

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

- **Expect double-digit earnings growth in 2007**
 - Education: Strong 2007 state new adoption calendar and growing global opportunities
 - Financial Services: Excellent prospects in global markets; will produce double-digit growth again
 - Information & Media: Will produce better results and make more progress in delivering higher value-added products and services

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Growing benefits from convergence of content and technology

- **Creates new opportunities**
 - Incremental growth
 - Renewable revenue streams
 - Improvements in operating leverage
 - Margin expansion
- **Improved productivity due to Global Resource Management program**

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No change in 2006 guidance

- **\$2.53 to \$2.55 EPS for 2006**
 - Excludes:
 - \$0.11 from incremental stock-based compensation
 - \$0.04 for the one-time charge for the elimination of restoration stock options
 - \$0.03 restructuring charge in 3Q
 - \$0.03 restructuring charge in 4Q

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Guidance for 4Q 2006: \$0.53 to \$0.55

- **Excludes:**
 - \$0.03 for restructuring
 - \$0.02 for incremental stock-based compensation
- **Includes:**
 - \$0.04 negative impact for Sweets transformation
- **Expect double-digit top- and bottom-line growth from Financial Services**
- **Challenging comparisons for McGraw-Hill Education**

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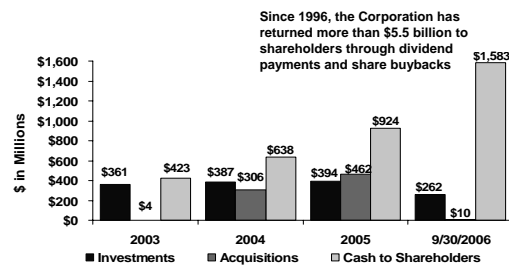
Expect to buyback 2.3 million shares in 4Q 2006

- **Total repurchases in 2006**
 - 28.4 million shares

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A commitment to advancing total shareholder value



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A commitment to advancing total shareholder value

- **Board of Directors will revisit dividend and buyback program at regular meeting in January 2007**
 - Dividends have grown at 10.3% CAGR since 1974
 - 20 million shares still authorized in buyback program at start of 2007

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Outlook for the U.S. economy

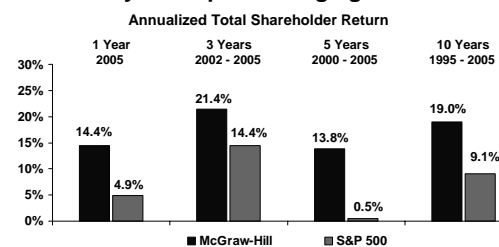
- **Economy expected to slow in 2007**
 - S&P's chief economist David Wyss expects U.S. GDP to grow to 2.3% in 2007
- **Inflation is under control**
- **Interest rates remain at historic lows**
 - Federal Reserve expected to cut rates mid-year
- **Business investments to grow at healthy rate**
 - 6.2% for capital expenditures
 - 8.8% for non-residential construction
 - States running net surpluses—good for education

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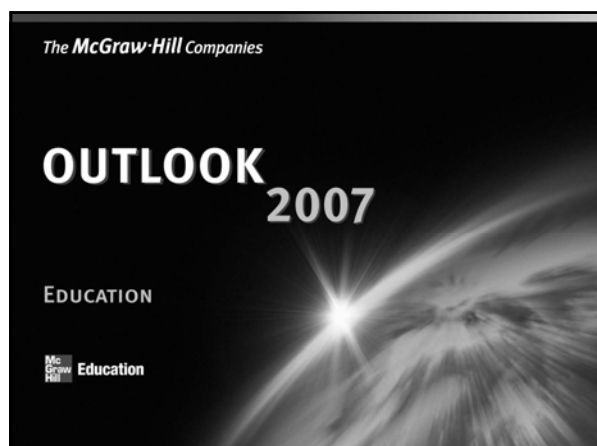
MHP has outperformed S&P 500 total return for decade

- **On our way to outperforming again in 2006**



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McGraw-Hill Education poised for steady improvement for rest of decade

