

*The **McGraw-Hill** Companies*

2Q 2010 Earnings Call

July 23, 2010

Presenters:

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*The **McGraw-Hill** Companies*

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“Safe Harbor” Statement Under The Private Securities Litigation Reform Act of 1995

This presentation includes certain forward-looking statements about our businesses and our prospects, new products, sales, expenses, tax rates, cash flows, prepublication investments 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; the duration and depth of the current recession; Educational Publishing's level of success in 2010 adoptions and in open territories and enrollment and demographic trends; the level of educational funding; the strength of School Education including the testing market, Higher Education, Professional and International publishing markets and the impact of technology on them; the level of interest rates and the strength of the economy, 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 corporate issuance, CDO's, residential and commercial mortgage and asset-backed securities and related asset classes; the continued difficulties in the credit markets and their impact on Standard & Poor's and the economy in general; 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 strength and the performance of the domestic and international automotive 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, manufacturing expenses, distribution expenses, 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 debt and equity markets, including interest rates, credit quality and spreads, the level of liquidity, future debt issuances including, corporate issuance, residential and commercial mortgage-backed securities and CDO's backed by residential mortgages, related asset classes and other asset-backed securities; 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, automotive, 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
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MHP 2Q 2010 results

17.3% increase in 2Q EPS

- 2Q 2010: \$0.61
- 2Q 2009: \$0.52 (includes \$0.06 total for a restructuring charge and a loss on a divestiture)

2Q revenue: \$1.5 billion, a 0.6% increase

- Grew 2.7% excluding divestitures of *BusinessWeek* and Vista Research

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Financial Services

McGraw-Hill Education

Information & Media

Gaining new clarity on regulatory and legal issues

Signing of Dodd-Frank Act a welcomed development

- No surprises in the legislation
- We anticipated key provisions becoming law for some time
- New legislation calls for greater disclosure, accountability and oversight that we feel will increase confidence in ratings

How S&P is responding to new regulations

Standard & Poor's has been investing in systems, processes and people to prepare to:

- Operate effectively in the new regulated environment
- Produce ratings that are relevant to investors, issuers, and other market participants
- Compete effectively
- Comply with regulations in all jurisdictions
- Manage and mitigate risk

Key steps S&P has taken to meet regulatory commitments

S&P's Quality, Criteria, Compliance, Risk (QCCR) framework is key

- Established control groups independent of the ratings business
- Invested in staffing, training, technology and processes around the QCCR functions

Key steps S&P has taken to meet regulatory commitments

Quality: Formal procedures to oversee the integrity, quality and transparency of S&P's ratings

Criteria: Oversees development and approval of criteria for our ratings. Includes new and revised economic stress scenarios

Compliance: Monitors compliance with regulations through regular compliance examinations; provides training and guidance on policies and guidelines

Risk Control: Assesses various risks that could affect the integrity and quality of the ratings process; assesses feasibility of rating new types of securities

Creating a leverageable framework to deal with new regulations

S&P spending for QCCR-related items:

- 2009: \$63 million
- 2010: Expect spending to increase by about \$15 million

Maintaining operating margin forecast for 2010 despite additional costs

- Still expect a decline of 100 basis points

Changes required by the Dodd-Frank Act

Elimination of statutory references in U.S. laws to credit ratings

- We supported this action
- Ratings should continue to provide investors a common and transparent language and a fundamental credit risk benchmark

Changes required by the Dodd-Frank Act

Repeal of rule 436(g)

- **S&P will not consent to the inclusion of its ratings in registration statements and prospectuses**
- **S&P will explore mechanisms outside of registration statements to allow ratings to be disseminated**
- **S&P ratings on new issues and pre-sale reports are always available online to all market participants**

Changes required by the Dodd-Frank Act

Repeal of the exception to Regulation Fair Disclosure

- **Under this exception issuers could share material non-public information with rating agencies without violating Reg FD**
- **S&P is evaluating other options to satisfy Reg FD so it can continue to receive confidential information**

Assessing the new pleading standard in fraud suits

Legislation permits lawsuits against a credit rating agency that knowingly or recklessly failed to conduct a reasonable investigation or obtain reasonable verification of the data it uses to determine a rating

The new pleading standard will be tested at some point

- More litigation would be burdensome and motions to dismiss may be more difficult to achieve
- S&P will be ready to meet this new challenge

