

The McGraw-Hill Companies

1Q 2010 Earnings Call

April 27, 2010

Presenters:

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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 1Q 2010 results

65.0% increase in 1Q EPS

- 1Q 2010: \$0.33
- 1Q 2009: \$0.20

1Q revenue increased 3.7%

- Grew 6.7% excluding divestitures of *BusinessWeek* and Vista Research

2010 is off to a good start

- 1Q is seasonally the smallest quarter of the year

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Positive indicators of growth in 2010

Real GDP expected to increase 3.0% in 2010

Encouraged by improvement in financial markets:

- Low interest rates
- Narrowing bond spreads

Prospects for growth in key education markets

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McGraw-Hill Education

Financial Services

Information & Media

1Q 2010 segment results at McGraw-Hill Education

Revenue	+1.5% to \$317.2 million <ul style="list-style-type: none">• Higher Education, Professional and International Group: +8.3% to \$205.7 million• School Education Group: (9.0%) to \$111.6 million
Operating Loss	(19.3%) to \$61.8 million

1Q results for McGraw-Hill School Education Group

1Q el-hi ordering is typically light

- North Carolina did not order this year; usually makes substantial purchases before end of March

Gains in open territories offset slight decline in adoption states

- Increased supplemental, residual and intervention product sales

1Q results for McGraw-Hill School Education Group

Benefited from improved orders:

- Ohio, Maryland and South Dakota completed adoptions in 2010 that were initiated in 2009

Discontinued summative testing contracts in Florida, California and Arizona offset gains from instructional materials

Continued progress in formative market:

- Steady progress with *Acuity*, our market-leading assessment program

Tracking buying patterns closely

Timing issues:

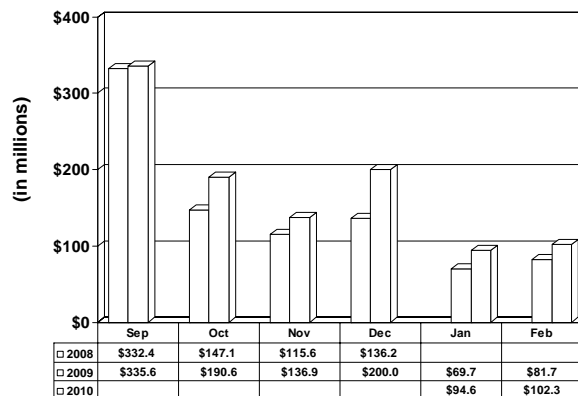
- Local school districts in some adoption states have two or more years to purchase materials

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Contra intuitive growth in elementary-high school market

Six consecutive monthly increases in total basal and supplemental K-12 net sales



Increases from Sept 2009 through Feb 2010
• May be tied to release of stimulus funds

Source: Association of American Publishers

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Still expect 6% to 7% growth in 2010 el-hi market

Now estimate 2010 state new adoption market to grow between \$875 million and \$925 million

- **Versus earlier forecast of \$925 million to \$975 million**
 - **New forecast represents about an 80% year-over-year increase for the market**
- **No formal postponements announced in 1Q, but there may be pullbacks due to implementation of Common Core Standards and budget pressure**

Outlook for el-hi state new adoption market

Indiana's Department of Education is recommending delay of 2010 K–12 math adoption until materials are aligned with the Common Core Standards

- **Difficult to gauge district response to this recommendation**
- **Adoption has been funded**

Where Common Core Standards are an issue, McGraw-Hill will provide online and print supplements in accordance with the standards

Outlook for el-hi state new adoption market

Budgetary pressures may drive more district-level postponements than originally anticipated

- **Forecasting lower spending in Georgia, California, Virginia and Kentucky**
- **Florida K–5 math adoption looks solid, but some districts are delaying high school math purchases**
- **South Carolina may delay its 9–12 math adoption**

Higher residual sales in these states for replacement copies, consumable materials should help offset the reduction in the state new adoption market

Outlook for 2010 open territory market

Expect low single-digit decline in industry's open territory sales

- **Seeing some district-level postponements**
- **Overall sales outlook is reasonably optimistic**

Evidence of pent-up demand:

- **Federal stimulus funding helped states implement some adoptions delayed in second half 2009**
- **Federal stimulus will contribute to purchasing in 2010**

