The McGraw-Hill Companies

4Q 2010 Earnings Call

February 1, 2011

Presenters:

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Chairman, President and CEO

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The McGraw-Hill Companies

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Comparison of Adjusted Information to U.S. GAAP Information

This presentation includes adjusted earnings per share, operating profit, and corporate expense information. This information is provided to enable investors to make meaningful comparisons of the Company's operating performance between periods and to view the Company's business from the same perspective as management's.

The earnings release dated February 1, 2011 contains exhibits that reconcile the differences between the non-GAAP measures and comparable financial measures calculated in accordance with U.S. GAAP.

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

This presentation includes certain forward-looking statements about our businesses and our prospects, 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 2011 adoptions and in open territories and enrollment and demographic trends; the level of educational funding; the strength of School Education including the testing market, Higher Education, Professional and International publishing markets and the impact of technology on them; the level of interest rates and the strength of 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 and commercial mortgage and asset-backed securities and related asset classes; the continued difficulties in the credit markets and their impact on Standard & Poor's and the economy in general; 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 strength and the performance of the domestic and international automotive 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 debt and equity markets, including interest rates, credit quality and spreads, the level of liquidity, future debt issuances including residential and commercial mortgage-backed securities and CDOs backed by 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, automotive, computer and aviation industries; the successful marketing of new products, and the effect of competitive products and pricing.

The McGraw-Hill Companies

Harold McGraw III

Chairman, President and CEO
The McGraw-Hill Companies

MHP: Double-digit growth in FY 2010

As Reported	4Q 2010	FY 2010
Diluted EPS	$0.50	$2.65

As Adjusted	4Q 2010	4Q 2009	Change
Diluted EPS	$0.55	$0.51	7.8%

	FY 2010	FY 2009	Change
	$2.69	$2.37	13.5%

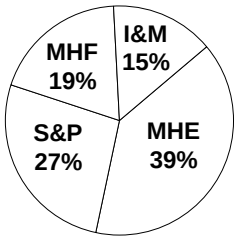
Dilution from acquisitions
- 4Q 2010: $0.01
- FY 2010: $0.02

2010 revenue: $6.2 billion, a 5.3% increase
- Excluding impact of acquisitions and divestitures

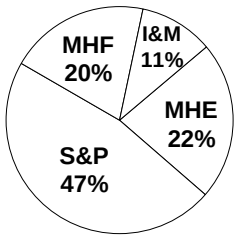
MHP: Realigned into four operating segments

New Reporting Structure (Recasted)

2010 Revenue



2010 Adjusted Segment Operating Profit



The McGraw-Hill Companies

McGraw-Hill Financial

Standard & Poor's

McGraw-Hill Education

McGraw-Hill Information & Media

The strategy for McGraw-Hill Financial

Started testing strategic concept for McGraw-Hill Financial in 2008

New structure integrates core capabilities

- **Segment can be greater than the sum of its parts**

Drive organic growth through:

- **Development of new, integrated solutions from proprietary assets**
- **New solutions to help clients manage investments and trading strategies**
- **Capitalize on growth trends for financial information, data, analytics**

McGraw-Hill Financial

Existing Products & Services
(1) Previously in FIRMS offering

- Global Data Solutions [1]
- XpressFeed
- Compustat
- S&P Securities Evaluations [1]
- CUSIP Global Services [1]

S&P Indices for:
- Equity
- Fixed Income
- Real Estate
- Strategy
- Commodities
- Emerging & Frontier
- Thematic
- Custom

- Equity Research (STARS)
- Market, Credit & Risk Strategies (cross-asset) [1]
- Leveraged Commentary & Data [1]
- MarketScope Advisor
- Quantitative Research

- Capital IQ
- TheMarkets.com
- Global Credit Portal [1]
- RatingsDirect [1]
- Risk Solutions [1]
- ABSXchange [1]

McGraw-Hill Financial's New Integrated Product Capabilities

Enterprise Solutions

Benchmarks

Research & Analytics

Integrated Desktop Solutions

McGraw-Hill Financial's new integrated product capabilities

Existing Products & Services
(1) Previously in FIRMS offering

- Global Data Solutions [1]
- XpressFeed
- Compustat
- S&P Securities Evaluations [1]
- CUSIP Global Services [1]

