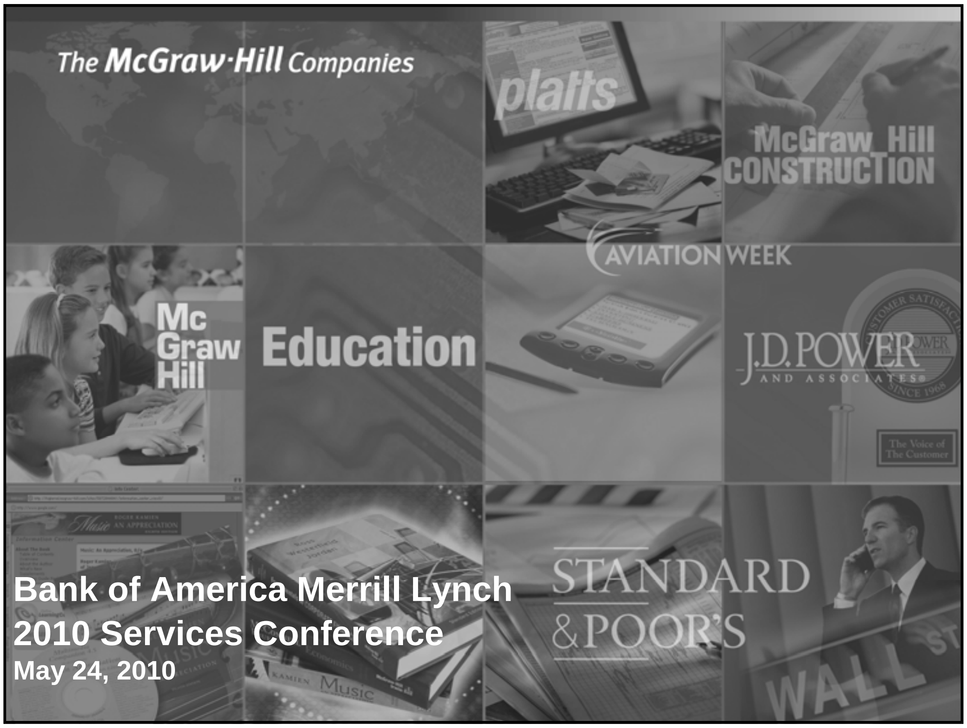

Bank of America Merrill Lynch
2010 Services Conference
May 24, 2010

Harold McGraw III

Chairman, President and CEO
The McGraw-Hill Companies

Presented at the
Bank of America Merrill Lynch
2010 Services Conference
May 24, 2010

“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.

Focusing on three key issues

- **Litigation**
- **Regulation**
- **The digital transformation in education**

Latest from the litigation front

- **12 cases completely dismissed; 11 this year**
  - Eight different judges have ruled on the 12 dismissals
- **Five cases have been dropped by plaintiffs**
- **Three motions to dismiss have been denied, pending discovery**
  - We believe these cases are without merit and will ask for dismissals
- **Dismissals fall into three major categories:**
  1. Underwriter lawsuits
  2. "Stock drop" suits
  3. Suits involving state law claims

Latest from the litigation front

- **Clear and unambiguous takeaways from recent court decisions:**
  - Rating agencies are not underwriters or sellers of securities under securities laws
  - Ratings are opinions, <u>not</u> statements of fact
  - After-the-fact criticisms of rating agencies do not support the inference that rating agencies didn't believe the appropriateness of their ratings at time of issuance

Latest from the litigation front

- **Clear and unambiguous takeaways from recent court decisions** **(continued):**
  - – Rating agencies' alleged conflicts of interest were widely known by investors
  - – Investors were adequately apprised of risks and limitations of using credit ratings
    - Not recommendations to buy, sell or hold securities

Latest from the litigation front

- **Dismissals have not been granted in three cases**
  - – Abu Dhabi and Rhinebridge cases in federal court
  - – CalPERS case in state court in California
- **What did courts decide?**
  1. In ruling on a motion to dismiss, courts are legally required to accept as true all of the allegations
     - Must also favor the plaintiffs at this preliminary stage
  2. The courts' decisions are not definitive rulings on the factual or legal merits of the claims against S&P
     - They simply allow the claims to move to discovery, the pre-trial phase of the case

Latest from the litigation front

- **Abu Dhabi case**
  - During discovery we will show that S&P rating opinions were available globally at no charge and widely disseminated through the wire services
  - 10 of 11 claims have been dismissed, including all of the plaintiff's negligence-based allegations
- **CalPERS**
  - Judge already dismissed one of the two claims
- **We remain confident in getting dismissals and regard the legal risk in these cases as low**
- **We have not received a Wells notice from the SEC**

