

The McGraw-Hill Companies

4Q 2011 Earnings Call January 31, 2012

PRESENTERS

Harold McGraw III
Chairman, President and CEO

Jack Callahan
Executive Vice President and CFO

Donald S. Rubin
Senior Vice President, Investor Relations

The McGraw-Hill Companies

Donald S. Rubin
Senior Vice President,
Investor Relations

The McGraw-Hill Companies

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 January 31, 2012 contains exhibits that reconcile the differences between the non-GAAP measures and comparable financial measures calculated in accordance with U.S. GAAP. The results also reflect the reclassification of the Broadcasting Group as a discontinued operation following the signing of a definitive agreement in October 2011 to sell this business.

2

Introducing new names for operations

- **Under the separation plan, the newly named McGraw-Hill Financial includes five lines of business:**

- Standard & Poor's Ratings
- S&P Capital IQ
- S&P Indices
- Commodities
- Commercial

- **Introducing new names and providing revenue information:**

Previous Name	New Name	New Financial Information
McGraw-Hill Financial	S&P Capital IQ/S&P Indices	Revenue
Information & Media	Commodities & Commercial	Revenue

- Over time, additional financial information will be provided

3

“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;
- 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 of the domestic and international advertising markets;
- 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.

4

The McGraw-Hill Companies

Harold McGraw III
Chairman, President and CEO

The McGraw-Hill Companies

5

The McGraw-Hill Companies

2011: Solid Performance

2011: Milestone Year for the Corporation

McGraw-Hill Financial: Growth in Volatile Markets

McGraw-Hill Education: Repositioning for the Digital World

2012: A Momentous Year for Change

6

4Q 2011: Strong performance despite challenging market conditions

The McGraw-Hill Companies

	4Q 2011	4Q 2010	Change
Revenue	\$1.52 billion	\$1.5 billion	+2%
Adj. Operating Profit	\$318 million	\$294 million	+8%
Adjusted EPS*	\$0.63	\$0.54	+17%

* From continuing operations

- Results reflect reclassification of the Broadcasting Group as a discontinued operation
- Results exclude \$66 million in restructuring charges for severance related to workforce reduction and \$10 million for one-time separation expenses to implement the Growth and Value Plan

7

FY 2011: Second best performance in MHP's history from continuing operations

The McGraw-Hill Companies

	FY 2011	FY 2010	Change
Revenue	\$6.2 billion	\$6.1 billion	+3%
Adjusted Net Income*	\$883 million	\$836 million	+6%
Adjusted EPS*	\$2.91	\$2.68	+9%

* From continuing operations. Results reflect reclassification of the Broadcasting Group as a discontinued operation

8

The McGraw-Hill Companies

2011: Solid Performance

2011: Milestone Year for the Corporation

McGraw-Hill Financial: Growth in Volatile Markets

McGraw-Hill Education: Repositioning for the Digital World

2012: A Momentous Year for Change

9

2011: Milestone year for The McGraw-Hill Companies

- 1. Announcement in September 2011 of Growth and Value Plan to create two strong public companies:**
 - McGraw-Hill Financial
 - McGraw-Hill Education
- 2. Significant and rapid progress in realizing the promise of the Growth and Value Plan**
 - 4Q restructuring
 - Realignment of benefit plans
- 3. Targeting of at least \$100 million in cost reductions**
- 4. Divested Broadcasting Group at attractive price**

10

2011: Milestone year for The McGraw-Hill Companies (cont'd)

- 5. Expansion of core Commodities franchise (Platts) with the strategic acquisition of new companies in natural gas (BENTEK Energy) and steel (Steel Business Briefing Group)**
- 6. Partnership with CME to drive future growth of S&P Indices**
- 7. Successful combination of S&P Capital IQ and S&P Indices will be a source of new growth opportunities in financial markets**
- 8. Rapid growth of digital products and services are creating new opportunities for McGraw-Hill Education**
- 9. \$1.5 billion spent for share repurchases**