Enterprise Solutions

Leverages our data organization to create and deliver:
- Global benchmark data and indices that are integrated into one consolidated data feed. Includes:
  - –Comprehensive access to S&P and McGraw-Hill Financial's in-depth fixed income and equity fundamental data
  - –Broad range of 3rd party and proprietary-derived data

Value Proposition: ***Integrated Data***
- Provide investors with a cross-asset view of entities they invest in
- Access critical content sets through a number of delivery methods that meet any client's configuration

McGraw-Hill Financial's new integrated product capabilities

Existing Products & Services

S&P Indices for:
- Equity
- Fixed Income
- Real Estate
- Strategy
- Emerging & Frontier
- Commodities
- Thematic
- Custom

Benchmarks

Leverages the capabilities of the data organization and Enterprise Solutions to:
- Increase the type and asset classes covered and extend global regions for benchmark solutions
- Build "Benchmark Analytics" into Integrated Desktop Solutions and Enterprise Solutions

Value Proposition: ***Indices as Benchmarks:***
- More benchmarks for fundamental and quantitative trading strategies
- Investors can benchmark portfolio performance against established global indices

McGraw-Hill Financial's new integrated product capabilities

Existing Products & Services
(1) Previously in FIRMS offering

- Equity Research (STARS)
- Market, Credit & Risk Strategies (cross-asset) [1]
- Leveraged Commentary & Data [1]
- MarketScope Advisor
- Quantitative Research

Research & Analytics

Leverages the capabilities of Enterprise Solutions and Benchmarks to provide:
- Unique analytics backed by models, methodologies, and expertise (e.g. Risk-to-Price and Credit Health Panel)
- Daily multi asset class market commentary
- Integrated research to address a company's overall capital structure

Value Proposition: ***Market Analysis & Investment Insight***
- The most comprehensive source of cross asset-class analytics, market commentary, and company research for institutional investors and private wealth managers

McGraw-Hill Financial's new integrated product capabilities

Existing Products & Services
(1) Previously in FIRMS offering

- Capital IQ
- TheMarkets.com
- Global Credit Portal [1]
- RatingsDirect [1]
- Risk Solutions [1]
- ABSXchange [1]

Integrated Desktop Solutions

Leverages the capabilities of Enterprise Solutions, Benchmarks, and Research & Analytics to provide:
- Credit & Risk Analytics (Global Credit Portal, RatingsDirect and Risk Solutions) integrated with Capital IQ
- Proprietary research and wealth management tools integrated with Capital IQ

Value Proposition: ***Integrated Workflow Tools***
- Brings together the integrated data sets, indices, research, and analytic insights to bring a "package" of content to serve multiple investor segments

How a recasted McGraw-Hill Financial performed in 2010

Recasted 2010 results for McGraw-Hill Financial

- **Revenue: $1.2 billion**
- **Operating margin: 26.5%**

Compares to Standard & Poor's Investment Services revenue of $918 million

- **McGraw-Hill Financial includes the securities information business from S&P Credit Market Services (S&P Ratings Direct and S&P RatingsXpress®)**

McGraw-Hill Financial: Primarily subscription revenue

Revenue	FY 2010	Percent
Subscription	$875.7	74%
Non-subscription	$312.8	26%
Total McGraw-Hill Financial	$1,188.5	100%

Revenue	FY 2010	Percent
Domestic	$828.5	70%
International	$360.1	30%
Total McGraw-Hill Financial	$1,188.5	100%

- **2010 international revenue grew at a double-digit rate as S&P Indices and Capital IQ expanded in foreign markets**

McGraw-Hill Financial: 12.4% revenue growth in 4Q 2010

As Recasted	4Q 2010	4Q 2009	Change
Revenue	$321.8 million	$286.4 million	12.4%

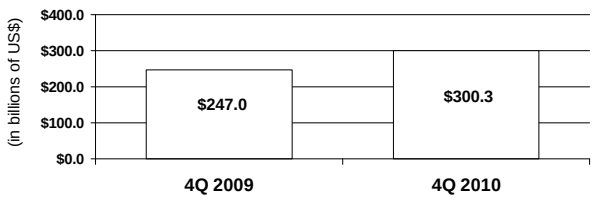
- Includes $12.7 million in revenue from TheMarkets.com acquisition

Solid growth for S&P Indices in 2010

$300.3 billion in assets under management based on S&P indices at end of 2010

- 21.6% year-over-year increase
- ETFs based on S&P indices increased by 95 to 301 in 2010

