

The McGraw-Hill Companies

1Q 2012 Earnings Call April 24, 2012

PRESENTERS

Harold McGraw III
Chairman, President and CEO

Jack Callahan
Executive Vice President and CFO

Chip Merritt
Vice President, Investor Relations

Comparison of Adjusted Information to U.S. GAAP Information

This presentation includes adjusted financial information. This information is provided to enable investors to make meaningful comparisons of the Company's operating performance between periods and to view the Company's business from the same perspective as management's.

The earnings release dated April 24, 2012 contains exhibits that reconcile the differences between the non-GAAP measures and comparable financial measures calculated in accordance with U.S. GAAP. As noted in the Form 10-Q filed for the period ending March 31, 2012, The McGraw-Hill Companies, Inc. has classified its Broadcasting Group as a discontinued operation resulting in revisions to its March 31, 2011 consolidated balance sheet.

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

This presentation contains forward-looking statements, including without limitation statements relating to our businesses and our prospects, new products, sales, expenses, tax rates, cash flows, prepublication investments and operating and capital requirements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are intended to provide management's current expectations or plans for our future operating and financial performance and are based on assumptions management believes are reasonable at the time they are made.

Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “plan,” “estimate,” “project,” “target,” “anticipate,” “intend,” “may,” “will,” “continue” and other words of similar meaning in connection with a discussion of future operating or financial performance. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual outcomes and results could differ materially from what is expected or forecasted. These risks and uncertainties include, among others:

- worldwide economic, financial, political and regulatory conditions;
- currency and foreign exchange volatility;
- the effect of competitive products and pricing;
- the level of success of new product development and global expansion;
- the level of future cash flows;
- the levels of capital and prepublication investments;
- income tax rates;
- restructuring charges;
- the health of debt and equity markets, including credit quality and spreads, the level of liquidity and future debt issuances;
- the level of interest rates and the strength of the capital markets in the U.S. and abroad;
- the demand and market for debt ratings, including collateralized debt obligations, residential and commercial mortgage and asset-backed securities and related asset classes;
- the state of the credit markets and their impact on Standard & Poor's Ratings and the economy in general;
- the regulatory environment affecting Standard & Poor's Ratings and our other businesses;
- the level of merger and acquisition activity in the U.S. and abroad;
- the level of funding in the education market;
- School Education Group's level of success in adoptions and open territories;
- enrollment and demographic trends;
- the strength of School Education Group's testing market, Higher Education, Professional and International's publishing markets and the impact of technology on them;
- continued investment by the construction, automotive, computer and aviation industries;
- the strength and performance of the domestic and international automotive markets;
- the volatility of the energy marketplace;
- and the contract value of public works, manufacturing and single-family unit construction.

In addition, there are certain risks and uncertainties relating to our previously announced Growth and Value Plan which contemplates a tax-free spin-off of our education business, including, but not limited to, the impact and possible disruption to our operations, the timing and certainty of completing the transaction, unanticipated developments that may delay or negatively impact the spin-off, and the ability of each business to operate as an independent entity upon completion of the spin-off. We caution readers not to place undue reliance on forward-looking statements.

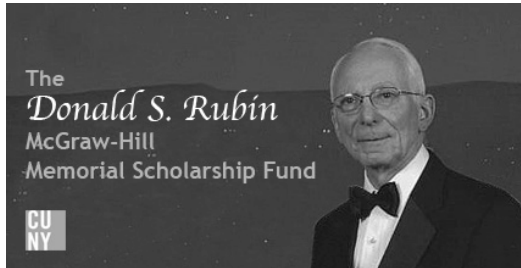
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The McGraw-Hill Companies

Harold McGraw III
Chairman, President
and Chief Executive Officer

The McGraw-Hill Companies

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IN MEMORIAM
Donald S. Rubin
Senior Vice President, Investor Relations

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The McGraw-Hill Companies

Q1 2012: Strong Start with Record First Quarter

Growth and Value Plan: Steady Progress

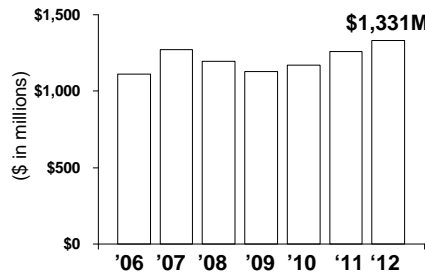
McGraw-Hill Financial: Strong Overall Growth

