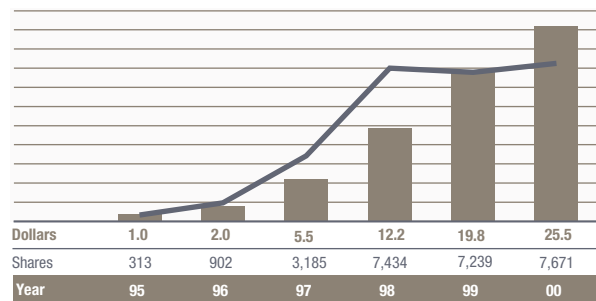
**S&P Index-Based ETF Assets**

Assets (in billions)  
% of S&P Index-Based Assets



**SPDR**

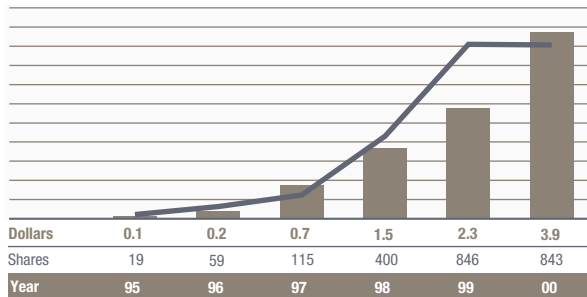
Trust Value (in billions)  
Average Daily Trading Volume (shares in thousands)



Source: American Stock Exchange

**MidCap SPDR**

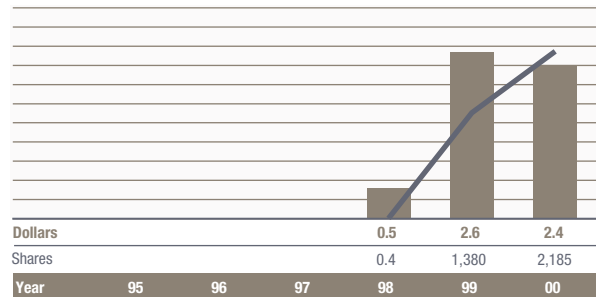
Trust Value (in billions)  
Average Daily Trading Volume (shares in thousands)



Source: American Stock Exchange  
MidCap SPDRs (MDY) started trading May 4, 1995

**Select Sector SPDR**

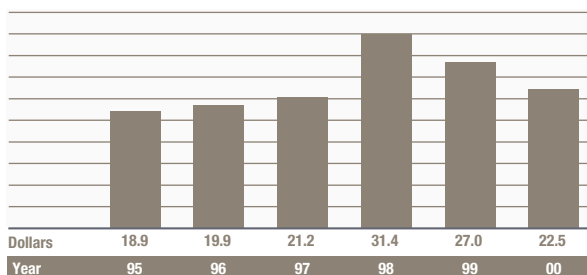
Trust Value (in billions)  
Average Daily Trading Volume (shares in thousands)



Source: American Stock Exchange  
Select Sector SPDRs started trading December 22, 1998

**S&P 500 Futures Contracts Traded on the CME**

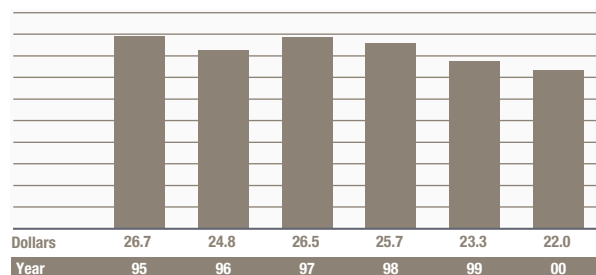
(in millions)



Source: Chicago Mercantile Exchange

**S&P 500 Options Contracts Traded on the CBOE**

(in millions)



Source: Chicago Board Options Exchange

### Fee-Generating Portfolios

The business of providing Standard & Poor's analytical resources and expertise for use in investment portfolios continues to grow. Two new portfolios were launched in 2000 and there has been one additional portfolio added through March 2001. Assets total approximately \$9 billion. Revenue from this business rose by nearly 70% in 2000 benefiting from a shift in assets toward portfolios with higher negotiated fee structures. Standard & Poor's Investment Advisory Services' (SPIAS) LLC portfolios and distribution partners include:

**Bear Stearns:** The S&P STARS Portfolio mutual fund is managed by Bear Stearns with the equities selected primarily from the Stock Appreciation Ranking System (STARS), Standard & Poor's buy/hold/sell recommendations. The fund was launched in 1995.

**Jackson National Life:** SPIAS acts as a sub-advisor to Jackson National Financial Services, LLC for a number of variable annuity fund of funds programs. The underlying investment portfolios are either mutual funds or UITs. There are four major programs:

- Jackson National Life Perspective; Perspective New York
- Jackson National Life Perspective Advisors;  
Perspective Advisor New York
- Jackson National Life Perspective Advantage
- Jackson National Life Defined Strategies

**John Nuveen & Co:** The S&P Quality Buyback Portfolio (UIT) was launched in 1997. Standard & Poor's Quality Rankings and Credit Ratings are among the criteria used to identify companies with potential for above-average appreciation with moderate risk.

