The McGraw-Hill Companies

4Q 2007 Earnings Call

January 24, 2008

Presenters:

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Chairman, President and CEO

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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, prepublication investments 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 2008 adoptions and in open territories and enrollment and demographic trends; the level of educational funding; 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 economy, 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 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, manufacturing expenses, distribution expenses, 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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Harold McGraw III

Chairman, President and CEO
The McGraw-Hill Companies

Outlook for U.S. economy

Federal Reserve cut interest rates by 75 basis points on January 22

David Wyss, S&P's chief economist, thinks odds of U.S. slipping into recession is 50/50

- Wyss thinks peak of economic growth occurred last November and trough will come this September/October
- Housing recession will be with us all year
- Prices won't bottom until end of 2008
- Expects more rate cuts by Fed as early as March

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The McGraw-Hill Companies

McGraw-Hill Education

Financial Services

Information & Media

McGraw-Hill Education

2007 segment results

Revenue	+ 7.2% to $2.7 billion
Operating profit	Increased by 21.5% to $400.0 million - Includes 4Q 2007 pre-tax restructuring charge of $16.3 million - Reflects $5.6 million pre-tax restructuring charge in 3Q 2006 - Reflects 10.4 million pre-tax restructuring charge in 4Q 2006
Operating margin	14.8%, up from 13.0% in 2006

Key takeaways in 2007

- Strong fourth quarter finish with late ordering in the el-hi school market and solid close in the U.S. college and university market

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Better than expected 4Q 2007 performance at McGraw-Hill Education

4Q 2007 segment results

Revenue	+ 4.3% to $550.9 million
Operating profit	Loss of $791,000 - Includes restructuring charge (excluding restructuring charge, operating profit increased 5.0%)
Operating margin	Declined, but unchanged compared to 2006 if restructuring charges excluded

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Strong performance at the School Education Group

School Education Group

2007 revenue	+ 6.8% to $1.4 billion
4Q revenue	+ 6.0% to $197.9 million

Key to results:

- Strong performance in state new adoption market
- Captured a market-leading 32% of a market that grew by about 19% to approximately $820 million

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Sustained growth in the School Education Group

Achieved 2007 results through new products and services and reorganized school team

Healthy state new adoption calendar in 2008
- Expect market to grow 10% to 15% to $900 to $950 million
- We will be competing in virtually the entire market

We are well positioned for the biggest opportunities in 2008
- California K-8 math
- Florida K-5 reading
- Texas K-5 math

Success with elementary program in 2007 will benefit us in 2008
- Programs tend to include consumable materials and items that generate residual orders in subsequent years

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Competing with a broad spectrum of products

Compete in academic and non-academic curriculum areas
- Strong market shares contribute to our results each year
  - Art and music
  - Family and consumer science
  - Technical and vocational education
  - Health
  - Business education

Achieving steady growth with intervention programs
- Educators seek well-designed research-based materials for students needing extra help to reach grade-level goals
- Florida and California adopted intervention programs for purchase in 2008
  - Made lists in both states

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Intervention programs contributing to our success

Strong line-up of skills-based intervention programs includes:
- *Number Worlds*
- *Language for Learning*
- *Reading Success*
- *Science Snapshots*

Treasures' satellite programs are also generating incremental revenue
- *Triumphs* for intervention
- *Treasure Chest* for English-language learners

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Outlook for open territory: Wild card for 2008

Open territory expected to grow 1% to 2%
- **Factors affecting growth:**
  - –Very likely pent up demand for new basal programs and intervention materials
  - –Limited increases in federal funding and local/state budget levels

We expect overall el-hi market to grow 4% to 5% in 2008

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Testing improved in 2007; expect more progress in 2008

Gains in 2007 for custom and off-the-shelf revenue
- We expect more progress in 2008

Public's insistence on accountability has not abated
- Recently-enacted Federal education budget will keep all of No Child Left Behind's major programs intact, including state accountability testing

***Acuity,* our formative assessment program, is used at district level in many states across the country**
- Won 5-year, $80 million contract with New York City
- Statewide adoptions in Indiana and West Virginia in 4Q 2007

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Testing improved in 2007; expect more progress in 2008

States and districts are expected to increase their expenditures on formative and English-language learner testing
- Our *LAS Links* assessment program is very successful in the English-language learner market

We will continue to invest in technology to:
- Create innovative testing products
- Improve efficiencies in developing, delivering and scoring McGraw-Hill assessments

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Growth in the HPI Group in 2007