What doesn't change: The fraud liability standard

Crucial point: Current fraud liability standard still applies; no change

- New law changes what plaintiffs are required to allege in order to survive a motion to dismiss at the pleading stage
- The law *does not change* what plaintiffs must ultimately prove to a judge or jury in order for the credit rating agency to be held liable
 - This is the same federal securities fraud liability standard to which all market participants are subject

Latest developments on litigation front

13 cases have been dismissed outright

- Five cases have been withdrawn
- We believe these constitute meaningful precedent

Three important legal decisions involving S&P

- Two involve a subprime case
- Third relates to S&P's index business and a grant of summary judgment that thwarts an assault on S&P's intellectual property rights

Latest developments on litigation front

Abu Dhabi subprime case

- Significant new ruling by Judge Scheindlin on June 15 that emphatically denied class action certification to the plaintiffs
- Judge Scheindlin wrote:
"Defendants argue with considerable force against certifying the proposed class. As defendants point out, this action is a collection of a relatively small number of sophisticated institutional investors that acquired one of three different categories of rated notes, at different times, pursuant to different internal requirements and after conducting different due diligence inquiries."

Latest developments on litigation front

Abu Dhabi subprime case (continued)

On July 20th, Judge Scheindlin allowed the plaintiffs to reinstate one of the ten original claims against both the Credit Rating Agencies and Morgan Stanley

- The Judge concluded that she was mistaken in dismissing the aiding and abetting fraud claims because they are related to the allegations of fraud, the one claim that had been allowed to proceed

Latest developments on litigation front

Three takeaways from latest development on Abu Dhabi subprime case:

- The decision does not affect the dismissal of the nine claims which were not based on fraud
- The court has made no finding of fraud or aiding and abetting fraud. At this early stage, the Court's ruling must be based on accepting the plaintiffs' assertions as true
- Key issue has not changed with restoration of the aiding and abetting claim. Plaintiffs must still prove fraud. We remain confident that neither claim can be sustained

Latest developments on litigation front

Significant victory in Illinois Circuit Court:

- Judge William Maki ruled that index providers are entitled to protection against misappropriation of their indices
- Judge Maki observed:
"It bears noting that ISE unabashedly admits it attempted to create a competitive product, the ISE 250, which was an index highly correlated to the S&P 500. After spending a large sum of money developing and promoting options on the ISE 250, ISE discontinued the project which had failed to garner significant trading volume. The court fails to understand how ISE's failure somehow entitles it to profit for free from the efforts, skills and reputation of the index providers."

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2Q 2010 results at Financial Services

Revenue	+1.6% to \$684.8 million <ul style="list-style-type: none">• S&P Credit Market Services: +0.1% to \$457.9 million• S&P Investment Services: +4.9% to \$227 million
Operating Profit	(4.2%) to \$264.7 million <ul style="list-style-type: none">• 2Q 2009 reflected a pre-tax loss of \$13.8 million from divestiture of Vista Research and a net pre-tax benefit of \$0.4 million from restructuring charges
Operating Margin	38.7% compared to 41.0% in 2Q 2009

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2Q 2010 results at Financial Services

2Q started strong but softened in May and June

- Growing doubts about the pace of economic recovery
- Uncertainty developed over European sovereigns and bank debt

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Interest rate spreads: A key gating factor for issuance

Credit spreads top 5-year moving average in July

Basis Points	7/15/10	One Month ago	1/1/09	5 year Mvg Avg
Investment-grade composite spread	204	205	531	198
Speculative-grade composite spread	656	680	1,628	577

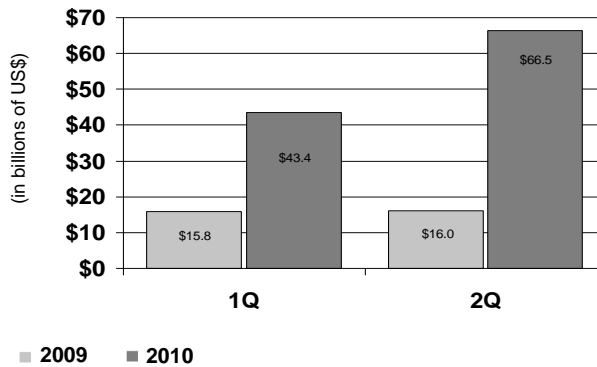
Source: Standard & Poor's Global Fixed Income Research

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Surge in U.S. bank loan ratings

U.S. Syndicated Leveraged Bank Loans (Rated BBB- or below)