**Merrill Lynch:** The first UIT in collaboration with Merrill Lynch was launched in 1996. Standard & Poor's provides equity research and recommendations for the firm's Defined Asset Fund program of products. The strategies employed in these products have ranged across the value/growth spectrum. There are various screening techniques are used to determine the portfolio holdings such as Standard & Poor's Earnings and Dividend (Quality) Rankings as well as fundamental valuation measures:

- Select 25 Portfolio
- S&P Intrinsic Value Portfolio
- S&P Industrial Portfolio
- S&P Industry Turnaround Portfolio

**Morgan Stanley Dean Witter:** In 1999, the Financial Services Portfolio was launched. Standard & Poor's uses STARS, Quality Rankings, Credit Rankings, and other criteria to identify stocks from the financial sector of the S&P 500 for inclusion in the portfolio.

**Salomon Smith Barney/Citicorp Investment Services:** The first portfolio launched with Salomon Smith Barney was in 1997. The 1999 launch of the CitiSector portfolios represented the first time Standard & Poor's-designed strategies were used in investment vehicles distributed through the bank/brokerage channel. All the CitiSector strategies relied heavily on the STARS recommendations of Standard & Poor's equity analysts. The strategies employed for the Salomon Smith Barney portfolios apply a variety of selection processes to identify the stock holdings. The portfolios are:

- Strategic 10/A+ Portfolio (Managed Account)
- S&P Midcap Value Portfolio
- Strategic Series 10/A+ Portfolio (UIT)
- Strategic Industrial 15 Portfolio
- CitiSector – Healthcare/Biotechnology Portfolio  
(Series 1, 2, 3 & 4)
- CitiSector – Technology/Communications Portfolio  
(Series 1, 2, 3 & 4)
- CitiSector – Internet Portfolio (Series 1, 2, 3 & 4)
- CitiSector – Financial Services Portfolio (Series 2, 3 & 4)
- CitiSector – Strategic Industries Portfolio (Series 4)

**Assetmark Investment Services:** SPIAS is one of the strategic advisors in the Assetmark Investment Services mutual fund wrap account program. This program provides advice on fund selection and asset allocation for six portfolios. This product was launched in July 1997.

**Public Safety Personnel Retirement System of the State of Arizona:** Standard & Poor's has been providing domestic equity investment advisory services to the Public Safety Personnel Retirement System since 1997. Specifically, Standard & Poor's has provided stock selections, based on Standard & Poor's STARS coverage. The service also includes economic and stock market projections, sector recommendations and weightings, access to Standard & Poor's equity analysts, as well as access to Standard & Poor's chief economist, chief strategist, sector strategist and managing director of equity research.

The biggest business magazine in the world, *BusinessWeek* entered 2001 with the largest circulation in the publication's history – approximately 1.2 million worldwide.

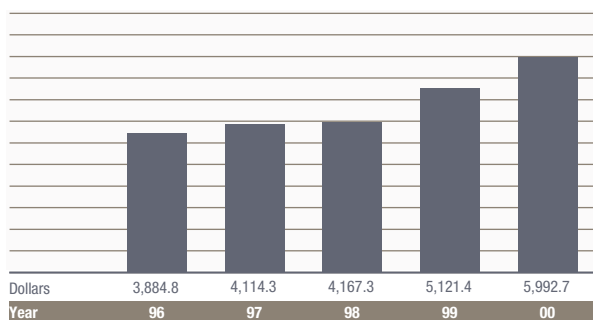
International expansion, the successful magazine-within-a-magazine strategy with a targeted *e.biz* edition for technology and *Frontier* for small business, and an accelerating online build out helped produce

a record year for the franchise in 2000.

*BusinessWeek* continued to build circulation in Europe and Asia, increasing the rate base for the international edition by 7% to 200,000 in 2001. The rate base for the North American edition increased by 5.6% to 950,000 in 2001.

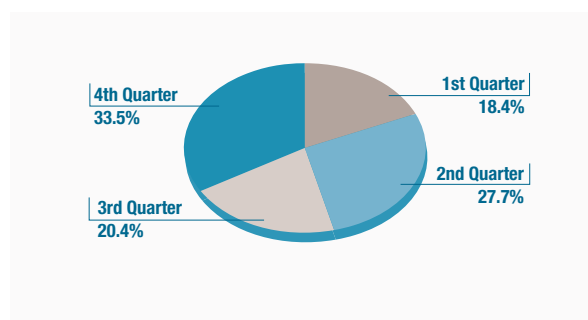
**Advertising Page Performance**

**Total Domestic Advertising Pages, 1996-2000**



Source: Publishers Information Bureau (PIB)

**Domestic Advertising Pages by Quarter, 1996-2000**



Source: Publishers Information Bureau (PIB)

**Top Advertising Categories, January–December 2000\***

(revenues in thousands)

