

2Q 2007 Earnings Call

July 24, 2007

Presenters:

Harold McGraw III
Chairman, President and CEO

Robert J. Bahash
Executive Vice President and CFO

Vickie Tillman
Executive Vice President, Standard & Poor's

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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, 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 in open territories and enrollment and demographic trends; the level of educational funding; the level of education technology investments; the strength of School Education, 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 collateralized debt obligations (CDOs), residential mortgage and asset-backed securities and related asset classes; 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 and concerns regarding the credit quality of subprime mortgages adversely impacting future debt issuances of U.S. residential mortgage backed securities and CDOs backed by subprime residential mortgages and related asset classes; 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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Harold McGraw III
Chairman, President and CEO
The McGraw-Hill Companies

More progress toward achieving double-digit earnings growth in 2007

EPS

• 2Q 2007: Increased 31.7% to \$0.79

Revenue

• 2Q 2007: Increased 12.5% to \$1.7 billion

Margin improvement in all three segments

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Favorable economic outlook

Inflation remains moderate at 2.2%

U.S. GDP now growing at 2.1% for 2007

David Wyss, S&P's chief economist, believes housing prices knocked 1 percentage point off GDP growth in 2007

• Losses may not hit peak until late 2008 or early 2009

Non-residential construction continues to do well

State budgets in good shape, which is good for education

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McGraw-Hill Education

Financial Services

Information & Media

More progress at McGraw-Hill Education

2Q 2007 segment results

Revenue	+ 5.8% to \$647.3 million
Operating profit	Increased by 18.6% to \$80.4 million
Operating margin	12.4%

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More progress at McGraw-Hill Education in 2Q

School Education Group

Revenue + 3.3% to \$403.3 million

Higher Education, Professional and International Group

Revenue + 10.3% to \$244.0 million

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Great time to be in educational publishing

We are building for a promising future

Contrast with industry in flux:

- Changes in ownership
- Changes in organization
- Consolidation reduces number of major competitors from four to three in el-hi market

We expect to gain share in 2007 in el-hi and U.S. college and university markets

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Strengthened our School Education Group

Created a single, well-coordinated K-12 team last Fall under direction of most experienced and successful managers

We're improving our performance in both K-5 and 6-12 markets

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Strengthened our School Education Group

Broad and deep product line-up is helping us perform well in academic and non-academic subjects

Achieving high market share in non-academic subjects

- Health
- Business education
- Technical and vocational education
- Family and consumer science

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2007 state new adoption market: 10 to 15% increase over last year

Est. Mkt. Size	2007 \$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

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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

We expect to take more than 30% of available dollars in total state new adoption market

- Math and science offer biggest opportunities this year

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Drivers of 2Q el-hi revenue

Results driven by

- 6-12 Texas math
- K-12 California science
- K-8 South Carolina science

Optimistic about performance of *Treasures*

- Competing well in Indiana, Tennessee and Oregon

Picking up new business in second year of California's K-8 social studies adoption

Outlook promising in 6-12 literature and reading market in Indiana, Oregon, Tennessee, and West Virginia

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The outlook in open territory

Won major adoptions in large urban markets

Most small- and medium-sized districts don't order until 3Q

We expect open territory market to grow about 4% this year

New edition of *Everyday Mathematics* will help us achieve open territory goals

- Generating new business in Philadelphia, New York City, Seattle
- We should be a leader in K-5 New Mexico adoption

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Outlook for supplemental market

Market has been soft this year but supplemental tends to be a second-half business

We have created a strong line-up to meet need for targeted skills-based intervention programs

- Needed for both elementary and 6-12 students

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Mixed results in testing

Softness in custom and shelf products in 2Q

Getting traction with *Acuity*, our new formative testing product

- Suite of diagnostic and predictive benchmark assessments
- Won 5-year, \$80 million arrangement with New York City—largest formative contract awarded in U.S.
- Also selected by Indianapolis, IN and Mesa, AZ