School Education Group still aiming for 30% share or better in 2010 in state new adoption market

The outlook for the testing market

Gaining share in the formative testing market

- Coming from district-level adoptions

New opportunities:

- Race to the Top grant winners beginning to implement plans for formative and summative testing
- Movement toward Common Core standards and assessments gaining momentum

Assessing the Common Core Standards Initiative

An effort among the states to agree upon concepts and skills in math and language arts that all students should master at each grade level to meet internationally benchmarked criteria for college and career readiness

- Final drafts of standards are now under review

48 states (excluding Texas and Alaska) plus the District of Columbia are taking part in the movement

- Delaware and Tennessee have won Phase 1 awards of \$100 million and \$500 million, respectively
- Phase 2 winners will be announced in September

Assessing the Common Core Standards Initiative

Department of Education will also award a total of \$350 million to a multi-state consortia with winning proposals for developing new assessments based on the standards

Common Core Standards to create new opportunities

Testing development will begin late 2010/early 2011

Common Assessments will be implemented in 2012–2014

Common Core movement has favorable implications

- **Expect more purchasing of instructional materials that incorporate the new standards**
- **Cost savings for McGraw-Hill School Education Group**
 - **Deliver more content to schools in digital form**
 - **Less state-level customization of content required**

Outlook for higher education: Surge in enrollments driving growth

Federal stimulus dollars helped increase enrollments last fall and again this year

More funding for students:

- Increased Pell Grants
- Higher allowable tax deductions for college-related expenses
- New Post 9/11 GI Bill provides subsidies to more than 150,000 veterans since Fall 2009
- New *Student Aid and Fiscal Responsibility Act* increases Pell Grant awards through 2017

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Growing digital opportunities in higher education

Accelerating pace of students embracing our digital products

- Online study tools like *McGraw-Hill Connect*™, online courses, and e-books

Now more than 1.2 million registered users of *McGraw-Hill Connect*™ and other homework management products

- *McGraw-Hill Connect*™ will be added to more than 170 courses this year

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Growing digital initiatives in professional markets

New digital products in 1Q 2010:

- *Kiss, Bow or Shake Hands*—a digital subscription-based reference for international business etiquette
- *Perfect Phrases for Managers*—a performance support tool that helps managers find the right phrase at the right time
- *Select™: E-Chapters in an Instant*—enable customers to download chapters from our best-selling business books as stand-alone items
 - More than 750 chapters now available

Growing digital initiatives in professional markets

New *AccessPhysiotherapy* is sixth specialty site in the *AccessMedicine* suite

- Broadens market beyond medical education and clinical practice to the allied health field
- Provides searchable access to:
 - McGraw-Hill's leading physical therapy and internal medicine titles
 - Interactive imaging content
 - Curricular management tracking tools and tests
 - More than 80 videos and exclusive lectures

Growing digital initiatives in professional markets

Digital offering broadens geographic coverage

- **New partnership agreement with the Chinese Education and Research Network**
 - **Makes Access suite available for the first time to Chinese students, educators and researchers**

Digital products are producing double-digit growth in professional markets

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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. college market**

Segment revenue: 6% to 7% growth

Operating margin: Unchanged from 2009

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McGraw-Hill Education

Financial Services

Information & Media

1Q 2010 results at Financial Services

Revenue	+9.3% to \$667.0 million <ul style="list-style-type: none">• S&P Credit Market Services: +15.4% to \$451.5 million• S&P Investment Services: (1.5%) to \$215.5 million
Operating Profit	+12.3% to \$260.0 million
Operating Margin	39.0% compared to 38.0% in 1Q 2009

Key drivers in Financial Services' 1Q 2010 results

S&P Credit Market Services: 15.4% growth in 1Q revenue

- Increase driven by:
 - Record high-yield issuance
 - Strong growth in bank loan ratings
 - Solid gain in public finance
 - Modest improvement in structured finance
 - 18.4% growth in international markets
 - 12.8% growth in domestic markets

S&P Investment Services: 1.5% decrease in 1Q revenue

- Decline primarily attributable to:
 - Divestiture of Vista Research in May 2009
 - Expiration of contracts under Research Settlement in July 2009

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Key revenue driver at S&P Credit Market Services

