
This presentation includes certain forward-looking statements about the Company's businesses, new products, sales expansion, tax rates, cash flows, prepublication investments and operating and capital requirements. Such forward-looking statements include statements, among others, about the strength and sustainability of the U.S. and global economy; Educational Publishing's level of success in 2007 adoptions and in new programs, and enrollment and participating schools; the growth of educational spending, the level of school construction activity, the level of educational funding, the strength of the U.S. and international economies, the level of student and institutional capital spending, the impact of technology on them; the level of interest rates and the strength of the economic recovery; premium 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 data and the level of demand for collateralized debt obligations; the level of activity in the capital, technology, and housing markets; the level of merger and acquisition activity in the U.S. and abroad; the strength of the domestic and international advertising markets, the level of enrollment and budgetary restrictions, the level of interest rates, the demand for new products, the effect of competitive products and pricing; the success of new product development and global expansion and strength of domestic and international markets; the level of school construction activity and the level of educational spending, the level of student and institutional capital spending, the impact of technology on them; the level of interest rates and the strength of the economic recovery; premium 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 data and the level of demand for collateralized debt obligations; the level of activity in the capital, technology, and housing markets; the level of merger and acquisition activity in the U.S. and abroad; the strength of the domestic and international advertising markets, the level of enrollment and budgetary restrictions, the level of interest rates, the demand for new products, the effect of competitive products and pricing.

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.

Committed to advancing total shareholder value

• Returned approximately $2.5 billion to shareholders in 2007
  – Increased cash dividend by 12.9%
  – Repurchased 37.0 million shares in 2007
• Expect to end 2007 with approximately 322.5 million shares outstanding, a 31.5 million reduction from year-end 2006

A growing dividend since 1974

• Board traditionally considers changes in cash dividend in January
• 10.4% average compound annual growth rate in dividend since 1974

Returning cash to shareholders

• $8.4 billion returned to shareholders since 1996 through cash dividends and share buybacks
**How MHP increases diversity and resiliency**
- Expanding in international markets
- Making prudent acquisitions to enhance growth opportunities
- Using technology to monetize content and improve operating leverage
- Reducing dependence on advertising—now less than 6% of revenue
- Reducing dependence on U.S. bond market—39% of ratings revenue from off-shore

**Expanding globally to increase international revenue**
- 2006: MHP’s foreign source revenue grew by 14.4%
  - 24.5% of total revenue in 2006
- 2007: Foreign source revenue up nearly 20% after nine months
  - Expect proportion to increase in 2007 and beyond, with all three segments contributing to growth overseas

**Key trends will keep MHP growing**
- Worldwide need for capital
- Global demand for knowledge
- Need for transparent business information

**Acquisitions and investments are performing well**
- Contributing to international growth
  - J.D. Power and Associates
  - Capital IQ
  - CRISIL (now majority ownership)
- Acquired software companies to enhance capabilities in Financial Services
  - ClariFI
  - IMAKE

**How technology is transforming world of information**
- Creating new ways to:
  - Monetize content
  - Add incremental revenue
  - Improve operating efficiency
- Increased digital workflow capabilities a key to improving efficiency with vendors for composition, design, pre-press and printing

**The outlook for U.S. and world GDP**
- S&P’s chief economist David Wyss expects U.S. GDP growth of 1.9% in 2008
  - U.S. GDP increased 2.2% in 2007
  - Forecast based on slow growth in 4Q 2007 and first half of 2008, and pick up in second half of 2008
- World GDP expected to grow 4.5% in 2008
Outlook for housing market

- U.S. housing recession will be factor for most of 2008
  - New housing starts will begin to bottom out this spring
  - Sales will bottom out a little later
  - Housing prices will continue to fall in 2008
    - 6.5% drop forecasted
    - 13.0% decline peak-to-trough between Dec '06 and Dec '08

Outlook for more interest rate cuts

- Next interest rate cut by Federal Reserve could come at end of January
- Additional rate cuts possible in March and April
- Rate could be down to 3.5% by April

Financial Services

Expanding S&P's index services

- Benefit from creation, maintenance and marketing of growing family of liquid and investable indices
- Source for some of world’s most valuable and actively-traded derivatives

Expanding our Index Services

- 2007: Introduced 52 new indices, not including custom indices
- 2007: Reached new milestone for number of U.S. and worldwide EFTs based on S&P indices
- Assets under management in EFTs based on S&P indices at end of 2007 totaled $235.4 billion, 46% increase over year-end 2006