Assets Under Management Based on S&P Indices



Source: Bloomberg

Continuing to build and expand at Capital IQ

More clients in 2010

- **An increase of 15.8% for the year to more than 3,400**

Smooth integration of TheMarkets.com

- **Strong addition to McGraw-Hill Financial's integrated desktop platform**

2011 outlook for McGraw-Hill Financial

Expect a good start to the year

- **Momentum building at end of 2010**
- **Promising market conditions in 2011**

Expect to produce low double-digit revenue and operating profit growth

- **Strong organic growth**
- **Acquisition of TheMarkets.com**

The McGraw-Hill Companies

McGraw-Hill Financial

Standard & Poor's

McGraw-Hill Education

McGraw-Hill Information & Media

Solid results at Standard & Poor's in 2010

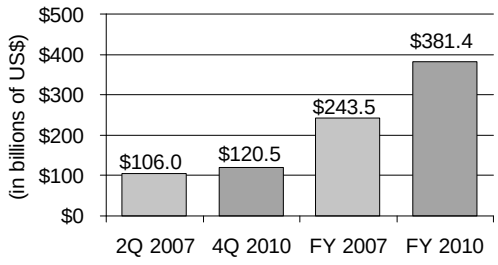
As Adjusted	4Q 2010	4Q 2009	Change
Revenue	$471.6 million	$415.9 million	13.4%
Operating Profit	$204.8 million	$179.2 million	14.3%

As Adjusted	FY 2010	FY 2009	Change
Revenue	$1.7 billion	$1.5 billion	10.3%
Operating Profit	$755.1 million	$708.8 million	6.5%

- Adjusted operating margin: 44.5%, down 160 basis points from 2009

A record year for global high-yield new issuance

Worldwide Corporates High Yield



Source: Thomson Financial, Harrison Scott Publications, Standard & Poor's **2007** **2010**

Tightening interest rate spreads: A key factor in issuance levels

Spreads have narrowed since July 2010

Basis Points	12/31/10	11/30/10	7/30/10	January 2010	5 year Mvg Avg
Speculative-grade composite spread	540	601	628	616	579
Investment-grade composite spread	178	193	196	193	196

Source: Standard & Poor's Global Fixed Income Research

Refinancing: 64% of U.S. high-yield dollar volume in 2010

U.S. Issuance	2010
Acquisition	11%
Refinancing (Bonds/Bank Debt/Refi)	64%
Other	5%
LBO	4%
Dividend	5%
Corporate Purpose	11%
Total	100%
Par Vol	$285 billion

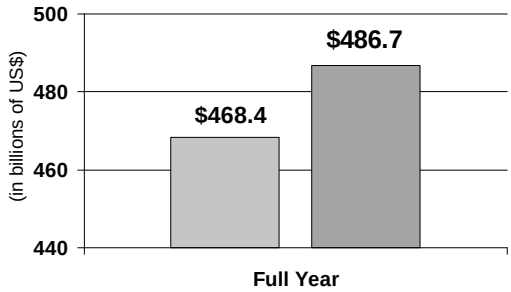
Source: Standard & Poor's Leveraged Commentary Data

The McGraw-Hill Companies

U.S. public finance set records in 2010

- **4Q 2010: All-time record dollar volume issuance**
- **2010: Topped previous record set in 2007 by $18.3 billion**

U.S. Public Finance



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

The McGraw-Hill Companies

Prospects for more growth at Standard & Poor's in 2011

Expect to benefit from same trends that contributed to success in 2010

Corporate issuance, including high-yield bonds, looks strong again

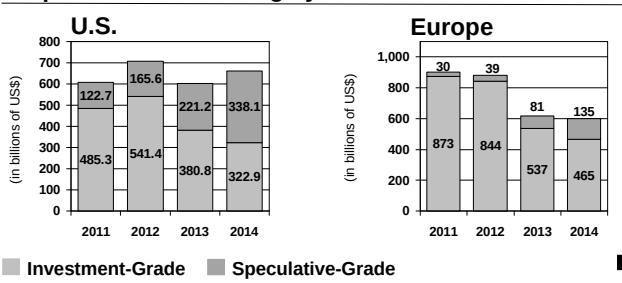
2011 off to good start

Why 2011 should be another good year for ratings

Refinancing requirements are substantial and should contribute to healthy new issue pipeline