**Domestic**

Category	Revenue	% of Total
High Tech	\$315,592	55.2%
Financial/Insurance	66,461	11.6%
Automotive	29,533	5.2%
Travel	19,192	3.4%
Professional Services	18,648	3.3%
Industrial Materials	17,792	3.1%
Other	104,874	18.3%

**International**

Category	Revenue	% of Total
High Tech	\$13,719	23.2%
Financial/Insurance	8,736	14.8%
Travel	7,246	12.3%
Industrial Materials	2,800	4.7%
Corporate	2,597	4.4%
Classified	2,453	4.1%
Media	1,943	3.3%
Aviation	1,299	2.2%
Events	1,287	2.2%
Petroleum Companies	1,260	2.1%
Automotive	1,046	1.8%
Drug/Remedies	1,079	1.8%
Other	13,630	23.1%

\*Sources: Publishers Information Bureau (Domestic)  
Competitive Media Reporting (International)

**Advertising Rates for 2001**

	N. American Edition	% change vs. 2000	International Edition	% change vs. 2000
Rate Base	950,000	+5.6%	200,000	+7.0%
B/W Page Rate	\$62,500	+8.9%	\$23,900	+8.1%
4-Color Page Rate	\$92,500	+8.8%	\$35,800	+8.5%

**International Advertising**

	Asia	% change vs. 2000	Europe	% change vs. 2000
Rate Base	75,000	+7.1%	100,000	+8.7%
4-Color Page Rate	\$13,500	+8.0%	\$18,000	+9.8%

	Asia	% change vs. 1999	Europe	% change vs. 1999
2000 Advertising Revenue (in thousands)*	\$24,870	+24.7%	\$29,291	+8.3%

**Print Subscription Rates, 2001**

	N. American Edition	% change vs. 2000	International Edition	% change vs. 2000
Single Copy	\$3.95	–	\$3.95	–
Annual Subscription	\$54.95	–	\$99/Europe, Latin America \$90/Asia	–

**Average Paid Circulation (12/31/2000)**

	N. American Edition	% of total	International Edition	% of total
Subscription	910,852	95.9%	177,030	86.0%
Single Copy	39,008	4.1%	28,895	14.0%

**Creating a New Audience, New Market**

*BusinessWeek*'s new media product line is anchored by *BusinessWeek* Online, a Web site for high-income business professionals. The site includes a subscription-based electronic version of the weekly magazine, content from Standard & Poor's, plus a broad offering of original material available only online. *BusinessWeek* Online won the 2000 National Magazine Award for General Excellence in New Media.

In 2000, *BusinessWeek* Online's Web ad revenues grew 90%. Revenue is generated from advertising, subscription fees for access to the Web site, licensing and royalties, as well as from transactions conducted through partners such as Leaders Online and Bell & Howell, host of the *BusinessWeek Archives*. America Online customers can access the content of the magazine online at no additional charge, through AOL's proprietary service. The AOL

service does not offer access to *BusinessWeek* Online's enhanced content, which is available only on the Web.

**BusinessWeek Online Yearly Subscription Fees:**

Print subscribers	Free online access
Student print subscribers	\$35.00 for online access
Access to BW Online only (without print subscription)	\$39.95 in North America US\$59 outside North America

*BusinessWeek* Online's registered users rose 70% in 2000. The year began with 620,000 registered users and ended with 1,047,000. Traffic rose 30% from 15.5 million page views in January to 20.0 million at year-end.

**BusinessWeek Online Channels**

**Daily Briefing:** Updated throughout the day, *BusinessWeek Daily* lets executives check the pulse of the market and the news. This popular site connects users with late-breaking stories, exclusive features, in-depth financial analyses, and constant market headlines from Standard & Poor's. It also offers a rich variety of business resources and online-only business news and resources, including market indices, stock quotes and charts, and IPO information. Daily business news, market information, and investing tools are supplied by *BusinessWeek*, Standard & Poor's, and Reuters.

**Investing:** The Investing channel combines information from *BusinessWeek* and Standard & Poor's. Investing offers a broad base of investment tools and resources including real-time market updates, analyses of specific market moving stocks from S&P analysts, *S&P Stock Reports*, *S&P Model Portfolios*, and investment columns from *BusinessWeek* editors.

**Global Business:** Global Business offers daily online commentary, reports from the current international editions of *BusinessWeek*, and access to Reuters news – creating a comprehensive worldwide resource for business professionals.

**Technology:** *BusinessWeek* upgrades its critically lauded coverage of information technology with cutting-edge reports on how the industry is reinventing business while reshaping education, culture, and the economy. Professionals can also access the latest edition of *e.biz*, *BusinessWeek*'s comprehensive and dedicated guide to the world of e-business.