Building a diverse, resilient revenue stream for Financial Services

- Approximately 25% of Financial Services revenue not tied to ratings
  - Generated by:
    - Data
    - Information
    - Index services
    - Research
Goal:
Provide an index for every investment

- New indices include:
  - Thematic indices
  - Shariah indices
  - Emerging market indices
  - Our first bond index, S&P National Municipal Bond index
  - Real estate indices
  - Commodity indices
  - Volatility indices

How S&P generates revenue for indices
1. Trading of derivative contracts
2. Basis points from assets under management in EFTs
3. Licensing agreements
4. Data and custom indices

Expanding S&P’s Index Services
- New opportunities to create products and services driven by:
  - Expansion of cross-border investing
  - Growing demand for new investable products and strategies

Moving ahead in data and information
- Capital IQ client base has grown to 2,200 since acquisition
  - Includes all major investment banks and majority of world’s top private equity and hedge funds
- New offerings include:
  - More fixed income and real-time information
  - More company information
  - More global content amid greater functionality
  - Integrated S&P credit research and ratings

Moving ahead in data and information
- Acquired ClariFI to enhance Capital IQ and Compustat’s ability to deliver solutions to portfolio managers and quantitative analysts

How S&P is growing overseas revenue
- 2007 estimated: 39% of S&P ratings revenue comes from off-shore
  - Will contribute more in years ahead
- 2008: New offices in Dubai and Johannesburg and signed agreement to acquire rating agency in Israel will contribute to growth overseas
  - Will also leverage South Asian hub for expansion in that region

www.mcgraw-hill.com
Building a diverse, resilient revenue stream for Financial Services

- 25% of S&P ratings revenue comes from non-traditional products and services
  - Bank Loan Ratings
  - Financial Strength Ratings
  - Rating Evaluation Services
  - Counterparty ratings
  - Advanced analytics for insurance sector

Building a diverse, resilient revenue stream for Financial Services

- Fee structures reduce volatility at S&P ratings
  - Lessen dependency on new issue market
  - In first nine months of 2007, 48% of ratings revenue tied to transactions
- Recurring revenue stream reflects growth of frequent issuer programs and surveillance fees
  - Contributed to MHP’s $1 billion in deferred revenue at end of 3Q 2007
  - About 75% of unearned revenue comes from S&P

Making investments to improve surveillance capabilities

- Acquired IMAKE Consulting, a leading provider of software and services to structured finance market
- ABSXchange, end-to-end solution provider of structured finance data, analytics, cash flow analysis and modeling

New issuance illustrates trajectory of 4Q business

- U.S. RMBS
- U.S. CMBS
- U.S. CDOs
- U.S. ABS

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

New issuance illustrates trajectory of 4Q business

- U.S. Corporates
- U.S. Public Finance

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

Guidance for Financial Services in 4Q 2007 remains unchanged

- High single-digit decline in revenue
- Some margin contraction
What we expect in 2008

• Remain confident about:
  – Prospects in U.S. corporate and public finance markets
  – Opportunities for growth overseas
  – Opportunities in our non-ratings business

• Expect more conservative approach to financing in structured markets and reduced appetite for complex structured products

S&P will be part of solution to current credit market issues

• Planning actions to enhance processes in four key areas:
  – Governance
  – Analytics
  – Information
  – Education

The regulatory outlook

• S&P will continue to work with regulators here and abroad

• Welcome opportunity to answer questions on policies, procedures

Summing up for Financial Services

• 4Q 2007: High single-digit decline in revenue and some margin contraction

• 2008 outlook:
  – Visibility on structured market remains limited
  – Growth prospects in corporate and public finance
  – Increased contribution from international markets
  – Growth in non-traditional ratings products
  – Solid contribution from non-ratings

Why the value of education is increasing

• Unlocks an individual’s economic potential

• No nation can compete in knowledge economy without an educated workforce

McGraw-Hill Education
Why MHP likes prospects in education

• Growing enrollments here and abroad
• Industry consolidation favors stable companies unencumbered by significant debt
• Digital transformation is:
  – Linking content and instruction
  – Creating new opportunities to improve productivity and develop products for incremental revenue
• Robust state new adoption markets for rest of decade

MHP will benefit from convergence of content and technology in education

• Investments in digital products and services increasingly a source of competitive advantage at all levels of education

MHP will benefit from convergence of content and technology in education

• Treasures reading and language arts program
  – Connecting traditional textbook-based instruction with digital resources to individualize classroom instruction

Digital transformation: Moving faster in higher education

• MHP’s digital products and services include:
  – Online courses
  – Homework management
  – Assessment solutions

