

The McGraw-Hill Companies

1Q 2011 Earnings Call

April 26, 2011

Presenters:

Harold McGraw III

Chairman, President and CEO

Jack Callahan

Executive Vice President and CFO

Donald S. Rubin

Senior Vice President, Investor Relations

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Donald S. Rubin

**Senior Vice President,
Investor Relations**

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Comparison of Adjusted Information to U.S. GAAP Information

This presentation includes adjusted revenue, free cash flow and net cash 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 26, 2011 contains exhibits that reconcile the differences between the non-GAAP measures and comparable financial measures calculated in accordance with U.S. GAAP.

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"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 (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; 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 Group'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.

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Harold McGraw III
Chairman, President and CEO
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**MHP: Promising year
off to a good start**

As Reported	1Q 2011	1Q 2010	Change
Diluted EPS	\$0.39	\$0.33	18.2%
Revenue	\$1.3 billion	\$1.2 billion	7.7%

McGraw-Hill Financial

Standard & Poor's

McGraw-Hill Education

McGraw-Hill
Information & Media

1Q 2011 at McGraw-Hill Financial: Strong start

As Reported	1Q 2011	1Q 2010	Change
Revenue	\$324.0 million	\$ 278.8 million	16.2%
Operating Profit	\$96.3 million	\$71.2 million	35.3%
Operating Margin	29.7%	25.5%	

- Excluding The Markets.com acquisition in September 2010, revenue grew by 11.9%

McGraw-Hill Financial: Growing subscription revenue

(\$ in millions)

Revenue	1Q 2011	% of Total	% Change
Subscription	\$240.2	74%	16.3%
Non-subscription	\$83.8	26%	16.1%
Total McGraw-Hill Financial	\$324.0	100%	16.2%

Revenue	1Q 2011	% of Total	% Change
Domestic	\$230.9	71%	16.9%
International	\$93.1	29%	14.7%
Total McGraw-Hill Financial	\$324.0	100%	16.2%

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McGraw-Hill Financial: New integrated core capabilities and solutions

The goal:

- One scaled operation offering global financial professionals high-value content across all asset classes

Making steady progress in leveraging proprietary assets across the new organization while growing individual businesses

Developing innovative and integrated solutions

- Helping clients manage investment and trading strategies

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New collaboration, new product

S&P Indices and S&P Leveraged Commentary and Data collaborated to create new leveraged loan index

- **Basis of the first bank loan exchange-traded fund to hit the market**

Assets under management for the new Invesco Powershares leveraged loan ETF reached \$70 million in the first month

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32 new ETFs based on S&P indices launched in 1Q 2011

333 ETFs linked to S&P indices with \$323.0 billion in assets under management at end of 1Q 2011

- **27% year-over-year increase in assets under management**

Year	New ETFs launched based on S&P indices
2006	39
2007	46
2008	59
2009	25
2010	95

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How S&P diversifies its indices

Changing percentage of assets under management in ETFs tied to the SPDR S&P 500

- 62% in 2006
- 43% in 2010

Change reflects diversification of ETF revenue across different asset classes and geographies

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More subscribers for Integrated Desktop Solutions Group

Strong start to year with subscriber demand for:

- Capital IQ data
- Ratings content from the Global Credit Portal

Capital IQ client base grew to more than 3,600

- 23% increase vs. 1Q 2010
- TheMarkets.com content now in the Capital IQ platform

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Enterprise Solutions Group: Integrating data and streamlining delivery

Formed to integrate multiple cross-asset data sets and streamline delivery of data into one platform

- New integrated technologies enable clients to incorporate data directly into their systems and workflows

Increased demand for Enterprise Solutions' data in both pre- and post-trade markets

- Easier access to more information is good for business and allows for greater insight and transparency

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Research & Analytics: *The Wall Street Journal's* "Best Analysts on the Street"

S&P's Equity Research leads the new *Wall Street Journal* survey with 10 winning analysts

"Best on the Street" survey identifies top five analysts in 44 sectors based on stock-picking skills

- Nearly 7,000 analysts and more than 500 firms were surveyed
- *The Wall Street Journal* will publish the formal list on May 10

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Research & Analytics: A leverageable resource

