

The McGraw-Hill Companies

2Q 2011 Earnings Call

July 28, 2011

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 revenue and free cash flow 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 July 28, 2011 contains exhibits that reconcile the differences between the non-GAAP measures and comparable financial measures calculated in accordance with U.S. GAAP.

2

The McGraw-Hill Companies

"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 CDOs, residential and commercial mortgage and asset-backed securities and related asset classes; the state of the credit markets and their impact on S&P and the economy in general; the regulatory environment affecting S&P; the level of merger and acquisition activity in the U.S. and abroad; the level of funding in the education market; SEG's level of success in adoptions and open territories; enrollment and demographic trends; the strength of SEG's testing market, HPI'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 level of political advertising; 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. We caution readers not to place undue reliance on forward-looking statements.

3

The McGraw-Hill Companies

Harold McGraw III
Chairman, President and CEO
The McGraw-Hill Companies

MHP: Solid start in 2011

As Reported	2Q 2011	2Q 2010	Change
Diluted EPS	\$0.68	\$0.61	11.9%
Revenue	\$1.6 billion	\$1.5 billion	7.2%

As Reported	1H 2011	1H 2010	Change
Diluted EPS	\$1.07	\$0.94	14.4%
Revenue	\$2.9 billion	\$2.7 billion	7.4%

Promising outlook for second half of 2011

**Now expect to achieve the top end of 2011
diluted earnings per share guidance of
\$2.79 to \$2.89**

6

The McGraw-Hill Companies

Growing faster and unlocking shareholder value

**MHP is allocating resources to support the
best opportunities in growing global markets**

Process is well along

- **Created McGraw-Hill Financial as a new segment**
- **Leveraging intellectual property for new value creation**
 - **2Q 2011: 13.5% increase in revenue and 17.3% increase in operating profit**
 - **Actively reviewing opportunities for creating more value through organic growth, strategic partnerships, and acquisitions**

7

The McGraw-Hill Companies

Strategic review: Focus on higher growth global brands

The portfolio review process:

- Multiple work streams
- Everything is being scrutinized
- We expect to continue this process with a number of significant actions in the second half

Evaluating organization and G&A costs to ensure we are nimble and responding to an even more dynamic marketplace while improving our efficiency

8

The McGraw-Hill Companies

Measuring effective capital allocation

Investments in 2011 expanded high-growth Platts business:

- January: Acquired BENTEK Energy
 - Broadens Platts' fundamental data and analytics for the natural gas market in North America
- July: Acquired Steel Business Briefing Group
 - Better positions Platts to benefit from new opportunities associated with projected 60% increase in world steel consumption during next decade

9

The McGraw-Hill Companies

Milestones in the strategic review: Plan to sell Broadcasting Group

Strong response from financial and non-financial buyers

Sale of Broadcasting—a window into the review process

- Lacks scale
- Cyclical
- Ad-based
- Limited growth prospects

10

The McGraw-Hill Companies

Committed to returning capital to shareholders

\$10.4 billion returned to shareholders from 1996 through the first half of 2011 through dividends, buybacks

- One of only 25 corporations in the S&P 500 to have increased dividends annually for each of the past 38 years
- Average compound annual dividend growth rate of 9.8% since 1974

Board in June approved new repurchase authorization of up to 50 million shares—17% of total shares outstanding

- First half 2011: Repurchased 7.7 million shares for \$300 million at an average price of \$38.96

11

The McGraw-Hill Companies

Legal concerns continue to abate

Latest count on S&P's legal front

- 21 lawsuits have been dismissed in their entirety
- 9 lawsuits have been voluntarily withdrawn
- 5 dismissals by lower courts have been affirmed by higher courts

Significant victory for S&P in subprime litigation

- Recent ruling by U.S. Court of Appeals for the Second Circuit affirmed the dismissal of three underwriter cases filed against S&P and other ratings agencies
- Our attorneys believe it will be very difficult for any future plaintiff to bring a new underwriter claim against S&P

12

The McGraw-Hill Companies

Significant ruling on the Parmalat case

How the Italian court ruled on this case:

- Rejected in its entirety Parmalat's principal claims for damages of more than €4 billion
- Also ruled that S&P breached its ratings agreement and will have to return rating fees and pay some attorney and expert fees

S&P will pay about \$1 million despite:

- Parmalat repeatedly provided false and misleading information to S&P in the entire period it was under contract
- Massive fraud that resulted in criminal convictions of several of Parmalat's former executives

13

The McGraw-Hill Companies

The regulatory front: Affirmation of objectivity

Recent criticism in Europe of S&P's sovereign ratings and calls by some politicians to place new limits on rating agencies

These suggestions are being sharply criticized

"Eurozone politicians and the European Central Bank should thank S&P for telling the truth."