11

Growth and Value Plan: Significant actions to facilitate separation

- **Massive global effort to create two efficiently sized corporate structures and separate shared services**

- Established and staffed a Program Management Office with 17 work streams

- Teams focused on growth opportunities, transaction management, and cost reduction across the enterprise including business support services and information technology
- Identifying growth synergies and scalable capabilities
- Our most seasoned and experienced staffers are helping us start realizing the benefits later this year

- Cost reductions to exceed \$100 million

12

Growth and Value Plan: Significant actions taken to facilitate separation

- **Monetized assets that do not fit strategic thrust**

- Sale of Broadcasting Group generated excellent value

- \$212 million in cash
- \$123 million pre-tax gain

13

Growth and Value Plan: Making strategic investments to drive future growth

- **Common theme for investments: Create valuable benchmarks that become deeply embedded in workflow of customers**
 - Acquired BENTEK Energy and Steel Business Briefing Group to expand Platts' platform

14

Growth and Value Plan: Making strategic investments to drive future growth

- **Announced joint venture partnership with Chicago Mercantile Exchange that brings together S&P Indices with Dow Jones Indices once deal is closed**
 - Instead of paying S&P Indices a fixed fee per trade, CME will pay a share of the profits it makes on the trading and clearing of equity-based futures, swaps, and options on futures
 - Subject to regulatory approval and customary closing conditions, we expect the joint venture to close by the end of the second quarter of 2012

15

Growth and Value Plan: Continue to return wealth to our shareholders

- **\$1.5 billion in share repurchases in 2011**

- \$1 billion share repurchase completed over the course of the year
- \$500 million accelerated share repurchase transaction initiated in December
- \$845 million of the total was spent in 4Q

16

The McGraw-Hill Companies

2011: Solid Performance

2011: Milestone Year for the Corporation

McGraw-Hill Financial: Growth in Volatile Markets

McGraw-Hill Education: Repositioning for the Digital World

2012: A Momentous Year for Change

17

Pro-forma McGraw-Hill Financial: Driven by high-value content and analytics

Newly named McGraw-Hill Financial

	2011	2010	Change
Revenue	\$4.0 billion	\$3.6 billion	+9%
Adj. Segment Op. Profit	\$1.3 billion	\$1.2 billion	+7%
Adj. Segment Op. Margin	33%	34%	

18

S&P Capital IQ and S&P Indices: A resilient revenue and earnings generator

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

	2011	2010	Change
Revenue*	\$1.4 billion	\$1.2 billion	+14%
Adj. Segment Op. Profit	\$403 million	\$315 million	+28%
Adj. Segment Op. Margin	30%	26.5%	

* 2011 revenue grew by 11% excluding the acquisition of TheMarkets.com

- **Subscriptions account for 73% of total revenue and grew 13% in 2011**

– Good sign for 2012 performance

19

S&P Indices

S&P Indices

	FY 2011	FY 2010	Change
Revenue	\$323 million	\$273 million	+18%

• How S&P Indices generate revenue:

- Fees based on assets under management in exchange-traded funds linked to S&P Indices
 - \$314 billion in assets under management at year-end 2011, a 4.5% year-over-year increase
- Royalties based on trading volume of derivative contracts that are listed on various exchanges; S&P is paid every time a contract is traded
 - Average daily volume in 4Q 2011 was more than 3.7 million contracts, a 26% year-over-year increase
- Fees for over-the-counter derivatives and retail structured products
- Data subscriptions for information and research

20

S&P Capital IQ: Growth in 2011

S&P Capital IQ

	FY 2011	FY 2010	Change
Revenue*	\$1.0 billion	\$916 million	+13%

• Capital IQ gained share and increased its number of clients to more than 3,800, a 14% year-over-year increase

* Revenue in 2011 includes Integrated Desktop Solutions, Enterprise Solutions, and Research and Analytics

21

Standard & Poor's Ratings grew in 2011

Standard & Poor's Ratings

	FY 2011	FY 2010	Change
Revenue	\$1.8 billion	\$1.7 billion	+4%
Adj. Segment Op. Profit	\$728 million	\$755 million	-4%
Adj. Segment Op. Margin	41%	45%	