- **S&P estimates $5.6 trillion in bond and loan maturities coming due between 2011 and 2014 for U.S. and European markets**
- **Maturities in the range of $1.2 trillion to $1.5 trillion per annum between 2011 and 2014**

Corporate Debt Maturing by Year



Source: Standard & Poor's Global Fixed Income Research

Why 2011 should be another good year for ratings (cont'd)

Access to capital markets remains strong and financing costs are still low

Tighter spreads will allow for needed refinancing requirements

Fundamentals are supportive

- **Credit investors expect default rates to remain low (2% to 3% range)**
- **U.S. GDP to grow between 2.5% and 3% in 2011**

Why 2011 should be another good year for ratings (cont'd)

Confidence of issuers and investors is improving

- **Companies are generating cash and are more confident about initiating expansion activities**
- **Investors' search for yield will persist**
  - **In 2010, S&P saw increased weighting of higher yielding and higher risk bonds in some portfolios**
  - **Deals in North America were oversubscribed for companies rated B- and sometimes lower**

Why 2011 should be another good year for ratings (cont'd)

Merger and acquisition activity is growing

- **M&A is a key driver of new bond issuance**

Continued deleveraging by banks

- **Will contribute to growth of public debt markets**

Trends driving activity in U.S. will also contribute to international growth

- **We anticipate improved results from most regions in 2011**

Outlook for 2011 new issuance volume

Public finance: Expect modest growth after record issuance in 2010

- **S&P expects more borrowing by state and local governments in face of pension costs and toll on tax revenues**

Structured finance: Expect slow recovery in U.S. and international markets

Leveraged loan market: Excellent outlook as banks resume lending

- **Investors' appetite is high**

Latest developments on litigation front

The record:

- **16 cases have been dismissed outright**
  - **Four of these cases involved fraud charges**
- **Seven cases have been voluntarily withdrawn**
- **Progress in all three categories:**
  1. **Underwriter claims**
  2. **"Stock drop" suits**
  3. **State law claims**

Latest developments on litigation front

1. **Underwriter claims based on Securities Act of 1933**
   - **12 of our motions to dismiss have been granted to date**
     - **Three have been appealed**
   - **On January 11, 2011, the U.S. Court of Appeals heard arguments on plaintiffs' appeal of earlier dismissals**

Latest developments on litigation front

2. **"Stock drop" suits**
   - **Our motions to dismiss were granted in three of the four cases in this category**
     - **Two have been appealed; awaiting decision from the U.S. Court of Appeals**
   - **In remaining case, we are waiting for a decision on our motion to dismiss**

Latest developments on litigation front

3. **Suits involving state law claims, including fraud**
   - **Includes favorable ruling in case of Rice versus S&P and Moody's in October**
     - **Federal district court in California dismissed complaint with prejudice**
     - **Court acknowledged ratings are opinions about the future and not actionable unless plaintiffs can demonstrate the rating agency did not believe the ratings to be true when given**

Update on lawsuits overseas

Overseas lawsuits are in preliminary stages and some involve jurisdictional issues

Most notable is Parmalat litigation which started in Italy in 2005

- **In a procedural hearing on January 11, 2011, judge ordered final briefs to be submitted in March**
- **We continue to believe the outcome against two subsidiaries of the Corporation should not have a material effect on our financial condition**

Favorable decision in Pennsylvania state court

State court in Pennsylvania dismissed negligence claims in four related cases brought by the Federal Home Loan Bank of Pittsburgh

- **By narrowly circumscribing the fraud claim, court set a very high standard for the plaintiffs**
- **Judge ruled that plaintiffs must show the credit rating agency did not *"truly believe that the credit quality of the mortgage pool underlying each certificate plus credit enhancement, if any, was sufficient to support its AAA ratings at the time the ratings were assigned."***
- **Our legal team does not believe plaintiff can meet this standard**

Favorable decision in California state court

CALPERS case in California alleged negligent misrepresentation in connection with the ratings of three structured investment vehicles

- **Court granted our motion that the complaint falls under a California statute protecting speech made in the public interest**
- **Decision shifts burden to CALPERS; must demonstrate with a probability of success that it can prove its claim**