Transaction revenue: +33.6% in 1Q

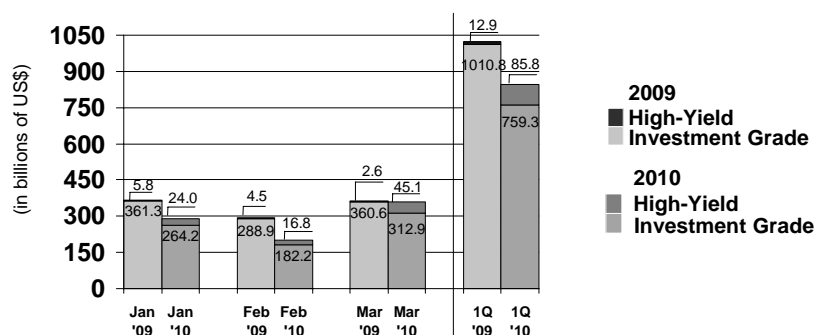
- Driven by surging high-yield volume, bank loan ratings and public finance

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Record 1Q growth in worldwide corporate high-yield debt issuance

Worldwide Corporates: High yields up 564.5%



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

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Interest rate spreads: A key gating factor for issuance

Credit spreads continue to contract:

Basis Points	4/22/10	One Month ago	1/1/09	5 year Mvg Avg
Investment-grade composite spread	164	177	531	198
Speculative-grade composite spreads	544	594	1,628	574

Source: Standard & Poor's Global Fixed Income Research

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Favorable trends in the credit markets

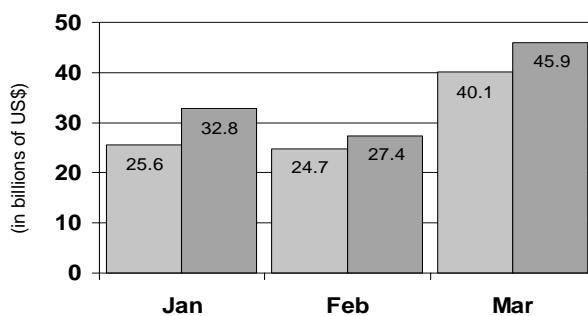
Steady spread contraction across all asset-backed securities

Asset-backed securities	January 2009	April 20, 2010
Autos	LIBOR + 605 bps	LIBOR + 30 bps
Credit cards	LIBOR + 525 bps	LIBOR + 30 bps
FFELP student loans	LIBOR + 355 bps	LIBOR + 35 bps

Source: Deutsche Bank Fixed Income Research

Public finance up in 1Q and near record 2007 issuance

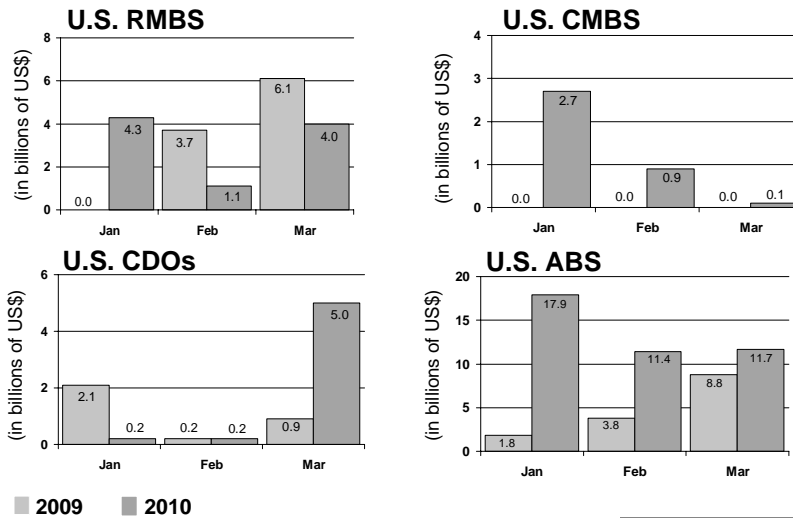
U.S. Public Finance



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

■ 2009 ■ 2010

Structured finance contributed modestly to 1Q increase



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

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Non-transaction revenue up 8.1% at S&P Credit Market Services

Non-transaction revenue represents 67% of S&P Credit Market Services' revenue

S&P continues to build its deferred revenue stream

- Recurring annual fees through frequent issuer programs, surveillance fees and subscription services