Acuity Algebra selected by RAND Corporation for five-year study being funded by U.S. Department of Education

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Off to good start in U.S. college and university market

Three major imprints performing well

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

Digital products producing incremental revenue

- Homework management products give students access to interactive online textbooks
- New iPod and MP3 compatible features in media-enhanced texts proving popular with students

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Progress in professional markets

2Q 2007 benefited from publication of 10th edition of *Encyclopedia of Science and Technology*, issued every five years

- 20-volume work is selling well here and abroad

Other best-sellers in professional markets

- *Harrison's Manual of Medicine, 16th Edition*
- *The Millionaire Maker's Guide to Creating a Cash Machine for Life*
- *Nursing Spectrum Drug Handbook 2008*
- *Current Medical Diagnosis and Treatment, 2007, 46th Edition*

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Outlook for McGraw-Hill Education

A solid year is taking shape in education

- EI-hi market expected to grow 5% to 7%
- U.S. college and university expected to grow about 4%
- We expect to outperform in both markets

We anticipate margin expansion for the segment for the full year

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The McGraw-Hill Companies

McGraw-Hill Education

Financial Services

Information & Media

Financial Services

2Q 2007 segment results

Revenue +21.2% to \$821.0 million

Operating profit +27.9% to \$401.4 million

Operating margin 48.9%

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Many contributors to success in second quarter

1. Unique blend of fixed income and equity services reduce our dependency on any single asset class
2. Financial Services' strong and growing position in international markets
3. Growing array of new services in both fixed income and equity markets
4. Durability of powerful growth trends in our markets
 - Securitization, globalization, privatization and disintermediation

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How a diversified and resilient portfolio delivers results

International markets grew at double-digit rate

- 38.9% of ratings revenue in 2Q, up from 36.6% for same period a year ago

U.S. corporates set a new record for issuance for second quarter in a row

- U.S. investment-grade up 33.0%
- High-yield up 42.6%

Public finance grew solidly because of new money issuance and refundings

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How a diversified and resilient portfolio delivers results

Structured finance globally strong despite 12.4% decline in dollar volume issuance in U.S. residential mortgage-backed securities

- Strength in European residential mortgage-backed securities
- Solid performances in all asset classes in Europe

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How a diversified and resilient portfolio delivers results

Commercial mortgage-backed securities market grew solidly here and abroad

U.S. CDO market met our expectations; issuance grew 58% in 2Q

Asset-backed securities market saw more modest gains

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How a diversified and resilient portfolio delivers results

Ratings and services not directly linked to public new issuance also grew at double-digit rate in 2Q

- Accounted for 22.6% of ratings revenue in 2Q compared to 24.1% in same period last year
- Bank loans a key driver

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How a diversified and resilient portfolio delivers results

Capital IQ product continues to grow rapidly

- Approximately 2,000 clients—a 29% increase over prior year

Acquisition of ClariFi strengthens our position

Good growth in data and information market from:

- Compustat
- RatingsDirect
- RatingsXpress

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How a diversified and resilient portfolio delivers results

\$178.6 billion in assets under management in ETFs based on S&P indices at end of June 2007

- 20.9% increase compared to June 2006

127 ETFs linked to S&P indices

- 30 launched so far this year

S&P/Citigroup Indices form backbone for creating new customized indices, benchmarks

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Continuing to leverage index products and services

Successfully licensing recently acquired commodity indices from Goldman Sachs

- Morgan Stanley
- Barclays Bank
- Deutsche Bank
- National Bank of Canada
- UBS
- Wachovia
- Cargill

Pipeline is growing

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Outlook for Financial Services

We expect low double-digit growth in second half

- Tougher comparisons in 4Q

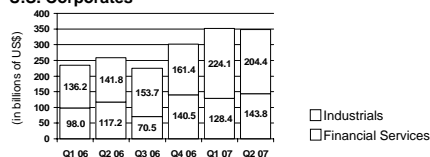
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Outlook for U.S. corporate issuance