A meaningful precedent…

Difficult to estimate when to expect more court rulings

- **Courts have discretion on when they will act on the lawsuits before them**

We believe decisions already rendered by the courts constitute meaningful precedent, which should help guide rulings on pending cases

Our overall assessment of legal risk in various lawsuits remains low

How S&P has invested to meet new regulations

S&P created Quality, Criteria, Compliance, Risk (QCCR) governance and control framework

- **Significant investments in technology platforms and staffing for quality, criteria, compliance and risk management**
- **Operates independently of the ratings business**

The costs of creating a framework for dealing with regulations

S&P spending for QCCR-related items:

- **2010: $80 million, a $17 million increase vs. 2009**
- **2011: May be an estimated $12 million to $15 million in incremental investments**

Gaining more clarity on regulatory issues

United States: SEC will engage in more rulemaking in 2011 to meet Dodd-Frank Act requirements

New regulations expected from Canada and Singapore

Hong Kong and Taiwan recently passed new regulations

Gaining more clarity on regulatory issues

New European Securities and Markets Authority (ESMA) will oversee rating agencies in European Union

- **Creates a more centralized approach to regulation in the European Union**

European Commission seeking comments on rating agencies for potential new legislation

- **S&P is carefully tracking developments and reviewing issues with decision makers**

The QCCR framework prepares S&P to deal effectively with current and new regulations

2011 outlook for Standard & Poor's

Summary

- **Legal risk remains low**
- **We are prepared to deal effectively with new regulatory requirements**
- **Continuing strong corporate issuance should produce high single-digit revenue growth**
- **Operating profit should grow in high single-digits in 2011**

The McGraw-Hill Companies

McGraw-Hill Financial

Standard & Poor's

McGraw-Hill Education

McGraw-Hill Information & Media

2010 revenue at McGraw-Hill Education

As Reported	4Q 2010	4Q 2009	Change
Revenue	$496.3 million	$520.0 million	(4.6%)

	FY 2010	FY 2009	Change
	$2,433.1 million	$2,387.8 million	1.9%

2010 operating profit at McGraw-Hill Education

As Reported	4Q 2010	4Q 2009	Change
Operating Profit	$16.2 million	$33.5 million	(51.7%)

	FY 2010	FY 2009	Change
	$363.4 million	$276.0 million	31.7%

As Adjusted	4Q 2010	4Q 2009	Change
Operating Profit	$16.2 million	$33.5 million	(51.7%)

	FY 2010	FY 2009	Change
	$359.6 million	$287.6 million	25.0%

McGraw-Hill Education revenue pattern mirrors market data

Elementary-high school market:

- **FY 2010: 3.3% increase despite decline in 4Q**
- **4Q 2010: Double-digit decrease, according to Association of American Publishers statistics**

U.S. higher education market

- **FY 2010: 6.8% increase**
- **4Q 2010: Sales fell 3.3% as second semester purchasing declined**

Difficult comparisons for McGraw-Hill Education in 4Q 2010

- **4Q 2009: Robust markets in both el-hi and higher education**

Key to 2010 el-hi results: Strong state new adoption market

McGraw-Hill School Education Group's 2010 results:

- **Captured about 30% of state new adoption market**
  - **Estimated at $850 million to $875 million**
- **Increased overall market share in 2010**

Gains in el-hi market, Decline in testing

2010 revenue flat for McGraw-Hill School Education Group

Gain in el-hi market offset by a decline in testing

- **Impact of planned discontinuation of custom testing contracts in Florida, California, and Arizona**
  - **These programs produced revenue in 2009**

Award-winning *Acuity* program continued to add new clients in 2010

- **Leader in the formative assessment market**

McGraw-Hill Higher Education, Professional and International Group

Revenue increased in 2010 despite weakness in 4Q

- **FY 2010: Increased 3.8%**
- **4Q 2010: Declined 3.3%**

McGraw-Hill Higher Education benefited from:

- **Increased enrollments in U.S. colleges and universities**
- **Growth in all four major imprints**
- **Double-digit gains for our digital products and services**

McGraw-Hill Higher Education did not match industry's overall growth rate

Growing digital opportunities for expanding array of products

The Blackboard connection:

- **Through new alliance with Blackboard, McGraw-Hill Higher Education's products will be integrated seamlessly into the Blackboard platform**
  - ***McGraw-Hill Connect*™: Homework management product**
  - ***McGraw-Hill Create*: Custom publishing system**

