3Q 2007 Earnings Call
October 18, 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

This presentation includes certain forward-looking statements about the Company’s businesses, new products, sales, expenses, tax rates, cash flows, prepublication investments and spending 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 open territories and enrollment and demographic trends; our expectations and forecast for net income, operating and prepublication expenses, amortization and depreciation expense, prepublication cost investment, financial services revenue, financial services expenses, financial services operating income, information and media revenue, Information and Media prepublication investment and spending, information and media operating income, earnings per share, earnings per share for the quarter, the level of future cash flow, debt levels, pension-related manufacturing expenses, distribution expenses, prepublication, amortization and depreciation expense, interest 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.

On course to produce double-digit EPS growth in 2007

EPS
• 3Q 2007: Increased 26.4% to $1.34 vs. $1.06 last year
  – 3Q 2006 diluted EPS included a $0.03 restructuring charge

Net income
• 3Q 2007: Grew by 18.2% to $452.0 million

Revenue
• 3Q 2007: Increased 9.8% to $2.2 billion
More progress at McGraw-Hill Education

3Q 2007 segment results
Revenue + 9.9% to $1.2 billion
Operating profit Increased by 16.1% to $411.1 million
- Includes pre-tax gain of $4.1 million on divestiture of product line for parochial schools
- 3Q 2006 had $5.6 million pre-tax restructuring charge
Operating margin 35.0%, up from 33.1% in 3Q 2006

Key takeaways in most important quarter of the year for Education
• Double-digit growth in elementary-high school market
• Margin expansion

More progress at McGraw-Hill Education in 3Q

School Education Group
Revenue + 11.2% to $670.8 million

Higher Education, Professional and International Group
Revenue + 8.1% to $505.1 million

How we strengthened the School Education Group

Reorganized basal operations in 2006 to improve competitive position
• Strengthened sales, marketing and product development
• Stepped up new product introductions to take advantage of opportunities in expanding market

Reorganization is paying off in increased market share

2006: Competed for about 80% of available dollars in state new adoption market
• Took a 20% share of a $685 million market

2007: Competed in virtually the entire state new adoption market which is growing 14% to 20% ($780 to $820 million)
• Taking industry-leading market share of 32%

Solid results in K–5 and 6–12 for School Education Group

Led all competitors in California and South Carolina for K–8 science and 6–8 math in Texas
Placed first in all six states adopting elementary music
Treasures, K–5 reading program, led market in Indiana and competed well in Oregon and Tennessee
30%+ capture rates in both K–5 and 6–12 state new adoption markets
• Result of a reorganized and better-led team

Breadth of product offering: A key to success

Added market share with spectrum of products
• Reform-based Everyday Mathematics
  – New Mexico: Took leading share in K–5 math adoption
  – Open territory: Sold well in urban and suburban markets
• Non-academic programs capture significant business in small but profitable markets:
  – Health
  – Business education
  – Technical and vocational education
  – Family and consumer science
Open territory: Growing more slowly than expected

Anecdotal evidence of non-discretionary costs rising more rapidly than funding
- Substantial increases in transportation, heating and cooling costs for districts
- We are examining trends in more depth to gain greater insight into changes taking place

Market down 1.4% after eight months
4Q orders could produce uptick in 2007

Supplemental market: Soft all year

Products not clearly correlated with state standards are losing ground to new core curriculum programs

What’s growing:
- New standards-based programs with extensive ancillary materials supplanting supplemental titles
- New demand for intervention programs
  - Success with Kaleidoscope literacy and Number Worlds math programs

Outpacing the competition

Strength in state new adoption market will offset some softness in non-adoption states
- Expect el-hi market to grow 3% to 5% in 2007 vs. 5% to 7% originally forecasted
- Expect slower growth in open territory, which had been expected to grow 4% in 2007

School Education Group
- Expects to outperform market for the year
- Outpacing competition in state new adoption market and open territory

Better results in testing

Performance in custom and off-the-shelf products has improved
- Won new summative contract in Indiana and 5-year renewal in West Virginia

Gains in formative market for Acuity, our new testing product
- Won 5-year, $80 million contract with New York City