*e.biz* coverage expands upon the print supplement to include daily online content, including:

- **Company Close-Ups:** E-business company case studies including new ideas, success stories, and mistakes to avoid
- **Perspective:** Analysis of developments in retailing, portals, finance, legal issues, and other topics
- **Movers & Shakers:** Profiles of the people making news
- **Street Wise:** Weekly commentary on e-business stocks and the markets
- **Clicks & Misses:** Web site reviews
- **Data Mine:** A collection of facts and figures to uncover e-business trends and opportunities

**Small Biz Online:** *Small Biz* addresses the needs of an emerging class of entrepreneurs who embrace technology, think strategically, and want the insights necessary to give them a competitive edge. *Small Biz* Online offers the complete content of *BusinessWeek*'s monthly print supplement along with online-only stories, online tools for finding investors, maintaining staff and benefits, and utilizing technology. It also provides market research, downloadable business forms, information on capital resources, and sales-leads – everything users need to start and run a small business.

**Business Schools:** *BusinessWeek*'s Best B-School ranking is recognized as the definitive report card on each institution's performance. With statistics and profiles for more than 300 schools, plus links to more than 100 business school Web sites, Best B-Schools is the first stop for business professionals looking to enhance their education and careers.

**Careers:** *BusinessWeek* Online and Leaders Online, Heidrick & Struggles' online company, have partnered to create a co-branded career and recruitment vertical. *BusinessWeek* Online programs the channel with career news, analysis, and advice. Leaders Online sells and manages the e-recruitment. Jointly, *BusinessWeek* Online and Leaders Online are building the leading Web recruiting site for business professionals.



**Global Aviation Internet Portal**

AviationNow.com is the Internet portal serving the \$1-trillion global aviation and aerospace industry. The authoritative information source targets one million aviation/aerospace professionals around the world with comprehensive real-time news and information.

Registered users can also create their own custom news and information page using a feature called "My Runway." The personalized news page allows aviation/aerospace professionals to obtain targeted information from the channels they select.

AviationNow.com was launched in January 2000 with 200,000 user sessions per month and closed the year with 800,000 user sessions, accounting for approximately 1.4 million page views per month.

AviationNow.com Founder's Council sponsors include Aerospac, Cordiem, Lockheed Martin, IBM, and GE Aircraft Engines, plus area/content sponsors, CFM International, Singapore Technologies Aerospace, Dassault/Falcon Jet, ESIS, CSC, and MXi.

**AviationNow.com Channels**

AviationNow.com is organized around nine channels that correspond to key aerospace industry sectors and professional interests.

Each channel is continuously updated with news and references, including the entire *Aviation Week* multimedia portfolio of information products and services. A dedicated editorial team works with a broad network of industry experts across *Aviation Week* to deliver news and information in each channel.

**Commercial Aviation:** This channel closely follows leading developments, including shifting alliances among the world's airlines, labor issues, major purchases of new aircraft, and important changes in service such as new routes.

**Space:** Our Space Channel editor follows manned and unmanned missions and programs, including space science, commercial, and military ones on a global basis. We track developments in technology, business, and operations. The channel features special sections on recent missions to International Space Station Alpha.

**Business Aviation:** The business aviation community, including operators and owners of corporate jets and other business aircraft, can learn of developments in this high-end sector, including major sales of new aircraft, regulatory developments, taxation issues, air charter, fractional ownership programs, and maintenance stories.

**Military:** Key military aviation stories of the day, from budgetary updates to reports on major operations of military organizations from around the world, are available in this channel. You'll also find reports about private sector developments that affect military aircraft and programs.

**eBiz:** Track the progress of aerospace and aviation companies as they adapt to the fast-changing world of e-businesses. Who is flying high and who is failing? Our eBiz channel editor follows key developments in B2B, B2G, and B2C. Our Aerospace eBook is a resource for getting information on companies serving the information technology needs of aerospace companies, as well as relevant e-marketplaces.

**Maintenance/Safety:** This channel tracks important maintenance actions recommended by aircraft manufacturers or ordered by government safety regulators, as well as news like major contract awards and other events that affect companies in the Maintenance, Repair and Overhaul sector, and repairs and modifications that are needed on military aircraft. In addition, special sections track developments in major accident investigations.

**Finance:** From mergers and acquisitions to updates on quarterly earnings, the Finance channel provides the resources and analysis for industry professionals to understand the news.

**Tech:** Technology plays a key role in making aircraft more capable, safer, and more reliable. This channel tracks developments in aerospace technology, including propulsion, avionics, communications, navigation, materials, and aerodynamics.

**The Next Century of Flight:** An educational channel dedicated to helping the aerospace industry capitalize on the upcoming 100th anniversary of powered flight in 2003 and to position itself for the future. The channel's #1 goal is to get young people excited about pursuing a career in aerospace.

The screenshot displays the AviationNow.com website. At the top, there are navigation links for PUBLICATIONS, B2B COMMERCE, CAREERS, CONFERENCES, STORE, and REFERENCES. A search bar is prominently featured with a 'SEARCH' button. Below the search bar, there are tabs for different channels: MILITARY, COMMERCIAL AVIATION, SPACE, BUSINESS AVIATION, and eBiz. The main content area is titled 'TOP STORIES' and features two articles: 'Delta To Trim Capacity, Address Comair Comeback' and 'Rumsfeld Seeks Cut In B-1 Bomber Force'. A sidebar on the left lists various publications and services like 'Aviation Daily', 'Aircraftbuyat', and 'Aviation Week Conferences'. On the right, there are sections for 'FEATURED SPONSOR' (Cordiem), 'World Aviation Directory', 'WHAT'S HOT', 'SPECIAL REPORTS', 'PARIS AIR SHOW 2001', 'FEATURED PUBLICATION', 'SPECIAL OFFERS', and 'AvWeek TV TODAY'.