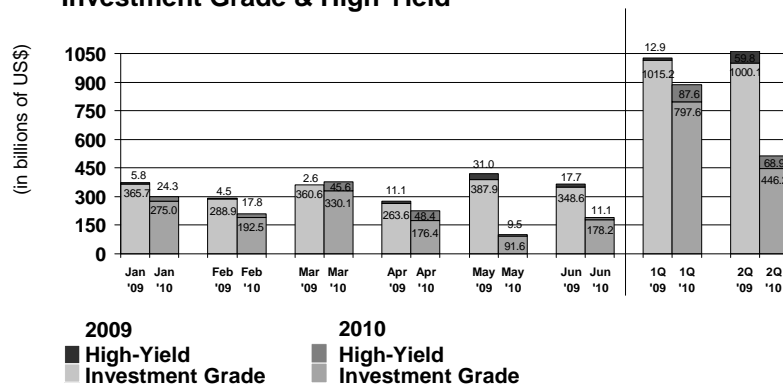
Source: Standard & Poor's Leveraged Commentary & Data

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Tracking worldwide corporate issuance: Softening in 2Q 2010

Worldwide Corporates Investment Grade & High Yield



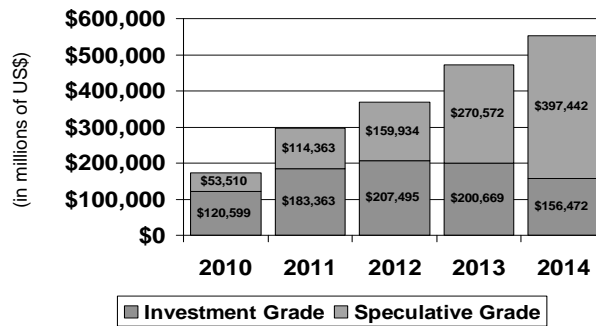
Source: Thomson Financial, Harrison Scott Publications, Standard & Poor's

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The outlook for maturing U.S. corporate debt

U.S. Corporate Debt



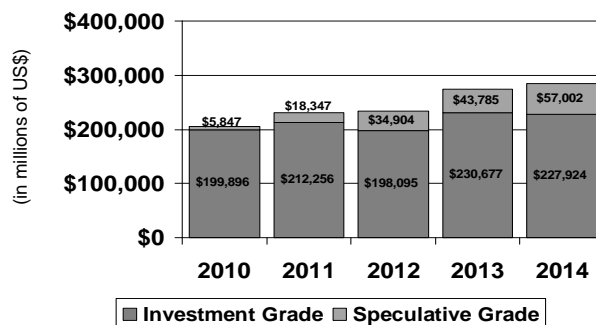
Data as of June 1, 2010
Source: Standard & Poor's Corporate and Government Ratings

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The outlook for maturing European corporate debt

European Corporate Debt



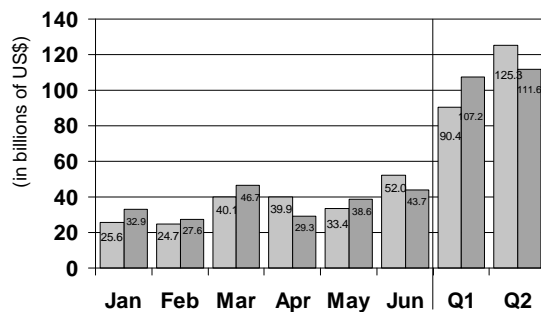
Data as of June 1, 2010
Source: Standard & Poor's Corporate and Government Ratings

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Tracking 2010 new issuance: U.S. public finance through June

U.S. Public Finance



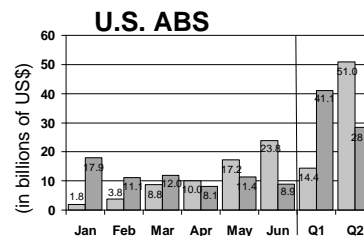
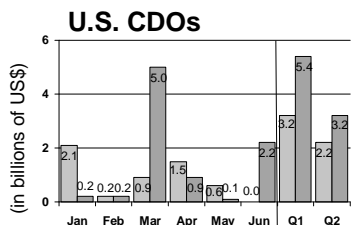
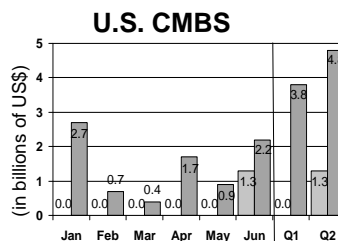
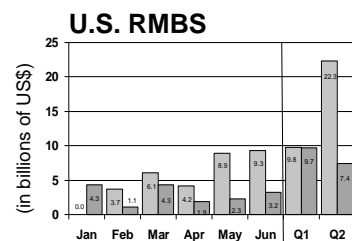
Source: Thomson Financial, Harrison Scott Publications, Standard & Poor's

