

2Q 2006 Earnings Call

July 25, 2006

Presenters:

Harold McGraw III
Chairman, President and CEO

Robert J. Bahash
Executive Vice President and CFO

Donald S. Rubin
Senior Vice President, Investor Relations

Donald S. Rubin
Senior Vice President,
Investor Relations
The McGraw-Hill Companies

“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, 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 2006 adoptions and enrollment and demographic trends; the level of educational funding; the level of education technology investments; the strength of 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 mortgage and asset-backed securities; 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, amortization and depreciation expense, income tax rates, capital, technology 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; 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.

2

Harold McGraw III
Chairman, President and CEO
The McGraw-Hill Companies

17.6% increase in EPS for 2Q 2006

\$0.60 diluted EPS includes:

- \$0.03 charge for incremental stock-based compensation

Net income increased 13.3% to \$221.0 million

Revenue increased 4.9% to \$1.5 billion

4

Raising guidance for 2006 EPS

Previous EPS guidance: \$2.36 to \$2.41, excluding incremental impact of all stock-based compensation

New EPS guidance: \$2.44 to \$2.49, excluding the incremental impact of all stock-based compensation

- Excludes \$0.13 for incremental stock-based compensation in 2006 and \$0.04 for one-time charge for elimination of restoration stock option program

We expect to return to double-digit earnings growth in 2007

Abating concern over rising interest rates

Start of pause after 17 hikes?

- Federal Reserve signals it may be done raising interest rates

David Wyss, S&P's chief economist:

- Expects GDP to grow at 2.5% annual rate over next 18 months
- Fed may cut interest rates by middle of 2007

6

The McGraw-Hill Companies

McGraw-Hill Education

Financial Services

Information & Media

McGraw-Hill Education

2Q 2006 segment results

Revenue	- 2.7% to \$611.6 million
Operating profit	- 5.3% to \$67.8 million
	Includes \$2.5 million for incremental stock-based compensation
Operating margin	11.1%, down 31 basis points

8

2Q 2006 MHE revenue results mixed

School Education Group

2Q 2006	Revenue down 5.8% to \$390.4 million
First half 2006	Revenue down 4.5%

HPI Group

2Q 2006	Revenue up 3.3% to \$221.3 million
First half 2006	Revenue up 4.1%

9

School Education Group faces tougher comparisons in 2006

El-hi industry sales down 1.2% after five months according to Association of American Publishers (AAP)

2006 el-hi school market could be flat to down as much as 4% because of a 30% reduction in state new adoption calendar that limits 2006 potential

10

Estimate for 2006 state new adoption market

May be at lower end of \$650-700 million range because California and Florida delayed purchasing this year

- 35% of California social studies business will slip into 2007 and beyond
- Florida K-12 science: Some large districts delaying purchasing until 2007

Tougher 2Q comparisons given our 17% gain in sales last year

11

Emphasizing open territory sales in 2006

Treasures: New basal K-6 reading program

- Strong start with wins in two largest open territory districts (Wichita and Pittsburgh)
- Expect to capture second place in Kentucky reading adoption
 - State permits schools to purchase *Treasures* “off-list”

12

Growing opportunities in reading and math intervention

Accountability measures begin to take effect under *No Child Left Behind* (NCLB)

- Sanctions if schools fail to achieve improvement in test scores

Reading intervention beginning earlier

- Children, particularly in urban districts, don't have English vocabulary or number-sense needed to deal with instruction

13

Growing opportunities in reading and math intervention

Our early intervention programs are selling well in open territory and adoption states

- *Early Interventions in Reading*
- *Kaleidoscope*
- *Number Worlds*

Secondary reading intervention market growing rapidly

- *Jamestown Reading Navigator* is our new online, subscription-based program for middle schools

14

Achieving strong results in this year's key secondary adoptions

Science in Florida

- Expect to lead the list in secondary market, which offers higher dollar volume
- Fulfilling middle school orders in 3Q

California

- Expect to capture leading position in secondary market
- Some anticipated sales will move into 3Q because of delay in state's approval of middle school texts

Our performance in elementary science and social studies fell short of expectations

15

Face tough second half comparisons in soft el-hi adoption market

Our revenue in 2005

- 18.9% increase in sales in 3Q 2005
- 23.6% increase in sales in 4Q 2005

Texas not buying this year after outstanding 2005

Unclear if open territories will make up shortfall in this year's state new adoption market

16

Facing margin pressure in testing

Market continues to shift away from norm-referenced tests to state-specific custom assessments

- Driven by new requirements created by NCLB

Increased custom contract work in 2Q 2006 did not offset decline in off-the-shelf testing products