State new adoption market looks robust for rest of decade

<table>
<thead>
<tr>
<th>Est. Mkt. Size</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major State Calls</td>
<td>California K-8 Science</td>
<td>Florida K-12 Reading</td>
<td>California K-8 Reading/Literature</td>
<td>Florida K-12 Math</td>
</tr>
<tr>
<td></td>
<td>Georgia K-12 Math</td>
<td>Georgia K-12 Language Arts</td>
<td>Georgia K-12 Science, 9-12 Math</td>
<td>Georgia 9-12 English/Language Arts</td>
</tr>
<tr>
<td></td>
<td>Tennessee K-12 Social Studies</td>
<td>Tennessee K-12 Math</td>
<td>Tennessee K-12 Math</td>
<td>Tennessee K-12 English/Language Arts</td>
</tr>
<tr>
<td></td>
<td>Texas K-6 Math</td>
<td>Texas K-6 Math</td>
<td>Texas K-5 Science/Health</td>
<td>Texas K-5 Reading</td>
</tr>
</tbody>
</table>

HPI Group continues to make progress

International markets
- Strong school sales in Canada and Spain
- Solid higher education sales in Europe, Asia and India
More progress in U.S. college and university market

Business and Economics imprint set the pace in 3Q with solid gains in four key disciplines

Now expect market to grow 5% – 6% in 2007
• We expect to keep pace with industry
• Originally expected market to grow about 4% in 2007

Digital products contributing to growth

CourseSmart debuts this fall
A new college publisher cooperative e-book and e-commerce website
• Enables instructors to evaluate textbooks and related material in one location
• Students offered a lower cost alternative plus functionality of the Web

McGraw-Hill’s Higher Education group is starting with 148 e-books

Online offerings for professionals growing here and abroad

Increasing institutional sales with two new verticals introduced this year
– Access Emergency Medicine
– Access Pharmacy

Our professional books are making best-seller lists
• Rules for Renegades on four best-seller lists

Outlook for McGraw-Hill Education

Solid third quarter performance and market share gains in elementary-high school market
Good growth in higher education in U.S. and abroad
Digital products continue to gain traction in higher education and professional markets

Now expect:
• El-hi market to grow 3% to 5%
• U.S. college and university to grow 5% to 6%

Operating margin for the segment will improve for the year

Financial Services

3Q 2007 segment results
Revenue +12.5% to $759.6 million
Operating profit +17.3% to $346.7 million
Operating margin 45.6%, up from 43.8% last year

Accomplished despite decline in U.S. structured finance in 3Q

The McGraw-Hill Companies

McGraw-Hill Education
Financial Services
Information & Media
Resilient portfolio kept S&P growing in 3Q

Strong performers included:
• International credit ratings
  – Double-digit growth
  – Now 41.6% of ratings revenue
• Non-traditional ratings and services
  – Double-digit growth
  – Now 25.7% of ratings revenue
• Corporate and government ratings
• Financial information products and services

3Q issuance illustrates trajectory of business

U.S. Industrials (investment-grade)

U.S. Public Finance

U.S. RMBS

U.S. CMBS

U.S. CDOs

U.S. ABS

Challenging 4Q comparisons for structured finance

Encouraged by prospects in asset-backed market

Credit card issuance continues to show some strength

Reasons for optimism:
• Scheduled refinancing
• Increased credit card utilization by consumers
• Solid issuance of auto loans as banks redeploy capital to fixed-rate, short-term auto loans instead of mortgage products
**Pick up in commercial mortgage-backed securities more problematic**

- Commercial real estate fundamentals remain strong...
  - But activity has been chilled by subprime problems in residential market
- Widening spreads have kept investors on sidelines
  - Reduced demand for new issuance

**How a diversified and resilient portfolio delivers results**

- Weaker U.S. structured finance will be at least partially offset by continuing strength in:
  - Investment-grade corporates
  - International markets
  - Non-traditional ratings and services
  - Annual contracts and surveillance fees
  - Financial information products and services
  - Vigorous expense management

**Reasons for optimism in corporate market**

- Investment-grade corporate issuance setting new records
- Industrial issuance will be driven by:
  - Favorable financing environment
  - M&A activity
  - Investments in capital expenditures
- Financial services issuance will be driven by many of same factors, as well as balance sheet restructurings

**Reasons for optimism in corporate market**

- Spreads remain historically tight
- Rates remain low
- Expect a 10% to 11% increase in 2008 in potential refundings
  - 4Q 2007: $47.9 billion of U.S. corporate debt to mature or be called
  - 2008: Another $250.7 billion is potentially refundable
  - New issuance calendar looks strong in coming months