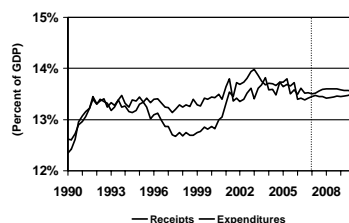
- **Robust state new adoption calendar 2007- 2009**
 - Picks up by more than 15% in 2007
 - 2007: \$750M – \$800M
 - 2008: \$850M – \$900M
 - 2009: \$900M – \$950M
- **Enrollments are growing**

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Improving state budgets

- 24 states boosted K-12 education funding for FY 2007
- 20 states increased funding for higher education



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New alignment strengthens organization

- **Combined elementary and secondary basal publishing groups to improve:**
 - Delivery of effective, competitive pre-K-12 solutions
 - Sharing of resources
 - Cost efficiencies from product development through sales and marketing
 - Growth of our top line
 - Return on sales

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A better way to meet market's need for solutions

- Our teaching and learning solutions help schools cope with increased testing and greater accountability
- Educators realize student achievement enhanced by more comprehensive approach to instruction

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A better way to meet market's need for solutions

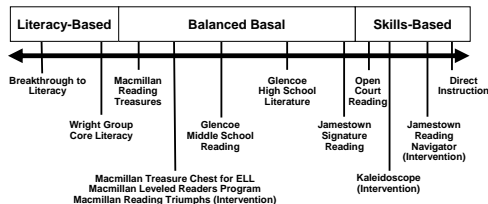
- **Established pre-K-12 Centers of Excellence for every curriculum area**
 - Ensures consistency in way basal programs build concepts and skills
 - Our instructional design helps students transition seamlessly between grade levels
 - Very important in grades 4-8 where achievement gap tends to widen
- **Integrated sales and marketing**
 - Simplify, strengthen communications with customers

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Publishing for the opportunity: Competing with a spectrum of products

Reading (Programs in yellow are new or major revisions for 2006-2008)

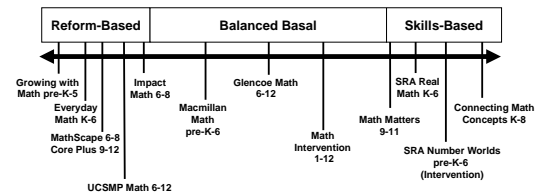


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Publishing for the opportunity: Competing with a spectrum of products

Math (Programs in yellow are new or major revisions for 2006-2008)



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Intervention programs: Expanding the addressable market

- Students performing below grade-level need special help
- Growing market: New funding from federal government and other sources
- Our programs start in early grades
 - Students need help to deal with standard primary-grade instruction

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Intervention programs: Expanding the addressable market

- Secondary school intervention market growing rapidly
- Many students still entering middle school and high school without necessary proficiency

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- [Video]
Jamestown Reading Navigator

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Educators face more accountability for meeting yearly progress goals

- Since No Child Left Behind Act passed, significant progress made in:
 - Establishing performance standards
 - Transparency
 - Accountability
- Mandated annual testing started this year in reading and math for grades 3-8
 - 2007-08: Annual testing starts in science in three grade levels

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No Child Left Behind to be reauthorized in 2007

- Core principles have wide support
- Two of original co-sponsors, Senator Kennedy and Representative Miller, chair reauthorization committees
- Reauthorization seems assured
 - Accountability requirements remain intact

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Testing: A changing market

- No Child Left Behind increases scope of testing market for summative and formative tests
- Formative tests provide snapshots of student progress during year
 - Provides diagnostic and predictive information
 - New importance as teachers prepare classes for year-end exam

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Testing: A changing market

- Pressure on testing margins due to requirements for customized state tests
 - Tests must be aligned with each state's unique standard and curriculum
- Investing in technology to streamline test development, scoring and reporting to improve our performance

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Testing: A changing market

- Technology the key to successful administration of Florida test in 2006
 - 4.0 million tests scored
 - 46 different reports across nine grades and four areas (reading, math, science, writing)
 - Delivered reports via Parent Network website
 - Secure Web accounts for each student's family