- **Ratings grew despite lackluster new-issue dollar volume in the closing months of 2011**
 - Market faced European debt crisis and concerns over an economic downturn
- **Strong revenue growth in first half, but tailed off in second half**
 - 1H: +14%
 - 2H: - 5%

22

Standard & Poor's Ratings: Durability of non-transaction revenue in 2011

Revenue	2011	2010	Change
Non-transaction	\$1.1 billion	\$1.0 billion	+8%
Transaction	\$651 million	\$662 million	-2%

- **Non-transaction revenue grew 8% to \$1.1 billion**
 - Represents 63% of Standard & Poor's Ratings' total revenue
- **Transaction revenue declined 2% in 2011**
- **Outlook for 2012:**
 - Non-transaction expected to grow again
 - Transaction revenue faces challenging comparison after strong first half in 2011

23

Outlook for regulatory costs

- **S&P's regulatory framework regulatory focuses on four key areas: Quality, Criteria, Compliance and Risk Management (QCCR)**
- **Costs for QCCR:**
 - 2011: On target
 - 2012: Expected to increase slightly

24

Outlook for 2012: Anticipate volatility but optimistic about longer term growth potential

- **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

25

Progress on regulatory front

- **Mounting criticism of CRA-3, the European Commission's latest proposal for regulating rating agencies**
 - Push back is coming from market participants and European Securities and Markets Authority (ESMA)
- **Criticism is focused on proposed mandatory rotation of coverage among rating agencies for certain periods**
 - Wide range of parties are concerned about potential for market disruption and unintended consequences

26

Progress on litigation front

- **24 cases now dismissed outright**
- **10 have been voluntarily withdrawn**
- **7 dismissals by lower courts have been affirmed by higher courts**

27

Latest developments on litigation front

- **Court issued a ruling in the CalPERS case in early January 2012**
 - We strongly disagree with Court's ruling that CalPERS had made sufficient showing to allow case to proceed
- **S&P will be appealing the Court's decision**
 - No pre-trial discovery while appeal is pending
 - Process could take another 12 to 18 months

28

Latest developments on litigation front

- **Abu Dhabi case:**
 - S&P filed a motion for summary judgment on Jan. 23
 - Decision on our motion is probably months away
- **We continue to believe that the legal risk remains low**

29

Commodities and Commercial

Commodities and Commercial (formerly Information & Media segment)

	FY 2011	FY 2010	Change
Revenue	\$896 million	\$811 million	+10%
Adj. Segment Op. Profit*	\$186 million	\$164 million	+13%
Adj. Segment Op. Margin*	21%	20%	

Note:

- Results are based on continuing operations and reflect the reclassification of the Broadcasting Group as a discontinued operation

- **Operations are increasingly digital and based on subscriptions**

- Total subscription revenue grew by 13% in 2011 and now accounts for 63% of revenue

30

Commodities & Commercial: Expect more growth in 2012

Commodities

	FY 2011	FY 2010	Change
Revenue	\$419 million	\$344 million	+22%

Note: Results are based on continuing operations

- Excluding acquisition of BENTEK Energy and Steel Business Briefing Group, revenue increased 15% in 2011

- **Platts business has been built for high value and double-digit growth**

- Volatility in energy prices drives demand for Platts' proprietary content
 - 12% compound annual revenue growth rate since 1994

31

Commodities & Commercial: Expect another year of growth in 2012

Commercial

	FY 2011	FY 2010	Change
Revenue	\$477 million	\$467 million	+2%

Note: Results are based on continuing operations




• Positive factors:

- Demand for automotive studies will be fueled by continued strength in emerging markets, including China; recovery in Western Europe, and growth in U.S.
- New digital products will be key factor in recovery of McGraw-Hill Construction
 - SpecShare, BuildShare, BidPro