■ 2009 ■ 2010

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Tracking 2010 new issuance: U.S. structured finance through June



■ 2009 ■ 2010

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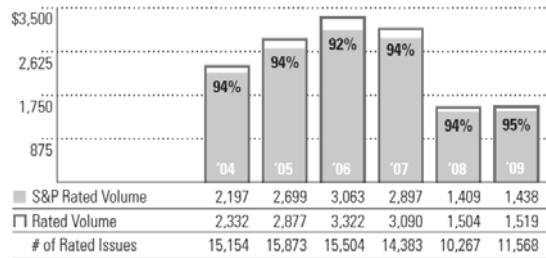
Source: Thomson Financial, Harrison Scott Publications, Standard & Poor's

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S&P rated 95% of the addressable U.S. market in 2009

Rated U.S. Debt Market

S&P penetration rate as a % of rated dollar volume

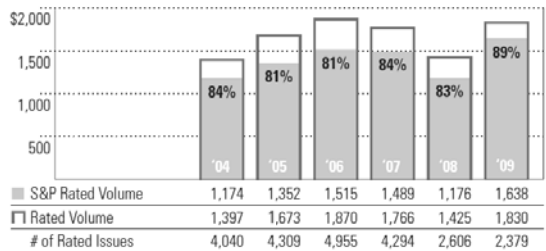


Source: Thomson Financial; Harrison Scott Publications/Standard & Poor's

S&P rated 89% of the addressable European market in 2009

Rated European Debt Market

S&P penetration rate as a % of rated dollar volume



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

S&P's ratings track record: Meeting the test of time

Global Corporate Average Cumulative Default Rates (1981-2009) (%)

Rating	Time horizon (years)														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
AAA	0.00	0.03	0.14	0.26	0.39	0.51	0.58	0.68	0.74	0.82	0.86	0.90	0.94	1.04	1.14
AA	0.02	0.07	0.14	0.24	0.33	0.43	0.52	0.60	0.67	0.74	0.81	0.87	0.93	0.98	1.02
A	0.08	0.21	0.35	0.53	0.72	0.95	1.22	1.46	1.70	1.97	2.20	2.39	2.58	2.75	2.99
BBB	0.26	0.72	1.23	1.86	2.53	3.20	3.80	4.40	5.00	5.60	6.21	6.72	7.24	7.80	8.36
BB	0.97	2.94	5.27	7.49	9.51	11.48	13.19	14.75	16.21	17.45	18.49	19.39	20.18	20.84	21.57
B	4.93	10.76	15.65	19.46	22.30	24.57	26.47	28.06	29.44	30.82	32.04	33.04	33.99	34.85	35.74
CCC/C	27.98	36.95	42.40	45.57	48.05	49.19	50.26	51.09	52.44	53.41	54.32	55.33	56.38	57.28	57.28
Investment grade	0.13	0.35	0.60	0.91	1.24	1.58	1.90	2.20	2.50	2.80	3.08	3.31	3.55	3.78	4.04
Speculative grade	4.44	8.68	12.42	15.46	17.90	19.96	21.72	23.25	24.67	25.96	27.08	28.02	28.91	29.68	30.45
All rated	1.63	3.23	4.67	5.89	6.90	7.79	8.55	9.23	9.86	10.45	10.97	11.40	11.82	12.20	12.60

Source: Table 24 in "2009 Annual Global Corporate Default Study And Rating Transitions," March 17, 2010

- Over a long period, higher ratings are associated with lower default rates, and lower ratings see higher default rates

S&P's ratings track record: Meeting the test of time

Global Structured Finance Average Cumulative Default Rates (1978-2009) (%)*

Rating	Time horizon (years)									
	1	2	3	4	5	6	7	8	9	10
AAA	0.11	0.46	0.71	0.78	0.81	0.83	0.85	0.86	0.88	0.89
AA	0.31	2.68	4.99	5.55	5.75	5.90	6.04	6.12	6.17	6.21
A	0.64	4.45	8.48	10.10	10.62	11.05	11.52	11.85	12.03	12.21
BBB	1.44	7.77	14.21	18.35	20.50	21.82	22.69	23.38	23.92	24.35
BB	3.47	13.51	20.29	25.37	27.43	28.63	29.60	30.26	30.73	31.14
B	8.53	21.84	30.02	36.97	41.04	43.04	44.41	45.37	46.03	46.39
CCC/C	52.74	64.54	68.62	70.99	72.57	73.50	74.12	74.47	74.79	75.00
Investment-grade	0.54	3.33	6.10	7.37	7.90	8.22	8.46	8.61	8.72	8.80
Speculative-grade	17.67	28.15	34.57	39.63	42.20	43.57	44.58	45.28	45.77	46.11
All rated	3.62	7.59	10.89	12.71	13.52	13.97	14.29	14.49	14.62	14.72