S&P's equity research is an important resource for MarketScope Advisor, an online service for more than 80,000 financial advisors

In the future, S&P equity research will be available through:

- **Enterprise Solutions**
- **Integrated Desktop Solutions Group**

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2011 outlook for McGraw-Hill Financial

Solid start to the year

- **Finding new ways to unlock value**

Expect to produce double-digit revenue and operating profit growth

- **Combination of strong organic growth and acquisition of TheMarkets.com**

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McGraw-Hill Financial

Standard & Poor's

McGraw-Hill Education

McGraw-Hill Information & Media

The outlook for S&P

As Reported	1Q 2011	1Q 2010	Change
Revenue	\$442.9 million	\$401.3 million	10.4%
Operating Profit	\$190.4 million	\$188.8 million	0.8%
Operating Margin	43.0%	47.0%	

- S&P's operating profit expected to accelerate for the rest of 2011; Implies 10% growth over the balance of the year
 - Year-over-year cost comparisons easing
 - Favorable market trends expected to continue

How foreign exchange affected 1Q results

Increased revenue by \$1.9 million

Reduced operating profit by \$6.1 million

Excluding foreign exchange:

- Revenue grew by 9.9%
- Operating profit increased by 4.1%

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Challenging comparisons: 1Q '10 vs. 1Q '11

1Q '10 margin: 47%

1Q '11 margin: 43%

Record 1Q '10 margin achieved despite S&P's lowest revenue quarter in 2010

- \$42 million lower than 1Q 2011

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Why expense comparisons will ease for balance of 2011

S&P spending for QCCR-related items makes first-half comparisons challenging:

- **2010: Incremental \$17 million cost realized almost entirely in second half of the year**
- **2011: Estimated incremental increase of \$12 million to \$15 million to be more evenly spread across the year**

QCCR costs expected to increase at lower rate, level off, and possibly decline as new regulatory requirements subside

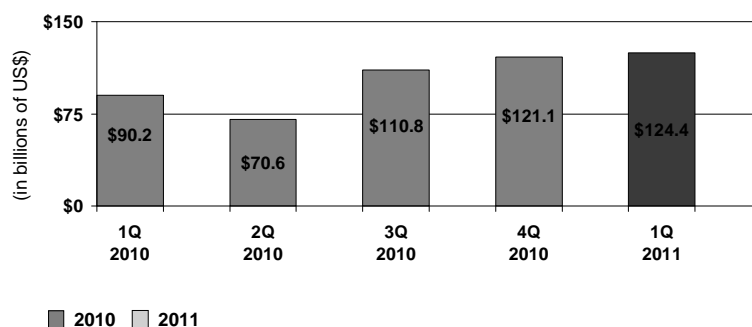
New hires, acquisition contribute to difficult expense comparisons in 1Q

Staffing increases mostly at CRISIL in India

- **Includes acquisition of Pipal Research in late 2010**

Transaction revenue grew by 17.2% as high-yield issuance soars

Worldwide Corporates High Yield



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

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

U.S. Issuance	1Q 2011
Acquisition	7%
Corporate Purpose	6%
Dividend	8%
LBO	8%
Refinancing (Bonds/Bank Debt/Refi)	64%
Other	7%
Total	100%

Source: Standard & Poor's Leveraged Commentary & Data

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A rapidly growing leveraged loan market

Centered around the three R's of leveraged lending:

- Repricing
- Refinancing
- Recapitalization

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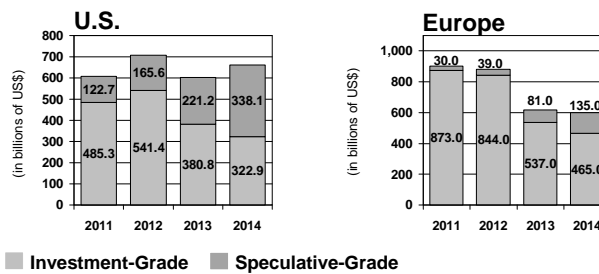
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Unrealized potential in refinancing market

A healthy new issue pipeline

- S&P estimates \$5.6 trillion in bond and loan maturities coming due between 2011 and 2014 for U.S. and European markets
- Maturities in the range of \$1.2 trillion to \$1.5 trillion per annum between 2011 and 2014