**The Construction Industry Marketplace**

construction.com is the premier online industry marketplace that enables the construction community to operate their businesses more effectively by providing access to real-time industry news, projects, building products, industry-leading workflow applications, and mission-critical data. The business model includes various revenue streams including subscription fees, advertising, application use fees, and transaction fees. Roughly one third of the Construction Information Group's revenue comes from the Internet.

The construction industry represents over 8% of the United States'

GDP. The industry's continued consolidation strengthens construction.com's position in the marketplace as the site attracts larger numbers of visitors from all parts of this fragmented industry. construction.com receives over 900,000 user sessions per month.

construction.com offers complete end-to-end systems that mirror the actual project flow of the construction industry. Construction professionals include owners, architects, engineers, contractors, sub and trade contractors, suppliers and distributors, and building product manufacturers.

**Sweet's—The Product Marketplace**

Sweet's is moving from an advertising-based business model to an Internet-based marketplace model. By expanding the content, applications, and services available on Sweets.com, product information and applications are now available online, in print, or on CD-ROM.

**F.W. Dodge—The Project Marketplace**

F.W. Dodge is the leading provider of building project information. FWDodge.com provides online access to Dodge's database of over 500,000 active construction projects.



**The Industry News Marketplace**

- **Architectural Record:** The link to the world of architecture and the magazine of the American Institute of Architects
- **Engineering News-Record:** Breaking news and information for the worldwide construction industry
- **Design-Build:** In-depth guide to the preferred project delivery system
- **Dodge Construction Publications:** Ten regional publications focusing on key geographic markets



**From Energy Trading to Energy e-Trading**

With more than 325 professionals around the globe, Platts is the world's largest and most authoritative provider of news, analysis, and price discovery for the oil, natural gas, petrochemical, coal, electricity, nuclear power, shipping, and metals industries. Every day, global energy markets base more than \$10 billion of trading activity and term contracts sales on Platts' price assessments.

In the expanding world of e-commerce, Platts has three strategies for the Internet:

- Maintain the energy industry's most comprehensive portal, Platts.com. Platts combined eight energy websites at McGraw-Hill into Platts.com in June 2000. Since then traffic tripled to about 700,000 page views
- License assessments, news and commentary to other Internet sites
- Establish the PlattsDirect trading system at Platts.com

**From Trading to e-Trading**

Platts' goal is to have assessments serve as benchmarks for energy trading at newly established online exchanges, which license assessments, news, and commentary. In addition, Platts is establishing its own online, fee-based exchange – PlattsDirect. It will be housed at Platts.com and other online energy trading sites, providing a single-order book for trading in Platts-assessed commodities.

Platts has joined forces with TradeCapture.com, a leading provider of Web-enabled solutions to develop PlattsDirect. Platts' information, combined with TradeCapture's Internet-based software and tools, will extend price transparency in oil, power, gas, petrochemicals, and metals markets. It will also facilitate direct communication and transactions between traders, brokers, and online exchanges around the world; automate parts of Platts' market information gathering procedures; and provide Platts' customers with an integrated trading screen.

Users of PlattsDirect will have their qualified trades embedded in the Platts assessment process, increasing market transparency. Revenues will come on a per-transaction as well as a subscription basis.

**Jet-A Fuel Consortium**

PlattsDirect has been selected by a consortium of jet fuel buyers and sellers, known as JET-A, for their online electronic cash market exchange. An estimated 95% of all jet fuel business transactions worldwide are already based on Platts' price assessments. The consortium expects the exchange will result in major savings through greater efficiencies and lower transaction costs.

The offering by Platts and TradeCapture will also include general energy news and unique jet fuel indices from Platts, plus aviation industry news from AviationNow.com, the Internet portal of *Aviation Week*. Qualified trades on JET-A.com's PlattsDirect system will be embedded into Platts' own market assessment process, increasing market transparency for physically traded jet fuel.

