



## **"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.

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## **Favorable outlook for MHP**

- **Delivering on our commitment to increase total shareholder value**
- **Favorable long-term trends in core markets**
- **Leveraging content, global brands, and technology to take advantage of emerging opportunities**

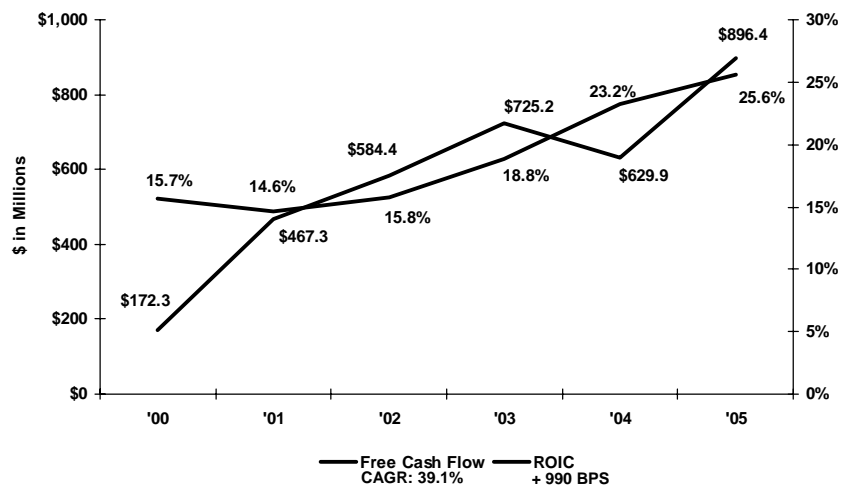
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## New opportunities for growth

- Trends in global financial markets favor more growth in years ahead
- Strengthening our education business to take advantage of opportunities
- Importance of timely, insightful information is creating new opportunities in Information & Media segment

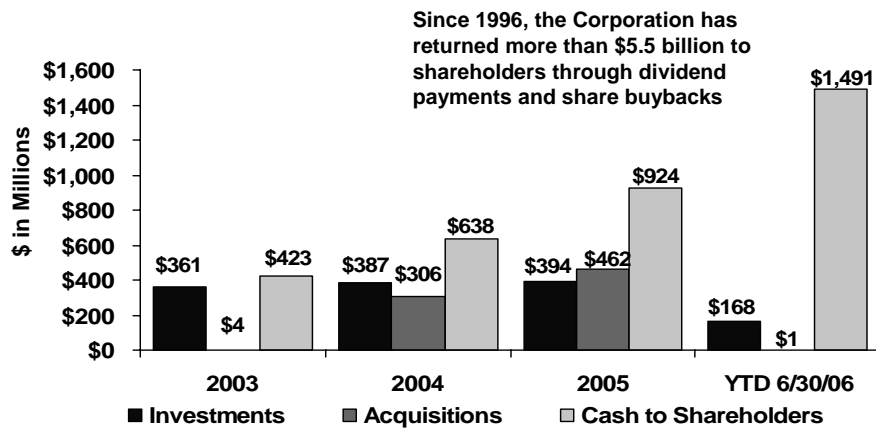
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## Robust free cash flow and steady improvement in our return on invested capital



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## Committed to advancing total shareholder value



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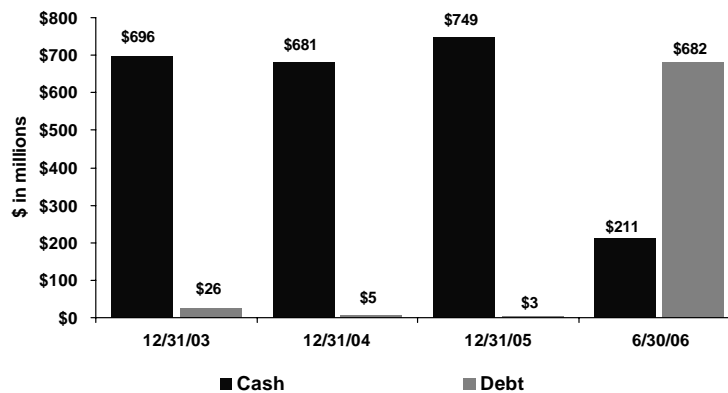
## Committed to creating total shareholder value

- Dividend has grown at 10.3% CAGR since 1974
- Bought back 26.1 million shares in first half of 2006 and expect to meet target of 28.4 million shares for 2006
  - Represents approximately 8% of outstanding shares