Corporate Debt Maturing by Year



Source: Standard & Poor's Global Fixed Income Research

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Risk and the search for yield

S&P has seen:

- Deals oversubscribed for companies with B-ratings
- CCC rated debt market opened up by increased role of hedge funds

Why search for yield will persist:

- Interest rates remain low
- Spreads remain tight

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Tightening interest rate spreads: A key factor in issuance levels

Spreads well below 5-year daily moving average

Basis Points	3/31/11	One month ago	Beginning of 2011	5-Year Daily Moving Average
Speculative-grade composite spread	478	481	538	662
Investment-grade composite spread	165	165	177	226

Source: Standard & Poor's Global Fixed Income Research

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Trends in new issuance market

Increasingly active M&A market should contribute to growth

Borrowers turning to public debt markets with banks less willing or less able to lend

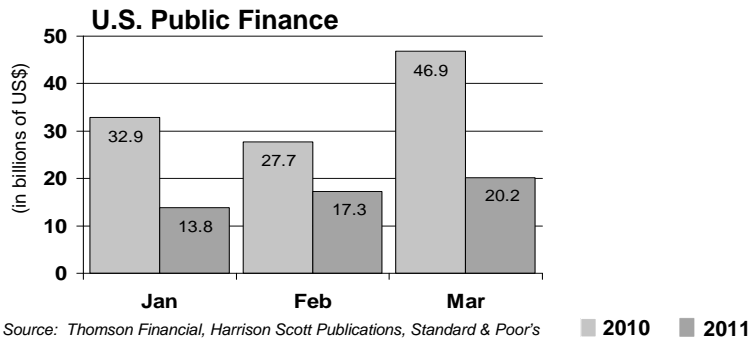
S&P continues to move ahead without much help from the public or structured finance markets

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U.S. public finance fell by 52% in 1Q 2011

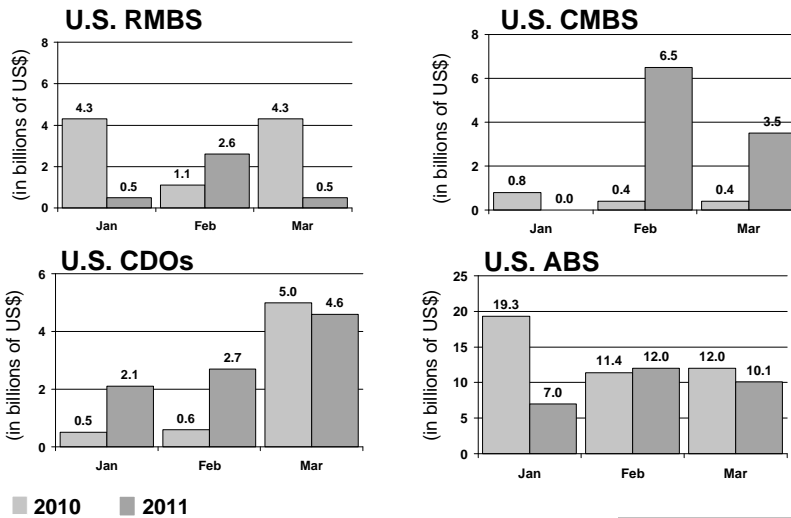
- Decline is largely attributed to expiration of Build America Bond program at end of 2010
- May take some time for market to show year-over-year growth



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Structured finance was mixed



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

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Standard & Poor's: Growing non-transaction revenue

(\$ in millions)

Revenue	1Q 2011	% of Total	% Change
Transaction	\$176.3	40%	17.2%
Non-Transaction	\$266.6	60%	6.3%
Total Standard & Poor's	\$442.9	100%	10.4%

Non-transaction revenue includes a \$15.2 million royalty payment from McGraw-Hill Financial for right to use and distribute S&P's content

S&P's non-transaction revenue expected to continue growing in 2011

Offsets to decline in structured finance surveillance:

- Increased revenue from CRISIL
- Revenue from non-issue based analytical services

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Gaining clarity on regulatory issues

United States: SEC will engage in more rulemaking in 2011 to implement Dodd-Frank Act requirements