McGraw-Hill Education: Cost Savings Drive YOY Improvement

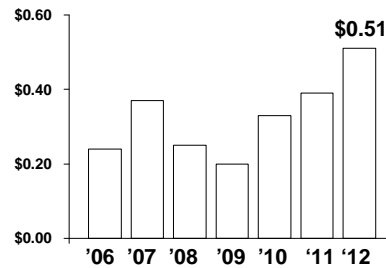
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Record First Quarter

1Q Revenue



1Q Adjusted EPS



NOTE: Revenue has been adjusted to exclude Broadcasting for all periods. 2006 – 2009 adjusted EPS has not been revised to exclude Broadcasting profit as impact was immaterial

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2012: Off to a Strong Start with Record 1st Quarter Revenue and Adjusted EPS

The McGraw-Hill Companies

(\$ in millions)	1Q 2012	1Q 2011	Change
Revenue	\$1,331	\$1,261	+6%
Adj. Operating Profit	\$254	\$216	+18%
Adj. Diluted EPS*	\$0.51	\$0.39	+30%

* From continuing operations

Note: 1Q'12 adjusted results exclude \$33 million of one-time Growth & Value Plan expenses

• Drivers of record first-quarter profitability:

- Strong top-line growth delivered by the three segments that will comprise McGraw-Hill Financial
- Cost reduction efforts associated with restructuring
- Substantial share repurchases in 2011; completed accelerated share repurchase program in April 2012

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McGraw-Hill Financial and McGraw-Hill Education Both Deliver Improved Results

McGraw-Hill Financial (pro forma)

(\$ in millions)	1Q 2012	1Q 2011	Change
Revenue	\$1,035	\$958	+8%
Operating Profit	\$357	\$325	+10%
Operating Margin	34.5%	33.9%	

McGraw-Hill Education (pro forma)

(\$ in millions)	1Q 2012	1Q 2011	Change
Revenue	\$296	\$303	(2%)
Operating Loss	(\$65)	(\$75)	+13%
Operating Margin	(22.0%)	(24.8%)	

8 NOTE: The pro forma results are informational and are not intended to represent what the results for the new McGraw-Hill Financial would have been had the spin-off occurred for the quarterly period ended March 31, 2012

The McGraw-Hill Companies

Q1 2012: Strong Start with Record First Quarter

Growth and Value Plan: Steady Progress

McGraw-Hill Financial: Strong Overall Growth

McGraw-Hill Education: Cost Savings Drive YOY Improvement

Growth and Value Plan: Significant Actions to Facilitate Separation

- On track for separation by year-end
- Received a ruling from the Internal Revenue Service agreeing to the tax-free status for the spin-off of McGraw-Hill Education
- Plan to file a Form 10 in the near future
- Remain on track to deliver at least \$100 million, on a run-rate basis, in cost savings by year-end
 - 1Q'12 adjusted expense growth limited to 3%
- Implementation underway on more than 15 work streams to drive separation and reduce costs
- Continue to invest in McGraw-Hill Financial through targeted acquisitions

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Growth and Value Plan: Strategic Investments Drive Future Growth

- **S&P Capital IQ acquired R² Financial Technologies**
 - Enables S&P Capital IQ to offer a unique solution with an integrated view of market and credit risks across asset classes
 - Adds to foundation for powerful, innovative offerings for professional investors
- **S&P Capital IQ acquired QuantHouse**
 - Enables S&P Capital IQ to provide a global, integrated, low-latency distribution network
 - Will develop new generation of unique real-time monitors, derived data sets, and analytics

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The McGraw-Hill Companies

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Pro forma McGraw-Hill Financial

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NOTE: The pro forma results are informational and are not intended to represent what the results for the new McGraw-Hill Financial would have been had the spin-off occurred for the quarterly period ended March 31, 2012

• 1Q highlights:

- All three segments within McGraw-Hill Financial delivered revenue growth
- Commodities and Commercial was primary contributor to operating profit growth, in particular, the continued growth of global commodities products

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Pro forma McGraw-Hill Financial

McGraw-Hill Financial (pro forma)

(\$ in millions)	1Q 2012	1Q 2011	Change
Domestic Revenue	\$621	\$588	+5%
International Revenue	\$414	\$370	+12%
Total McGraw-Hill Financial	\$1,035	\$958	8%
International % of total	40%	39%	

- **Standard & Poor's Ratings segment was the most international**

–47% of first quarter revenue from sales outside the U.S.

