

1Q 2007 Earnings Call

April 24, 2007

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, tax rates, 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, prepublication, 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.

2

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

A good start to achieving double-digit earnings growth in 2007

EPS

- 1Q 2007: \$0.40, including a three-cent gain on sale of a mutual fund business in March

Revenue

- 1Q 2007: Increased 13.7% to \$1.3 billion

Margin improvement in all three segments

4

Favorable economic outlook

Inflation under control at 2.5%

U.S. GDP growing at about 2.4%

Unemployment rate holding at 4.4%

David Wyss, S&P's chief economist, believes housing starts and sales bottoming out after 30% decline

- Prices down 3% and will probably decline another 5% by end of year

Non-commercial construction doing very well

5

Favorable economic outlook

State revenues are solid

Bond rates stable

Federal Reserve held funds rate at 5.25% since June 2006

- No change expected soon
- One cut to 5% possible by year-end

6

The McGraw-Hill Companies

McGraw-Hill Education

Financial Services

Information & Media

Promising start at McGraw-Hill Education

1Q 2007 segment results

Revenue	+ 5.6% to \$331.7 million
Operating loss	Reduced by 6.6% to \$90.7 million

Costs and expenses under tight control; rose only 2.7%

8

Encouraging results in a seasonally slow quarter

Higher Education, Professional and International Group

Revenue	+ 11.5% to \$186.9 million
---------	----------------------------

School Education Group

Revenue	- 1.2% to \$144.8 million
---------	---------------------------

9

School Education Group: 1Q results

1Q represents less than 10% of full year K-12 market's results

Pattern skewed in 1Q 2006 by \$9 million in Texas orders that did not repeat in 2007

Closed most of gap in 1Q 1007

- Key driver: March orders from North Carolina for music (K-5) and vocational, family and consumer science (6-12)

10

Positive early indicators at School Education Group

Signs that our newly-integrated school team is performing effectively

Strength in new adoption market starting to materialize

11

Participating in more of the addressable market in 2007

2006: Competed for about 80% of available dollars in state new adoption market

2007: We have products for virtually the entire state new adoption market

- Market expected to grow 10-to-15%, or to between \$750 and \$800 million

12

Poised for growth: State new adoption market

	2007 Est. Mkt. Size \$750M-\$800M	2008 \$850M-\$900M	2009 \$900M-\$950M
Major State Calls	California K-12 Science Florida K-12 Health, World Languages, Applied Subjects Georgia K-8 Math Indiana 1-8 Reading/Literature Tennessee K-5 Reading Texas 6-12 Math	California K-12 Math Florida K-12 Reading/Reading Intervention Georgia K-12 Science, 9-12 Math North Carolina K-12 Social Studies Tennessee K-12 Social Studies Texas K-5 Math	California K-12 Reading/Literature Florida 6-12 Literature Georgia K-8 Reading/Literature North Carolina K-12 Math Tennessee K-12 Science/Health

13

Encouraged by early feedback

Positive reports from the field in key campaigns

Science	California South Carolina
Math	Texas New Mexico
Music	North Carolina
Social studies (2 nd yr)	California

14

Encouraged by early feedback

Solid opportunities developing in large urban markets

- New York City
- Boston
- Milwaukee
- Washington, DC

Realized substantial sales in Washington, DC

- K-5 science
- 6-12 social studies

15

Optimistic about opportunities in open territory

Competing with new products

- K-5 science
- 6-12 literature
- New editions of *Everyday Mathematics* and *Open Court Reading*

16

Optimistic about opportunities in open territory

Good early showing from *Science Snapshots*, new supplemental product for grades 3-5

Providing educators a classroom solution

- Videos to see and hear about science
- Students can work independently on computer
- Addresses multiple learning styles



17

Improved results in testing

Increases in custom work for state-wide assessment programs

- Georgia
- Colorado
- Indiana
- Florida

Sales of off-the-shelf test products flat in first quarter

18

HPI Group: Double-digit growth in 1Q

Higher Education

- Very strong January; benefited from second semester ordering
- Solid growth in 1Q with higher education products around the world

All three imprints produced solid gains in first quarter

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

19

Providing digital solutions to the higher education market

Increased demand for our digital *Homework Manager* product. Offered for:

- World languages
- Accounting
- Math
- Economics

New online courses getting favorable initial response

20

More new digital products for medical professionals

Harrison's Practice: Our entrance into emerging patient care market

Access Pharmacy: Launched in April 2007

- Designed to keep pace with changing demands of pharmaceutical education
- Leveraging content from our classic reference texts
- Offers fully-integrated drug database in English and Spanish

Joins *Access Surgery* and *Access Emergency Medicine* in lineup of ready-access digital resources for medical professionals

More specialties to follow

21

Outlook for McGraw-Hill Education

El-hi market

- Growth expectations in 2007
 - 10-to-15% for state new adoption market
 - 3-to-4% in open territory
 - 5-to-7% industry growth
- We expect to outperform the industry

U.S. college and university market

- Expect about 4% growth in 2007
- We expect to outperform this market

Expect margin expansion for McGraw-Hill Education segment in 2007

22

The McGraw-Hill Companies

McGraw-Hill Education

Financial Services

Information & Media

Financial Services

1Q 2007 segment results

Revenue +21.5% to \$728.9 million

Operating profit +38.3% to \$348.0 million

Operating margin 47.7%

Includes \$17.3 million pre-tax gain on sale of mutual fund data business in March

24

Many contributors to outstanding performance

World liquidity extremely plentiful

We continue to operate in favorable interest rate environment

Spreads remain tight

Investor demand for fixed income instruments is strong

25

How a diversified and resilient portfolio delivers results

Both domestic and international rating revenue grew at double-digit rates with international outpacing U.S. performance

Corporate and government ratings were strong

Structured finance was robust again globally

Products and services not tied to public new issue market grew substantially

Data and information products grew rapidly

Index services continue to expand

26

Outlook for Financial Services

A strong start in 2007

More double-digit growth and margin expansion for balance of year, although probably not at exceptional rate of growth in 1Q

27

How a diversified and resilient portfolio delivers results

Record corporate issuance in first quarter
• Up 43% in U.S. to \$336 billion

Investment-grade and high-yield both strong performers

- Strong merger and acquisition activity
- Favorable financing

Demand for corporates continues unabated

- Insurance companies, pension funds consistent buyers
- High-yield market benefiting from reduction in default rate
- Innovation in derivatives markets attracting high-yield investors

28

How a diversified and resilient portfolio delivers results

Public finance benefited from pick up in refundings and new money issuance

Environment is favorable

- Expanding group of buyers
- Increase in asset allocations to higher quality investments by aging baby boomers

Expect good year although volume expected to slow

29

How a diversified and resilient portfolio delivers results

Structured finance: Another strong quarter despite 10.8% decline in U.S. residential mortgage-backed securities issuance (RMBS)

Factors that shaped our forecast of a 10-to-15% decline in U.S. RMBS this year:

- Slowing housing sector
- Rising mortgage rates
- Slower housing price appreciation
- Fewer housing starts

30

S&P actively monitors sub-prime market

When lending standards started to deteriorate in 2006 sub-prime market, S&P took action:

- Raised level of credit support necessary for a rating by 50% compared to deals from 2005

Despite current activity in sub-prime market, no reason to materially change our expectations on level of issuance originally anticipated for 2007

31

New issuance dollar volume in 1Q 2007

\$254.1 billion is U.S. residential mortgage-backed securities issuance in 1Q 2007

- Prime and Alt-A issuance increased 5.6%
- Sub-prime issuance declined 24.4%

European RMBS had strong quarter; outlook is positive

- Stable economic conditions
- Moderate home price growth fuels demand for mortgage credit
- We anticipate RMBS activity in emerging markets
- Started 2Q with good pipeline

32

New issuance dollar volume in 1Q 2007

Commercial mortgage-backed securities (CMBS)

- U.S. issuance strong
- Saw steady improvement in Europe

Drivers of U.S. CMBS issuance

- Strong commercial real estate fundamentals
- Historically low interest rates
- Refinancing of maturing deals
- Rising property values

Pipeline looks good

33

New issuance dollar volume in 1Q 2007

Asset-backed securities (ABS) issuance

- U.S.: Credit card and student loan activity offset slump in auto loan ABS issuance
- Europe: Growth in 1Q; outlook is solid

Drivers of European ABS issuance

- Small business loans
- Auto loans and leases
- Equipment leases

Basel II should have positive influence on market

- Consumer banks restructure risk on balance sheets to adjust capital adequacy ratios