Usage of *McGraw-Hill Connect* is expected to increase

- **Blackboard services 80% of U.S. colleges and universities**

Mix is shifting from print to digital in professional markets

Majority of our new print publications are also released as e-books

- **More than 6,000 McGraw-Hill professional titles available as e-books**
- **More than 130 mobile phone applications also available**

Online resources in science, medicine and engineering contributed to digital growth in professional markets

2011: Expect expansion of online subscription products, e-books, other digital services

Digital developments will increase opportunities in international markets

Launching mConnect mobile learning platform in India with Wipro

Initiative combines:

- **McGraw-Hill's digital learning and adaptive educational software**
- **Wipro's wireless technology capabilities**

mConnect will deliver supplemental education services by cell phone to students and job seekers

- **Nearly 700 million cell phones in India**

Outlook for elementary-high school market

2011: We expect flat to minimal market growth

- **Reflects continuing pressures on state and local budgets**

Swing factor will be strength of 2011 state new adoption market

- **Could be the same or somewhat larger than 2010**
- **Depends to a great extent on how Texas funds this year's adoption list**
  - **Won't be able to size opportunity until 2Q**

2011 outlook for McGraw-Hill Education

Market expectations:

- **Flat to minimal growth in elementary-high school market**
- **4% to 6% growth in U.S. higher education market**

For McGraw-Hill Education:

- **Revenue: Expect growth in low single-digits**
- **Operating profit: Anticipate a decline, largely driven by investments, especially for digital developments**
  - **Decrease could range from mid single-digits to high single-digits**

McGraw-Hill Financial

Standard & Poor's

McGraw-Hill Education

McGraw-Hill Information & Media

2010 revenue at Information & Media

As Reported	4Q 2010	4Q 2009	Change
Revenue	$249.3 million	$253.3 million	(1.6%)
	FY 2010	FY 2009	Change
	$907.5 million	$953.8 million	(4.9%)

As Adjusted	4Q 2010	4Q 2009	Change
Revenue	$249.3 million	$231.7 million	7.6%
	FY 2010	FY 2009	Change
	$907.5 million	$854.6 million	6.2%

2010 operating profit at Information & Media

As Reported	4Q 2010	4Q 2009	Change
Operating Profit	$39.2 million	$45.9 million	(14.6%)
	FY 2010	FY 2009	Change
	$160.4 million	$92.7 million	73.1%

As Adjusted	4Q 2010	4Q 2009	Change
Operating Profit	$49.8 million	$35.4 million	40.8%
	FY 2010	FY 2009	Change
	$171.0 million	$86.1 million	98.6%

Information & Media: Best operating margin in a decade

Operating Margin	2010	2009
As reported	17.7%	9.7%
As adjusted	18.8%	9.0%

We believe the new operating margin level is sustainable

- 2010 adjusted margin is best achieved since 21.1% in 2000

Contributors to improvement

- Divestiture of *BusinessWeek* in 2009
- Continuing strength of Platts
- Rebound in Broadcasting Group's performance

Platts: Strong results and new growth opportunities

Market demand for Platts' proprietary content grew in U.S. and international markets

More proprietary content will keep Platts moving ahead

- 24 new price assessments launched in 2010
- Platts recognizes and responds to trends in markets—many price assessments are firsts in their markets

Adding new capabilities in energy markets

- Acquired BENTEK Energy for fundamental data and analysis for North America's natural gas market
- Acquisition of Oil Price Information Service (OPIS) (subject to regulatory approval) for news and price information for North America's wholesale and retail petroleum markets

4Q results at Business-to-Business Group

J.D. Power and Associates

- **Improvement in U.S. automotive business contributed to 4Q performance**
- **Sets the stage for more growth in 2011**

Softness in construction

- **Commercial construction industry continued to hamper McGraw-Hill Construction in 2010**

Business-to-Business Group: Digital and subscription growth

Revenue	FY 2010	FY 2009	Change
As Reported	$811.5 million	$872.7 million	(7.0%)
As Adjusted	$811.5 million	$773.6 million	4.9%

Business-to-Business Group: A growing, digitally-based subscription business

- **More than 65% of 2010 revenue was digital**
- **Expect an increase again in 2011**

A strong rebound at Broadcasting Group in 2010

Key drivers:

- **Strong political advertising**
- **Improved national and local-time sales**

Revenue	2010	2009	Change
4Q	$28.4 million	$23.3 million	21.7%
Full Year	$96.0 million	$81.1 million	18.3%

2011 outlook for Information & Media

Summary:

- **Revenue: Expect mid single-digit growth**
- **Adjusted operating profit: Expect mid single-digit growth**

2011 outlook for The McGraw-Hill Companies

Standard & Poor's and McGraw-Hill Financial: Expect to build on strong 2010 results

McGraw-Hill Education: Will make important investments in digital products and services to achieve a new level in a rapidly developing market

2011 EPS guidance: Expect earnings per diluted share in the $2.79 to $2.89 range

The McGraw-Hill Companies

Jack Callahan

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

A royalty for Standard & Poor's content

McGraw-Hill Financial pays a royalty to use and distribute content and data developed by Standard & Poor's

Impact of $56 million royalty:

- **Non-transaction revenue for Standard & Poor's**
- **Expense for McGraw-Hill Financial**

Realigning products in the new segments

S&P Ratings Direct and S&P RatingsXpress® now part of McGraw-Hill Financial

- **Products previously included in S&P Credit Market Services' non-transaction revenue**

The result:

- **Reduces S&P's non-transaction revenue**
- **Increases percentage of transaction revenue**

% of Non-Transaction Revenue	New Standard & Poor's Segment	S&P Credit Market Services
2010	61%	65%

Outlook for corporate expenses

Adjusted expenses exclude one-time charge of $15.6 million related to subleasing space

- **4Q 2010: Adjusted expenses increased $10 million to $46.7 million**
- **YTD 2010: Adjusted expenses increased approximately $37 million to $164.4 million**

Primary drivers:

- **Increase in incentive compensation as a result of strong 2010 results, especially compared to depressed base in 2009**
- **Increase in vacant space**

2011: Expect mid single-digit increase

The outlook for free cash flow

2010: $881 million of free cash flow

- **Given strong free cash flow, we made a $125 million discretionary payment to U.S. pension plan in December**
- **2011: Anticipate a relatively minimal contribution to the pension plan**

2011: Expect free cash flow in excess of $700 million despite increased capital investments

The outlook for prepublication investments

2010: $151 million

- **Time shift in investments**
  - **By delaying publication dates by several months, we are able to reflect both existing state standards and final Common Core Standards in new product releases**
  - **Stepping up digital investments**

2011: Expect $200 million to $225 million

The outlook for amortization of prepublication costs

2010: $246 million

2011: Expected to decline given reduced level of investment in 2010

The outlook for capital expenditures

2010: $115 million

2011: Expect approximately $150 million

- **Driven in part by increased digital and technology investments**

Returning cash to shareholders in 2010

2010: Returned $548 million to shareholders through dividends and share repurchases

2010: Repurchased 8.7 million shares for a total cost of $255.8 million

- **Average price: $29.37 per share**
- **No share repurchases made in 4Q 2010**

Returning cash to shareholders in 2011

8.4 million shares remain in 2007 program authorized by the Board of Directors

2011: Expect to repurchase about half of the remaining 8.4 million shares, subject to market conditions

- **Factored into 2011 EPS guidance; minimal impact**

Dividend increased 6.4% in January, our 38th consecutive increase

- **MHP is one of fewer than 25 companies in S&P 500 to hold similar record of increases**
- **2011: New annual dividend is $1.00 per share**

A decline in diluted weighted average shares outstanding (WASO)

4Q 2010: 310.3 million shares

4.2 million share decline compared to 4Q 2009

- **Primarily due to 2010 share repurchases**

A well-capitalized company

Net cash and short-term investments:
- **As of December 31, 2010: $350 million**

Cash and short-term investments:
- **4Q 2010: $1.548 billion**

Gross debt: Approximately $1.2 billion
- **Comprised of long-term unsecured senior notes**
- **No commercial paper outstanding**

The McGraw-Hill Companies

4Q 2010 Earnings Call

February 1, 2011

Presenters:

Harold McGraw III
Chairman, President and CEO

Jack Callahan
Executive Vice President and CFO

Donald S. Rubin
Senior Vice President, Investor Relations

NOTE: A replay of this webcast will be available approximately two hours after the end of the call from www.mcgraw-hill.com/investor_relations

The McGraw-Hill Companies

4Q 2010 Earnings Call

February 1, 2011

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