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Standard & Poor's Ratings

Standard & Poor's Ratings

(\$ in millions)	1Q 2012	1Q 2011	Change
Revenue	\$466	\$443	+5%
Segment Operating Profit	\$186	\$190	(2%)
Segment Operating Margin	40.0%	43.0%	

- **1Q highlights:**

- Transaction revenue grew 10% to \$194 million as a result of:
 - 61% increase in U.S. public finance issuance
 - 8% increase in U.S. corporate issuance, driven by record increase in speculative-grade issuance, which was up 14%
 - 31% increase in European non-financial corporate issuance

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Standard & Poor's Ratings: Steady Growth of Non-transaction Business

Standard & Poor's Ratings Revenue

(\$ in millions)	1Q 2012	1Q 2011	Change
Non-transaction	\$272	\$267	+2%
Transaction	\$194	\$176	+10%

(\$ in millions)	1Q 2012	1Q 2011	Change
International	\$218	\$204	+7%
Domestic	\$248	\$239	+4%

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Standard & Poor's Ratings: Business Outlook Unchanged

- **Bond market: Encouraged by longer term outlook**
 - Huge pipeline of maturing global corporate debt will need to be refinanced over next several years
- **Europe: Corporate financing is shifting from bank loans to public debt markets**
 - Shift due to increasing bank capital requirements
- **Structured finance: Recovery of markets remains problematic**
 - More activity depends on recovery of residential and commercial real estate markets
 - A pick up in auto and credit card issuance expected to lead to improvement in U.S. and European asset-backed securities

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Standard & Poor's Ratings: Operating Profit Slightly Lower in 1Q

- **Targeted investments in new employees**
 - Reinforce growth of Corporate and Government ratings and emerging markets
- **Legal expenses higher in first quarter versus a year ago**
 - But down modestly on a sequential basis versus 4Q 2011

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Standard & Poor's Ratings: Progress on Litigation Front

- **Update:**
 - 27 cases now dismissed outright (three in 1Q 2012)
 - 7 dismissals by lower courts have been affirmed by higher courts
 - 10 cases have been voluntarily withdrawn
- **We continue to believe that the legal risk of pending litigation remains low**

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Standard & Poor's Ratings: Latest Developments on Litigation Front

- **Most recent dismissal: Judge granted our motion to dismiss the Reese case**
 - Case involved claims under the Exchange Act of 1934
 - Court dismissed all claims against the Company and two individual defendants named in the Complaint, holding that:
 - The complaint failed to plead an actionable misstatement of fact
 - The Company's accurately reported earnings figures could not be the basis for a securities claim
 - Plaintiffs did not adequately plead that our executives acted with conscious misbehavior or recklessness

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S&P Capital IQ and S&P Indices

S&P Capital IQ and S&P Indices (formerly McGraw-Hill Financial segment)

(\$ in millions)	1Q 2012	1Q 2011	Change
Revenue	\$353	\$324	+9%
Segment Operating Profit	\$107	\$96	+11%
Segment Operating Margin	30.5%	29.7%	

- **1Q highlights:**
 - Both S&P Capital IQ and S&P Indices delivered top- and bottom-line growth
 - Subscriptions account for 75% of total revenue, up from 74% in the prior year
 - International revenue increased 16% to \$108 million in the first quarter; represented 30% of total revenue for this segment

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S&P Capital IQ

S&P Capital IQ

(\$ in millions)	1Q 2012	1Q 2011	Change
Revenue	\$274	\$248	+10%

• 1Q highlights:

- Growth was driven by platform enhancements and cross-selling within S&P Capital IQ
- Subscriber growth continues to drive the business with more than 4,000 clients, an 11% increase compared to year-end

