



"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 2007 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.

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What to expect from MHP in 2007

- Double-digit earnings growth
- Growth from all three operating segments
- Margin expansion in all three segments
- Continued management commitment to creating total shareholder value

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MHP opportunities: Increasingly global and digital

- Convergence of technology and content is enabling us to transform the enterprise
- We are connecting content and managing digital assets globally across the organization
 - Essential part of effort to grow revenue while reducing costs

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Operations benefiting from a strong tailwind

- Education: Strong state new adoption calendar and growing global opportunities
- Financial Services: Solid prospects in global markets
- Information & Media: We expect another year of progress in delivering higher value-added products and services

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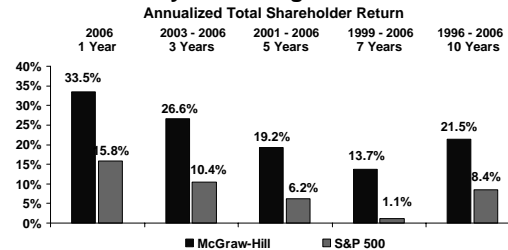
Committed to creating total shareholder value

- Dividend increased by 12.9% in 2007
 - Grown at 10.4% CAGR since 1974
- Expect to repurchase up to 15 million shares in 2007 depending on market conditions
 - 20 million shares remaining from 2006 program
 - In January 2007, Board authorized new buyback program of 45 million shares
- Returned \$5.9 billion to shareholders through dividend payments and share buybacks since 1996

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MHP has outperformed S&P 500 total return for decade

- Beat index by wide margin in 2006



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Favorable economic conditions

- U.S. GDP expected to grow at 2.5%
- Corporations have record cash balances
- We expect increased capital spending
- Continued recovery in office building is good for our construction business
- State budgets in good shape which benefits education
- Stronger productivity growth will keep inflation and interest rates down
- Expect interest rate cut by Federal Reserve between June and September

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Financial Services

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Reaffirming forecast for Financial Services

- Still expect double-digit top- and bottom-line growth in 2007 and margin expansion
 - Double-digit growth despite an estimated decline of 10-to-15% in issuance of U.S. residential mortgage-backed securities (RMBS)

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Slowing issuance of U.S. residential mortgage-backed securities

- U.S. RMBS issuance off 9.3% in January
 - First sign of decline S&P is expecting this year
 - Mostly due to decline in home equity loan issuance

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S&P's perspective on sub-prime mortgage market

- **Sub-prime market represented 40% of rated U.S. RMBS issuance in 2006**
 - 2006: S&P lowered about 1.5% of 9,997 outstanding sub-prime ratings
 - To date in 2007: No downgrades and only 10 *CreditWatch* actions relating to almost 5,000 vintage 2006 sub-prime ratings
 - Actions represent only 0.2% of total outstanding ratings

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S&P's perspective on sub-prime mortgage market

- **S&P expects RMBS market to perform well over the long term, despite probable near-term increases in losses and downgrades**
 - Most RMBS transactions now on *CreditWatch* were issued before S&P raised loss coverage levels for certain sub-prime mortgages and have had no impact on any outstanding CDO rating

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S&P adopted more stringent surveillance on early signs of poor performance

- **Placed instruments on *CreditWatch* before transactions experienced a loss**
- **S&P regularly monitors credit markets and credit performance of rated transactions**

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S&P actively monitors sub-prime market

- **When lending standards started to deteriorate in sub-prime market, S&P took action:**
 - Raised level of credit support for riskier sub-prime deals
 - Tightened surveillance standards for residential mortgage-backed securities
- **S&P determines what effect delinquencies will have on rated RMBS and CDO transactions that hold residential mortgage-backed securities**

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Outlook for structured finance market in 2007

- **Sub-prime market not expected to impact growth prospects anticipated in structured finance**
 - RMBS transactions issued in second half of 2006 supported by higher loss coverage and still performing as expected

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Current outlook for U.S. RMBS issuance

- **For 2006 transactions, S&P anticipates losses in 5.25% to 7.75% range—slightly above vintage year 2000, the previous worst-performing year**

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Current outlook for U.S. RMBS issuance

- **Expect RMBS to maintain strong credit quality**
 - Returns continue to attract investors
 - High-grade corporate issuance in short supply
 - Credit quality of U.S. corporate bond averaging BBB-
 - Vast majority of RMBS ratings have been investment grade and very stable
 - AAA rating for 88.1% \$3.6 trillion in par value of S&P ratings outstanding as of January 1, 2007

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Current outlook for U.S. RMBS issuance

- **Sub-prime mortgage origination market will not evaporate**
 - Mortgages are profitable for lenders and represent opportunity for people who don't qualify for a prime mortgage
- **Mortgage Bankers Association reports:**
 - Residential finance market fundamentally sound and working efficiently
 - Foreclosures well below historic highs and will not have a macroeconomic impact

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Solid results from Financial Services despite slowdown in RMBS market