State new adoption market looks robust for rest of decade

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<tbody>
<tr>
<td>California K-8 Science</td>
<td>$760M-$820M</td>
<td>$900M-$950M</td>
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Outlook for open territory: Wild card for 2008

• Open territory sales usually represent 50% of total market
  – After 11 months in 2007, sales up only 0.8%
• Factors influencing uncertainty in 2008
  – State and local funding for education could be an issue
  – …but slow sales in last two years could result in pent up demand in 2008
• MHP 2008 estimates
  – Industry sales in open territory to grow 1% to 2%
  – Total industry sales to increase 4% to 5% after a gain of less than 4% in 2007
Why MHP likes prospects in U.S. elementary-high school market

- Reorganized school team captured market-leading 32% of available dollars in 2007 state new adoption market
- Primed for another solid year in 2008

Outlook for Higher Education

- 2008 U.S. college and university market will grow about 4% to 5%
- Increasing enrollments overseas will contribute to growth prospects

Summing up for McGraw-Hill Education

- 4Q 2007: No change to guidance
  - Expect a decline in operating profit and some margin contraction
- Convergence of content and technology creates new growth opportunities
- State new adoption market growth projected at 15% to 20% in 2008, but some concern about open territory
- 4% to 5% growth for U.S. college and university market in 2008
- Opportunities in international markets
- Increased investments in technology

Information & Media

Building on a rich legacy at Information & Media

- Framework for growth: Integrate our products with our customers’ workflow and infrastructure

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<tr>
<th>From</th>
<th>To</th>
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<tr>
<td>Transactional, one-way relationship with customer</td>
<td>Value-added relationship</td>
</tr>
<tr>
<td>Strong, media-specific brands</td>
<td>Brand leadership supports entry into new adjacencies</td>
</tr>
<tr>
<td>Traditional awareness ad revenue models</td>
<td>Marketing intelligence, measurable ad effectiveness</td>
</tr>
<tr>
<td>Data pushed to customers</td>
<td>Value-added analytical services integrated with customer applications</td>
</tr>
<tr>
<td>Product-focused technology</td>
<td>User-centric technology platforms</td>
</tr>
<tr>
<td>Long product shelf life</td>
<td>Continuous improvement</td>
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How J.D. Power turns information into action

- Performance benchmarks a key to expansion into new industries like financial services
- Demand for J.D. Power’s customer satisfaction measurements is strong and growing
**Platts pricing information:**

Benchmark for the global energy market

- Platts is building benchmarks in gas, power, and steel markets
- Traditionally associated with oil markets

**Enhancing value proposition for construction industry**

- McGraw-Hill Construction is enhancing analytics
  - Providing analysis and forecasts to help firms identify emerging trends and reduce risks

**Outlook for advertising**

- Expect boost in 2008 with presidential election
  - Our television stations will benefit from political advertising
- **BusinessWeek**
  - Online ad revenue will continue to grow rapidly
  - Print advertising will stabilize

**Summing up for Information & Media**

- A segment in transition
- Growth in benchmarks, analytics and solutions
- A pick up in advertising

**Summing up for MHP**

- Still expect to produce double-digit EPS growth in 2007 with improved operating margins in Education and Financial Services
  - 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
Outlook for MHP in 2007

**Guidance also excludes:**
- $0.08 restructuring charge in 4Q 2007
- Pre-tax charge of $43.7 million, or $27.3 million after tax
  - Mostly for employee severance for reduction of approximately 600 positions, or about 3% of our global workforce

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<tr>
<th>Segment</th>
<th>Positions</th>
<th>Pre-tax charge</th>
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<tbody>
<tr>
<td>McGraw-Hill Education</td>
<td>304</td>
<td>$16.3 million</td>
</tr>
<tr>
<td>Financial Services</td>
<td>172</td>
<td>$18.8 million</td>
</tr>
<tr>
<td>Information &amp; Media</td>
<td>114</td>
<td>$8.7 million</td>
</tr>
<tr>
<td>Corporate</td>
<td>21</td>
<td>$1.9 million</td>
</tr>
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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

Outlook for 4Q 2007

- 4Q 2007: Still believe Corporation’s revenue and earnings will not match last year’s results
  - Reflects high single-digit decline in revenue and some margin contraction in Financial Services
  - And decline in operating profit and some margin contraction at McGraw-Hill Education

Outlook for 2008

- Completing work on 2008 budgets
  - Taking a hard look at costs and opportunities to streamline operations
- 2007 earnings will be reported before the market opens on January 24
- Will provide 2008 guidance when market has the key numbers for 2007