Higher Education, Professional and International Group

2007 revenue	+ 7.6% to $1.3 billion
4Q revenue	+ 3.4% to $353.0 million

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Digital transformation is moving rapidly in higher education and professional markets

Digital product revenue grew substantially faster than traditional products in 2007; expect same in 2008

Expect college and university market to grow 3% to 4% in 2008
- Think we can do better
- Digital products will be one of the keys

Continuing to invest in ongoing digital transformation of content and tools for:
- Course management
- Online instruction courses
- eBooks

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Digital transformation is moving rapidly in higher education and professional markets

Demand for digitally-delivered products most advanced in professional world
- Our digital subscription revenue continues to grow faster than conventional product sales as we expand our offerings in science, medicine and engineering

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Outlook for McGraw-Hill Education

6% to 8% top-line growth in 2008

Margins may decline 50 to 100 basis points due to accelerating investments in technology

Increased prepublication amortization

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The McGraw-Hill Companies

McGraw-Hill Education

Financial Services

Information & Media

Financial Services

2007 segment results

Revenue	+10.9% to $3.0 billion
Operating profit	+13.1% to $1.4 billion - Includes a pre-tax gain of $17.3 million on mutual fund business divestiture and an $18.8 million pre-tax restructuring charge
Operating margin	44.6%, up from 43.8% last year

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How the U.S. new issue market shifted in 2007

U.S. New Issue Dollar Volume

Asset Class	% Change First 9 Months 2007 vs. 2006	% Change 4Q '07 vs. 4Q '06
Corporates	+36.3%	-13.0%
Public Finance	+23.1%	-6.8%
Mortgage-Backed Securities	-17.4%	-75.9%
Asset-Backed Securities	+3.2%	+5.1%
Collateralized Debt Obligations	+47.3%	-73.5%
Total U.S. Issuance	+10.3%	-47.1%

Sources: Thomson Financial and Harrison Scott publications, and Standard & Poor's estimates

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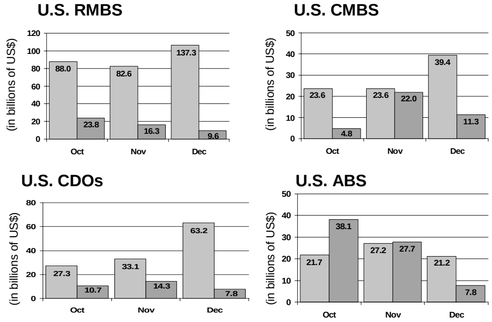
New issuance illustrates trajectory of 4Q business



22 *Source: Thomson Financial, Harrison Scott Publications, Standard & Poor's*

Financial Services

4Q 2007 segment results

Revenue	- 7.2% to $736.7 million
Operating profit	- 22.8% to $263.4 million - Including restructuring charge, or 17.2% excluding charge
Operating margin	35.8% including restructuring charge, or 38.3% excluding charge

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Outlook for Financial Services in 2008

Tougher comparisons in first half of 2008 vs. 2007

We will end year facing easier comparisons at a time when market may show signs of recovery

Factors will come into play as:
- Federal Reserve cuts rates
- Additional liquidity is pumped into financial system
- Buyers and sellers agree on risk/return yields
- As companies have more maturing debt to refinance
- As backlog of deals come to market

As liquidity freeze begins to thaw and confidence returns, the market will find firmer footing and start growing in the latter part of 2008

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Combination of steps to produce growth for segment in 2008

Financial Services will:
- **Manage costs very tightly**
- **Take advantage of opportunities in Financial Services' diversified portfolio**

Steps will help us hold operating margin decline in 2008 to between 125 and 225 basis points

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Benefiting from the diversity of Financial Services' portfolio

Standard & Poor's Investment Services
- **Revenue grew by 15.6% in 4Q 2007 and by 16.3% in 2007 to $782 million**
- **Produced 26% of Financial Services' 2007 revenue**

We expect another year of growth in Investment Services
- **Growing family of liquid and investable indices**
- **Capital IQ, Compustat, ClariFI**

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Diversity within Credit Market Services

Ratings business is diversified
- **Geography**
- **Fee structure**
- **Product mix**

Ratings is not all about structured finance or U.S. new issuance

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Capitalizing on diversified sources of revenue

Deferred revenue
- Begin 2008 with $790 million, approximately 25% of the segment's revenue
- Expect to grow, but at slower pace due to current market conditions

