The McGraw·Hill Companies

Robert J. Bahash

Executive Vice President and CFO
The McGraw-Hill Companies

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"Safe Harbor" Statement Under The Private Securities Litigation Reform Act of 1995

This presentation includes certain forward-looking statements about the Company's businesses, new products, sales, expenses, tax rates, cash flows and operating and capital requirements. Such forward-looking statements include, but are not limited to: the strength and sustainability of the U.S. and global economy; Educational Publishing's level of success in 2007 adoptions and in open territories and enrollment and demographic trends; the level of educational funding; the level of education technology investments; the strength of School Education, Higher Education, Professional and International publishing markets and the impact of technology on them; the level of interest rates and the strength of the economic recovery, profit levels and the capital markets in the U.S. and abroad; the level of success of new product development and global expansion and strength of domestic and international markets; the demand and market for debt ratings, including collateralized debt obligations (CDO), residential mortgage and asset-backed securities and related asset classes; the regulatory environment affecting Standard & Poor's; the level of merger and acquisition activity in the U.S. and abroad; the strength of the domestic and international advertising markets; the volatility of the energy marketplace; the contract value of public works, manufacturing and single-family unit construction; the level of political advertising; and the level of future cash flow, debt levels, product-related manufacturing expenses, pension expense, distribution expenses, postal rates, prepublication, amortization and depreciation expense, income tax rates, capital, technology, restructuring charges and other 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, political and regulatory conditions; currency and foreign exchange volatility; the health of capital and equity markets, including future interest rate changes and concerns regarding the credit quality of subprime mortgages adversely impacting future debt issuances of U.S. residential mortgage backed securities and CDOs backed by subprime residential mortgages and related asset classes; the implementation of an expanded regulatory scheme affecting Standard & Poor's ratings and services; the level of funding in the education market (both domestically and internationally); the pace of recovery in advertising; continued investment by the construction, computer and aviation industries; the successful marketing of new products, and the effect of competitive products and pricing.

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Updating guidance for 2007

- **Still expect to achieve a goal of double-digit earnings growth for year even though rate of growth is expected to slow during second half of year as compared to very strong first-half performance**
- **Still expect improved operating margins in McGraw-Hill Education and Financial Services for full year. Margin improvement at Information & Media more problematic due to a softer advertising market.**

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2007 full-year guidance

- **Guidance excludes:**
  - $0.04 charge for elimination of restoration stock option program in first quarter of 2006
  - $0.06 charge for restructuring in second half of 2006
  - $0.03 gain from divestiture of a mutual fund data business at Financial Services in first quarter of 2007

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Fine-tuning guidance for 3Q

- **McGraw-Hill Education: Expect a double-digit revenue increase in 3Q**
- **Financial Services: Anticipate year-over-year 9-to-12% top-line and double-digit bottom-line growth in 3Q**
- **Information & Media: Will continue to battle impact of soft advertising market in 3Q**

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Fine-tuning guidance for 4Q

- **Uncertainty about 4Q, particularly in Financial Services**
  - Financial Services faces toughest comparisons of the year
    - 4Q 2006 revenue grew by 22.1%
  - Market is showing greater deceleration than originally expected
    - If it continues, we anticipate flat to declining revenue in 4Q and a reduction in operating profit versus last year

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Fine-tuning guidance for 4Q

- **McGraw-Hill Education: 4Q is seasonally less robust**
  - Operating margin will be influenced by increased amortization and investments in important digital initiatives for Higher Education, Professional and International Group
- **Segment's operating margins mixed in 4Q**
  - McGraw-Hill Education and Financial Services: We expect lower year-over-year operating margins
  - Information & Media: Could be an up tick in operating margin; too close to call at this time

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Financial Services

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Outlook for U.S. economy and housing market

- **Housing recession has another year to run**
- **Downturn has reduced U.S. GDP by nearly one percentage point over last four quarters**
- **Decline in housing prices and sales may bottom out late next spring or summer**
  - Recovery in new starts will take longer

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Outlook for U.S. economy and housing market

- **S&P's chief economist David Wyss expects U.S. GDP to grow**
  - 2% in 2007
  - 2% in 2008
- **Wyss expects Fed to cut interest rates**
  - At meeting today
  - Again in October
  - Maybe for third time in December or January 2008

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Impact of current housing recession

- **Market is seeing classic end-of-cycle problems**
  - Looser lending practices in mortgage market
  - Deterioration of subprime credit performance
- **Standard & Poor's has not escaped impact of these events**

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Outlook for Standard & Poor's business

- **Original forecast: Double-digit top- and bottom-line growth for Financial Services even though new dollar volume issuance for U.S. RMBS market would be off 10% to 15% in 2007**
- **U.S. RMBS market continues to deteriorate**
  - Now anticipate 30% to 35% decline for year and more than 60% decline in fourth quarter
- **3Q 2007: Still expect Financial Services to produce 9% to 12% revenue growth and a double-digit increase in operating profit growth**
- **2007: We expect double-digit top- and bottom-line growth for the year**

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Outlook for Standard & Poor's business