32

McGraw-Hill Financial will be reported in five lines of business

McGraw-Hill Financial

  <small>A Standard & Poor's Company</small>		 <small>Dow Jones Indexes</small> <small>A CME Group Company</small>		  
S&P Ratings	S&P Capital IQ	S&P Indices	Commodities	Commercial Markets

33

The McGraw-Hill Companies

2011: Solid Performance

2011: Milestone Year for the Corporation

McGraw-Hill Financial: Growth in Volatile Markets

McGraw-Hill Education: Repositioning for the Digital World

2012: A Momentous Year for Change

34

McGraw-Hill Education: A strong finish

McGraw-Hill Education

Segment	2011	2010	Change
Revenue	\$2.3 billion	\$2.4 billion	-6%
Adj. Segment Op. Profit	\$354 million	\$359 million	-1%
Adj. Segment Op. Margin	15%	15%	

Revenue by Group	2011	2010	Change
HPI Group	\$1.34 billion	\$1.32 billion	+1%
SEG	\$0.9 billion	\$1.1 billion	-14%

35

McGraw-Hill Education: A strong finish

• Factors in 2011 performance:

- A strong finish in U.S. higher education helped produce 4% revenue growth to \$516 million for McGraw-Hill Education in 4Q
- Lower purchasing levels in the el-hi market were offset by tight expense controls, lower prepublication amortization, lower reserve requirements, and reduced selling and marketing expenses

36

Growth of digital is fundamentally changing the higher education, professional markets

• U.S. higher education: Sales of digital products and services grew by more than 40% and helped us gain share

- Digital sales account for about 20% of higher education revenue
- Digital homework management products are key to growth

• Professional: Strong double-digit growth for digital products

- Nearly 30% of revenue is from e-books, online subscriptions, and apps for mobile devices

• Digital integration of curricula, technology and distribution is creating growth opportunities

- Provides new revenue streams, including subscription-based business

37

Digital evolution is picking up speed in the elementary-high school market

- **2011: McGraw-Hill became the first educational publisher to launch a digital, cloud-based curriculum**

- CINCH Learning programs for science and math
- Available on any computer, tablet, or mobile device

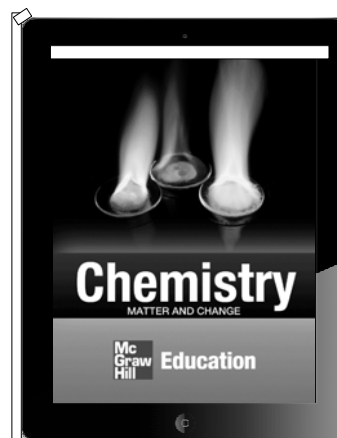


38

Digital evolution is picking up speed in the elementary-high school market

- **January 2012: McGraw-Hill developed interactive high school textbooks for Apple's iPad**

- Five math and science titles currently available
- Expect to double during the year
- Our goal is to improve learning outcomes by making learning more accessible, personalized and engaging



39

Digital evolution is picking up speed in the elementary-high school market

- **2011: Decline in school education reflects historically low funding**

- Sales in the el-hi market decreased by 9.4% in 2011 to about \$3.3 billion according to the Association of American publishers
- Our performance was heavily influenced by decision not to participate in several adoptions due to uncertainty of funding and challenging comparisons

- **Outlook for 2012:**

- We expect state new adoption market to decline 40% from 2011
- Our participation rate will increase from 75% in 2011 to 96% in 2012

40

The McGraw-Hill Companies

2011: Solid Performance

2011: Milestone Year for the Corporation

McGraw-Hill Financial: Growth in Volatile Markets

McGraw-Hill Education: Repositioning for the Digital World

2012: A Momentous Year for Change

41

The McGraw-Hill Companies

- **2011: Enormous change**

- Year produced enormous change for MHP in a short period of time
- Recorded second best results in our history

- **Outlook for 2012:**

- Introduction of two separate companies
- See another challenging year in our markets
- Confident in the strength of our businesses and leadership team

42

Outlook for 2012

- **Consolidated diluted EPS expected to be in the range of \$3.25 to \$3.35 for 2012**