Non-transaction revenue
- Surveillance fees, annual contracts and subscriptions provide resilience when new issuance slows
- Represented 54% of the ratings business at the end of 2007
- Will be more important role as new volume declines, particularly in U.S. structured finance

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Importance of international revenue and overseas growth

Expect overseas growth
- International revenue represented over 40% of ratings revenue in 2007 and will represent a bigger proportion in 2008

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Growth in non-traditional ratings will be important in 2008

Demand for services related to Basel II compliance will be a plus in 2008
- **Credit risk models**
- **Tools**
- **Data**
- **Training**

Non-traditional ratings—ratings and services not directly linked to new public debt issuance—accounted for 25.5% of ratings revenue at the end of 2007
- **Will make a bigger contribution in 2008**

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Revenue vs. new issuance in 4Q 2007

Revenue	% Change 4Q '07 vs. 4Q '06	New Issue Volume	% Change 4Q '07 vs. 4Q '06
Financial Services	-7.2%	Global Issuance	-33.2%
Credit Market Services	-14.1%	Global Issuance	-33.2%
International	-4.3%	Non-U.S. Issuance	-24.2%
Domestic	-21.0%	U.S.-only Issuance	-41.7

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Diversification of Financial Services

- **Start 2008 with $790 million of deferred revenue**
- **High expectations for Standard & Poor's Investment Services, which produces 25.7% of segment's revenue**
- **International rating revenue now represents more than 40% of Credit Market Services' revenue**
  - **Should continue to grow, offsetting a decline in domestic ratings in 2008**

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Why S&P will grow in 2008

Non-traditional products and services expected to continue growing in 2008
- **Now represent just over 25% of Credit Market Services' revenue**

We expect a bigger contribution from non-transaction portion of Credit Market Services
- **Surveillance fees**
- **Annual contracts**
- **Subscriptions**

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Corporates will continue to grow in 2008

Interest rates remain low
- **Will help drive debt-financed strategic merger and acquisition deals, as well as investments in infrastructure**

Companies will have more maturing debt to refinance
- **Corporate investment-grade bond maturities in 2008 estimated to be over $600 billion, up from $483 billion in 2007**

Financing conditions remain favorable overseas

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Facing challenges in the structured finance market

Predominantly a transaction-based market
- **New dollar volume issuance in the U.S. structured finance market decreased by 22.2% in 2007**
- **We expect conditions to be challenging for most of 2008**

Residential mortgage issuance is expected to decline significantly due to:
- **Adverse conditions in housing market**
- **Tightening lending standards**
- **Shift to agency origination**

2007 market
- **U.S. RMBS dollar volume fell by 40.4% in 2007; expected to decline significantly in 2008**
- **European RMBS issuance grew by 53.2%**
- **Total European structured market increased by 33.3%**

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Outlook for new issue market

U.S. CMBS market

- Tumbled 56% in 4Q 2007; finished up 6.8% for 2007
- Outlook uncertain as pension funds and insurance companies have stayed on sidelines

U.S. CDO market

- Finished up 1.4% in 2007
- Expect significant decline in 2008 U.S. CDO issuance

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Outlook for new issue market

U.S. asset-backed securities market

- Better prospects
- Should see increases as credit card receivables replace home equity loans and as issuers of auto loans tap this market

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Information products will benefit S&P Credit Market Services

Strong demand for two key S&P products:

– ***RatingsDirect***
– ***RatingsXpress***

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Difficult time in credit markets

Headline risk will continue in 2008 on the regulatory and legal fronts

Although lack of legal/factual merit is not deterring critics, we are confident that S&P will be part of the solution emerging over the coming months

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Regulatory update

S&P continues to work closely with regulators here and abroad

Working on important initiatives that will be made public shortly

- Will underscore our efforts to strengthen ratings process and better serve markets

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Outlook for Financial Services

Summary

- Diversity more important than ever in 2008
- Revenue will grow 2% to 4%
- Operating margin will decline no more than 125 to 225 basis points
- Slow growth in first half, followed by pickup in second half

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The McGraw·Hill Companies

McGraw-Hill Education

Financial Services

Information & Media

Information & Media

2007 segment results

Revenue	+ 3.6% to $1.0 billion
Operating profit	+ 27.2% to $63.5 million - Pre-tax restructuring charge of $6.7 million in 4Q 2007 - Reflects 3Q 2006 $5.7 million pre-tax restructuring charge - Reflects 4Q 2006 $3.0 million pre-tax restructuring charge
Operating margin	6.2%, up from 5.1% in 2006