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Convergence of content and technology at Higher Education

- New opportunities to enhance learning experience for students, improve productivity for instructors
- New generation of online products will transform delivery of instruction and produce incremental, renewable revenue stream
 - Self-paced learning systems
 - Online courses
 - Course management tools

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- [Video]
McGraw-Hill Higher Education's Online Homework Services

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More growth in higher education

- **Growing demand for digital services**
 - 40 new online courses in 2006 with more planned for 2007
 - 7%–8% of total U.S. enrollment from fully online distance learning students
 - Projected to increase to 10% by 2008
- **Growth from major imprints in 2007**
- **We expect to outperform industry in 2007**
 - Industry to grow about 4%

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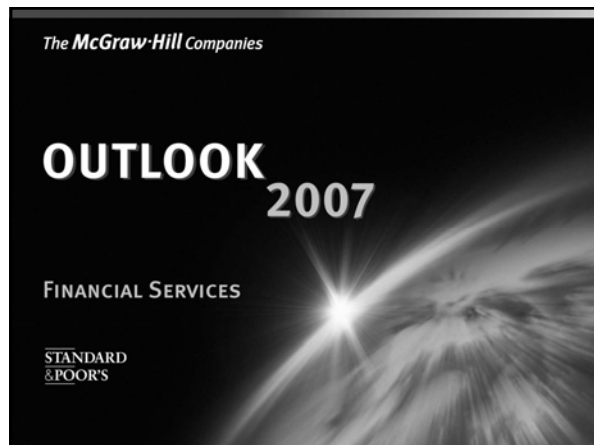
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Outlook for McGraw-Hill Education

- **Summary**
 - Convergence of technology and content is increasing addressable market
 - Growing state new adoption calendar for 2007–2009
 - Strengthened el-hi organization
 - In 2007 we expect el-hi market to grow 4–6% and college market to grow about 4%
 - We will outperform in both markets

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Why S&P will continue to grow

- **Powerful trends**
 - Growth of global financial markets
 - Increased securitization
 - More issuers directly accessing capital markets
 - Ongoing privatization

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Why S&P will continue to grow

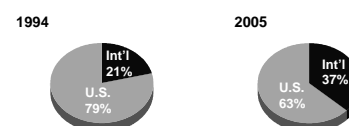
- **More new products and services**
 - Expansion of ratings: Small and Medium Enterprise ratings, derivatives, structured finance models and assessments, recovery ratings, European covered bond ratings
 - Monetizing indexes for investment and benchmarking
 - New data and information services
 - Increased business in local markets

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Building a diverse, resilient revenue stream for ratings

- **Geography:** We operate today in more than 20 countries
- **Off-shore revenue accounted for 37% of ratings' total in 2005. In 1994: 21%**

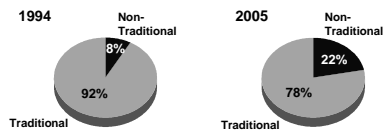


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Building a diverse, resilient revenue stream for ratings

- We rate a growing array of instruments and provide new tools, models to our customers
- Non-traditional products and services in 2005 were 22% of ratings revenue. In 1994, only 8%



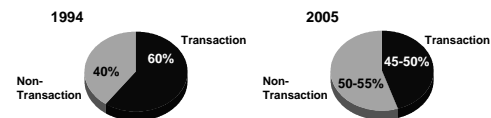
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Building a diverse, resilient revenue stream for ratings

- Transactions produced less than half of ratings revenue in 2005. In 1994, it was 60%



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Building a diverse, resilient revenue stream for ratings

- **Balance: We rate virtually every asset class**
 - Reduces dependency on any single asset class
 - Forecasted double-digit growth for financial services in 2006 despite decline in U.S. residential mortgage-backed securities

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Expectations for new issuance by asset class in 2007

- **Corporate issuance will grow**
 - Continued debt-financed M&A activity and healthy spending on capital equipment
 - Balance sheet restructuring will be key driver
 - European issuance strong with switch from bank loans to borrowing from public capital markets

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Expectations for new issuance by asset class in 2007