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S&P Indices

S&P Indices

(\$ in millions)	1Q 2012	1Q 2011	Change
Revenue	\$79	\$76	+5%

• 1Q highlights:

- Assets under management in exchange-traded funds linked to S&P Indices grew 11% year-over-year to \$358 billion
 - Launched 41 new ETFs, bringing total to 419 ETF's linked to S&P indices
- Pending joint venture with CME Group expected to close mid-year

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Commodities and Commercial

Commodities and Commercial (formerly Information & Media segment)

(\$ in millions)	1Q 2012	1Q 2011	Change
Revenue	\$233	\$206	+13%
Segment Op. Profit*	\$64	\$39	+64%
Segment Op. Margin*	27.3%	18.8%	

- Delivered strength across most of the segment
- Strong top-line growth as well as tight expense control
- International revenue grew 23% and represented 42% of total segment revenue

*Note: Revenue and operating profit for 1Q 2011 is based on continuing operations and reflects the reclassification of the Broadcasting Group as a discontinued operation

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Commodities

Commodities

(\$ in millions)	1Q 2012	1Q 2011	Change
Revenue	\$118	\$97	+22%

–Excluding acquisition of Steel Business Briefing Group, revenue increased 18%

• Key contributors:

- Growth in petroleum and natural gas (BENTEK) product subscriptions led the increase in revenue
- Leveraging Platts sales force to drive the natural gas business

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What is Platts Today?

- **A leading provider of energy, petrochemicals and metals information**
- **Recent acquisitions have bolstered Platts' capabilities**
 - BENTEK Energy
 - Steel Business Briefing
- **More than 90% of revenue is derived from subscriptions to:**
 - Market data (price assessments and indices)
 - Real-time news and market alerts
 - Newsletters and reports
- **Additional revenue is derived from conferences, events and geospatial mapping of global energy infrastructure**

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Commodities & Commercial: Platts Data is Integral to Industry Workflows

- **What is Platts Market Data?**
 - A subscription service that provides access to the latest price data
 - End-of-day assessments, third-party data, and access to a complete historical database
 - Platts' price data is highly valuable to:
 - Traders, risk managers, analysts, and other energy professionals who need unbiased price assessments
 - Back-office employees in purchasing, accounting, and planning
- **How the market uses Platts' price assessments:**
 - Utilized as reference points in long-term contracts between two parties

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Commodities & Commercial

• Why do we believe subscriptions for Platts products will continue to grow?

- Access to information and market data facilitates and supports customer trading strategies in volatile energy markets
- Platts continues to extend capabilities across commodities covered
 - Acquisition of BENTEK Energy added deep analytic capabilities which complimented core offerings in natural gas
 - Steel Business Briefing expanded and strengthened coverage of steel and metals and extended the global footprint of the markets Platts covers
- Focusing on customer needs
 - Continue to enhance existing products and launch new ones, such as Platts Valuation Hub, launched in January 2012

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Commercial

Commercial

(\$ in millions)	1Q 2012	1Q 2011	Change
Revenue	\$115	\$109	+5%

Note: Results are based on continuing operations

• 1Q highlights:

- J.D. Power delivered significant year-over-year revenue growth
 - All industry sectors contributed, with automotive leading domestically and internationally
- Construction revenue was down; Encouraged by new product launches for BidPro™, BuildShare™ and SpecShare®

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McGraw-Hill Education

McGraw-Hill Education

(\$ in millions)	1Q 2012	1Q 2011	Change
Revenue	\$296	\$303	(2%)
Segment Op. Loss	(\$65)	(\$75)	+13%
Segment Op. Margin	(22.1%)	(24.9%)	

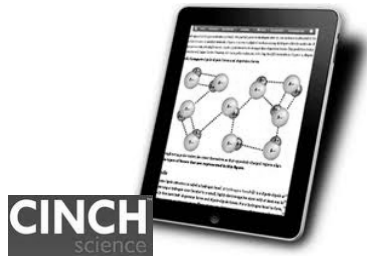
• 1Q highlights:

- Higher Education and Professional delivered growth
- Cost savings from fourth quarter restructuring actions delivered year-over-year earnings improvement