Non-transaction: Revenue stream expected to be durable for some time

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How non-transaction revenue grew in 1Q

8.1% non-transaction revenue growth in 1Q primarily from increased subscriptions and annual fees

Other contributions:

- Increased demand for products and services not tied to new issuance
- An increase in new credits under surveillance
- Price increases
- A modest favorable foreign exchange impact

Data and information benefiting S&P Investment Services

Capital IQ and S&P Indices were primary drivers in 1Q

Capital IQ now serves more than 3,000 clients

- An increase of 13.5% vs. 1Q 2009
- 4.8% increase since year-end 2009

Growing global demand

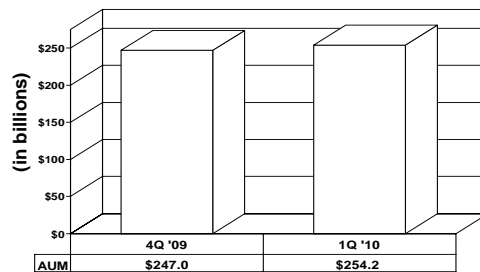
- Capital IQ opening new offices in Milan and Tokyo

S&P Indices: Growth in asset-based revenue

1Q 2010: New high of \$254.2 billion for assets under management in exchange-traded funds based on S&P indices

- 2.9% higher than the previous record high at year-end 2009
- 21 new exchange-traded funds based on S&P indices were launched in 1Q, bringing the total to 238

S&P Index-Based Total ETF Assets Under Management



Source: Standard & Poor's and Bloomberg

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Finding new ways to grow S&P Indices

Goal: An index for every type of investment

In March 2010, S&P introduced indices in:

- Commodities
- Fixed income
- Equities
- Strategy
- Custom

More indices are on the way

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Positive signs at S&P Credit Market Services

High-yield issuance will continue at a good pace

- Proceeds mainly used for leveraged loan repayments

Activity will continue in the bank loan market

Refinancing will be a factor with \$2 trillion in debt maturities due through 2014

Number of investment-grade corporate transactions will increase in 2010

- Par amounts will be moderate versus 2009

Positive signs at S&P Credit Market Services

Muni market looks promising despite focus on state and local budget deficits

- Deficits have not reduced ability to issue debt
 - Taxable bonds are expected to drive growth
 - Traditional tax-exempt securities will make up the largest share of issuance

Positive signs at S&P Credit Market Services

Structured finance market has improved but new federal rules/regulations may:

- Increase cost of securitization
- Temper new issuance

Latest developments on litigation front

Courts are issuing decisions in lawsuits against McGraw-Hill and Standard & Poor's

- 12 cases have been dismissed; 11 since beginning of 2010
- Decisions by eight federal court judges
- A motion to dismiss two related cases alleging fraud has been denied pending discovery

Dismissals in all three major categories:

1. Underwriter lawsuits
2. "Stock drop" suits
3. Suits involving state law claims, including alleged fraud

No dismissal has been based on assertion of a First Amendment defense

- Underscores erroneous claim that Standard & Poor's is using First Amendment to shield it from claims

Latest developments on litigation front

1. Underwriter lawsuits allege that McGraw-Hill is liable under Securities Act of 1933

- To date, four federal judges have granted motions to dismiss in six separate “underwriter” actions
- In light of favorable rulings, class action counsel in the Fort Worth Employees’ Retirement Fund litigation recently dropped all claims against S&P and two other rating agencies

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Latest developments on litigation front

2. “Stock drop” suits allege the Company’s statements about its earnings and ratings business were misleading and violated the Securities Exchange Act of 1934 and ERISA

- Three stock drop suits have been dismissed

3. Suits involving state law claims, alleged fraud

- Three dismissals to date

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Latest developments on litigation front

Significant decisions in cases in which Standard & Poor's is not a party

- Claims against an issuer or underwriter based on allegedly misleading statements about ratings included in disputed offering documents
- The federal courts have rejected these claims outright
- These decisions constitute meaningful legal precedent and should help guide judicial rulings in remaining cases

How the courts have ruled

In dismissing “underwriter” claims against rating agencies

- The New Jersey Carpenters Vacation Fund case
“Plaintiffs’ allegations do not support an inference that the Rating Agency Defendants were involved in the sale or distribution of the securities such that they could be considered underwriters...”