The regulatory outlook: Contradictory language

- **Unresolved issues with U.S. Senate financial reform bill**
  - Working to resolve contradictory language
    - Promises level playing field for all participants, but at the same time proposes to lower pleading standards only for credit rating agencies
- **To impose lower pleading standards on rating agencies is unprecedented and discriminatory**
  - Goal should be a single pleading standard for all

The regulatory outlook: Contradictory language

- **We fully support efforts that increase transparency, accountability and restore confidence in markets**
- **But some proposals would set a precedent for more interference in the rating process**
  - Could undermine analytical independence and perceptions that rating opinions are government endorsed
  - No government seal of approval on rating opinions should be a goal shared by all
  - Proposals ignore Senate bill's strong oversight rules and new SEC rules encouraging more competition and requiring NRSROs to manage conflicts of interest

Fundamental contradictions in the regulatory outlook

There is a move to remove ratings from statutes and regulations to discourage any thought that our rating opinions have the government's seal of approval

Proposals in Congress to put the government's thumb on the ratings scale

Fundamental contradictions in the regulatory outlook

- **Senator Dodd opposed Franken and LeMieux amendments**
  - Franken amendment would establish a Board appointed by the SEC to assign a qualified NRSRO to do initial structured finance ratings
  - LeMieux amendment would remove rating requirements and references from existing laws and delete a provision requiring a study on the implications of such a step

Fundamental contradictions in the regulatory outlook

What Senator Dodd said:

- **On the Franken amendment:**
  - "I do not know what the implications are because we have had no real examination of [it]…I am just uneasy about what the implications can be…I just do not know whether it is sound..."
- **On the LeMieux amendment:**
  - "Congress could not simply repeal safety and soundness laws without careful prior study of the impact on the markets."

The regulatory outlook: Looking for safety and soundness

- **Senator Dodd urged colleagues to review his Committee's bill**
  - "Our bill sets out a process by which overreliance on these rating agencies can be reduced without creating risk throughout the financial system. That is my concern. Stripping everything out of safety and soundness in this area does not get you safety and soundness." – Senator Dodd
- **We agree and support proposals to increase transparency, accountability and restore confidence to financial markets**

The regulatory outlook: Looking for safety and soundness

- **We continue to examine new ways to further improve our own processes consistent with regulation—both here and abroad**
- **We are looking at new steps to evaluate data and the quality of the information sources used in the ratings process**
- **And evaluating whether or not to rate some issues, issuers, or transactions that don't have a track record**
  - May result in rating fewer emerging companies, potentially limiting access to funding in public markets for growth and innovation

How S&P has strengthened its ratings process

- **S&P has taken important steps to:**
  - Improve rating stability
  - Add value through more analysis and features
  - Increase comparability of ratings
  - Add more checks and balances to the ratings process
  - Educate the market about ratings and the ratings scale

How S&P is adding value to ratings

- **To increase transparency, S&P now regularly provides more information about:**
  - The assumptions in its models
  - The use of “what if” scenarios
  - Stress tests that illustrate the level of stress an instrument might withstand without defaulting

How S&P is adding value to ratings

- **S&P has invested heavily in people, systems and technology to expand its compliance efforts**
  – 2009: Spent about $60 million
  – 2010: May spend around $75 million
  – Depending on final regulations, these costs could settle down
- **Strengthening analytics, increasing transparency and reinforcing the integrity of the ratings process will enable S&P to enhance its value to investors**

Our vision of the digital transformation in education

- **The digital transformation of education is not about textbooks or e-books**
- **The strategy:**
  – Providing solutions
  – Linking technology, content and distribution
  – Moving educational content into an interactive, adaptive, mass customizable form
  – Improving the teaching and learning experience

Technology:
An opportunity, not a threat

- **What educational publishers know:**
  1. All content is not equal in the education marketplace
     - Sequenced and correlated content is based more and more upon learning progression
  2. Content counts and ignoring standards is perilous
  3. Digital does not disintermediate content
  4. Digital business model expands the addressable market. Changing the workflow changes the opportunity.
  5. Digital delivery adds functionality and value

Our growing digital initiatives

- **Digital revenue is increasing at a double-digit rate in our higher education and digital markets**
- **Accounts for 15% of our revenue in these markets**

Growing digital opportunities in higher education

- **Using technology to increase the addressable market**
  - Majority of our college and university textbooks are now available as e-books
  - Offering self-assessment tools for college students
- **Now more than 1.2 million registered users of *McGraw-Hill Connect*™ and other homework management products**