Results also reflect a change in revenue recognition for the transformation of Sweets from primarily a print catalog to a bundled print and online service for the construction industry

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Information & Media

4Q 2007 segment results

Revenue	+ 3.6% to $282.1 million
Operating profit	- 6.1% to $20.2 million - Pre-tax restructuring charge of $6.7 million in 4Q 2007 - Operating profit increased 9.8% excluding charge
Operating margin	7.2%, compared to 7.9% in 4Q 2006

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Information & Media

Transformation in this segment is vitally important

- Progress was achieved in 2007
- Expect to do so again in 2008

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Business-to-Business Group

2007 revenue increased 6.2%

4Q revenue increased 6.3%

- *BusinessWeek's* ad pages off 21.8% in 4Q and 18.2% for 2007

Providing higher-value information was key to our performance

- News and pricing services delivered online to world energy market
- Improved market penetration of studies and proprietary services from J.D. Power and Associates
- Growth in Asia-Pacific markets

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Decline at Broadcasting Group

Revenue declined in non-political year

- 2007 revenue declined 14.6%
- 4Q revenue in declined by 14.9%

Expect to see big rebound in 2008, a political year

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We expect advertising to stabilize at *BusinessWeek*

Holding rate base at 900,000

Increasing ad rates by 4% over 2007

One-year subscription price will remain at $59.97

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Will continue to migrate to higher value-added opportunities

Online syndicated studies from J.D. Power and Associates

Growth of subscription-based products in the energy markets

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Outlook for Information & Media

Summary

- 6% to 8% top line growth in 2008
- Increased political advertising at Broadcasting
- More growth in online information products
- Improved operating margin

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Outlook for The McGraw-Hill Companies

McGraw-Hill Education and Information & Media

- 2008 revenue growth of 6% to 8%

Financial Services

- 2008 revenue growth of 2% to 4%

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Outlook for 2008

Financial Services

- Diversity and breadth of portfolio will be significant factor in 2008 performance
- Growth in S&P's Investment Services and other ratings markets will partially offset negative impact on segment's operating margin from fall-off in structured finance
- Segment's operating margin may decline between 125 and 225 basis points
- Continued uncertainty in financial markets could impact this forecast

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Outlook for 2008

McGraw-Hill Education

- We expect operating profit to grow in low single-digit range because of substantial increase in prepublication costs and investments in technology
- Operating margin may decline 50 to 100 basis points

Information & Media

- Anticipate improvement in operating margin

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Expect to produce another year of earnings growth in 2008

Expect earnings per share to increase 3% to 5%

Net income will decline slightly, reflecting increased interest expense for share buybacks

2008 guidance excludes:
- $0.08 restructuring charge in 4Q 2007
- $0.03 gain from divestiture of mutual fund data business in 2007

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Outlook for The McGraw-Hill Companies

Summary
- We got off to a very fast start in 2007, so comparisons in the first half of 2008 will be very challenging
- We expect a better performance in the second half and to finish 2008 on an upswing

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The McGraw-Hill Companies

Robert J. Bahash

Executive Vice President and Chief Financial Officer
The McGraw-Hill Companies

37 million shares repurchased in 2007

4Q 2007
- 7 million shares repurchased for $322.7 million

2007
- 37 million shares repurchased for $2.2 billion

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A commitment to advancing total shareholder value

Since 1996, MHP returned $8.4 billion to shareholders through dividends and share repurchases
- Includes approximately $2.5 billion returned in 2007

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More shares remain in repurchase program

Capacity:
- 28 million shares left in the 2007 repurchase program authorized by Board
  - Last October, the Board signaled its approval for the repurchase of remaining shares over time

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Board will review dividend on January 30th

Cash dividend has increased annually for 34 consecutive years

- Since 1974, the dividend has grown at a compound rate of 10.4%

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Reduced fully-diluted weighted average shares outstanding

4Q 2007: 330.8 million shares

- 7 million share decrease vs. 3Q 2007
- 33.4 million share decrease vs. 4Q 2006

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Shift from cash to debt position due to share repurchases

4Q 2007: $801.4 million net debt position, down from $878.8 million at end of 3Q

- On a gross basis, debt at year-end is approximately $1.2 billion, offset by $396.1million in cash – primarily foreign holdings
- Compares to $353.5 million cash position at end of 2006
- Change is due to share repurchases

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Shift from cash to debt position due to share repurchases

Issued $1.2 billion of unsecured senior notes in November 2007

- Spread evenly across 5-, 10-, and 30-year tranches

Ended 2007 with no commercial paper outstanding

- Plan to enter the market in 2008 due to the seasonal nature of our businesses

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Outlook for interest expense