- **Fourth quarter will not end strongly: Credit quality concerns adversely impact market**
  - Investors re-evaluating and re-pricing risk
  - Some issuers are finding it more difficult to sell new issues

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U.S. structured finance new issuance dollar volume

- **July: Some strength in new issue dollar volume for U.S. structured finance**
- **August: Growth slowed in some instruments; rate of decline accelerated in others**

New issuance dollar volume for U.S. structured finance

(% change)	July	August
ABS	+ 111%	- 22%
RMBS	- 31%	- 60%
CMBS	+ 263%	+ 75%
CDOs	+ 40%	+ 35%
Corporates	- 31%	+ 16%

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Outlook for U.S. structured finance new issuance dollar volume

- **We expect decline in U.S. structured finance to continue into September and 4Q**
  - Corporates: Some strength, particularly in investment-grade, but a decline in speculative issuance
  - U.S. structured finance: Continued weakness, challenging comparisons
  - International: Activity marginally better than U.S.
  - Non-traditional ratings: Continued growth
  - Data & Information and Index Services: Continued growth

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Why S&P benefits from diversification

- **Diversified revenue stream**
  - Products and services
  - Geography
  - Fee structures
    - Large number of debt rating clients are on annual fee programs

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Building a bank of business

- **Diversification evident in strong growth of Corporation's unearned revenue**
  - Grew to more than $1 billion at end of 2Q, an increase of approximately 15% compared to same period last year
- **Largely driven by Financial Services**
  - Recognized on straight-line basis, mostly over 12-month period
- **Underscores our long-term strategic emphasis on diversification and resilience**

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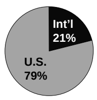
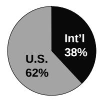
Building a diverse, resilient revenue stream for Financial Services

- **Strategy has made S&P more global**
  - International revenue accounts for 38% of ratings' total in 1H 2007 vs. 21% in 1994

1994



1H 2007



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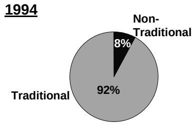
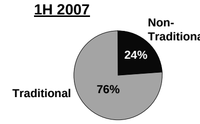
Building a diverse, resilient revenue stream for Financial Services

- **Strategy has made S&P more global**
  - S&P rates a growing array of instruments not tied to new issuance
  - Non-traditional products and services in 1H 2007 were 24% of ratings revenue vs. only 8% in 1994

1994



1H 2007



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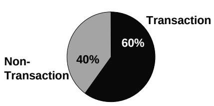
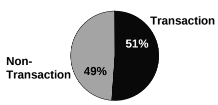
Building a diverse, resilient revenue stream for Financial Services

- **Strategy has reduced S&P's dependency on transaction volume**
  - Transaction revenue now 51% of 1H 2007 revenue vs. 60% in 1994

1994



1H 2007



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Reviewing the cost structure in current environment

- **Reduced revenue will have impact on incentive compensation**
- **Will examine:**
  - Discretionary expenses
  - Staffing and hiring
  - Leveraging of S&P's global network

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Leveraging technology to improve productivity

- **Development of new workflow portals that aggregate critical information in one place for rating analysts**

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S&P is built on transparency

- **S&P's ratings and analyses available free to global financial community in real-time**
  - S&P publicly issues between 500 and 1,000 ratings opinions across the globe
  - Today, S&P has more than 1.2 million public and private opinions on debt outstanding
    - Most are available free at www.standardandpoors.com
  - Investors can access up to 9 million current and historical ratings on RatingsDirect

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S&P is built on transparency

- **S&P communicates with the market so ratings are understood**
  - Hosts conferences, seminars and teleconferences
  - Publishes articles explaining assumptions, methodologies, criteria guidelines, transition studies, and performance data on our rating opinions
- **Institutional safeguards ensure independence and integrity of those opinions**

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Setting the record straight on what a credit rating represents

- **A rating is an impartial, independent opinion on credit quality of bonds and likelihood that investors will be paid interest and principal in a timely fashion**
- **Ratings are decided by committees at S&P--not by individual analysts**

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Setting the record straight on what a credit rating represents

- **Rating the ultimate credit risk is not the same as pricing the bond**
- **Credit ratings do not fluctuate like bond prices**
  - Bond prices are anticipatory
  - Bond ratings are based upon current and expected credit performance
- **Ratings are designed to be stable**
  - We are not operating a buy/sell/hold business

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Setting the record straight

- **We do not structure transactions or determine which deals can or cannot proceed**
- **We are not investment advisors or consultants**
- **Standard & Poor’s applies its own pre-determined and publicly-available criteria and assumptions to the facts presented**
- **Dialogue with bond issuers is necessary**
  - Helps issuers understand our ratings criteria
  - Helps S&P understand the structured security so it can arrive at better informed opinions

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Setting the record straight

- **Problems in subprime market didn’t develop overnight**
  - By early 2006 S&P was informing the market about growing risk
  - April 2006 S&P raised level of credit support required for riskier subprime deals
  - S&P continues to comment on those risks today

