Credit Suisse 9th Annual Media Global Services Growth Conference
March 12, 2007

Robert J. Bahash
Executive Vice President and CFO
The McGraw-Hill Companies

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: Another year of progress in delivering higher value-added products and services

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
MHP has outperformed S&P 500 total return for decade

- Beat index by wide margin in 2006

<table>
<thead>
<tr>
<th>Year</th>
<th>McGraw-Hill</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>33.5%</td>
<td>8.4%</td>
</tr>
<tr>
<td>2003-2006</td>
<td>26.6%</td>
<td>1.1%</td>
</tr>
<tr>
<td>2001-2006</td>
<td>19.2%</td>
<td>6.2%</td>
</tr>
<tr>
<td>1999-2006</td>
<td>13.7%</td>
<td>10.4%</td>
</tr>
<tr>
<td>1996-2006</td>
<td>21.5%</td>
<td>15.8%</td>
</tr>
<tr>
<td>1 Year</td>
<td>5.8%</td>
<td>0%</td>
</tr>
<tr>
<td>3 Years</td>
<td>10.4%</td>
<td>5%</td>
</tr>
<tr>
<td>5 Years</td>
<td>19.2%</td>
<td>10%</td>
</tr>
<tr>
<td>7 Years</td>
<td>13.7%</td>
<td>15%</td>
</tr>
<tr>
<td>10 Years</td>
<td>21.5%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Favorable economic conditions

- 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
- Expect interest rate cut by Federal Reserve this summer; could be down to about 4.5% rate by year end
- U.S. GDP to grow about 2.4% in 2007

Education industry is in flux

- Old competitors are exiting
- New competitors are entering
- Some competitors are reorganizing
- The future favors experienced professionals who understand industry dynamics and have plans in pace to realize new opportunities

Why we feel optimistic about our opportunities in education

- Education is a necessity
  - Knowledge economy requires knowledge workers
  - Trained minds are product of education

Why we feel optimistic about our opportunities in education

- Pre-K–12 market will be expanding through rest of decade
  - State new adoption market projected to grow in 2007, 2008 and 2009
    - Major purchasing schedule in core curriculum areas by the big adoption states: Florida, California and Texas
Why we feel optimistic about our opportunities in education

• Pre-K–12 enrollments continue to grow through end of decade and beyond
  – Public elementary and secondary enrollments will reach 51 million in 2015
    • A 2.5 million, or 5.2% increase, over 2005

• Efforts to reform education have focused the nation’s attention on achievement gaps
  – Strong commitment to NCLB’s basic principles among public and both parties in Congress
  – Education high on agenda for all 50 states
  – Should continue to see favorable funding environment

Why we feel optimistic about our opportunities in education

• Broad recognition in government and business that a skilled workforce is necessary to compete in global economy
  – Importance of math and science education
  – Need for innovation
  – Importance of education and lifelong learning to retain competitiveness

• Increasing our participation in a growing market
  – Competed in 80% of state new adoption market in 2006
  – Competing in virtually all of the state new adoption markets in 2007, 2008 and 2009

Why we feel optimistic about our opportunities in education

• Competing with successful K-12 publishing strategy
  – Wright Group
  – Harcourt
  – Macmillan/McGraw-Hill
  – Glencoe
  – The Reader's Choice
  – Direct Instruction
  – Open Court
  – Jamestown
  – Real Math
  – Math Matters
  – Number Worlds
  – Connecting Math Concepts
  – Pinpoint Math
  – Impact Math
  – UCSSMP
  – Growing with Math
  – MathScape
  – Core-Plus
  – Impact Math
  – Core-Plus
  – MathScape
  – Glencoe Math Applications and Concepts
  – Glencoe Math (9-12)
  – Glencoe Math (6-8)
  – Macmillan/McGraw-Hill PreK Little Treasures
  – Macmillan/McGraw-Hill Treasure Chest
  – Macmillan/McGraw-Hill Reading Triumphs*
  – Glencoe Reading with Purpose
  – Glencoe The Reader’s Choice
  – Jamestown Signature Reading*
  – Jamestown Navigator*
  – Breakthrough to Literacy*
  – Kaleidoscope*
  – Direct Instruction*
  – Open Court Reading
  – Jamestown Reading
  – Real Math
  – Math Matters
  – Number Worlds*
  – Connecting Math Concepts
  – Pinpoint Math*
  – Impact Math