- Actual results will be significantly influenced by timing of separation and additional cost reduction actions
- Will provide regular updates on our progress throughout the year

43

The **McGraw-Hill** Companies

Jack Callahan
Executive Vice President
and Chief Financial Officer

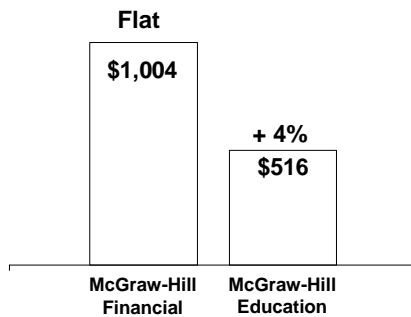
The McGraw-Hill Companies

44

4Q 2011: Operating performance

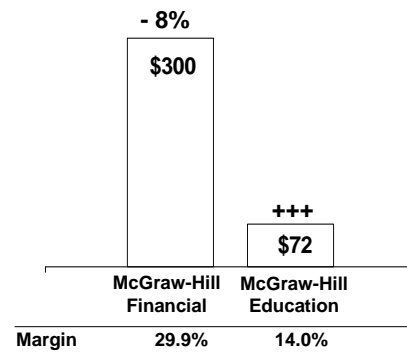
Revenue

(Dollars in millions, % growth year-over-year)



Adjusted Segment Operating Profit

(Dollars in millions; % growth year-over-year)



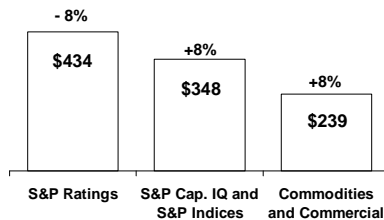
45

McGraw-Hill Financial: 4Q 2011 results by segment

Revenue*

(Dollars in millions, % growth year-over-year)

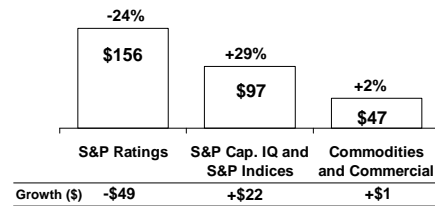
Total: \$1,004 million
Growth: Flat



Adjusted Segment Operating Profit

(Dollars in millions; % growth year-over-year)

Total: \$300 million
Growth: -8%



Segment	Growth (\$)
S&P Ratings	-\$49
S&P Cap. IQ and S&P Indices	+\$22
Commodities and Commercial	+\$1

* Total revenue adjusted for intersegment royalty elimination

46

Adjusted income from continuing operations

(dollars in millions)	4Q 2011	% Change	FY 2011	% Change
Adj. corporate expense	\$54	+15%	\$173	+5%
Adj. operating profit	\$318	+8%	\$1,498	+5%
Interest expense	\$18	-5%	\$75	-9%
Tax rate	36.3%	NC	36.3%	NC
Adjusted income	\$191	+9%	\$906	+6%

NC = No change

47

Adjusted earnings per share from continuing operations

(in millions, except EPS)	4Q 2011	% Change	FY 2011	% Change
Adjusted income	\$191	+9%	\$906	+6%
Less: Adjusted net income attributable to noncontrolling interests	\$7	Flat	\$23	+5%
Adjusted net income	\$184	+10%	\$883	+6%
Shares outstanding	292	-6%	304	-3%
Adjusted EPS	\$0.63	+17%	\$2.91	+9%

48

4Q 2011: Several one-time items related to progress on the Growth and Value Plan

• Discontinued operations

- Completed sale of non-core Broadcasting Group to E.W. Scripps for \$212 million in cash, providing a one-time gain of \$123 million

• Ongoing operations

- Implemented Wave 1 of targeting cost reductions by eliminating approximately 800 positions
 - Taking a \$66 million restructuring charge
- Made significant progress in preparing for creation of McGraw-Hill Financial and McGraw-Hill Education
 - Incurring one-time separation costs of \$10 million
- Both items excluded from adjusted earnings
- Anticipate additional restructuring and separation costs throughout 2012