**Expanding financial information and index services**

- Trading started in 3Q 2007 of six new ETFs based on S&P indices
  - Including S&P’s first in fixed income space — S&P National Municipal Bond Index, sponsored by Barclays Global Investors
- 133 ETFs now based on S&P indices
  - More are in the pipeline
- Making good progress licensing clients for S&P GSCI index, our new commodities index

**Expanding financial information and index services**

- Capital IQ product continues to grow rapidly
  - Adding new clients
  - Expanding its base with existing customers
- New modules increasing demand for Capital IQ
  - Portfolio management tools
- Expect more innovation and more expansion in international markets
The outlook for credit markets

Too soon to start making projections for 2008
• A calm is returning to global credit markets
• Fragile stability is setting in

More focus on credit quality going forward

Benefits of securitization will remain strong after current turbulence has dissipated
• Liquidity
• Economic capital reduction
• Tradeability

Timing of Fed rate cut
• S&P’s economist David Wyss thinks Fed rate cut will be in December, more likely January 2008
  – Chances of rate cut later this month have faded with 3Q growth appearing stronger than expected

Housing recession has a way to go
• Wyss predicts housing prices will fall nationally by 11% peak to trough, with another 6% to 8% still to come
• No rebound expected until end of 2008
• Areas hardest hit could experience price declines of 15% or more

Regulatory update

SEC designated Standard & Poor’s an NRSRO in September
SEC commenced an examination of rating agencies’ policies and procedures under U.S. Credit Rating Agency Reform Act of 2006
• S&P is cooperating with SEC in connection with this examination

We will continue to work with various entities to answer questions about our policies and procedures
• SEC
• Regulators in Europe
• U.S. Congress

Regulatory update

We don’t believe any pending legal, governmental or self-regulatory proceeding will result in a material adverse effect on our financial conditions or our operations

Outline for Financial Services

Summary
• A solid performance in third quarter despite tough market environment
• Worsening conditions for structured finance in 4Q, but rest of business remains strong
• Double-digit top- and bottom-line performance for the full year
• Margin expansion for the full year
McGraw-Hill Education

Financial Services

Information & Media

### Information & Media

**3Q 2007 segment results**

Revenue: +2.1% to $252.4 million

Operating profit: +35.8% to $18.6 million

- Pre-tax restructuring charge of $5.8 million in 3Q 2006

Operating margin: 7.4%, up from 5.5% in 3Q 2006

### A segment in transition

3Q revenue in Broadcasting Group declined by 7.8% in non-election year

3Q revenue for Business-to-Business Group up 3.2%

- BusinessWeek’s ad pages off 24.6% in 3Q
- Growth from information products and services
- Key contributors:
  - Pricing and news for oil, natural gas, and power from Platts
  - Expansion of J.D. Power and Associates’ international research and proprietary studies
  - Products and services delivered online to construction industry

### BusinessWeek’s new look introduced in October

Offering smart perspectives from around the world along side stories developed by BusinessWeek

New design

Old design

### Building on BusinessWeek’s healthy circulation

Goal: Solidify BusinessWeek’s leadership as multi-platform global business media organization and build on healthy circulation statistics

- Newsstand sales up 25% in first half
- Key indicator of editorial vitality
- Average price per subscriber is up 1%
- Overall, circulation is steady
Outlook for Information & Media

Summary
• A segment in transition
• Advertising remains soft
• Growth in online information products

On course to produce double-digit EPS growth in 2007

2007: Still expect improved operating margins for Financial Services and McGraw-Hill Education

On course to produce double-digit EPS growth in 2007

Guidance excludes:
• $0.04 charge for elimination of restoration stock option program in 1Q 2006
• $0.06 charge for restructuring in second half of 2006
• $0.03 gain from divestiture of mutual fund data business at Financial Services in 1Q 2007

On a GAAP basis, inclusive of these items, the 2007 earnings growth would be even stronger
• Management believes the non-GAAP financial measures provide more useful information to investors due to the unusual nature of the excluded items

Updating guidance for 4Q 2007

Financial Services faces toughest comparisons of the year in 4Q
• 4Q 2006: 22.1% revenue growth
• 4Q 2007: Expect a high single-digit decline in revenue and some margin contraction