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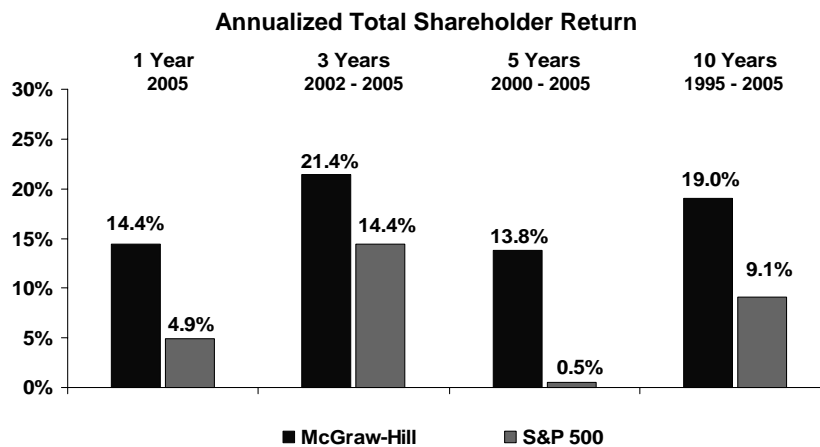
## Strong balance sheet

- We expect to return to a net surplus cash position by year-end



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## MHP outperformed S&P 500 total return for a decade



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## Reaffirming 2006 EPS guidance

- **Earnings per share of \$2.44 to \$2.49, excluding 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
- **Expect to return to double-digit earnings growth in 2007**

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## Current outlook: More strength in Financial Services

- **May do a little better than we originally anticipated**
  - Substantial strength in the global issuance of Commercial Mortgage-Backed Securities and Collateralized Debt Obligations
  - Corporates in U.S. and Europe look good
  - Seeing expected slowdown in rate of growth in U.S. residential mortgage-backed securities issuance

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## Current outlook: Softening at McGraw-Hill Education

- **Tough comparisons after strong performance last year; will be evident in 3Q'06**
- **Weaker state new adoption calendar this year**
  - Available dollars down about 30% from 2005
- **Lackluster results in K–5 science in Florida, K–5 social studies in California, and with older, more limited products in North Carolina's reading and literature adoption**

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## Solid results with middle and high school programs in the key adoption states

- **Expect to capture the leading position in the secondary market for California social studies**
- **We expect solid results in the secondary science market in Florida**
  - Offers higher dollar volume than the K-5 market
- ***Treasures*, new reading program, is producing good results; may be the leader in open territory**
- **Several of our newer intervention programs are selling well in open territory and adoption states**

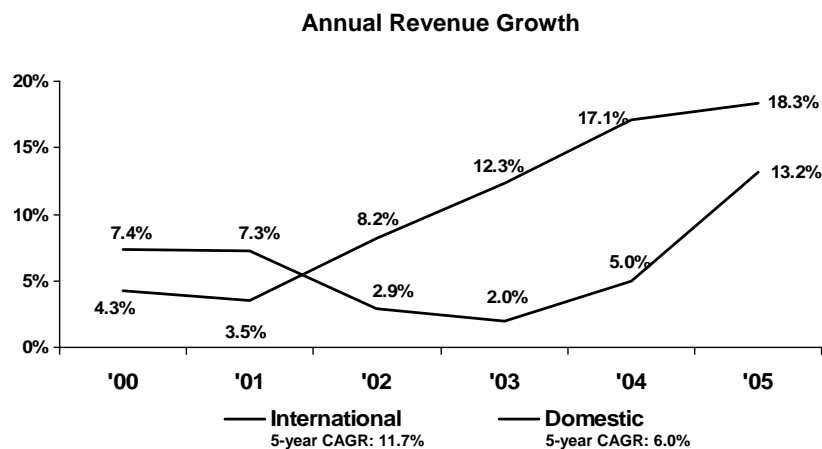
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## Current outlook: On course at Information & Media

- Some positive results masked by impact this year of stock-based compensation and amortization for acquisition of J.D. Power and Associates
- ***BusinessWeek*'s 3Q advertising pages up about 9%**
  - For 37 issues, global edition ad pages off 1.5% versus last year
- Elimination of ***BusinessWeek*'s European and Asian editions** at start of this year impacts revenue, but benefits bottom line

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## Growing opportunities in international markets