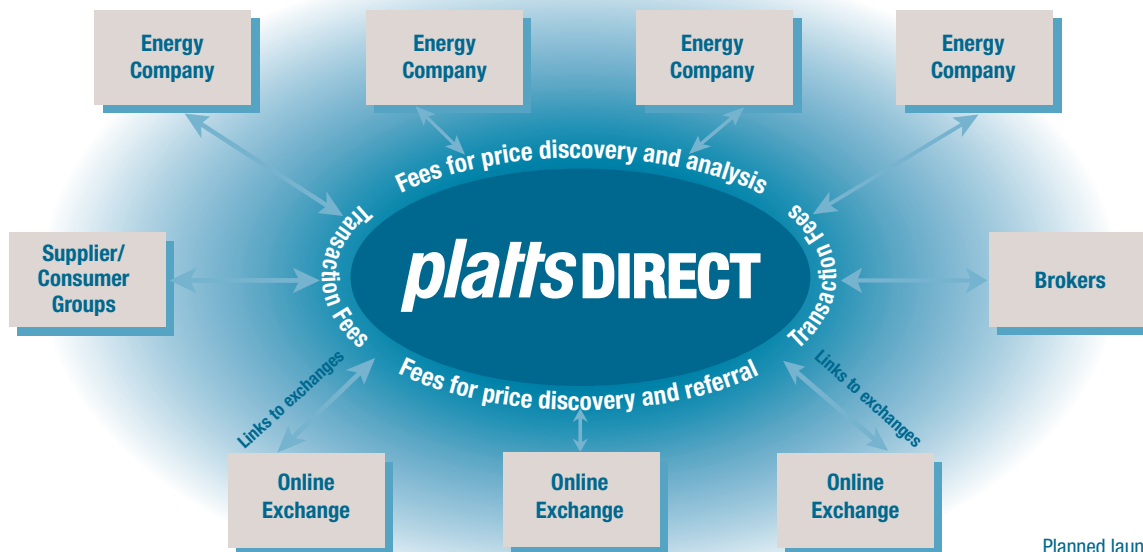
**New York Mercantile Exchange**

New York Mercantile Exchange, the world's largest physical commodity exchange, will use Platts' pricing benchmarks in its eNYMEX contracts for crude oil, refined oil products, natural gas, electricity, and metals. Platts will also provide eNYMEX with real-time news and market commentary.

**New Products**

Platts also recently launched comprehensive forward assessment products for the global oil and U.S. power markets, in response to market demand for independent data to help traders and financial departments value their forward positions. Platts also launched a new daily covering both natural gas and electricity trading markets in the U.S., in response to convergence of the two markets. Other planned products include separate news services for the Latin American and Asian electricity markets. These and all of Platts' products can be accessed through Platts.com.

**Platts' objective is to become the link across all the exchanges...**

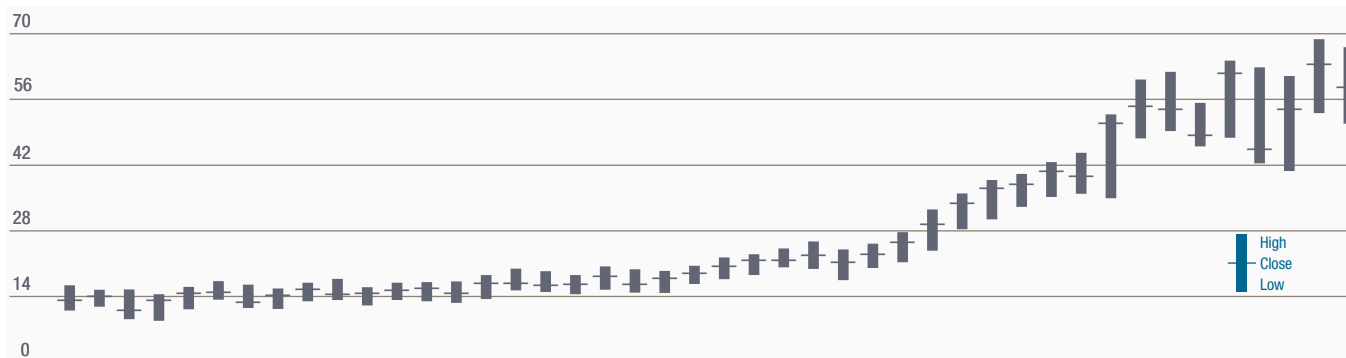


Planned launch in late 2001

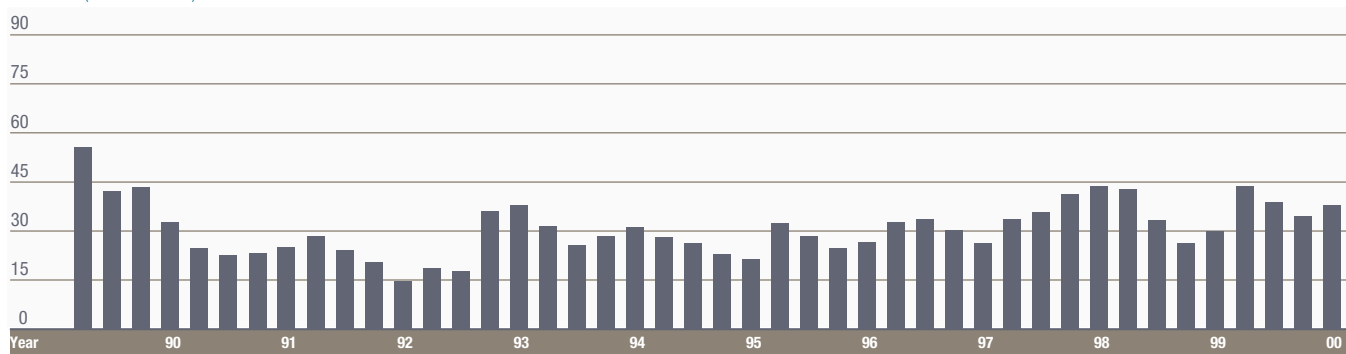


**MHP Stock Price and Volume History, 1990 – 2000\***

Price (in dollars)