17

Growth in study guide and state reporting markets

Mitigates shift away from norm-referenced tests

- Grow Network's effort in Florida
- 1.8 million student reports a major logistical achievement. Comprised of:
 - 46 different reports, 3 languages, nine grades, and 4 subjects
 - New family reports offer dynamic translations in Spanish and Haitian Creole
 - 2.0 million student response images allowed each family to view student's own work
 - Parent website to view individual student data

18

Technology key to improving margins in testing

Continuing to invest in technology and paperless publishing systems to improve development, delivery, and scoring capabilities

19

Good year taking shape in U.S. college and university market

Strong close in June a good signal for critical July and August period

Our three major imprints all produced gains in 2Q 2006

- Science, Engineering and Math
- Humanities, Social Science and Languages
- Business and Economics

Expect market to grow 5% this year

- We expect to outperform market

20

Outlook for McGraw-Hill Education

Summary

- Diligent in managing cost structure
- Costs and expenses declined in 2Q
 - We don't expect same level of savings in second half

21

Outlook for McGraw-Hill Education

Summary

- Excluding impact of incremental stock-based compensation, we expect:
 - Modest revenue growth
 - Decline in operating profit by as much as 10%
 - Decline in operating margin, which in part is attributable to investments we are making now for robust el-hi market in 2007 and beyond

22

The McGraw-Hill Companies

McGraw-Hill Education

Financial Services

Information & Media

Financial Services

2Q 2006 segment results

Revenue	+13.4% to \$677.3 million +18.9% on a non-GAAP basis <small>Excludes revenue last year of \$34.8 million from Corporate Value Consulting, which was divested at the end of September, and \$8.1 million from CRISIL Limited, where majority interest was acquired on June 1, 2005</small>
Operating profit	+ 21.5% to \$313.9 million <small>Includes \$6.3 million for incremental stock-based compensation. Corporate Value Consulting contributed approximately \$7.5 million to operating results in 2Q 2005</small>
Operating margin	46.3%, up from 43.2%

24

The hallmark of a diversified portfolio

Many contributors to an outstanding record:

- Growth in global structured finance
- Growth in corporates
- Growth in ratings products and services not dependent on new issue bond market
- Growth in data and information products
- Growth in products and services related to our indexes

25

The hallmark of a diversified portfolio

International ratings

- 37.4% of 2Q ratings revenue, up from 36.7% for same period last year

Ratings and services not tied to new issue market

- 24.2% of 2Q ratings revenue, up from 21.5% for same period last year

26

Mixed residential mortgage-backed securities market

2Q: First signs that new issue volume is softening in U.S. market

- Dollar volume slipped by 1.2% in 2Q 2006
- Benefited from 8.6% increase in number of issues
- Rating smaller deals a plus for S&P

2Q Europe dollar volume issuance

- Benefited from 20% increase in RMBS

27

2Q: CDO's major factor

U.S. new issue dollar volume grew 162%

Strong growth driven by:

- Robust debt origination
- Strong investor demand for higher yields and diversification
- Attractive arbitrage opportunities

28

2Q: Asset-backed securities softened

Sharp decline in auto loan issuance

Strong pick up in activity in credit card and student loan sectors

29

2Q: Surge in U.S. corporate market

51.3% increase in investment-grade dollar volume issuance

77.7% increase in high-yield dollar volume issuance

30

2Q: Public finance market

Softness in 2Q as refunding volume declined again

31

Another strong quarter for S&P data and information

Increased customer demand for fixed income data benefits *RatingsDirect* and *RatingsXpress*

Now more than 1,500 clients at Capital IQ

- April release included additional fixed income data, auditable international data, and enhanced functionality

32

Continuing to leverage index products and services

\$143.4 billion in assets under management in ETFs based on S&P indexes at end of the second quarter

- 21.3% increase in over same period last year

Increased trading of derivatives based on S&P's indexes

33

Continuing to leverage index products and services

New ETFs introduced in June

- ProFunds launched four S&P-indexed funds
 - First ETFs to use derivatives to implement short and leveraged strategies; model opens door to others
- State Street Global adds five more SPDR industry ETFs
 - Three ETFs launched in February
- S&P BRIC index provides exposure to leading companies from Brazil, Russia, India and China
 - Lehman and UBS have licenses to create products based on the index

34

Outlook for Financial Services in second half of 2006

We expect double-digit top- and bottom-line growth to continue, probably not at same pace achieved in first half

- Excludes Corporate Value Consulting (CVC) and impact of incremental stock-based compensation

May have some effect on operating margin which was 44.3% in first half

35

Outlook for Financial Services in second half of 2006

Reasons for optimism

- Continued strength in international ratings and products and services not tied to new issuance