- **Public finance may increase modestly**
 - New issuance activity will dampen due to budget surpluses in majority of 50 states
 - Opportunistic refinancing depending on interest rates

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Expectations for new issuance by asset class in 2007

- **Residential Mortgage-Backed Securities**
 - Expect a decline of 10-15% in U.S. RMBS issuance
 - Solid growth overseas, particularly in U.K. for non-conforming loan issuance

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Expectations for new issuance by asset class in 2007

- **Commercial Mortgage-Backed Securities will grow**
 - Continued strength in commercial real estate fundamentals
 - Investor demand for CMBS paper
 - Refinancing of older deals
 - Strength in Europe, particularly in the office sector

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Expectations for new issuance by asset class in 2007

- **Asset-Backed Securities**
 - Moderate growth in U.S., bigger increases overseas
 - Market should benefit from growth in new geographic areas, including Russia, Eastern Europe, the Middle East and Africa
 - Potential upside from Basel II if banks make use of securitization techniques

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Expectations for new issuance by asset class in 2007

- **Collateralized Debt Obligations**
 - Continued strength in U.S. and abroad, driven by new structures and increasing investor base
- **Solid outlook for ratings markets in 2007 with growth overseas outpacing the rate of increase in the U.S. market**

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Growing market for Web-based financial information services

- **Globalization is growth driver as asset managers evaluate complex securities and alternative investment products**
- **Growing importance of analytics, more demand for benchmarks and increasing value of customized delivery into client workflows**

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Capital IQ is a focal point for S&P data

- **Capital IQ has more than doubled client base to over 1,700 since acquisition in 2004**
- **Steadily adding new data sets, more tools, improved functionality**

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- **[Video]
Capital IQ**

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Extracting greater value from S&P content

- **Capital IQ is our data aggregator, data provider and information distributor**
 - Integrated Compustat and Capital IQ sales force
 - Added S&P ratings history and credit research for fixed income securities and debt

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How S&P index services keep growing

- 35 new exchange-traded funds based on S&P indexes launched in 2006
- 86 ETFs now based on S&P indexes
- \$162 billion in assets under management in exchange-traded funds based on S&P indexes as of November 2006
- 43 more S&P index-based ETFs in registration at SEC

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How S&P index services keep growing

- **Adding new asset classes**
 - S&P joining with Global Real Analytics to develop S&P/GRA Commercial Real Estate Indices
 - Chicago Mercantile Exchange trading futures and options on futures based on S&P/Case-Shiller Home Price Indexes
 - Greater expansion in 2007 as we strive to provide an index for every type of investment style

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The regulatory outlook for credit rating agencies

- **Credit Rating Agency Reform Act signed by President Bush on Sept 29**
 - New law more constructive than original measure passed by House of Representatives

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The regulatory outlook for credit rating agencies

- **Four major improvements in final bill**
 1. SEC has not been injected into the analytical process, criteria or methodology that credit agencies use to arrive at their opinions
 2. The new legislation does not diminish rights, including First Amendment protection, that S&P already possesses under applicable laws

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The regulatory outlook for credit rating agencies

- **Four major improvements (cont.)**
 3. New firms registering to become Nationally Recognized Statistical Ratings Organizations must provide evidence that capital markets participants regard them as issuers of quality credit opinions
 4. The law pre-empts regulation by individual states

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The regulatory outlook for credit rating agencies

- **Next steps:**
 - SEC has 270 days to draft regulations to implement the bill
 - SEC to issue proposed rule and seek comment
 - Expect to see something from the SEC in 1Q '07
 - S&P will continue to work with the SEC

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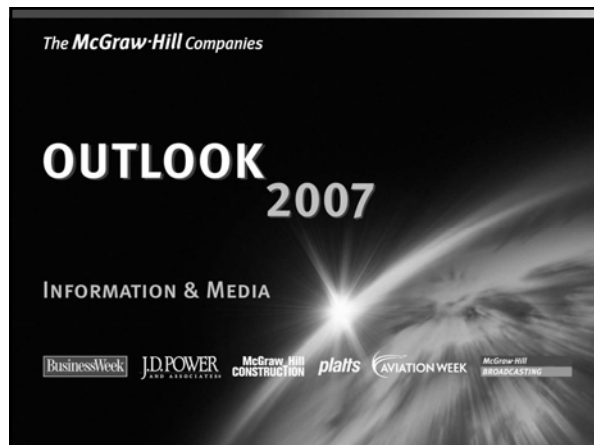
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Outlook for Financial Services