* 'AAA' ratings from the same transaction are treated as a single rating in the calculation of this table

Source: Table 10 in "Global Structured Finance Default Study—1978-2009: Downgrades Accelerate In 2009 Due To Criteria Changes And Credit Performance," March 22, 2010

- Over a long period, higher ratings are associated with lower default rates, and lower ratings see higher default rates

S&P's ratings track record: Meeting the test of time

S&P conducted a comprehensive review of credit ratings—corporate, government, and structured finance debt

- **“Default, Transition, and Recovery: A Global Cross-Asset Report Card of Ratings Performance In Times of Stress” published in June 2010**
 - **Demonstrated that except for U.S. RMBS and CDOs, ratings issued in the U.S., Europe, Japan and Australia for most asset classes generally performed as expected**
 - **In contrast, the performance of ratings for U.S. RMBS and CDOs issued from 2005 through 2007 had been disappointing and below expectations**

Takeaway: Rated credits withstood the recent financial crisis with results in line with expectations for the economic environment

S&P Indices: Finding new ways to grow

June 2010:

- **Licensed Vanguard to launch eight new exchange-traded funds targeting growth and value segments of the S&P 500 and growth, value and blend segments of the S&P Midcap 400 and SmallCap 600**

May 2010:

- **Licensed seven major European exchange-traded fund sponsors to create and list S&P 500 ETFs on major European exchanges for real-time trading**

Spring of 2010:

- **Licensed the National Stock Exchange of India to create and list Indian Rupee-denominated futures contracts based on the S&P 500**

Finding new ways to grow S&P Indices

S&P will be introducing new indices in:

- **Commodities**
- **Fixed income**
- **Equities**
- **Strategy**
- **Custom**

Goal: An index for every type of investment

2010 outlook for Financial Services

Summary

- **New clarity on the regulatory and legal front**
- **New requirements are manageable**
- **Mid single-digit revenue growth versus previous estimate of high single-digit growth**
- **With improvement at S&P Credit Market Services and S&P Investment Services:**
 - **Operating profit will grow**
 - **Operating margin will decline approximately 100 basis points**

Financial Services

McGraw-Hill Education

Information & Media

2Q 2010 segment results at McGraw-Hill Education

Revenue	+1.8% to \$565.0 million <ul style="list-style-type: none">• School Education Group: (4.0%) to \$324.9 million• Higher Education, Professional and International Group: +10.8% to \$240.1 million
Operating Profit	\$51.6 million <ul style="list-style-type: none">• Compares to \$21.0 million in 2Q 2009 (included \$11.6 million net pre-tax restructuring charge)
Operating Margin	9.1% vs. 3.8% in 2Q 2009

State new adoptions will grow in 2010 despite budget pressures

Funding concerns drove reduced purchasing in Spring 2010

- **California:** Fewer districts made new reading, literature, and math purchases
- **South Carolina:** Legislature did not provide funding which effectively cancelled the 9–12 math adoption
- **Indiana:** Many districts postponed math
- **Limited activity in other states, i.e. Georgia and Oklahoma**

New forecast for state new adoption market

Now estimate 2010 state new adoption market to grow between \$825 million and \$875 million

- **Versus earlier forecast of \$875 million to \$925 million**

Anticipate nearly 70% increase in state new adoption sales

Expect market to decline in open territory and fall-off in residual sales

Expect 4% to 6% growth for overall el-hi market

- **Down from previous forecast of 6% to 7%**

Still expect 30% share in state new adoption market

Opportunities in Texas, Florida, and California

- Texas: Will capture about 40% of the K–5 reading and about 18% of 6–12 literature
 - Some orders deferred; will ship in 3Q
- Florida: Anticipate winning 40% of the 6–8 math market, about 27% of the 9–12 market, and 5% of K–5 market
- California: Expect to capture more than 50% of K–5 reading with *Treasures* and *Imagine It!* programs

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Expecting gains in smaller adoption states