36

Outlook for Financial Services in second half of 2006

Good pipeline but tougher comparisons for U.S. RMBS issuance

- U.S. RMBS enjoyed spectacular growth in second half of 2005 and dollar volume issuance up 13.5% for first half 2006
- Expect U.S. issuance to decline 5-10% in 2006

European RMBS market to show year-over-year growth in second half

37

Outlook for Financial Services in second half of 2006

U.S. issuance

- Prospects for CMBS, ABS, and Public Finance look a little soft
- Pipeline for U.S. CDO issuance remains very strong
- Expect strength in corporates in second half
 - Healthy pipeline of bonds maturing for refinancing
 - Debt-financed M&A activity still promising
 - Continued solid spending on capital equipment
 - Balance sheet restructuring will be positive factor

38

Outlook for Financial Services in second half of 2006

Demand for data and information remains strong on global basis

- Expect more growth from trading of derivatives based on S&P indexes

39

Update on regulatory issues and the rating agencies

We have consistently supported demands for greater transparency and more competition

- Transparency critical for operation of sound and efficient capital markets

Investors seek S&P opinions because of its credibility

Any change to system should be carefully evaluated

- Hope Congress allows SEC to complete its work for making process transparent for Nationally Recognized Statistical Rating Organizations (NRSROs)

We hope SEC will soon finish discussions to implement Voluntary Oversight Framework similar to system adoption by European Commission and IOSCO

40

Update on regulatory issues and the rating agencies

HR 2990 sets quality bar very low

- Will work with Congress, the administration and SEC to:
 - Ensure quality
 - Improve transparency
 - Increase competition
 - Ensure global regulatory consistency of capital markets

Standard & Poor's has been ratings bonds since 1916

Integrity, reliability, and credibility enable S&P to compete successfully in an increasingly global, complex market

41

Outlook for Financial Services

Summary

- We expect double-digit top- and bottom-line growth, excluding impact of CVC and incremental stock-based compensation
- Continued strength in global ratings
- A solid performance in corporates
- Growth in structured finance
- Operating margin that at least matches our 2005 performance

42

The McGraw-Hill Companies

McGraw-Hill Education

Financial Services

Information & Media

Information & Media

2Q 2006 segment results

Revenue	+ 3.6% to \$238.6 million
Operating profit	Declined \$652,000
	Includes \$3.7 million for incremental stock-based compensation
Operating margin	5.4%, down from 5.9%

44

Broadcasting Group: Off to a fine start

2Q 2006 revenue

- Increased 14.3% to \$31.9 million

Positive factors

- Local advertising up solidly, driven by auto, services and retailing
- Political advertising, mainly in California

45

2006 results for the Business-to-Business Group

2Q 2006 revenue increased 2.1%

- J.D. Power and Associates
 - New products and services drove revenue increases
 - Investments for new syndicated and consultative studies offset revenue increase, but are expected to create opportunities in second half and next year
- Platts
 - News and pricing services attracted new customers
- McGraw-Hill Construction Network
 - A gain in 2Q; advertising-based products also improved

46

Print and online advertising at *BusinessWeek*

Global ad pages

- Down 11.7% in 2Q as measured by Publishers Information Bureau
- Elimination of European and Asian editions impacted revenue but benefited bottom line
 - International editions had \$4.6 million in revenue a year ago

Online advertising growing domestically and internationally

- Represents 14.1% of total *BusinessWeek* ad revenue in 2Q

47

BusinessWeek.com new homepage



BusinessWeek

Ad pages up 29.33% after four issues in July

Ad pages off 2.2% year-to-date through July 24 issue

Outlook for Information & Media

Summary

- Excluding impact of incremental stock-based compensation we anticipate:
 - Mid-to-high single-digit growth in revenue
 - Slight increase in operating profit after absorbing impact of \$15 million revenue reduction in Sweets

The McGraw-Hill Companies

Summing up for The McGraw-Hill Companies

Raising guidance for 2006 EPS

Previous EPS guidance: \$2.36 to \$2.41, excluding incremental impact of all stock-based compensation

New EPS guidance: \$2.44 to \$2.49, excluding the incremental impact of all stock-based compensation

- Excludes \$0.13 for incremental stock-based compensation in 2006 and \$0.04 for one-time charge for elimination of restoration stock option program

We expect to return to double-digit earnings growth in 2007

The McGraw-Hill Companies

Robert J. Bahash
Executive Vice President and
Chief Financial Officer
The McGraw-Hill Companies

Stepped up share repurchases in 2Q

Repurchased 18.4 million shares in 1Q

- Completed original program approved by Board
- Board increased this year's authorization by another 10 million in April