- **2006: Double-digit top- and bottom-line growth and margin expansion despite slowdown in U.S. RMBS market**
- **2007: Expecting another year of double-digit increases despite expected decline in loan originations and issuance**
 - S&P continues to expect increases in all other asset classes including CDOs

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Expectations for new issuance dollar volume in 2007

- **Corporate issuance will grow**
 - Continued debt-financed M&A activity and healthy spending on capital equipment
 - European prospects look strong
- **Public finance may increase modestly**
 - Opportunistic refinancing depending on interest rates

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Expectations for new issuance dollar volume in 2007

- **Commercial Mortgage-Backed Securities will grow**
 - Strength here and abroad
- **Residential Mortgage-Backed Securities**
 - Expect a decline of 10-to-15% in U.S. RMBS issuance
 - S&P expects solid growth again overseas

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Expectations for new issuance dollar volume in 2007

- **Asset-Backed Securities**
 - Moderate growth in U.S.
 - Bigger increases overseas

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Expectations for new issuance dollar volume in 2007

- **Collateralized Debt Obligations**

- Continued strength in U.S. and abroad, driven by new structures and increasing investor base
 - Grew by 143.7% in January and even faster globally
- A high-quality market...of \$828 billion of outstanding collateralized transactions:
 - 98% rated investment grade
 - 82% rated AAA

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Building a diverse, resilient revenue stream for Financial Services

- **Geography: S&P operates today in more than 20 countries**

- International revenue accounts for 39% of ratings' total in 2006 vs. 21% in 1994

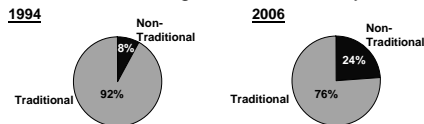


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Building a diverse, resilient revenue stream for Financial Services

- **S&P rates a growing array of instruments not tied to new issuance and provides new tools, models to our customers**

- Non-traditional products and services in 2006 were 24% of ratings revenue vs. only 8% in 1994

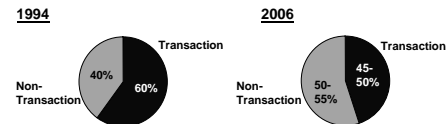


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Building a diverse, resilient revenue stream for Financial Services

- **Fee structure reduces S&P's dependency on transactions through growth of frequent issuer and surveillance programs**

- Transaction revenue now 45% to 50% of revenue vs. 60% in 1994



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Strategic changes in the portfolio to take advantage of growth opportunities

- **Selling off low-growth, low-margin businesses**
- **Acquiring companies to take advantage of growth opportunities for Web-based financial information services**
- **Sold mutual fund data business in February to focus resources on core analytical services**
 - Retained S&P's market-leading qualitative mutual fund ratings business

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Improving prospects for S&P's data and information products and index services

- **Leveraging and extracting greater value from S&P content is a strategic imperative**
- **Capital IQ rapidly growing as S&P's:**
 - Data aggregator
 - Data provider
 - Information distributor
- **Now serves more than 1,800 clients**

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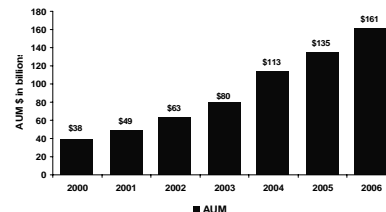
Improving prospects for S&P's data and information products and index services

- **Capital IQ announced its broadest platform update in February. Release includes:**
 - New capital structure data on public companies globally
 - Global fixed income securities data and pricing history from S&P and Moody's
 - Credit and purchase agreement and indentures

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How S&P index services keep growing

- **\$161 billion in assets under management in exchange-traded funds based on S&P indexes as of December 2006**



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How S&P is paid for index products and services

1. License fees for use of our intellectual property
2. Basis points for assets under management in ETFs
3. Royalties from trading volume of contracts for listed derivatives based on S&P indices
4. Data sales

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How S&P index services keep growing

- **Our goal: Provide an index for every type of investment style**
- **Adding new asset classes**
 - Commodities: Acquired Goldman Sachs Commodity Index in February
 - Real Estate: Launched S&P/Case-Shiller Home Price Indices for trading futures and options on futures

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How S&P index services keep growing

- **35 new exchange-traded funds based on S&P indexes launched in 2006**
- **87 ETFs based on S&P indexes at year end**
- **43 more S&P index-based ETFs in registration at SEC**

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Current outlook for Financial Services

- **Continued strength in ratings**
- **Solid growth in international markets**
- **Excellent growth in data and information and indices**
- **Another year of double-digit top- and bottom-line growth in 2007**
- **Margin expansion**

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McGraw-Hill Education

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Capitalizing on the growing global need for education

- **McGraw-Hill Education is a globally recognized brand in a world where education is a necessity**
- **The knowledge economy requires knowledge workers**
 - U.S. business and government leaders recognize importance of an educated workforce
 - Governments around the world are spending more on education as percentage of gross domestic product