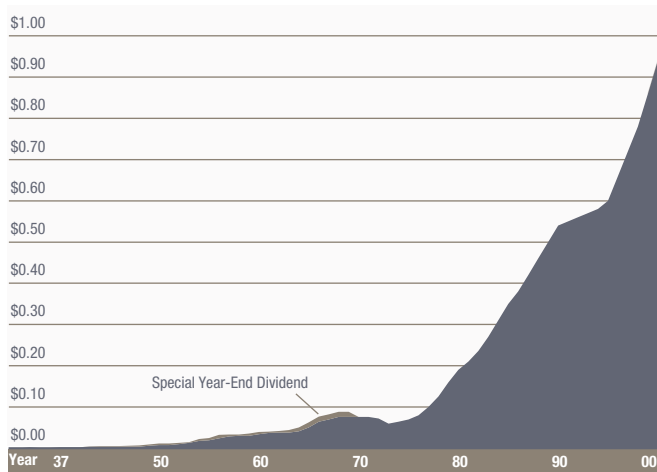
Volume (millions of shares)



\* Data reflects the 2-for-1 stock split announced by the company's Board of Directors on January 27, 1999. All prior periods have been restated to reflect the split.

Source: Standard & Poor's Compustat

**Common Stock Dividend History, 1937 – 2000**



- Represents nominal dividend rates
- Dividend increases effective for first quarter of 1974 and forward
- No special year-end dividends after 1969
- Adjusted for all stock splits

**Stock Split History**

Record Date	Payment Date	Distribution
February 24, 1999	March 8, 1999	2 for 1
March 28, 1996	April 26, 1996	2 for 1
May 9, 1983	June 1, 1983	2 for 1
June 30, 1967	July 17, 1967	2 for 1
March 10, 1961	March 17, 1961	3 for 1
July 25, 1956	August 8, 1956	3 for 1
July 24, 1953	August 3, 1953	2 for 1

**Share Repurchase Programs\***

Year	\$ in millions	Shares	Average Price	Average Year-End Shares Outstanding
2000	\$167.7	3,117,600	\$53.79	196,071,625
1999	\$173.8	3,231,700	\$53.77	198,557,309
1998	\$105.7	2,674,000	\$39.51	199,104,066
1997	\$ 79.9	2,600,200	\$30.73	199,504,364
1996	\$ 63.3	2,725,800	\$23.23	199,741,804
1987	\$135.0	9,980,000	\$13.52	

\* Adjusted for all stock splits. Approximately sixty percent of repurchases during the period shown offset the issuance of shares for stock option and restricted share programs; the remaining forty percent reduce the net number of shares outstanding.