2Q: Acquired 7.7 million shares from additional authorization at cost of \$392.2 million

First half 2006: Acquired 26.1 million shares at cost of \$1.4 billion

More than \$2 billion returned to shareholders through combination of 2005 and first half 2006 share repurchases

54

More share repurchases anticipated in second half

Expect to buyback 2.3 million shares during second half 2006

When we complete full program, 20 million shares will remain from 45 million share repurchase program

- Represented 12.1% of MHP's outstanding shares of 372.7 million at end of 2005

55

Key assumption for 2006 guidance

Assumes benefit of approximately \$0.03 from the 2006 share repurchase program

Reduction in diluted weighted average shares outstanding

- 2Q 2006: 365.5 million shares
 - 14.5 million share decrease compared to the second quarter of 2005
 - 11.8 million share decrease compared to first quarter of 2006

56

Outlook for debt/cash

Ramped up borrowings in commercial paper market as result of increased share repurchases

Expect to return to a net surplus cash position by year end

- Traditionally strong cash flows in second half of year

Net debt position of \$470.5 million

- Debt outstanding is \$681.6 million as of June 30
- Offset by cash holdings of \$211.1 million, primarily foreign holdings

57

Outlook for interest expense

2Q 2006: \$8.6 million, a \$5.1 million increase compared to last year

- Increased commercial paper borrowings for share repurchases
- Rising interest rates

Interest expense will increase in 3rd quarter and decline in 4th quarter

Expect to return to net surplus cash position by year end

58 2006: Project interest expense of \$22-24 million

Company began expensing stock options in 2006

Expect to incur incremental \$0.13 of expense in 2006 as result of accounting change

2Q 2006: Incurred incremental stock-based compensation expense of \$14.9 million, or \$0.03 per share

59

Impact of incremental stock-based compensation

McGraw-Hill Education

- 2Q: \$2.5 million increase

Financial Services

- 2Q: \$6.3 million increase

Information & Media

- 2Q: \$3.7 million increase

Corporate

- 2Q: \$2.4 million increase
 - Covers Corporate and Shared Services personnel

60

Outlook for corporate expense

2Q 2006: Increased \$4.7 million

- Driven by increased stock-based compensation and revaluation charge for certain equity investments

2006: Expect to increase in high single-digits, excluding incremental stock-based compensation

61

Dilution from 2004 and 2005 acquisitions

2006: Still expect dilution of \$0.03 to \$0.04

- Will be approximately cash neutral

2007: Expect acquisitions to be cash positive

Company did not make any acquisitions or material dispositions in first half 2006

62

Outlook for tax rate

2Q 2006: Effective tax rate 37.2%

- We continue to project this rate for balance of year

63

Outlook for pre-publication investments

2Q 2006: \$63.5 million, compared to \$60.7 million in same period last year

2006: Expect \$315 million

- Investment driven mainly for products we are currently developing to realize significant opportunities in el-hi market in 2007, 2008, and 2009

64

Outlook for CapEx for property and equipment

2Q 2006: \$20.5 million, compared to \$26.3 million for same period last year

2006: Expect \$200 million

- Driven by investments in:
 - Construction that will begin later this year on data center and a new facility for McGraw-Hill Education
 - Technology initiatives at Financial Services

65

Outlook for non-cash charges

Amortization of pre-publication costs

- 2Q 2006: \$53.0 million, compared to \$55.2 million in same period last year
- 2006: Expect about \$250 million

66

Outlook for non-cash charges

Depreciation

- 2Q 2006: \$28.3 million, compared to \$26.1 million in same period last year
- 2006: Expect \$130 million, reflecting higher level of capital expenditures in 2006 and full year of depreciation from 2005 capital expenditures

67

Outlook for non-cash charges

Amortization of intangibles

- 2Q 2006: \$12.1 million, compared to \$12.0 million in same period last year
- 2006: Expect about \$50 million
 - Increase driven by acquisitions in 2005

68

The McGraw-Hill Companies

2Q 2006 Earnings Call

July 25, 2006

Presenters:

Harold McGraw III
Chairman, President and CEO

Robert J. Bahash
Executive Vice President and CFO

Donald S. Rubin
Senior Vice President, Investor Relations

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 at. A replay of this webcast will be available 2 hours after the end of the call and will remain available until August 1, 2006.

The McGraw-Hill Companies

2Q 2006 Earnings Call

July 25, 2006

Replay Options (Available from July 25 to Aug 1)

Telephone

Domestic: 866-516-0669
International: +1-203-369-2033

No password required

Internet

Go to www.mcgraw-hill.com/investor_relations

- Click on the Earnings Announcement link under Investor Presentation Webcasts