— Judge Baer

How the courts have ruled

In rejecting claims that rating agencies “controlled” Lehman

- Lehman Brothers Securities and ERISA Litigation

“This complaint, fairly read, alleges only that the Rating Agencies had the power to influence Lehman with respect to the composition of the pools of mortgages to be securitized and the credit enhancements the Rating Agencies regarded as necessary to obtain the desired rating. But these allegations fall considerably short of anything that could justify a reasonable trier of fact in concluding the decision making power lay entirely with the Rating Agencies.”

— Judge Kaplan

How the courts have ruled

In concluding that ratings are opinions and not statements of fact that are actionable under securities laws

“Credit ratings and the relative adequacy of protective credit enhancements are statements of opinion, as they are predictions of future value and future protection of that value.”

— Judge Baer

How the courts have ruled

In dismissing allegations, based upon alleged purported failures to disclose rating agencies conflicts of interest

“The Securities Act does not require disclosure of that which is publicly known, and the risk that rating agencies operating under a conflict of interest because they were paid by the issuers has been known publicly for years.”

— Judge Kaplan

How the courts have ruled

In ruling that investors were adequately cautioned about risks in offering documents

- **The New Jersey Carpenters Vacation Fund case**

“The Offering Documents adequately bespoke caution about the risk entailed by the credit ratings and credit enhancements...[and] disclosed the risks of relying on credit ratings, the potential inadequacy of credit enhancements and that a lack of historical data made future predictions about value inherently difficult. In other words, the Offering Documents ‘warn investors of exactly the risk the plaintiffs claim [were] not disclosed.’ ”

— Judge Baer

Latest developments on litigation front

Federal courts are making important decisions in similar cases in which Standard & Poor's and the other rating agencies are not defendants:

1. *Plumbers Union Local versus Nomura Asset Acceptance Corp.*
2. *New Jersey Carpenters Health Fund versus DLJ*
3. *New Jersey Carpenters Health Fund versus RALI*

How the courts have ruled

In addressing after-the-fact criticism of rating agencies

- Plumbers Union Local No. 12 Pension Fund vs. Nomura

“None of the purported comments made by S&P and Moody's employees in the wake of the collapse of the sub-prime mortgage market (in 2007) ‘support the inference’ that the ratings were compromised as of the dates (in 2005 and 2006) when registration statements and prospectus supplements became effective.”

— Judge Stearns

Latest developments on litigation front

Clear takeaways from recent court decisions:

- Rating agencies are not underwriters or sellers of securities under securities laws
- Rating agencies are not controlling persons under securities laws
- Ratings are opinions, not statements of fact
- After-the-fact criticisms of rating agencies do not support an inference that rating agencies did not believe their ratings were appropriate at the time they were issued

Latest developments on litigation front

Clear 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
 - They are not recommendations to buy, sell or hold securities

Latest developments on litigation front

**Courts understand the difference between
credit risk and market risk**

**Misunderstanding by others are on display
almost daily by some sophisticated investors
who claim they relied on ratings to make their
investment decisions for themselves or as
fiduciaries for others**

The regulatory outlook for S&P remains fluid

**Potential problems for Nationally Recognized
Statistical Rating Organizations (NRSROs) in
proposed U.S. Senate bill**

- **Preamble to bill says NRSROs should be subject to
same standards of liability and accountability as
securities analysts, investment banks, auditors and
other market participants**
- **As currently written, parts of the legislation would
lead to opposite effect**
 - **Materially different standards would establish a
separate, lower pleading standard for NRSROs**

The regulatory outlook for S&P remains fluid

We are seeking a level playing field

- All parties should be subject to the same legal pleading standards
- To impose lower pleading standard on NRSROs is unprecedented and discriminatory

The regulatory outlook for S&P remains fluid

We fully support the increased accountability, transparency and oversight of credit rating agencies

- We will continue to work with both political parties to clarify our position

Passage of the bill is hard to predict

- Senate may vote on its bill before Memorial Day
 - Uncertainty remains on when the Senate and House would convene a meeting to reconcile differences

The regulatory outlook for S&P remains fluid

New SEC regulations go into effect on June 2

- **New 17g5 rule requires issuers and arrangers to make information available to all NRSROs—whether paid or not**
 - Promotes unsolicited ratings