— Financial Times' Lex column

"...wholly impractical and smacks of censorship."

— Special report from House of Lords

The McGraw-Hill Companies

McGraw-Hill Financial

Standard & Poor's

McGraw-Hill Education

**McGraw-Hill
Information & Media**

McGraw-Hill Financial: On the right track

As Reported	2Q 2011	2Q 2010	Change
Revenue	\$333.4 million	\$ 293.6 million	13.5%
Operating Profit	\$97.8 million	\$83.4 million	17.3%
Operating Margin	29.3%	28.4%	

As Reported	1H 2011	1H 2010	Change
Revenue	\$657.4 million	\$572.5 million	14.8%
Operating Margin	29.5%	27.0%	

16

The McGraw-Hill Companies

McGraw-Hill Financial: Growing subscription revenue

(\$ in millions)

	2Q 2011	% of Total	% Change
Revenue			
Subscription	\$245.7	74%	15.3%
Non-subscription	\$87.7	26%	8.9%
Total McGraw-Hill Financial	\$333.4	100%	13.5%

- 1H 2011: 15.8% growth in subscription revenue

17

The McGraw-Hill Companies

McGraw-Hill Financial: Making progress

Integrating the businesses

Building scale in core franchises

Leveraging the market position

18

The McGraw-Hill Companies

New and innovative data and analytic offerings

**S&P Indices, Compustat, and Capital IQ
collaborated to create the S&P Fundamental
Data Package**

- Based on integration of unique methodologies and fundamental data
- Offers more than 100 index-level statistics focused on income statements, balance sheets, and trading data

One of a series of planned offerings

**Goal: Make it easier for clients to benchmark,
back-test, and execute investment strategies**

19

The McGraw-Hill Companies

Capital IQ Consensus: An enhanced and unique offering

Capital IQ Consensus

- Now includes the industry's first aggregate estimates tied directly to share counts for S&P 500 companies
- Features daily reporting on trends and outliers during earnings season

20


The McGraw-Hill Companies

2011 outlook for McGraw-Hill Financial

Expansion will continue throughout segment

Solid first half results

Expect solid second-half performance

21


The McGraw-Hill Companies

McGraw-Hill Financial

Standard & Poor's

McGraw-Hill Education

**McGraw-Hill
Information & Media**

Outstanding 2Q at Standard & Poor's

Key trends:

- **Surging new issue volume**
- **Booming bank loan market**
- **Low interest rates**
- **Investor demand for yield**
- **Strong refinancing activity**
- **Decline in public finance markets**
- **Softness in structured finance**

The outlook for S&P

As Reported	2Q 2011	2Q 2010	Change
Revenue	\$480.3 million	\$405.0 million	18.6%
Operating Profit	\$212.7 million	\$181.4 million	17.3%
Operating Margin	44.3%	44.8%	

As Reported	1H 2011	1H 2010	Change
Revenue	\$923.2 million	\$806.3 million	14.5%

24

The McGraw-Hill Companies

Challenging expense comparisons in 2Q and first half 2011

As Reported	2Q 2011	2Q 2010	Change
Expenses	\$267.6 million	\$223.6 million	19.7%

As Reported	1H 2011	1H 2010	Change
Expenses	\$520.1 million	\$436.1 million	19.3%

25

The McGraw-Hill Companies

Expense comparisons ease in second half 2011

2Q: Challenging expense comparisons due to increase in compensation and regulatory costs

Second-half comparisons will be helped by more even distribution of increases during the year

- Most of the incremental compliance costs occurred in the second half of 2010

Primary drivers of expense growth:

- Investment in resources to support strong growth in Corporate & Governments Group and the CRISIL business
- Investment in infrastructure and new resources to support compliance with regulatory requirements
- Negative impact of foreign exchange rates

26

The McGraw-Hill Companies

Potential for solid second-half performance from S&P

Will continue to watch events in the market

- Sovereign debt situation
- Debate on the U.S. debt ceiling

Despite uncertainties and an expectation of month to month volatility, we expect:

- Easier cost comparisons
- Continuation of favorable market conditions

27

The McGraw-Hill Companies

Key factors in second-half outlook for S&P

Corporations continue to borrow for expansion even as earnings remain strong and cash builds on the balance sheet

Low default rate expectations and low yields on less risky debt should keep investors interested in high-yield and leveraged loan markets for the balance of 2011

M&A activity, a key driver of new bond issuance, is picking up

Public markets will continue to benefit from bank disintermediation in Europe

Refinancing activity remains strong

28

The McGraw-Hill Companies

Refinancing: A key to U.S. high-yield dollar volume

U.S. Issuance	2Q 2011
Acquisition	23%
Corporate Purpose	0%
Dividend	16%
LBO	2%
Refinancing (Bonds/Bank Debt/Refi)	56%
Other	3%
Total	100%

Source: Standard & Poor's Leveraged Commentary & Data

29

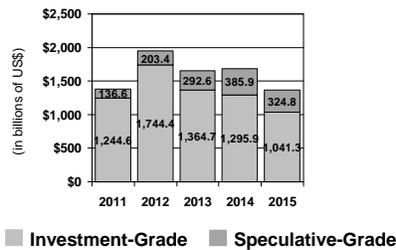
The McGraw-Hill Companies

Unrealized potential in refinancing market

New study issued by S&P shows healthy new issue pipeline continues through 2015

- S&P estimates \$8 trillion in debt will mature from the second quarter of 2011 through the end of 2015
- 2012: More than \$2 trillion of corporate debt will mature

Global Corporate Debt Maturing by Year



Source: Standard & Poor's Global Fixed Income Research

30

The McGraw-Hill Companies

Optimistic about the potential for the structured finance market

ABS sector is stabilizing

Modest increase in the CMBS and CDO markets

Strengthening our criteria may have led to some decline in share, but positions us well for the future

Expect margin improvement as:

- Issuance picks up in structured finance
- Need to invest in S&P's regulatory framework declines

31

The McGraw-Hill Companies

The outlook now for Standard & Poor's

Summary

- A solid first-half performance
- Sustained top- and bottom-line growth in the second half despite market volatility

The McGraw-Hill Companies

McGraw-Hill Financial

Standard & Poor's

McGraw-Hill Education

**McGraw-Hill
Information & Media**

School Education Group: 2Q results affected by delays in ordering

Delays in ordering affected both state new adoption and open territory revenue

- Potential sales shifted from 2Q into 3Q and, possibly, into 4Q 2011

2Q comparisons also affected by the School Education Group's strong 2010 results in the Texas reading and literature adoptions

34

The McGraw-Hill Companies

McGraw-Hill Education: 2Q 2011 results

As Reported	2Q 2011	2Q 2010	Change
Revenue	\$536.6 million	\$565.1 million	(5.0%)
Operating Income	\$42.2 million	\$51.6 million	(18.3%)
Operating Margin	7.9%	9.1%	

As Reported	1H 2011	1H 2010	Change
Revenue	\$839.3 million	\$882.2 million	(4.9%)

35

The McGraw-Hill Companies

McGraw-Hill Education: 2Q 2011 results

**School Education Group's 2Q revenue
declined 10.1%**

**Higher Education, Professional and
International Group's revenue increased 1.8%**

**Digital products and services grew at a double
digit rate in a seasonally slow quarter**

36

The McGraw-Hill Companies

Outlook for 2011 el-hi market

**Greater clarity in 2011 el-hi market now that
Texas has appropriated funding:**

- \$399 million for new instructional materials
- \$393 million for previously adopted materials

Ordering from Texas starts August 8

37

The McGraw-Hill Companies

Outlook for 2011 el-hi market

State new adoption market could match or surpass last year's \$850 million to \$875 million level