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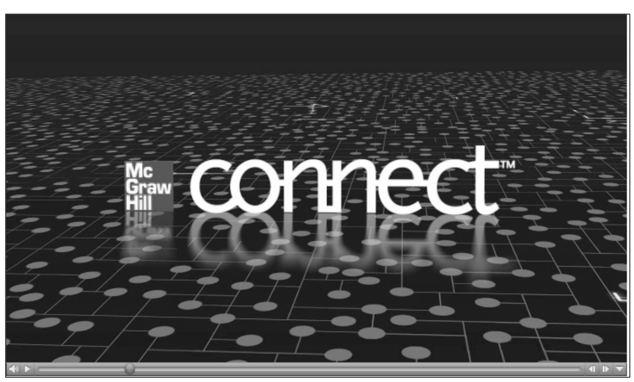
Growing digital opportunities in higher education

- **McGraw-Hill Connect™ [video]**



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More digital content for the el-hi market

- **Our elementary-high school products and services are integrating digital components into virtually every program we produce**
  - – We offer multimedia packages
  - – Mix of components varies by grade and subject
- **Interactive online student editions are a part of the future that is already here**

Growing digital opportunities in el-hi

- **ConnectED [video]**

Growing digital opportunities in el-hi

- **ConnectED and McGraw-Hill Connect illustrate McGraw-Hill's:**
  - Ability to adapt to a rapidly changing environment
  - Use of technology to provide solutions our customers need to teach and learn more effectively

Positive indicators for growth in 2010

- **Economy is improving**
- **Markets are recovering**
- **We expect growth in 2010**
- **Our year is off to a very good start**
- **Our financial position is strong**

Positive indicators for growth in 2010

- **Increased the dividend for 37th consecutive year**
  - Annual dividend has grown at an average compound rate of 9.9% since 1974
- **Resumed share buybacks this year**
  - 17.1 million shares were authorized in the program

Positive indicators for growth in 2010

- **We are investing in the growing digital and global economy to:**
  - Capture growing opportunities
  - Improve the operating leverage across all our businesses

2010 outlook for Financial Services

- **Encouraging trends in 1Q continued through April**
- **Pipeline for corporate issuance still looks good in May, but not at record levels we experienced in April**
- **Recently, some issuers moving to sidelines because of uncertainty over conditions in Europe, pending U.S. regulations, and widening credit spreads**

2010 outlook for McGraw-Hill Education

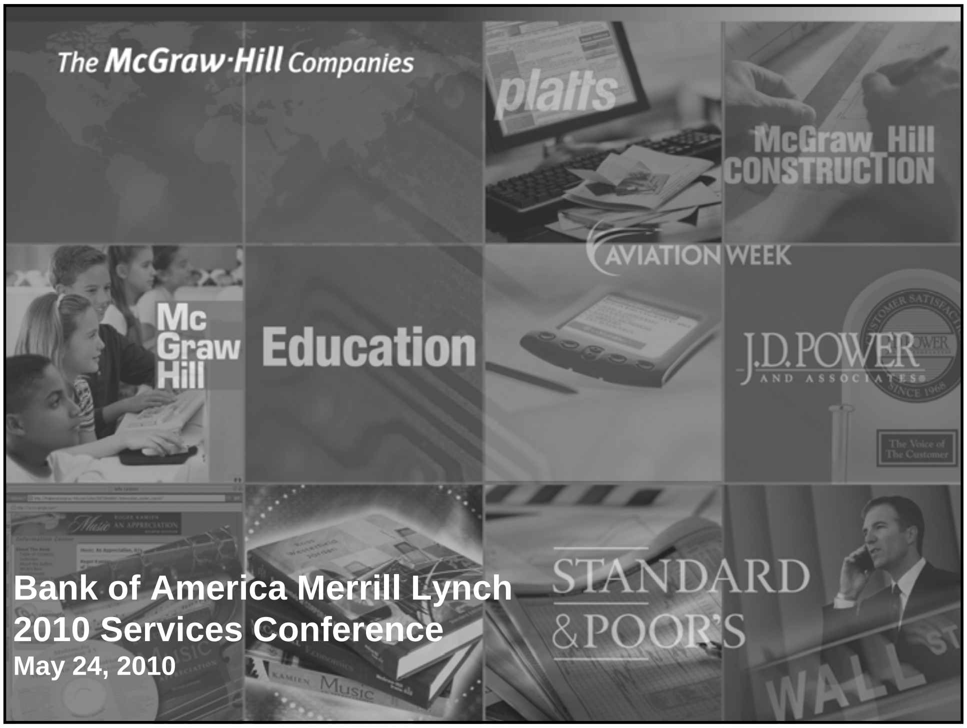
- **Growth in key education markets in 2010**
  – 6% to 7% in the elementary-high school market
  – 5% to 7% in the U.S. higher education

2010 outlook for Information & Media

- **Revenue: Expect mid single-digit decline**
  - Excluding $99 million from *BusinessWeek* divestiture, revenue will increase in the mid single-digit range
- **Operating margin: Expect to rebound into the mid-teens**

2010 outlook for The McGraw-Hill Companies

- **2010 guidance**
  - Expect diluted earnings per share in the $2.55 to $2.65 range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