McGraw-Hill Education
• 4Q 2007: In a seasonally small quarter, expect decline in operating profit and margin compression

4Q 2007: Corporation's revenues and earnings will not match last year's results

Outlook for The McGraw-Hill Companies

Summary
• 4Q 2007: Reduced revenue and earnings vs. last year
• 2007: Double-digit EPS growth
• 2007: Margin expansion for the year in Financial Services and McGraw-Hill Education

The McGraw-Hill Companies

Robert J. Bahash
Executive Vice President and Chief Financial Officer
The McGraw-Hill Companies
30 million shares repurchased in 2007

3Q 2007: 10.5 million shares repurchased for $616 million

2007: $1.9 billion in nine months for 30 million shares. Average of $63.00 per share

A commitment to advancing total shareholder value

Since 1996, MHP returned $8.0 billion to shareholders through dividends and share repurchases

• Includes more than $2.1 billion returned in first nine months of 2007

More shares remain in repurchase authorization program

Capacity:

• 35 million shares left in new program authorized by Board in January 2007

Reduced fully-diluted weighted average shares outstanding

3Q 2007: 337.7 million shares

• 12.6 million share decrease vs. 2Q 2007

• 23.2 million share decrease vs. 3Q 2006

An increase in debt in 3Q

3Q 2007: $879 million net debt position, up from $636 million at end of 2Q

• As of September 30: On a gross basis, debt position is approximately $1.3 billion offset by $453 million in cash, primarily foreign holdings

• Debt reflects mix of short-term borrowings, primarily in commercial paper, with balance in extendible commercial notes and money market loans

Outlook for interest expense

3Q 2007: $15.4 million net interest expense

• More than double the $7.5 million in 3Q 2006 due to increased borrowing

2007: Expected in the range of $39-41 million

• Slightly lower than previous estimate of $40-42 million
### A decrease in corporate expenses

3Q 2007: Down $9.5 million or 20.1%, compared to a year ago
- 3Q 2006 included $4.1 million of restructuring charges
- Excluding the $4.1 million charge, 3Q 2007 corporate expense decreased $5.4 million vs. same period last year

Decrease primarily driven by:
- Lower incentive compensation accruals
- A one-time gain from the sale of an equity investment

### Items influencing 3Q comparisons

3Q 2007: Sold a non-strategic product line within K–12 business
- Resulted in pre-tax gain of $4.1 million

3Q 2006: Pre-tax restructuring charges of $15.4 million, or $0.03 per share
- Primarily for employee severance in McGraw-Hill Education, Information & Media and at Corporate

### Increase in tax rate for 3Q

3Q 2007: Effective tax rate 37.5%, vs. 37.2% in same period last year

### Outlook for prepublication investments

3Q 2007: $76.9 million, vs. $64.3 million for same period last year
2007: Continue to expect $310 million

### Growth in capital expenditures for property and equipment

3Q 2007: $63.0 million, vs. $24.6 million for same period last year
- New data center is expected to be completed in first half of 2008
- Making technology investments to digitize products and services

2007: Still expect $250 million

### Outlook for non-cash items

Amortization of prepublication costs
- 3Q 2007: $110.5 million, vs. $103.3 million in same period last year
- 2007: Now expect $250 million, down slightly from previous estimate of $260 million
**Outlook for non-cash items**

**Depreciation**
- 3Q 2007: $26.2 million, vs. $26.9 million in same period last year
- 2007: Now expect $120 million, down from previous estimate of $130 million due to change in timing of capital expenditures in 2007

**Amortization of intangibles**
- 3Q 2007: $11.7 million, vs. $12.1 million in same period last year
- 2007: Continue to expect $50 million

**Outlook for non-cash items**

**Unearned revenue**
- 3Q 2007: Just over $1 billion
  - Up from $883.6 million in prior year, a 13.7% increase
  - Revenue will be largely recognized over next twelve months
  - Softer revenue forecast for 4Q 2007 is likely to impact unearned revenue growth in fourth quarter

---

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 October 25, 2007.

3Q 2007 Earnings Call
October 18, 2007

Replay Options (Available from October 18-25)

Telephone
Domestic: 888-567-0387
International: +1-402-998-1761
No password required

Internet
Go to www.mcgraw-hill.com/investor_relations
  - Click on the Earnings Announcement link under Investor Presentation Webcasts