- Mississippi: Expect to capture more than 40% of K–12 science
- West Virginia: Looking to capture more than 60% of K–12 math adoption
- Indiana and Oklahoma: Winning substantial share—particularly at the 6–12 grade level—despite math postponements

Strong sales in non-academic subjects

- Good capture rates in family and consumer sciences, technical education, and business and computer education

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Outlook for the testing market

Gains in the formative testing market were offset by the planned phase out of statewide custom contracts in Florida and Arizona

Significant federal funding is being pumped into el-hi market

Increase in federal funding remains a wildcard in this market

- **We are tracking the availability and ultimate use of these funds**

Federal funding and growth opportunities

2009: American Recovery and Reinvestment Act (ARRA)

- \$11.5 billion available for distribution to the states in 2010 through Phase 2 of the State Fiscal Stabilization Fund
 - Phase 1: Most of the funds were used to save teaching jobs
 - Phase 2: Funds may be used similar to Phase 1

Federal funding and growth opportunities

2010: ARRA stimulus is funding:

- \$4 billion in Race to the Top grants
- \$350 million in Common Core Assessment grants
- \$650 million in Investing for Innovation grants
- \$3.5 billion in School Improvement Grants to the states
 - 32 states and the District of Columbia have been approved for these grants, which are earmarked for low-performing schools

Potential funding for assessment and instructional materials

Race to the Top proposals include formative testing and reporting

- States winning grants will require these products and services

McGraw-Hill products are aligned with ARRA funding:

- Formative products: Acuity, Yearly ProgressPro, and Writing Roadmap
- Reporting services: The Parent Network
- Research-based instructional and intervention products: *Number Worlds* and *Reading Mastery*

Some revenue from School Improvement and Investing in Innovation grants could begin to show up in 4Q

Potential funding for assessment and instructional materials

States embracing Common Core Standards for K–12 math, reading, and language arts

- 23 states have adopted the standards; more expected in August
- More than 40 states expected to sign on by the end of 2010
- Expect an expansion of digital delivery systems for instructional materials, professional development and classroom-level assessment

Growing digital opportunities in higher education

Revenue is growing at double-digit pace

More than 1.8 million registered students and instructors are using *McGraw-Hill Connect*[™] and other homework management products

New partnership with Blackboard is increasing access to our suite of digital products

- Blackboard reaches 70 to 80 percent of the U.S. college and university market
- Students and faculty will be able to use a single Blackboard log-on to gain access to our content and tools
 - Grades for McGraw-Hill Connect assignments, quizzes and tests will post directly to the Blackboard grade book

Outlook for higher education

We are off to a solid start this year in the U.S. college and university market

- Full-year results will be determined by the heavy ordering season we have just entered

We expect the U.S. market to grow by 5% to 7%

- Last fall's surge in enrollments carried into the spring semester
- Don't expect another enrollment surge in the fall

New digital initiatives in professional markets

Digital products are producing double-digit growth in professional markets

We now have 5,000 e-books available

- Sales accelerated in April following the Apple's iPad introduction
- e-book is becoming a staple of the Business-to-Consumer market

New digital initiatives in professional markets

In the Business-to-Business market

- Content is accessed on a platform that is augmented with news feeds, video, and searchable information
- Growing family of Access products offers an array of professional resources in medicine, engineering, and business

2010 outlook for McGraw-Hill Education

Growth in key education markets in 2010

- 4% to 6% in the elementary-high school market
- 5% to 7% in the U.S. college market

Segment revenue: Low single-digit growth

- Down from previous guidance of 6% to 7% given more challenging el-hi market

Operating margin: Unchanged from 2009

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Financial Services

McGraw-Hill Education

Information & Media

2Q 2010 results at Information & Media

Revenue	(5.1%) to \$224.2 million <ul style="list-style-type: none">• +7.4% excluding divestiture of <i>BusinessWeek</i>• Business-to-Business Group: (7.8%) to \$198.9 million (+5.6% excluding <i>BusinessWeek</i>)• Broadcasting Group: +24.0% to \$25.3 million
Operating Profit	Increased \$33.1 million to \$47.5 million <ul style="list-style-type: none">• Compared to \$14.4 million in 2Q 2009 (which included a \$4.0 million net pre-tax restructuring charge)
Operating Margin	21.2% vs. 6.1% in 2Q 2009

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Revenue growth at Business-to-Business Group

Platts: Key driver in B2B's 2Q results

- Growing demand for Platts' data and information produced strong domestic and international growth

Platts' new price assessments for a changing marketplace:

- World's first price assessment for crude oil produced from the U.S. Bakken Shale formation
- Daily price assessments for liquefied natural gas imported to Southwest and Northwest Europe

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Broadcasting: Improvement in 2Q results

2Q: Revenue increased 24.0% vs. 2Q 2009

Improved national, local and political time sales

- Pick up in automotive advertising a key factor in national and local
- Benefitted from June 8th primary in California and the governor's contest in that state

3Q: Political advertising should be strong

- Key drivers:
 - August 10th Senate primary in Colorado
 - Spending on propositions

Outlook for 2010: Information & Media

Summary for 2010:

- 2009 sale of *BusinessWeek* having an impact on revenue and operating margin in 2010
- Revenue: Expect mid single-digit decline
 - Excluding *BusinessWeek* divestiture, revenue will increase in the mid single-digit range
- Operating margin: Expect to rebound into the mid-teens

Outlook for 2010: The McGraw-Hill Companies

Previous earnings per diluted share guidance for 2010 was \$2.55 to \$2.65

- **Due to choppiness in some of our key markets, we now expect to finish the year at the low end of that range**

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Robert J. Bahash
Executive Vice President and
Chief Financial Officer
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MHP enters 3Q in a strong financial position

Free cash flow is building

There is no short-term debt outstanding

Long-term debt does not come due until 2012

Started repurchasing shares in 2Q 2010

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Update on share repurchase program

**Repurchased 6.5 million shares for a total cost of
\$186.9 million**

- **Average price of \$28.76 per share**
- **First share repurchases since 3Q 2008**

**10.6 million shares remain in the 2007 program
authorized by the Board of Directors**

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Update on diluted weighted average shares outstanding (WASO)

2Q 2010: 313.2 million shares

Relatively flat compared to 2Q 2009

- Repurchases offset by issuance related to employee plans and stock price appreciation

3.1 million share decline from 1Q

- Reflects weighted impact of 2Q share repurchases

**Fully-diluted shares at end of 2Q 2010:
Approximately 310 million shares**

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MHP's debt position

MHP is well capitalized

- Net debt of \$53 million as of June 30
- Shifted to a net debt position in 2Q, primarily driven by funding for share repurchases

**Cash and short-term investments at end of 2Q:
\$1.145 billion**

Gross debt: \$1.198 billion

- Comprised of long-term unsecured senior notes
- No commercial paper outstanding

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Outlook for free cash flow in 2010

First half 2010: \$98 million

- **\$61 million increase from first half 2009**
 - Primarily due to improved operating results and a focus on asset management

2010: Now expect free cash flow in the range of \$600 million to \$650 million

- **Versus previous estimate of \$550 million to \$600 million**
- **Improvement driven by reduced capital investment projections and more favorable working capital**
- **2009 full-year free cash flow was \$770 million**

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Outlook for free cash flow in 2010

Majority of free cash flow is generated in the second half of the year

- **Due to the seasonality of education business**

Guidance implies second half cash flow will roughly be \$500 million to \$550 million

- **Lower than the prior year due to increased investment and more challenging working capital comparisons**

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Outlook for pension plan funding

2010: We do not anticipate any funding requirements for U.S. pension plan

- Pension expense is expected to increase roughly \$15 million in 2010 versus previous estimate of \$20 million

2Q expense savings at McGraw-Hill Education

2Q 2010: Adjusted expenses declined 1.8%

First half 2010: Adjusted expenses declined 2.1%

- 3.1% decline at constant currencies

Benefited from:

- 2Q 2009 merging of publishing operations
- Reduced expenses due to planned phase out of custom contracts in California, Florida and Arizona
 - Savings partially offset by increases in selling and marketing costs in 2Q for robust state new adoption opportunities and continued digital investment

2010 expense guidance for McGraw-Hill Education

Unchanged operating margin and low single-digit increase in expenses for 2010

- **Versus previous guidance of a 6% to 7% increase in expenses**
 - **Implies a mid single-digit increase in expenses in the second half**
 - **Higher selling and marketing expenses associated with robust state new adoption opportunities**
 - **Cycling through phase-out of statewide custom contracts**
 - **Increase in investments in technology and personnel to support digital initiatives**

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2Q expenses at Financial Services

2Q 2010: Adjusted expenses increased 9.4%

- **Increased 10.8%, at constant currencies**

First half 2010: Adjusted expenses increased 8.5%

- **Driven by increased salaries and occupancy costs, primarily due to international hires, and increased incentive compensation**

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2010 expense guidance for Financial Services

Expect 7% to 8% increase

- Compared to previous guidance of roughly 9% to 10% increase versus 2009 adjusted expense