Corporate issuance off to strong start in 2007

- Large new-issue calendar
- Attractive financing environment

U.S. Corporates



Source: Thomson Financial, Harrison Scott Publications, Standard & Poor's

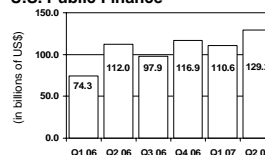
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Outlook for U.S. public finance

Dollar volume issuance started on an upswing at start of year

We expect somewhat slower growth for balance of 2007

U.S. Public Finance



Source: Thomson Financial, Harrison Scott Publications, Standard & Poor's

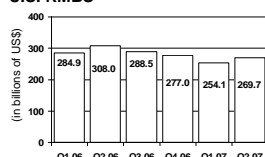
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Outlook for U.S. residential mortgage-backed securities market

Dollar volume issuance off 11.6% in first half

- Further decline in second half
- Dollar volume issuance could decline by 15% to 20% in 2007
- Potential deals on hold as issuers reprice to new criteria and gauge market's appetite for RMBS

U.S. RMBS



Source: Thomson Financial, Harrison Scott Publications, Standard & Poor's

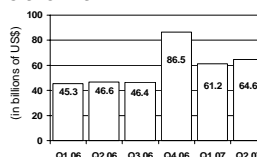
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Outlook for U.S. commercial mortgage-backed securities market

Market up 36.8% in first half, driven by low interest rates and strong commercial real estate fundamentals

Pipeline is robust

U.S. CMBS



Source: Thomson Financial, Harrison Scott Publications, Standard & Poor's

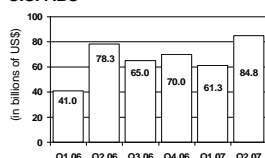
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Outlook for U.S. asset-backed securities market

Dollar volume issuance up 22.5% in first half

Pipeline looks solid

U.S. ABS



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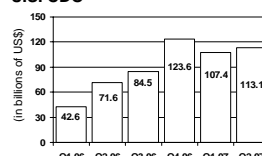
Source: Thomson Financial, Harrison Scott Publications, Standard & Poor's

Outlook for U.S. collateralized debt obligations

Soared last year and off to fast start in 2007

Expect more growth in CDO market in second half, but at rates well below blistering pace established in third and fourth quarters last year

U.S. CDO



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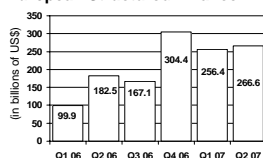
Source: Thomson Financial, Harrison Scott Publications, Standard & Poor's

Outlook for European structured finance

Pipeline looks very good

Expect solid second half with all asset classes showing strength with the toughest comparison coming in 4Q

European Structured Finance



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Source: Thomson Financial, Harrison Scott Publications, Standard & Poor's

More progress from data, information and indices

We expect a solid second half in 2007

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Outlook for Financial Services

Summary

- Continued strength overseas
- More growth in structured market
- Solid prospects in the corporate market
- Growing contributions from data, information and indices
- Low double-digit growth in second half, tougher comparison in 4Q
- Margin expansion for the full year

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Federal court reaffirms strong legal protection for rating agencies

From June 2007 decision:

"Imposing such liability would open the floodgates of litigation against credit rating agencies by disappointed investors and creditors and chill the agencies from vital and vigorous participation in the ratings process and the marketplace, where the free flow of information and conflicting views ideally establish reliability."