34

New issuance dollar volume in 1Q 2007

U.S. collateralized debt obligation (CDO) market up 154% in 1Q

- We expect slower growth rate in subsequent quarters
- Factored into our expectations

Key market factors in 1Q

- Concerns about widening spreads resulting from credit quality deterioration in sub-prime market
- Increase in collateralized loan obligations resulting from strength in corporate loan market

35

New issuance dollar volume in 1Q 2007

Outlook for U.S. CDO market

- General agreement that spreads may not change or, if they do, they could widen slightly during remainder of year
- S&P does not expect dramatic widening of spreads unless a shock to system triggers dramatic deterioration

Strong investor demand and broader acceptance of CDOs

- Will see more growth in Europe

36

Gains in products and services not tied to debt issuance

26.3% of ratings revenue in 1Q

- Bank loan ratings a key driver of growth

We anticipate more growth from:

- Bank loan ratings
- Counterparty credit ratings
- Financial strength ratings
- Derivatives
- Risk services

37

Solid growth from products and services for equity markets

Capital IQ product continues to grow rapidly

- Now serving more than 1,900 clients

Increased subscribers for S&P's:

- RatingsDirect
- Ratings Xpress
- Compustat Xpressfeed

38

Continuing to leverage index products and services

1Q: 113 ETFs linked to S&P indices

- 85 in U.S. and 28 outside the U.S.

\$170.3 billion in assets under management in ETFs based on S&P indices at end of 1Q 2007

- 23.7% increase compared to 1Q 2006

1Q benefited from trading of derivative contracts based on S&P indices

- 1Q average daily trading volume of E-mini contracts: 1,376,979

39

Outlook for Financial Services

Summary

- More double-digit growth and margin expansion for balance of year, although probably not at exceptional rate of growth produced in 1Q

40

The McGraw-Hill Companies

McGraw-Hill Education

Financial Services

Information & Media

Information & Media

1Q 2007 segment results

Revenue	+ 4.1% to \$235.9 million
Operating profit	\$9.9 million, up from \$1.7 million in 1Q 2006
Operating margin	4.2%

Transformation of Sweets contributed \$6.5 million in revenue and \$5.8 million in operating profit to segment in 1Q 2007

42

Business-to-Business Group

Revenue grew 7.5% in 1Q to \$212.2 million

Group includes our best-known brands

- *BusinessWeek*
- J.D. Power and Associates
- Platts
- McGraw-Hill Construction
- Aviation Week

Key contributors

- Sweets transformation and growth in Platts

43

Broadcasting Group

Revenue fell 18.8% in 1Q

- Absence of political advertising
- Loss of Super Bowl
- Decision not to renew *Oprah Winfrey Show* in two markets

Pacing for 2Q is off about 14%

44

Internet reshaping B2B market

Making progress in digital world

- Transformed Sweets from a primarily print product to a bundled print and online service

45

Internet reshaping B2B market

Energy market looking for better tools and real-time information

- Launched Platts eWindow in April 2007
 - New online tool to improve service to traders
- Growing our real-time subscription services
- Licensing our intellectual property for use in broader financial and futures markets
 - Intercontinental Exchange selected Platts' Dubai price assessment for new crude oil futures contract

46

The transformation of Information & Media

BusinessWeek.com continues to improve its performance

- Increases in advertising and unique visitors compared to last year
- We continue to make investments in the product

47

The transformation of Information & Media

Building communities important aspect of digital world

- ArchitecturalRecord.com making it easy for readers to share their work and interact with peers and editors
 - Architects post work on the website
 - Blogs and rating system encourage readers to evaluate projects online and in magazine

48

Outlook for Information & Media

Summary

- Soft start in advertising, particularly at Broadcasting in non-political year
- Growth in online services
- Margin expansion

49

The McGraw-Hill Companies

Summing up for The McGraw-Hill Companies

Outlook for The McGraw-Hill Companies

Summary

- Encouraging indications in education
- Strong start in Financial Services
- Progress in Information & Media
- Margin expansion in all three segments
- Guidance for 2007: Double-digit earnings growth in 2007
 - More double-digit top- and bottom-line growth and margin expansion for balance of the year in Financial Services, although probably not at exceptional 1Q rate