# THE MCGRAW-HILL COMPANIES

## Stock Price and Volume History

### Stock Price and Volume History 1990 – 2000

Year	Quarter	Prices*			MHP Volume*	MHP – Price to Earnings**			S&P 500 – Price to Earnings			P/E Relative to S&P 500		
		High	Low	Close		High	Low	Close	High	Low	Close	High	Low	Close
2000	4	66.000	52.000	58.625	37,914,700	27.73	21.85	24.63	28.60	24.66	25.96	0.97	0.89	0.95
	3	67.688	54.250	63.562	34,364,000	29.18	23.38	27.40	28.49	26.33	26.75	1.02	0.89	1.02
	2	59.875	41.875	54.000	38,878,399	26.49	18.53	23.89	29.41	25.80	28.02	0.90	0.72	0.85
	1	61.688	43.500	45.500	43,631,300	28.56	20.14	21.06	30.48	26.01	29.41	0.94	0.77	0.72
1999	4	63.125	49.000	61.625	29,862,899	30.94	24.02	30.21	34.28	31.56	33.42	0.90	0.76	0.90
	3	54.125	47.125	48.375	26,250,500	28.04	24.42	25.06	30.97	28.58	29.18	0.91	0.85	0.86
	2	60.750	50.438	53.938	33,251,100	33.94	28.18	30.13	33.47	31.14	33.46	1.01	0.90	0.90
	1	59.125	48.875	54.500	42,867,099	34.28	28.33	31.59	34.49	31.68	33.52	0.99	0.89	0.94
1998	4	51.656	36.125	50.938	43,823,601	30.30	21.19	29.88	32.68	24.24	32.27	0.93	0.87	0.93
	3	43.500	37.031	39.625	41,306,601	26.13	22.24	23.80	31.26	24.68	26.70	0.84	0.90	0.89
	2	41.500	36.375	40.750	35,832,199	26.60	23.32	26.12	29.39	27.57	29.09	0.91	0.85	0.90
	1	39.000	34.250	38.031	33,594,194	26.09	22.91	25.44	28.15	23.09	27.86	0.93	0.99	0.91
1997	4	37.688	31.563	37.000	26,185,392	25.64	21.47	25.17	24.83	21.53	24.43	1.03	1.00	1.03
	3	34.813	29.500	33.843	30,148,595	24.18	20.49	23.50	23.72	21.77	23.31	1.02	0.94	1.01
	2	31.438	24.938	29.406	33,729,390	24.37	19.33	22.80	22.25	18.09	21.83	1.10	1.07	1.04
	1	26.563	22.438	25.563	32,864,391	21.34	18.02	20.53	20.32	18.13	18.82	1.05	0.99	1.09
1996	4	24.125	21.250	23.063	26,589,792	19.30	17.00	18.45	19.68	17.67	19.13	0.98	0.96	0.96
	3	22.938	18.625	21.313	24,636,992	20.17	16.37	18.74	19.19	16.83	19.09	1.05	0.97	0.98
	2	24.625	21.031	22.875	28,409,792	22.54	19.25	20.94	19.51	17.88	19.21	1.16	1.08	1.09
	1	23.094	21.344	21.688	32,471,184	21.53	19.90	20.22	19.51	17.55	18.96	1.10	1.13	1.07
1995	4	21.906	19.750	21.781	21,273,600	20.62	18.59	20.50	18.34	16.83	18.14	1.12	1.10	1.13
	3	21.188	18.844	20.438	22,933,600	18.96	16.86	18.29	16.70	15.42	16.61	1.14	1.09	1.10
	2	19.406	17.813	18.969	26,171,188	18.61	17.09	18.20	18.01	14.53	15.82	1.16	1.18	1.15
	1	18.344	15.906	17.938	28,231,992	17.98	15.59	17.59	15.61	14.05	15.38	1.15	1.11	1.14
1994	4	18.688	15.969	16.719	31,220,393	18.23	15.58	16.31	15.51	14.47	15.01	1.18	1.08	1.09
	3	19.313	16.594	18.313	28,587,592	19.31	16.59	18.31	17.47	16.23	16.93	1.11	1.02	1.08
	2	17.469	15.625	16.625	25,728,792	19.52	17.46	18.58	18.38	17.30	17.63	1.06	1.01	1.05
	1	18.250	16.125	16.344	31,391,992	20.92	18.48	18.73	21.26	19.21	19.63	0.98	0.96	0.95
1993	4	18.813	16.438	16.906	37,803,184	21.50	18.79	19.32	21.53	20.76	21.31	1.00	0.91	0.91
	3	17.469	14.594	16.938	36,145,184	19.96	16.68	19.36	22.72	21.63	22.49	0.88	0.77	0.86
	2	16.094	13.813	14.750	17,754,000	19.39	16.64	17.77	23.57	22.36	23.31	0.82	0.74	0.76
	1	15.969	14.125	15.875	18,572,800	20.02	17.71	19.91	23.02	21.52	22.77	0.87	0.82	0.87
1992	4	15.813	14.375	15.344	14,761,600	20.21	18.37	19.61	23.19	20.79	22.82	0.87	0.88	0.86
	3	14.844	13.250	14.656	20,649,592	18.85	16.83	18.61	23.57	22.57	23.16	0.80	0.75	0.80
	2	16.625	14.375	14.469	24,045,201	21.73	18.79	18.91	24.56	23.02	23.94	0.88	0.82	0.79
	1	15.844	14.125	15.500	28,313,588	20.99	18.71	20.53	26.00	24.81	24.92	0.81	0.75	0.82
1991	4	14.563	12.531	14.344	24,919,992	19.23	16.54	18.94	26.29	23.34	26.22	0.73	0.71	0.72
	3	15.438	12.688	12.844	23,333,996	19.60	16.11	16.31	22.39	20.89	21.84	0.88	0.77	0.75
	2	16.188	14.500	14.844	22,638,396	19.04	17.06	17.46	20.22	18.91	19.18	0.94	0.90	0.91
	1	14.938	12.438	14.625	24,724,000	17.32	14.42	16.96	18.19	14.82	17.98	0.95	0.97	0.94
1990	4	13.375	9.969	13.156	32,525,992	15.16	11.30	14.91	15.65	13.80	15.47	0.97	0.82	0.96
	3	14.375	10.344	11.000	43,330,801	16.91	12.17	12.94	17.01	13.61	14.08	0.99	0.89	0.92
	2	14.344	12.969	14.063	42,128,788	18.45	16.68	18.09	17.35	15.42	16.84	1.06	1.08	1.07
	1	15.281	12.156	13.219	55,582,784	18.36	14.60	15.88	16.64	14.76	15.69	1.10	0.99	1.01

\* Data reflects the 2-for-1 stock split announced by the company's Board of Directors on January 27, 1999. All prior periods have been restated to reflect the split.

\*\* Based on 12-month moving operating earnings per share, which excludes one-time items

Source: Standard & Poor's Compustat





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