49

2011: Another year of strong cash flow

(dollars in millions)	2011	2010
Cash provided by operating activities	\$1,344	\$1,458
Investment in prepublication costs	(158)	(151)
Capital expenditures	(119)	(115)
Dividends paid to shareholders	(296)	(292)
Dividends paid to noncontrolling interests	(12)	(19)
Taxes paid on gain from disposition of Broadcasting	48	-
Free cash flow post dividends	\$807	\$881

50

2011: Capital allocation

(dollars in millions)	2011	2010
Free cash flow, post dividends	\$807	\$881
Acquisitions	(\$200)	(\$364)
Divestitures	\$238	\$31
Share repurchases (trade date)	(\$1,500)	(\$256)



- **\$1 billion in share repurchases (24.7 million shares at an average price of \$40.48)**
- **\$500 million accelerated share repurchases**

51

2012: Complex undertaking to separate global operations

- Focus on separation before the end of 2012 requires coordination of multiple complex work streams
- Cost reduction program involves disaggregating shared services and establishing two appropriately-sized corporate centers
- Wave 1 of the cost reductions well underway based on Q4 restructuring and benefit plan realignment
- Additional waves anticipated during 2012, targeting at least \$100 million in total cost reductions by year end
- Restructuring and one-time separation costs should be anticipated in 2012

52

2012: Baseline guidance assumptions

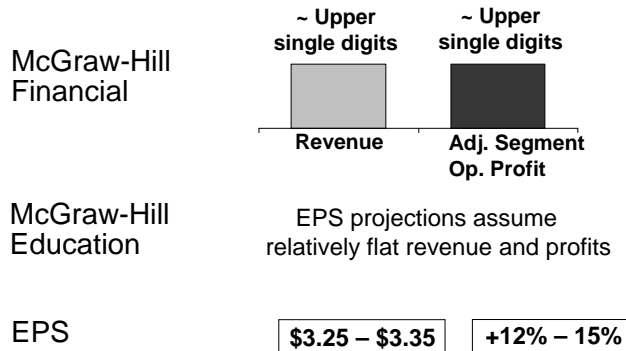
- Baseline guidance provided on a going-concern basis
- Includes benefits of Wave 1 cost reduction program
- Excludes the impact of additional restructuring and one-time separation costs
- EPS guidance is not dependent on additional share repurchase

We will provide regular updates as the new leadership teams are formed and implementation plans are finalized

53

2012: Baseline guidance

2012 Growth



NOTE: 2011 and 2012 results exclude restructuring charges and Growth and Value Plan costs
2012 projections exclude S&P/CME joint venture and include benefits of 2011 4Q restructuring

54

2012: Baseline guidance – other items

- **Corporate expense: Benefiting from actions taken in 2011, expect single-digit decline**
- **ETR & Interest: Comparable to 2011**
- **WASO: Guidance is based on fully diluted shares of 284**
- **Cash flow: 2012 cash flow expected to be approximately \$750 million despite increased capital investment**
 - Capital expenditures projected to be \$125 million to \$150 million
 - Prepublication investment projected to be \$160 million to \$190 million

55

Strong outlook and balance sheet provide flexibility in anticipation of separation

- **Net cash and short-term investments**

- As of December 31, 2011: \$973 million
- \$575 million decline from December 31, 2010, largely in support of acquisitions and share repurchases

- **Gross debt: Approximately \$1.2 billion**

- Unchanged from prior year
- Comprised of unsecured senior notes
- No commercial paper outstanding

EPS 2012 Guidance: \$3.25 – \$3.35, 12% – 15% growth

56

The McGraw-Hill Companies

4Q 2011 Earnings Call January 31, 2012

PRESENTERS

Harold McGraw III
Chairman, President and CEO

Jack Callahan
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

The McGraw-Hill Companies

4Q 2011 Earnings Call

January 31, 2012

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 March 1, 2012

Domestic: 800-933-9003

International: 402-530-8096

No password required