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Higher education is growing as worldwide demand increases

- **100 million higher education students enrolled in 20,000 colleges and universities in international markets**
 - Enrollments could more than double by 2025
- **In U.S., 17 million students are enrolled in more than 4,000 colleges and universities**
 - By 2014, enrollments could hit a record 19.5 million

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Technology: Removing barriers, expanding access to education

- **New generation of online products will enhance learning experience for students, improve productivity for instructors**
- **Technology is transforming delivery of instruction and producing incremental, renewable revenue streams**
 - Self-paced learning systems
 - Online courses
 - Course management tools

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The outlook for the U.S. higher education market

- **U.S. college and university market expected to grow about 4% in 2007**
- **We expect to do better**
 - Strong list of new titles
 - More than half of international revenue in education comes from higher education markets
 - Higher education growing faster abroad than in U.S.

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Promising prospects in the K-12 market

- **U.S. market to grow 4-to-6% in 2007**
 - State new adoption market enters first of three consecutive growth years in 2007
 - 2007 could increase by as much as 15%
 - Open territory sales expected to grow in low to mid single-digit range
- **We expect to outperform market**

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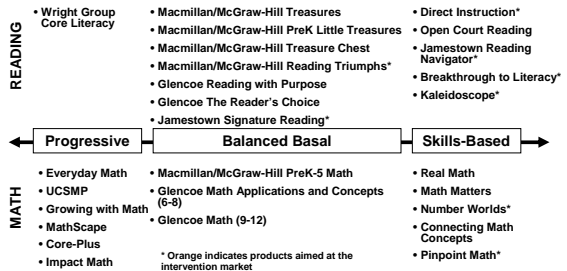
Why we expect to outperform el-hi market in 2007

- **Competing in virtually 100% of state new adoption market**
 - Last year School Education Group competed for about 80% of available dollars

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Why we expect to outperform el-hi market in 2007

• Competing with a spectrum of products



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Why we expect to outperform el-hi market in 2007

- **Strengthened our position in el-hi market by creating single basal operation last year**
- **Realigned our product development and integrated sales and marketing**

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Why we expect to outperform el-hi market in 2007

- **Addressable market is expanding to meet yearly progress goals for reading and math**
 - New intervention programs supplement regular classroom work
 - Reading and math intervention programs for early grades
 - New online programs for middle and high school students without the necessary proficiency

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Why we expect to outperform el-hi market in 2007

- **Accountability created by NCLB increasing scope of testing and measurement**
 - Creating new opportunities in formative market
- **Acuity: Promising new product for formative testing**
 - Web-based
 - Linked to state standards
 - Diagnostic and predictive—a powerful combination for classroom teacher to know how students will perform on end-of-year high-stakes test

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Why we expect to outperform el-hi market in 2007

- **Streamlining our operations to improve productivity**
 - Global Transformation Project created common platform for order-to-cash processing based on Oracle 11i
 - Global Resource Management key to:
 - Streamlining our workflow
 - Enabling us to work with off-shore vendors for faster turnaround at lower costs
 - Printing more off-shore
 - Currently realizing all-in savings of 20-30% by printing in China

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Outlook for McGraw-Hill Education

- Growing global growth prospects, particularly in higher education and professional markets
- More growth in digital products as convergence of technology and content increases addressable market
- Improved prospects in growing el-hi market in 2007
- Robust new adoption calendar starting in 2007
- Growing spectrum of products to serve el-hi market
- Margin expansion in 2007

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Information & Media

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The transformation of Information & Media

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

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Technology transformation at Sweets

- Sweets' shift from print catalog business to bundled print and online service had substantial impact on 4Q 2006 results
 - Revenue reduced by \$23.8 million
 - Operating profit reduced by \$21.1 million, or \$0.04 per share
 - Expect to recognize \$23.8 million in revenue as earned during 2007

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The transformation of Information & Media

- Expect solid growth in 2007 from:
 - J.D. Power and Associates
 - Platts, our energy service

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BusinessWeek evolving into multi-media brand

- Delivering content via:
 - Blogs
 - Podcasts
 - Video
 - Television
 - Mobile edition
- BusinessWeek.com grew 46% last year off a small base
 - Expect more growth in 2007

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BusinessWeek evolving into multi-media brand

- **Print advertising still sluggish**
 - Ad pages off 7% after nine issues vs. 2006
- **Increased one-time ad page rate by 4.8% while maintaining global rate base at 900,000**

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Current outlook for Information & Media

- **Expanding services in a digital world**
- **Growth in higher value-added information products**
- **Margin expansion in 2007**

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Current outlook for The McGraw-Hill Companies

- **Double-digit earnings growth in 2007**
- **Another year of double-digit top- and bottom-line increases in Financial Services**
- **Solid gains in elementary-high school business**
- **Growing global opportunities in higher education**
- **More progress at Information & Media**
- **Margin expansion in all segments**

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