Total el-hi market could be flat or up modestly in 2011

State budgets remain under pressure

- **Indications that state cuts will impact higher education more than K-12**
- **States may restore K-12 funding as their revenues improve**
 - **Michigan is one example**

38

The McGraw-Hill Companies

Outlook for 2011 state new adoption market

Due to uncertainty in funding levels in Texas, we focused our participation on about half of Texas' 2011 adoption call

- **Making heavy investments to create state-specific products matching Texas standards was too problematic**
- **McGraw-Hill didn't participate in the Florida K-5 science adoption for the same economic reason**

Still expect to capture approximately 30% of the state new adoption market in which we are participating

- **We are participating in more than 70% of the total market**

39

The McGraw-Hill Companies

Gaining traction with digital investments

Texas adopted our digital cloud-based K-12 science program—McGraw-Hill Cinch Learning

- **Students can access content on any tablet, computer, or mobile device**

Strong double-digit increase in 2Q sales of digital products and services in higher education

Digital products transforming higher education market

Good response to McGraw-Hill Connect, homework management and study system

- **Improves the workflow for both faculty and students**
- **Seamlessly integrates into the widely used Blackboard learning management system**
- **New revenue stream**
- **Digital products can be marketed directly to students**

Adding new talent, products by acquisition

The talent of Tegrity, an Israeli software firm

- **Created market leading lecture capture service for higher education**
- **Played a key role in development of McGraw-Hill Campus**
 - **Service will be used this fall at more than 100 higher education institutions**
 - **First-of-its-kind service provides universal access to McGraw-Hill's digital content and tools from any campus learning management system**

42

The McGraw-Hill Companies

Outlook for 2011 U.S. higher education market

Expect growth based on our strong lineup of digital products and services

Estimated 1% to 2% increase in enrollments

- **Mostly in community colleges and public universities**
- **For-profit school enrollment is expected to be stable**

Impact of rentals: May account for about 5% of the new and used book market this year

U.S. college and university market will grow about 4% to 6% in 2011

- **Lower end of range now appears more likely**

43

The McGraw-Hill Companies

2011 outlook for McGraw-Hill Education

In 3Q, McGraw-Hill is in an excellent position to benefit from trends:

- **El-hi market**
 - Will benefit from orders delayed from 2Q, particularly from Texas
- **Higher education and professional markets**
 - Adoptions of digital products and services will continue to grow at double-digit rates

The McGraw-Hill Companies

McGraw-Hill Financial

Standard & Poor's

McGraw-Hill Education

**McGraw-Hill
Information & Media**

Double-digit growth at Business-to-Business Group in 2Q

As Reported	2Q 2011	2Q 2010	Change
Revenue	\$222.2 million	\$198.9 million	11.7%

2Q: 11.7% increase in revenue offset a 6.0% decline at Broadcasting

46

The McGraw-Hill Companies

Information & Media: Sustainable growth in 2Q

As Reported	2Q 2011	2Q 2010	Change
Revenue	\$246.0 million	\$224.2 million	9.7%
Operating Profit	\$50.3 million	\$47.5 million	5.9%
Operating Margin	20.5%	21.2%	

- 2Q: Operating margin is proving to be sustainable and not a one-year phenomenon

As Reported	1H 2011	1H 2010	Change
Revenue	\$473.5 million	\$430.4 million	10.0%

47

The McGraw-Hill Companies

Business-to-Business Group: Subscriptions digitally delivered

**Now primarily a subscription business
delivered digitally**

- **More than 70% of Group's revenue is digital**
 - Result of investment in capabilities that support new product development and revenue streams

**More than 60% of the Group's revenue comes
from subscriptions**

Strong 2Q results at Business-to-Business Group

Key drivers:

- **Increased demand for Platts' proprietary content**
- **Growth in syndicated studies and consulting services at J.D. Power**
 - In both automotive and non-automotive sectors

Broadcasting Group: Single-digit decrease in 2Q revenue

As Reported	2Q 2011	2Q 2010	Change
Revenue	\$23.8 million	\$25.3 million	(6.0%)

Key factor:

- Decrease in political advertising in a non-election year

2011 outlook for Information & Media

Summary:

- Operating margin: Sustainable improvement
- Encouraging second-half outlook

2011 outlook for The McGraw-Hill Companies

Businesses are performing well

Solid first half

Promising outlook for second half

2011 EPS guidance: Expect earnings per diluted share at the top end of \$2.79 to \$2.89 range

52

The McGraw-Hill Companies

The McGraw-Hill Companies

Jack Callahan
**Executive Vice President and
Chief Financial Officer**
The McGraw-Hill Companies

2011: Solid revenue growth in 2Q

Solid organic revenue growth

Benefited from acquisitions completed in the past 12 months

- Accelerated revenue growth by approximately 140 basis points
- Profit impact was modestly dilutive

Foreign exchange positively impacted revenue by \$24 million, or 160 basis points

- Minimal impact on bottom line

2Q expenses at Information & Media

Nonrecurring items influenced expenses:

- Write-off of deferred costs recorded in prior periods largely offset by a gain on the sale of interest in LinkedIn Corporation

Outlook for corporate expenses

2Q 2011: \$44 million, an increase of \$6.6 million compared to the prior year

1H 2011: \$78.4 million, an increase of 6.9% compared to the prior year

- Driven by increased compensation due to timing of accruals as well as improved operating results

2011: Continue to expect mid single-digit increase

- Compares to adjusted corporate expense of \$164 million in 2010, which excludes one-time charge of \$15.6 million related to subleasing excess space

Outlook for net interest expense

2Q 2011: \$20 million, a \$1 million decline compared to the prior year

2011: Still expect full year interest to be comparable to 2010, which was \$82 million

Effective tax rate

2Q 2011: 36.4%, flat versus 2010

2011: Expect full-year effective tax rate to remain in the same range

Net income attributable to noncontrolling interests

2Q 2011: \$4.7 million, largely driven by CRISIL

Capital allocation in 1H 2011

Spent \$426 million on acquisitions and share repurchases

- \$126 million on acquisitions
- \$300 million for share repurchases

2011 acquisitions add to Platts' growing platform

1Q: BENTEK Energy (natural gas market)

July 1: Steel Business Briefing Group (iron ore market)

60


The McGraw-Hill Companies

Capital allocation in 1H 2011: Actively repurchasing shares

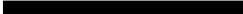
2Q 2011: Repurchased 4.4 million shares

- Step up compared to 3.3 million shares repurchased in 1Q

1H 2011: Repurchased 7.7 million shares for approximately \$300 million

- Average price: \$38.96 per share

61


The McGraw-Hill Companies

A decline in diluted weighted average shares outstanding (WASO)

2Q 2011: 309.2 million shares

- 4.0 million decrease from prior year
- 0.4 million decrease from 1Q 2011

Decline is primarily due to share repurchases, which more than offset equity related awards

62

The McGraw-Hill Companies

2011: Another year of strong cash flow

Before dividends, we expect to generate more than \$1 billion of cash flow

After dividends, free cash flow projected at more than \$700 million

Robust free cash flow and a strong balance sheet enable MHP to selectively add attractive, strategically relevant businesses while returning cash to shareholders via share repurchases, subject to market conditions

63

The McGraw-Hill Companies

A well-capitalized company

Net cash and short-term investments:

- As of June 30, 2011: \$1.3 billion

Cash and short-term investments: Declined \$223 million from year end 2010, primarily due to share repurchases and acquisitions

Gross debt: Approximately \$1.2 billion

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

The outlook for prepublication investments

2011: Now expect to be below \$200 million, versus our previous guidance of roughly \$200 million to \$225 million

- Decline is largely due to re-scoping new core reading program and fine-tuning the financial requirements

The outlook for prepublication amortization

**2011: Expected to be approximately \$210 million,
a \$36 million decline from 2010**

- **Reflects the recent reduced level of investment**

The outlook for capital expenditures

2011: Still expect up to \$150 million

- **Driven in part by increased digital and technology investments**
- **Compares to \$115 million in 2010**

The McGraw-Hill Companies

2Q 2011 Earnings Call

July 28, 2011

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

2Q 2011 Earnings Call

July 28, 2011

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 August 27, 2011

Domestic: 800-430-5981

International: +1-402-220-2055

No password required