Why we feel optimistic about our opportunities in education

• Strengthened our position in el-hi market by creating single basal operation last year
  – Created unified K–12 centers of excellence for each curriculum area
  – Unified K–12 sales and marketing teams under same management
  – Changes helping improve top and bottom lines
Why we feel optimistic about our opportunities in education

• Major presence in higher education market where enrollments are rising
  – Undergraduate and graduate enrollments will increase by 15% to nearly 20 million students between 2006 and 2015

Why we feel optimistic about our opportunities in education

• Rapidly expanding international markets for education
  – Our global operations in place for many years
  – Seeing increased demand for U.S. products
    • English-language training
    • Higher education
    • Professional

Why we feel optimistic about our opportunities in education

• Convergence of content and technology creating opportunities for new products that generate incremental revenue
  – We work closely with customers to understand product needs, timetables, cost restraints
  – We have leading-edge products in each of our markets
    • Professional: Online medical content
    • Higher Education: Complete online courses
    • K-12: Online reading intervention program for secondary grades
    • Testing: Online delivery
  – We have technology infrastructure and market intelligence to scale up efficiently as demand for digital products grows

Why we feel optimistic about our opportunities in education

• Identified new opportunities to improve cost structure
  – Demonstrated ability to manage costs last year in a declining market
  – Launched important initiatives to enhance efficiency and reduce expenses
    • Global Transformation Project
    • Global Resource Management

Why we feel optimistic about our opportunities in education

• We have the talent and experience to achieve our goals
  – Long-term perspective will enable us to thrive as our markets continue to evolve and expand

Outlook for McGraw-Hill Education

• In U.S., expect el-hi market to grow 4-to-6% in 2007; higher education will grow about 4%
  – Expect to outperform in both markets
• Will benefit from growing global prospects for higher education and professional markets
• More growth in digital products as convergence of technology and content increases addressable market
• Margin expansion in 2007
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)

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

- Continue to expect increases in all asset classes, except for U.S. RMBS issuance
- U.S. RMBS issuance off 9.3% in January
  - Mostly due to decline in home equity loan issuance

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

- Impact on overall credit ratings from delinquencies in sub-prime market has not been significant
  - 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

S&P actively monitors sub-prime market

- When lending standards started to deteriorate in sub-prime market, S&P took action:
  - Notified industry in April 2006 that it would be raising level of credit support for riskier sub-prime deals in July 2006
  - 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

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
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

• 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% of the $3.6 trillion in par value of S&P ratings outstanding as of Jan. 1, 2007

• 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

• 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

• 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

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

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

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

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

Building a diverse, resilient revenue stream for Financial Services

- **Growth of unearned revenue is another measure of success in S&P’s reduced dependency on transactions**
  - Corporation’s unearned revenue grew by more than 15% in 2006 to $983.2 million and is primarily attributable to Financial Services’ ratings products

Strategic changes in the portfolio to take advantage of growth opportunities

- **Selling off low-growth, low-margin businesses**
- **Acquired Capital IQ 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
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

How S&P index services keep growing

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

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

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

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

Information & Media
The transformation of Information & Media

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

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
  - Expect to recognize $23.8 million in revenue as earned during 2007

BusinessWeek evolving into multi-media brand

- BusinessWeek.com grew 46% last year off a small base
  - Expect more growth in 2007
- Print advertising pages off 3.2% after ten issues vs. 2006

Current outlook for Information & Media

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

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