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Vickie Tillman
Executive Vice President
Standard & Poor's

**Standard & Poor's
analysis of credit markets**

1. More than a year ago, S&P identified the deterioration in RMBS securities backed by subprime loans credit quality and began signaling the market
2. In June, S&P signaled potential emerging issues with the collateralized loan obligations
 - The covenant-lite juggernaut is raising CLO risks

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**Standard & Poor's
analysis of credit markets**

3. S&P does not structure or engineer transactions nor does it arbitrate on which deals can or cannot proceed
 - S&P guidelines and criteria are publicly available
4. Tightening criteria may have an adverse impact on market share
 - Nevertheless, S&P adjusts criteria to reflect how changing conditions impact credit risk to maintain an excellent track record

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**Standard & Poor's
analysis of credit markets**

5. Performance of S&P's structured finance ratings has been exceptionally strong
 - 0.87% average five-year default rate for investment-grade structured finance securities
 - 15.42% average five-year default rate for speculative-grade structured securities

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**Standard & Poor's
analysis of credit markets**

In April 2006, S&P identified heightened credit exposure of affordability products with layering of multiple risk factors in loan programs

- S&P adjusted its assumptions

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**Standard & Poor's
analysis of credit markets**

S&P's concern: Duration and severity of issues affecting future credit performance

- Need sufficient time and data to see how collateral pools are performing

S&P's recent actions on RMBS transactions are a continuation of applying adjusted assumptions to delinquency default and loss trends

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Standard & Poor's analysis of credit markets

Actions in July:

- S&P downgraded 562 classes of S&P-rated RMBS transactions backed by first lien subprime loans between 4Q 2005 and 4Q 2006
 - \$6.3 billion in securities represent only 1.1% of the total first lien loans
- S&P downgraded 418 classes of S&P-rated RMBS transactions backed by closed-end second liens
 - Represent \$3.8 billion, or 6.1% of this class

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Standard & Poor's analysis of credit markets

Result of first lien subprime downgrades

- 74 synthetic CDOs downgraded
- 19 classes of cash flow and hybrid CDOs placed on CreditWatch negative
- An additional 33 tranches from 8 U.S. cash flow and hybrid CDOs (\$1.76 billion) placed on CreditWatch negative

Result of second lien subprime downgrades

- 17 classes of cash flow and hybrid CDOs placed on CreditWatch negative

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Standard & Poor's analysis of credit markets

Downgrades on first lien subprime collateral did not impact any AAA ratings

Eight classes of AAA second lien RMBS downgraded

- No ratings fell below investment-grade

S&P will monitor these issues and take further ratings actions as deemed appropriate

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Standard & Poor's analysis of credit markets

Keeping market informed of S&P decisions

- Provided S&P's approach for rating new CDOs containing RMBS securities backed by non-prime collateral
- Currently reviewing RMBS transactions backed by Alt-A and net interest margin collateral
 - Will be completed in next several weeks

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Standard & Poor's analysis of credit markets

Keeping market informed of S&P decisions

- Monitoring transactions issued after January 2007 under new assumptions
 - Will take such rating actions as we deem appropriate as more loss data becomes available
- Loans made prior to January 2005 are not at same level or risk as those made since then

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Standard & Poor's analysis of credit markets

Our role: Provide an independent opinion on creditworthiness based on demonstrable facts

- May put S&P at odds with market sentiment
- S&P takes longer term view and does what it believes is right for the market

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McGraw-Hill Education

Financial Services

Information & Media

Information & Media

2Q 2007 segment results

Revenue	+ 4.7% to \$249.9 million
Operating profit	+ 13.1% to \$14.7 million
Operating margin	5.9%

Transformation of Sweets contributed an incremental \$6.5 million in revenue and \$5.8 million in operating profit to segment in 2Q 2007

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Business-to-Business Group

Revenue grew 7.9% in 2Q to \$223.1 million

Group includes our best-known brands

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

Key contributors

- Sweets transformation
- Growth in Platts' news and pricing services for oil, natural gas and power markets

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Listening to the Voice of the Customer

J.D. Power and Associates benefited from:

- New studies in financial services and healthcare sectors
- Increased penetration from existing studies

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The transformation of Information & Media

BusinessWeek's global print edition off 20.0% in 2Q, according to Publishers Information Bureau

BusinessWeek.com continues to expand

- New Company Insight Center is utilizing Capital IQ's extensive database of company fundamental data
- Search traffic has been growing steadily