- **Summary**
 - Continued strength in ratings
 - Solid growth in international markets
 - Excellent growth in data and information and indexes
 - Continued efforts to improve operating margins
 - Another year of double-digit top and bottom line growth in 2007

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The transformation of Information & Media

- **Internet reshaping the B2B market and driving need for information, analytics**
- **Delivering higher value information to readers and advertisers focusing on:**
 - News and information in text, audio, video
 - Data and analytics workflow tools
 - Search advertising and lead generation
 - User-generated content from online community

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Promising future with greater emphasis on digital assets

- **Collecting information digitally**
 - Improves leverage
 - Offers new opportunities to deliver premium services

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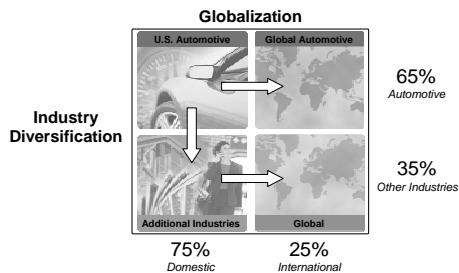
Expect more progress in 2007

- **Some progress in 2006 was masked by:**
 - Impact of stock-based compensation and restructuring charges in 2006
 - Impact of transforming legacy print-based products to electronic platforms
 - Poor B2B advertising environment
 - Purchase accounting for J.D. Power and Associates acquisition

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J.D. Power and Associates: Leveraging success



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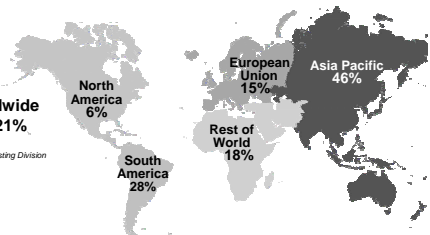
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J.D. Power and Associates: Expanding global automotive business

Regional vehicle sales growth (2005 to 2010)

Average Worldwide
Growth Rate: 21%

Source:
J.D. Power Automotive Forecasting Division



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Technology transformation at Sweets

- Sweets shifts from print catalogs to integrated, Internet-based sales and marketing solutions
 - As print product, Sweets' revenue was recognized in 4Q
 - As new subscription-based product, revenue recognized over contract period
 - Revenue recognition policy negatively impacts 4Q 2006 by \$24 million, or about \$0.04 per share
 - Positive impact in 2007

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Increased demand for Platts' pricing information

- Platts' benchmark pricing used to settle \$15 billion in global petroleum transactions every day
- Four major energy exchanges use Platts' price assessments to clear trades
 - The New York Mercantile Exchange
 - The Intercontinental Exchange
 - Tokyo Commodities Exchange
 - Singapore Exchange

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Platts is attracting new global customers in 2006

- Licensed oil price data to Russian Trading System Stock Exchange
- Partnered with London Metals Exchange for steel market price assessments
- Platts is a 24/7 global business that generates more than half of its revenue off-shore

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BusinessWeek evolving into multi-media brand

- Delivering content via blogs, podcasts, video, television and mobile
- Expect still more growth in 2007
- Ad pages after 47 issues are off 1.3%
- Better performance next year in both print and online
- In 2007 will maintain global rate base at 900,000
- Increasing one-time ad page rate by 4.8%

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Outlook for Information & Media

- **Summary**

- More progress in 2007
- Expanding services in a digital world
- Growth in higher value-added information products

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67

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Outlook for The McGraw-Hill Companies

- **Summary**

- Double-digit earnings growth
- Another year of double-digit increases in Financial Services
- Solid gains in our elementary-high school business
- More progress at Information & Media

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68

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