2007: $40.6 million net interest expense

- 4Q 2007: $11.9 million compared to $70,000 in 4Q 2006

2008: Expected to increase to $80 to $100 million range

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An increase in corporate expenses

4Q 2007: $46.0 million, a $5.2 million increase compared to a year ago

- Includes $1.9 million pre-tax restructuring charge
- 4Q 2006 included a $2.7 million pre-tax restructuring charge

Increase primarily driven by:

- Increased incentive compensation
- Expenses related to operating efficiency programs and other corporate business process improvements

2008: Expect low single-digit increase

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The outlook for McGraw-Hill Education in 2008

Increase of approximately $45 million in pre-publication amortization due to significant prepublication investments

Increased investments for digital transformation

- El-hi: More technology required in products
- Testing: Must invest to keep products at the cutting edge, launch new ones, and improve efficiency to take pressure off the margins
- Higher Education: Today's students accustomed to laptops, desktops, iPods and high bandwidth connectivity
- Global Medical Information: More than 50% of content is accessed digitally
- We anticipate $18 million in costs for this segment in 2008 related to migration to our new state-of-the-art data center

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The outlook for McGraw-Hill Education in 2008

McGraw-Hill Education's 2008 operating margin may decline 50 to 100 basis points

- No longer expect to achieve 20% operating margin by 2010
- Remain focused on various efforts to improve operating margin at Education
  - A $16.3 million pre-tax restructuring charge for severance in 4Q

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Growth in unearned revenue

2007: Approximately $1.1 billion, a 10.4% year-over-year growth

- $790 million, or 73% of unearned revenue, comes from S&P's surveillance and fee structures and data and information products

Expect growth to moderate in 2008 given slower revenue growth forecast

- Revenue will be largely recognized over next twelve months

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Outlook for tax rate

2007: Effective tax rate 37.5% vs. 37.2% in 2006

2008: Expect rate to be approximately the same as 2007 on full-year basis

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Increasing prepublication investments

4Q 2007: $89.4 million

2007: $299 million

- Lower than initial projections due to timing and some operating efficiencies

2008: Expect $300 to $310 million

- Reflects necessary investments to take advantage of strong adoption opportunities

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Growth in capital expenditures for property and equipment

4Q 2007: $83.2 million

2007: $229.6 million, compared to $126.6 million in 2006

- Driven by technology investments to digitize products and services
- Migration to new data center begins in April and will take approximately one year to complete
- Total migration costs in $40 million range

2008: Expect CapEx of approximately $170 million

- Normal replacement expenditures
- Software and technology equipment for data center
- Continued investments for creation of new and enhanced products and services

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Outlook for non-cash items

Amortization of prepublication costs

- **4Q 2007: $44.8 million**
- **2007: $240.2 million**
- **2008: Expect approximately $285 million, a $45 million increase**

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Outlook for non-cash items

Depreciation

- **4Q 2007: $28.7 million**
- **2007: $112.6 million**
- **2008: Expect approximately $125 million**
  - **Completion of data center**
  - **Purchase of new technology equipment for center**
  - **Other increases in property and equipment**

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Outlook for non-cash items

Amortization of intangibles

- **4Q 2007: $13.6 million**
- **2007: $48.4 million**
- **2008: Expect approximately $52 million**

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Measuring 2007 free cash flow

($ in millions)	
Cash provided by operating activities (GAAP)	$1,717.0
Investments in prepublication costs	(299.0)
Purchase of property and equipment	(229.6)
Additions to technology projects	(16.7)
Dividends paid to shareholders	(277.7)
Other adjustments, primarily foreign exchange	16.6
Free cash flow	**$ 910.5 ***

* An adjustment was made to the preliminary free cash flow of $902.2 million that was previously disclosed by the Company on January 24, 2008. This slide has been updated to reflect the final figure of $910.5 million.

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Outlook for free cash flow in 2008

2008: Anticipate range of $850-$900 million, about equal to 2007

- **Guidance reflects:**
  - **Lower net income**
  - **Continued investments**
  - **Prudent management of working capital**
  - **Cash outflow for 2007 restructuring actions, which will be largely offset by savings from these actions**

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NOTE: The presenters' slides will be available for downloading from www.mcgraw-hill.com/investor_relations approximately two hours after the end of the call. A replay of this webcast will be available 2 hours after the end of the call and will remain available until January 31, 2008.

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