S&P is working with market participants to implement 17g5 rule and to meet new disclosure rules on history of its ratings actions

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2010 outlook for Financial Services

Summary

- **Market is recovering**
- **Progress on the legal front**
- **Meeting new regulatory requirements**
- **Outlook for U.S. legislation remains fluid**
- **High single-digit revenue growth with improvement at S&P Credit Market Services and S&P Investment Services**
- **Operating profit will grow**
- **Operating margin will decline 100 basis points**
 - Reflects infrastructure investments and compliance with new regulatory requirements

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McGraw-Hill Education

Financial Services

Information & Media

**1Q 2010 results at
Information & Media**

Revenue	(8.5%) to \$206.2 million <ul style="list-style-type: none">• Broadcasting Group: +2.2% to \$18.7 million• Business-to-Business Group: (9.5%) to \$187.5 million
Operating Profit	Increased \$25.0 million to \$27.8 million
Operating Margin	13.5% vs. 1.2% in 1Q 2009 <ul style="list-style-type: none">• Highest operating margin since 14.9% for full year 2004

Business-to-Business Group: Making steady progress

Divestiture of *BusinessWeek* is having a positive impact on results

- Late 2009 divestiture will positively impact year-over-year comparisons for 11 months in 2010

Excluding *BusinessWeek* divestiture:

- Revenue grew 4.3% in 1Q
- Business-to-Business Group's revenue increased 4.5% versus reported decline of 9.5%

Revenue growth at Business-to-Business Group

Platts: Primary driver in B2B's 1Q results

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

Improvement at J.D. Power and Aviation

Softness in construction reflected difficult conditions for smaller regional contractors

Tracking the digital transformation of Information & Media

A plus for the segment in 2010

**Digital products and services represented more
than 60% of B2B Group's 1Q revenue**

Contributed to margin improvement

Broadcasting: Positive signs in 1Q results

Revenue increased 2.2% in 1Q

- **Pick up in political and automotive advertising**

Outlook for 2010: Information & Media

Summary for 2010:

- 2009 sale of *BusinessWeek* will have a positive impact on revenue and operating margin in 2010
- 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

Outlook for 2010: The McGraw-Hill Companies

Summary for 2010:

- Year is off to a good start
- Maintaining our original guidance of diluted earnings per share of \$2.55 to \$2.65

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

**MHP starts 2010 in
a strong financial position**

Maintaining a healthy balance sheet

1Q 2010 total debt: \$1.2 billion

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

**Ended 1Q 2010 with cash and short-term
investments of \$1.235 billion**

Slight positive net cash position

The outlook for investments and expenses

1Q 2010 segment expenses declined 2.6%

Even with increase in EPS in 1Q, guidance remains the same due to increased investments later in the year

- **Technology investments**
- **Additional selling and marketing expenses**
- **Increasing our talent base in each segment**

1Q expense savings at McGraw-Hill Education

Expenses declined 2.6%

Expenses, at constant currencies, declined 4.7%

Benefited from savings:

- **2Q 2009 merging of our core basal publishing operations with alternative basal and supplemental publishing operations**
- **Reduced expenses due to planned phase out of custom contracts in California, Florida and Arizona**

2010 guidance for McGraw-Hill Education

2010 revenue guidance: 6% to 7% growth

- Compared to previous guidance of 7% to 8% growth

Maintaining adjusted operating margin from 2009

- Now expect expenses to increase 6% to 7% versus previous guidance of a 7% to 8% increase
 - Additional selling and marketing expenses due to robust state new adoption opportunities
 - Investments in technology and personnel to support digital initiatives, particularly at Higher Education and Professional

1Q expenses at Financial Services

Expenses increased 7.5%

Expenses, at constant currencies and excluding impact of divestiture of Vista Research, increased 5.4%

2010 guidance for Financial Services

2010 expense guidance: Expect 9% to 10% increase versus 2009 adjusted expenses. Driven by:

- Continued investment in our 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 \$20 million in additional regulatory and compliance initiatives

- Highly dependent on final form of regulation

1Q expense savings at Information & Media

Expenses declined 19.9%

Expenses, at constant currencies, also declined 20.5%

Factors influencing decline:

- 4Q 2009 divestiture of *BusinessWeek* reduced revenue and expenses by \$27.8 million and \$40.0 million, respectively, for a positive profit impact of approximately \$12 million in 1Q 2010
- 2009 restructuring actions