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Broadcasting Group

Revenue declined by 16.0% to \$26.8 million in 2Q

- Non-election year
- Automotive off sharply

3Q pacing is currently off 4%

- May see political advertising in second half

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Outlook for Information & Media

Summary

- A soft year in advertising
- Growth in information services
- Margin expansion for the full year

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The McGraw-Hill Companies

Summing up for The McGraw-Hill Companies

Outlook for The McGraw-Hill Companies

Summary

- We expect to achieve goal of double-digit earnings growth in 2007, even though growth rate will probably slow during second half as compared to very strong first-half performance
- We expect low double-digit growth from Financial Services in second half, tougher comparisons will make fourth quarter more challenging
- Some operating margin compression may occur in our segments in second half
- We still expect improved operating margins in all three segments for full year

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The McGraw-Hill Companies

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

Increased share repurchase authorization for 2007

New 2007 repurchase authorization: Up to 30 million shares

- In April, Board of Directors approved an increase of up to an additional 15 million shares

2Q 2007: 6.3 million shares repurchased for \$431.6 million

- 19.5 million shares repurchased in first half

Capacity:

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

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A commitment to advancing total shareholder value

Since 1996, returned \$7.3 billion to MHP shareholders through dividends and share repurchases

- Includes more than \$1.4 billion returned in first half of 2007

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Reduced fully-diluted weighted average shares outstanding

2Q 2007: 350.3 million shares

- 15.2 million share decrease compared to 2Q 2006
- 11.2 million share decrease compared to 1Q 2007

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Ramped up our borrowings

Increased borrowing to fund additional share repurchases and seasonal cash requirements

2Q 2007: \$636 million net debt position, up from \$178 million at end of first quarter

- As of June 30: On a gross basis, debt position is \$994.5 million offset by \$358.1 million in cash, primarily foreign holdings
- Debt reflects diversified mix of short-term borrowings in the commercial paper, extendible commercial note, and money market loan markets

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Outlook for interest expense

2Q 2007: \$12.1 million net interest expense

- A \$3.5 million increase compared to last year due to increased borrowing

If we complete full 30 million share repurchase program for 2007, will be in a net debt position at year end

2007: Expected in the range of \$40-42 million

- Higher than previous estimate of \$24-26 million, due primarily to additional 15 million in assumed share repurchases

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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

2Q 2007 results reflect:

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

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Corporate expenses

2Q 2007: Increased \$6.9 million or 20.1%, compared to a year ago

Categories within corporate expense that increased:

- New Business Process Management program
- Incentive compensation
- Corporate advertising
- Vacant space from downsizing

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Outlook for tax rate

2Q 2007: Effective tax rate 37.5%

2007: We expect to maintain this rate for balance of year

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Outlook for prepublication investments

2Q 2007: \$75.2 million, compared to \$63.5 million for same period last year

2007: Continue to expect \$310 million

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Growth in capital expenditures for property and equipment

2Q 2007: \$60.7 million, compared to \$20.5 million for same period last year

- Construction of new data center is underway
- Making technology investments to digitize our products and services

2007: Continue to expect \$250 million

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Outlook for non-cash items

Amortization of prepublication costs

- 2Q 2007: \$56.8 million, compared to \$53.0 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

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Outlook for non-cash items

Depreciation

- 2Q 2007: \$28.8 million, compared to \$28.3 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

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Outlook for non-cash items

Amortization of intangibles

- 2Q 2007: \$11.5 million, compared to \$12.1 million in same period last year

- 2007: Continue to expect \$50 million

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Increase in unearned revenue

Unearned revenue

- 2Q 2007: Grew to over \$1 billion

– Up from \$893 million in prior year, an approximate 15% increase

– Increase would have been larger excluding a mutual fund data business that was divested in March 2007

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2Q 2007 Earnings Call

July 24, 2007

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 July 31, 2007.

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Replay Options (Available from July 24-31)

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