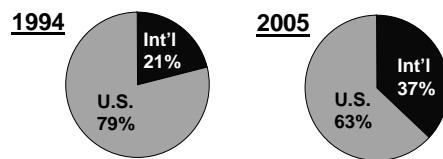
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## Growing opportunities in international markets

- **Financial Services is biggest driver of international revenue**

– Ratings revenue



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## Creating diversification and resiliency at S&P

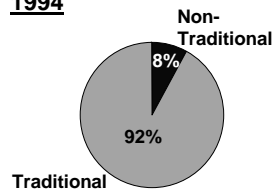
- **Global network operates in more than 20 countries**
- **S&P rates virtually every asset class**
- **Fee structure reduces dependency on transactions through growth of frequent issuer and surveillance programs**
  - Transaction revenue has declined from 60% in 1994 to 45%-50% today
- **S&P prices for value: More complex instruments produce a better return**

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## Creating diversification and resiliency at S&P

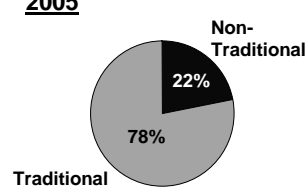
- **S&P rates growing array of instruments and provides new tools and models to customers**
  - Growth of non-traditional products and services at S&P ratings

1994



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2005



## S&P is more than ratings

- **Continue to expand S&P's products and services for institutional, retail, and individual investors**
  - Data and information
  - Indexes for tradeable and investable products

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## The current regulatory outlook

- **House passed bill (H.R. 2990) regulating credit rating agencies**
- **Senate to follow with its version**
  - Takes more constructive approach to increasing competition and transparency in credit ratings industry than House bill
  - More effectively addresses issues relating to independence of credit ratings process and quality of ratings
- **We look forward to working with SEC on various rule-making items called for in the legislation**

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## Education: Now a global opportunity

- **Nations must have a skilled workforce to compete successfully in knowledge economy**
  - Worldwide: Approximately 100 million students enrolled in 20,000 colleges and universities
  - Enrollments will more than double by 2025
- **Creates new opportunities for our higher education and professional operations**

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## Strong state adoption calendar 2007–2009

	2007	2008	2009
<b>Est. Mkt. Size</b>	\$750M-\$800M	\$850M-\$900M	\$950M-\$1B
<b>Major State Calls</b>	California K-12 Science Florida K-12 Health, World Languages, Applied Subjects Georgia K-12 Math Texas 6-12 Math	California K-12 Math Florida K-12 Reading Georgia K-12 Science North Carolina K-12 Social Studies Tennessee K-12 Social Studies Texas 1-5 Math	California K-12 Reading/Literature Florida 6-12 Reading/Literature Georgia K-12 Reading/Literature Tennessee K-12 Science Texas 1-12 Reading/Literature

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## McGraw-Hill School Solutions Group positions us for years ahead

- **Integrates our two basal publishing businesses**
  - Macmillan/McGraw-Hill for grades pre-K to 6
  - Glencoe/McGraw-Hill for grades 6 to 12
- **New combination facilitates**
  - Leveraging of talent
  - Greater collaboration and coordination
  - More efficiency
  - More effective outsourcing and offshoring

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## New top-line opportunities for McGraw-Hill School Solutions Group

- **Integration enables us to respond more effectively to growing market demand for greater continuity in pedagogical design of instructional materials across all grade levels**
- **Educators seek solutions to improve student achievement**

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## *No Child Left Behind Act* up for renewal in 2007

- **Don't expect emphasis on measurement and accountability to diminish until education system markedly improves student proficiency**

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## Convergence of content and technology creates new opportunities

- **Using technology to enhance learning experience for students, improve productivity for instructors**
  - Self-paced learning
  - Online courses
  - Course management tools for instructors
- **Enable us to improve our workflow and productivity**

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## The transition at Information & Media

- **Transformation from print-based legacy to electronic platforms delivering higher value-added information**
- **Poor advertising market has contributed to underperformance in recent years**
- **Promising future with greater emphasis on digital asset management and Web-based delivery**
  - New opportunities for premium services in digital world

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## The transition at Information & Media

- **Segment moving to model that serves readers and advertisers by providing:**
  - News and information in text, audio, video, and digital formats
  - Data and analytics
  - Workflow tools and services
- **Enabling our customers to more effectively interact and transact business:**
  - Energy
  - Aerospace and defense
  - Construction

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## The transition at Information & Media

- **Pleased with growth of J.D. Power and Associates' products and services**
- **Better days are ahead for this segment**

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