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Setting the record straight

- **S&P does not rate every deal that reaches our door**
  - Does not rate instruments that fail to meet its criteria
- **Claims of potential conflicts of interest with issuer pay model fail the test of our own self-interest**
  - Excellent long-term track record of assessing risk has 90-year history
  - It is not in our economic interest to compromise the integrity of a rating
  - Reviews by regulators in past five years conclude that rating agencies appear “relatively responsive to reputation concerns and so protect the interest of investors”

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Setting the record straight

- **S&P has an exceptionally strong record on ultimate measure of ratings effectiveness**
  - Since 1978, average 5-year default rate for investment-grade structured securities is less than 1% and just over 15% for speculative-grade securities
  - Since 1978, average 1-year default rate for investment-grade structured securities is near zero (0.04%) and 2.33% for speculative-grade securities

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Setting the record straight

- **Understanding S&P's recent downgrades**
  - Downgrades affected approximately 1% of $565.3 billion in first-lien subprime residential mortgage-backed securities rated between 4Q 2005 and end of 2006
  - S&P will continue to assess ongoing creditworthiness of these securities

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Setting the record straight

- **Long-standing, strong legal precedent in favor of rating agencies**
  - Has been established over many years in a broad array of cases
- **Ratings are opinions and are protected under the First Amendment**
- **On August 23, 2007, a federal court of appeals ruled a credit rating "is a predictive opinion, dependent on a subjective and discretionary weighing of complex factors"**

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Setting the record straight

- **Federal statutes make it clear that legal claims against rating agencies are not at all favored**
- **New Credit Rating Agency Reform Act of 2006 unambiguously provides that it does not diminish or affect existing rights and privileges under existing law of any sort**
- **We are working with the SEC as it undertakes new responsibilities Congress has given Commission**

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Favorable long-term trends will drive Financial Services

- **Globalization of financial markets**
- **Securitization**
- **Disintermediation of banks in favor of public markets**
- **Privatization**

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Summing up for Financial Services

- **We expect year-over-year 9% to 12% revenue growth and a double-digit increase in operating profit in 3Q**
- **Against tough comparisons, we expect flat to declining revenue and a reduction in operating profit in 4Q**
- **For the year, we expect double-digit top- and bottom-line growth**

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McGraw-Hill Education

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The education marketplace: In flux

- **Changes in ownership**
- **Changes in organization within companies**
- **Consolidation will reduce major elementary-high school competitors from four to three**

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3Q: Biggest each year in education

- **Measuring 3Q performance**
  - Typically produces more than 40% of Education segment's annual revenue and practically all its operating profit
- **We expect a double-digit revenue increase from our Education segment in third quarter**
  - Both the School Education Group and Higher Education, Professional and International Groups are projecting improvement over 2006

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Still seeing orders well into September

- **Key revenue months (July, August) are behind us**
- **Adoption states still ordering materials in non-core curriculum in health, music, and art – important markets for us**
- **Open territory orders are also continuing**
  - Volume of business will be important factor in our final results

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McGraw-Hill Education expects to improve market share in 2007

- **State new adoption market: We expect to capture 30% and possibly more in this market which is growing 10% to 15% this year**
- **Will show solid results in:**
  - Texas 6-12 math adoption
  - K-8 science in California and South Carolina
- ***Treasures* is winning significant market share in Indiana, Oregon, Tennessee**
- ***Spotlight on Music* will lead the market**
  - Six adoption states buying our program

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Sales outlook in open territory more problematic

- **We are benefiting from number of large adoptions announced earlier this year**
  - Science in New York City and Washington, DC
  - K-5 music in St. Louis, MO and Prince George's County, MD
  - New edition of *Everyday Math* performing well across the country
- **Through July, industry's basal sales in open territory down 3.7%, well short of +4% growth forecasted**
- **Late ordering pattern could produce some improvement**
  - We are doing better than industry; expect to continue

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Outlook for testing

- **3Q less pivotal in testing market**
- **We have seen:**
  - An increase in custom work
  - Promising gains in formative market for our new *Acuity* product

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Favorable outlook in higher education

- **We expect to gain market share in 2007**
- **Anticipating increases in all three imprints**
  - Business and Economics
  - Science, Engineering and Math
  - Humanities, Social Sciences and Languages
- **Custom products showing solid growth across disciplines**
- **International performance is encouraging**

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Summing up for McGraw-Hill Education

- **Double-digit revenue increase in 3Q is taking shape**
- **We expect to gain share in both the elementary-high school and higher education markets**

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Update on share repurchase program

- **Board of Directors authorized the purchase of up to 30 million shares this year**
  - Bought back 19.5 million shares by the end of first half
  - Completed authorized program by buying 10.5 million shares in 3Q
- **2007 share repurchases resulted in return of nearly $1.9 billion to shareholders**

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Summing up for The McGraw-Hill Companies

- **We expect to achieve our goal of double-digit earnings for the year even though the rate of growth is expected to slow during second half of year as compared to our very strong first-half performance**
- **We still expect improved operating margins at McGraw-Hill Education and Financial Services for the full year. Margin improvement at Information & Media is more problematic due to a softer advertising market**

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