Driven by:

- Continued investment in fast growing businesses
- Carry over impact of 2009 hires and planned hires in 2010
- Additional investments to support regulatory and compliance efforts

Expense guidance assumes approximately \$15 million in additional regulatory and compliance initiatives, which will occur primarily in second half of 2010

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2Q expense savings at Information & Media

2Q 2010: Adjusted expenses declined 18.9%

First half 2010: Adjusted expenses declined 19.4%

Factors influencing decline:

- 2Q 2010: Divestiture of *BusinessWeek* reduced 2Q revenue and expenses by \$27.5 million and \$38.5 million, respectively, for a positive profit impact of approximately \$11 million
- First half 2010: *BusinessWeek* divestiture reduced revenue by \$55 million and expenses by \$78 million, for a positive profit impact of roughly \$23 million
- Benefited from 2009 restructuring actions

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2010 expense guidance for Information & Media

2010: Expect expenses to decline in the low teens versus 2009

- Primarily reflects the \$38 million in savings from the divestiture of *BusinessWeek*

2010 outlook for corporate expenses

2Q 2010: \$37.6 million

- \$8.3 million increase compared to 2Q 2009
 - Largely due to increased excess space, increased incentive compensation, and growth in selected support functions

First half 2010: \$73.4 million

- \$10.6 million increase versus first half 2009

2010: Expect \$25 million to \$30 million increase

- Primarily due to increase in vacant space in New York resulting from *BusinessWeek* divestiture and restructuring actions at McGraw-Hill Education

Reduction in 2Q 2010 prepublication investments

2Q 2010: \$30.1 million

- \$12.2 million decrease versus 2Q 2009

First half 2010: \$60 million

- \$25.1 million decrease versus first half 2009
- Decline is largely due to timing; we expect increased investments in second half

Outlook for prepublication investments

2010: Now expect \$195 million to \$205 million

- Increase of \$18 million to \$28 million versus 2009
- \$30 million less than previous estimate of \$225 million to \$235 million
- Reflects:
 - Changes in many state adoption call schedules
 - Delayed investments to better align with projected opportunities
 - Continued savings from combining core basal publishing operations with alternative basal and supplemental publishing operations

Increasing property and equipment expenditures

2Q 2010: \$14.5 million

- \$5.6 million increase versus 2Q 2009

First half 2010: \$22.1 million

2010: Expect \$90 million to \$100 million

- Expect increased investment in second half
- Full year compares to \$68.5 million in 2009
- Largely reflects increase in technology spending

Outlook for non-cash items: Amortization of prepublication costs

2Q 2010: \$69.4 million

- \$1.7 million decrease versus 2Q 2009

2010: Continue to expect \$260 million to \$265 million

- Compared to \$270 million in 2009
- Reflects lower level of investment in 2009

Outlook for non-cash items: Depreciation

2Q 2010: \$26.2 million

- Compared to \$28.8 million in 2Q 2009

2010: Continue to expect approximately \$115 million

- Compared to \$113 million in 2009

Outlook for non-cash items: Amortization of intangibles

2Q 2010: \$13 million

First half 2010: \$23 million

2010: Continue to expect approximately \$40 million

Outlook for net interest expense

2Q 2010: \$20.8 million

- Compared to \$18.5 million in 2Q 2009 and \$22.0 million in 1Q 2010

2010: Expect net interest expense to be roughly comparable to 2009, which was \$76.9 million

Outlook for effective tax rate

2Q 2010: 36.4%

- Unchanged from 2009

2010: Expect a comparable rate

Outlook for unearned revenue in 2010

2Q 2010: \$1.1 billion

- 4.2% increase compared to 2Q 2009
- 7.0% increase, at constant foreign currency exchange rates and excluding impact of *BusinessWeek* divestiture, compared to 2Q 2009
 - Excluding the impact of a deferral of revenue at McGraw-Hill School Education Group, unearned revenue would have grown at approximately 3.5%

Outlook for unearned revenue in 2010

Financial Services represents approximately 73% of MHP's unearned revenue

- 2Q 2010: Low single-digit growth
 - Strong growth in ratings-related information, S&P Indices and Capital IQ
 - Offset by declines at credit ratings and equity research products

2010: Expect mid single-digit growth

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2Q 2010 Earnings Call

July 23, 2010

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: A replay of this webcast will be available approximately two hours after the end of the call from www.mcgraw-hill.com/investor_relations

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2Q 2010 Earnings Call

July 23, 2010

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