51

The McGraw-Hill Companies

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

Accelerated stock buyback in 1Q

2007 target: 15 million shares

1Q 2007: 13.2 million shares repurchased for \$842.4 million

- \$231 million settled and funded at beginning of 2Q

Balance of year: Expect to repurchase another 1.8 million shares

Capacity:

- 6.8 million shares remaining in 2006 buyback program
- 45 million shares in new program authorized by Board in January 2007

53

A commitment to advancing total shareholder value

Since 1996, returned \$6.8 billion to MHP shareholders through dividends and share repurchases

- Includes approximately \$915 million returned in 1Q 2007

54

Reduced fully-diluted weighted average shares outstanding (WASO)

1Q 2007: 361.5 million shares

- 15.8 million share decrease compared to 1Q 2006
- 2.7 million share decrease compared to 4Q 2006
- Modest 1Q benefit from buyback of 13.2 million shares since most were bought near end of March

55

Ended 1Q in net debt position

Resumed borrowing in commercial paper market to fund seasonal cash requirements

1Q 2007: \$178 million net debt position vs. net cash position of \$351 million at year-end 2006

- As of March 31: On a gross basis, debt position is \$607.5 million offset by \$429.6 million in cash, primarily foreign holdings

2007: Expect a return to net surplus cash position by year end

56

Outlook for interest expense

1Q 2007: \$1.2 million net interest expense

- 1Q 2006: MHP essentially debt free and had net interest income of \$2.5 million

2Q 2007: Expect increase in interest expense

- Reflects commercial paper borrowings for full quarter

2007: Expect full-year interest expense in \$24-26 million range

- Higher than previous estimate related to timing of funding costs for accelerated share repurchase program
- Additional interest expense relating to FIN 48

57

Revenue recognition and transformation of Sweets

Transformed Sweets from a primarily print catalog into a bundled print and online service in 2006

Associated accounting change benefits year-over-year comparison for Information & Media segment

1Q 2007 results reflect:

- \$6.5 million of revenue
- \$5.8 million of operating profit

58

Corporate expenses

1Q 2007: Decreased \$5.6 million or 13.8%, compared to a year ago

- Several one-time factors in 1Q 2006 influencing decline:
 - \$14.8 million charge for elimination of restoration stock option program
 - \$4.6 million gain on sale of Dubuque, Iowa facility

Categories within corporate expense that increased:

- Business Process Management program
- Vacant space from downsizing
- Incentive compensation

59

Outlook for tax rate

1Q 2007: Effective tax rate 37.7%

- 50 basis point increase from prior year due to:
 - Change to accounting for uncertain tax positions (FIN 48)
 - Gain in connection with sale of mutual fund data business
 - State tax audit settlement

2007: Rate for balance of year projected to be 37.5%

60

Reduced projection for prepublication investments

1Q 2007: \$57.4 million, compared to \$61.6 million in same period last year

2007: Now expect \$310 million

- Down from approximately \$330 million due to efficiencies, technology, global sourcing and firming up forecast

61

Growth in capital expenditures for property and equipment

1Q 2007: \$22.7 million, compared to \$11.6 million in same period last year

- Began construction on new data center
- Making technology investments to digitize our products and services

2007: Continue to expect \$250 million

62

Outlook for non-cash charges

Amortization of pre-publication costs

- 1Q 2007: \$28.1 million, compared to \$22.5 million in same period last year
 - Ramped up publishing schedule last year in anticipation of strong el-hi adoptions

• 2007: Continue to expect \$260 million

63

Outlook for non-cash charges

Depreciation

- 1Q 2007: \$28.9 million, compared to \$27.6 million in same period last year

• 2007: Continue to expect \$130 million, reflecting higher level of capital expenditures in 2007 and full year of depreciation from 2006 capital expenditures

64

Outlook for non-cash charges

Amortization of intangibles

- 1Q 2007: \$11.6 million, compared to \$11.9 million in same period last year

• 2007: Continue to expect \$50 million

65

1Q 2007 Earnings Call

April 24, 2007

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. A replay of this webcast will be available 2 hours after the end of the call and will remain available until May 1, 2007.

1Q 2007 Earnings Call

April 24, 2007

Replay Options (Available from April 24 – May 1)

Telephone

Domestic: 800-685-1235

International: +1-203-369-3419

No password required

Internet

Go to www.mcgraw-hill.com/investor_relations

- **Click on the Earnings Announcement link under Investor Presentation Webcasts**