Measuring the impact of *BusinessWeek* divestiture

Information & Media's 2010 results will reflect \$38 million in savings from *BusinessWeek* divestiture

- Corporate expense will increase \$13 million as a result of managing vacant space and other support costs following the divestiture

2010 guidance for Information & Media

Expect expenses to decline in the low teens versus 2009 adjusted expenses

- Primarily reflects the divestiture of *BusinessWeek*

2010 outlook for corporate expenses

1Q 2010: \$35.8 million

- \$2.4 million increase compared to 1Q 2009, largely due to increased excess space

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

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

Outlook for free cash flow in 2010

1Q 2010: (\$12.8 million)

- Compared to (\$56.2 million) in 1Q 2009

Guidance for 2010: We anticipate free cash flow in the range of \$550 million to \$600 million

- Reduction in free cash flow versus 2009 is due largely to more challenging working capital comparisons and increased investments

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 \$20 million in 2010

Increasing prepublication investments

1Q 2010: \$29.9 million

- \$12.8 million decrease versus 1Q 2009, largely due to timing

2010: Expect \$225 million to \$235 million

- Expected to increase \$48 million to \$58 million versus 2009, primarily for opportunities in the growing state new adoption market

Increasing property and equipment expenditures

1Q 2010: \$7.6 million

- Slight decrease versus 1Q 2009

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

- Compared to \$68.5 million in 2009
- Largely reflects increase in technology spending

Outlook for non-cash items: Amortization of prepublication costs

1Q 2010: \$25.8 million

- \$1.5 million decrease versus 1Q 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

1Q 2010: \$25.9 million

- Compared to \$29.4 million in 1Q 2009

2010: Now expect \$115 million, versus our earlier forecast of \$120 million

- Compared to \$113 million in 2009
- Reflects shift in timing of certain capital expenditures

Outlook for non-cash items: Amortization of intangibles

1Q 2010: \$10 million

2010: Continue to expect approximately \$40 million

Diluted weighted average shares outstanding (WASO)

1Q 2010: 316.3 million shares

- 4.2 million share increase compared to 1Q 2009
- 1.8 million share increase from 4Q 2009

**Increase driven by stock price appreciation and
issuance related to employee plans**

**Fully-diluted shares at end of 1Q 2010:
Approximately 317 million shares**

Outlook for net interest expense

1Q 2010: \$22.0 million

- Compared to \$20.6 million in 1Q 2009 and \$20.0 million in 4Q 2009

**2010: Expect net interest expense to be roughly
comparable to \$76.9 million in 2009**

Outlook for effective tax rate

1Q 2010: 36.4%

- Unchanged from 2009

2010: Expect a comparable rate

1Q '10 tax payments

1Q 2010: We made a cash tax payment of approximately \$35 million due to restructuring actions related to our international operations

- Will largely be recovered through reduced tax payments in the second half of the year
- Does not impact tax rate

Immaterial impact from new healthcare legislation

New healthcare law eliminates the tax deductibility of employer paid retiree prescription drug benefits

McGraw-Hill's post-retirement benefits program does not include a significant portion of retiree prescription drug benefits which are reimbursed per the Medicare Modernization Act of 2003

Outlook for unearned revenue in 2010

1Q 2010: \$1.1 billion

- 2.8% increase over 1Q 2009
- In constant currency and excluding impact of divestitures, grew 4.3% versus prior year

Financial Services represents approximately 75% of MHP's unearned revenue

- While comparatively small, McGraw-Hill Education is showing strong unearned revenue growth driven by an increase in subscription-based products, particularly at Higher Education

2010: Expect mid single-digit growth

Update on share repurchase program

In January, we announced plans to resume share repurchases in 2010

- **No repurchases in 1Q**
- **17.1 million shares remaining from the 2007 authorization from the Board of Directors**

We remain committed to resuming the program later in 2010

The McGraw-Hill Companies

1Q 2010 Earnings Call

April 27, 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

1Q 2010 Earnings Call

April 27, 2010

Replay Options

Internet replay available for one year

Go to www.mcgraw-hill.com/investor_relations

- Click on the Earnings Announcement link under Investor Presentation Webcasts

Telephone replay available through May 27, 2010

Domestic: 800-839-4838

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