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Digitization of Education Represents the Opportunity of the Century

- Nearly 40% of Professional revenue is from digital products
- Deferred revenue increased 63% to \$106 million
 - Digital products are mostly subscription based



CINCH Science: All digital curriculum for school market



McGraw-Hill Connect: Homework management/study system for higher education

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McGraw-Hill Education: Higher Education, Professional and International Group

(\$ in millions)	1Q 2012	1Q 2011	Change
HPI Revenue	\$201	\$197	+2%

• 1Q highlights:

- Higher Education and Professional revenues had mid-single digit increases, and were partially offset by a decline in International revenue

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McGraw-Hill Education: School Education Group

(\$ in millions)	1Q 2012	1Q 2011	Change
SEG Revenue	\$95	\$106	(10%)

- **1Q highlights:**

- Both instructional materials and the testing business experienced revenue declines, driven by continued market weakness
- 1Q is the smallest seasonally

- **Better view of 2012 el-hi market by end of 2Q**

- Spring selling season for fall semester is progressing well; good level of activity at districts
- Funding remains a concern

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The McGraw-Hill Companies

- **Outlook for 2012:**

- Great start to the year
- McGraw-Hill Financial should continue to deliver solid growth and increased capabilities to our customers
- McGraw-Hill Education will focus on driving unique digital products and on cost reductions
- Continue to deliver on the Growth and Value Plan

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The McGraw-Hill Companies

Jack Callahan
Executive Vice President
and Chief Financial Officer

The McGraw-Hill Companies

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Solid Top-Line Growth; Tight Expense Control

The McGraw-Hill Companies

(dollars in millions)	1Q 2012	1Q 2011	% Change
Revenue	\$1,331	\$1,261	+6%
Adjusted expenses	\$1,077	\$1,045	+3%
Adjusted operating profit	\$254	\$216	+18%
Adjusted operating margin	19%	17%	195 bps

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EPS Benefits from Reduction in Shares Outstanding

(dollars in millions)	1Q 2012	1Q 2011	% Change
Adjusted operating profit	\$254	\$216	+18%
Interest expense	\$21	\$19	+11%
Tax rate	36.3%	36.3%	NC
Less: noncontrolling interests	(\$4)	(\$4)	--
Adjusted net income	\$144	\$121	+19%
Adjusted diluted EPS	\$0.51	\$0.39	+30%
Shares outstanding (millions)	284	310	(8%)

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Adjusted Free Cash Flow

(dollars in millions)	1Q 2012	1Q 2011
Cash (used for) provided by operating activities	(\$25)	\$49
Investment in prepublication costs	(39)	(28)
Capital expenditures	(15)	(18)
Dividends paid to shareholders	(74)	(77)
Dividends paid to noncontrolling interests	(1)	--
Growth and Value Plan cash outlays	36	--
Adjusted free cash flow	(\$118)	(\$74)

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Progress on \$100 Million Cost Savings Target

- Margin expansion evident in 1Q results
- Savings from productivity initiatives will step up over the balance of the year
- Additional restructuring actions expected in support of these initiatives as the two new operating companies are established

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One-time Separation Expense and Restructuring Anticipated in 2012

- Incurred one-time Growth and Value Plan costs of \$33 million in 1Q 2012
- Anticipate for the remainder of the year approximately \$100 million in additional one-time separation expenses to implement the Growth and Value Plan
- Potential for additional restructuring costs of approximately \$75 million during 2012 as part of our ongoing cost reduction initiatives

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Forming Two New Companies

- **McGraw-Hill Financial**

- Target strong investment-grade rating
- Commitment to strong dividend

- **McGraw-Hill Education**

- Target flexible investment-grade rating
- Initiate modest dividend
- Ensure adequate liquidity to meet business needs

We have received a ruling from the Internal Revenue Service agreeing to the tax-free status for the spin-off of McGraw-Hill Education

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Summary

- We are off to a great start to 2012
- Guidance remains unchanged:
Consolidated diluted EPS of \$3.25 to \$3.35
- Separation activities are accelerating
- On track to deliver at least \$100 million,
on a run-rate basis, in cost reductions by year-end

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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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