Hong Kong recently passed new regulations

New regulations expected from Canada and Singapore

Gaining clarity on regulatory issues

S&P is working with regulators and market participants on implementation of new rules for credit ratings in the European Union relating to endorsement

S&P has an effective framework to accommodate compliance with additional regulatory requirements

Latest developments on litigation front

The record:

- **20 cases have been dismissed outright**
 - **Five of these cases involved fraud charges**
- **Eight lawsuits have been voluntarily withdrawn**

Favorable decision in California state court

CALPERS case in California alleged negligent misrepresentation in connection with the ratings of three structured investment vehicles

- **Court granted our motion that the complaint falls under a California statute protecting speech made in the public interest**
- **Decision shifts burden to CALPERS; must demonstrate with a probability of success that it can prove its claim**

Latest developments on litigation front

Abu Dhabi case: Discovery continues

Anschutz case:

- **New York federal court dismissed plaintiff's claim of negligent misrepresentation in regard to securities issued by Merrill Lynch**
- **Same claim in California federal court has survived a motion to dismiss**
- **California judge asked to permit an appeal in view of clear conflict with New York' federal court's dismissal ruling**

Developments on cases overseas

Parmalat: Submitted our final brief; Ruling awaited

Germany: Court dismissed another lawsuit relating to S&P's Lehman ratings

- **Recognized that ratings disseminated globally from our U.S. business should not subject S&P to lawsuits in Germany without some specific connection to that country**

2011 outlook for Standard & Poor's

Summary

- Legal risk remains low
- Regulatory issues are manageable
- High single-digit revenue growth
- Operating profit will accelerate for the balance of the year and grow in the high single-digits for the full year

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McGraw-Hill Financial

Standard & Poor's

McGraw-Hill Education

**McGraw-Hill
Information & Media**

McGraw-Hill Education: 1Q 2011 results

As Reported	1Q 2011	1Q 2010	Change
Revenue	\$302.7 million	\$317.3 million	(4.6%)
Operating Loss	\$(75.5) million	\$(61.8) million	(22.2%)

- Operating loss reflects revenue decline and ramped up investment for digital infrastructure that will position McGraw-Hill Education for future growth

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McGraw-Hill Education: 1Q results not indicative of what's ahead for 2011

Elementary-high school market:

- 1Q sales mainly for replacement copies

U.S. higher education market

- Sales mainly reflect last year's adoptions

In both markets, 1Q through mid-May is the major selling season for summer orders

- Sales force working hard to ensure success of seasonally important 3Q

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What's different in 1Q: Robust growth of digital products

1Q: Particularly strong digital growth in higher education and professional markets

Investment in digital capabilities and capacity builds on McGraw-Hill Education's success

- **Positions us to meet growing demand for digitally delivered products**
- **Supports launch of broad array of new digital products in the pipeline**
- **Reflects the markets' increasing capacity to utilize wholly digital products delivered online**

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Technology investments: Opportunities for 2011 and beyond

McGraw-Hill Education's products represent a new generation of digital resources to enhance teaching and learning

- **The e-learning market: Only publisher to offer comprehensive, all-digital programs in math and science**
 - **CINCH Math and CINCH Science**
- **Testing market: Shift to online testing and all-digital reporting is a growing trend**

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McGraw-Hill Education's new generation of digital resources

- **Higher education's suite of products include:**
 - **McGraw-Hill Connect:** The industry's most-advanced homework management platform
 - **McGraw-Hill Create:** A digital system that allows instructors to customize e-books for their courses
 - **LearnSmart and ALEKS:** Highly sophisticated computer adaptive tutoring programs
 - **Frontlist titles:** Available as e-books for a range of e-reading devices

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McGraw-Hill Education's new generation of digital resources

- **Professional market: Steady increases in domestic and international subscribers for medicine, engineering and business resources**
 - **More than 6,000 professional titles available as e-books**
 - **Introducing line of enhanced e-books featuring embedded audio and video**
 - **More than 150 apps for business, medical, technical, and educational test prep**
 - **Another 75 apps will be added this year**

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Investing in technology systems to ensure capacity, support

Recent investments in state-of-the-art digital hosting and support center are paying off with increased digital product reliability

Will continue to make incremental investments and utilize the cloud to ensure capacity and expert customer support

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Outlook for 2011 U.S. education market

Expect digital products and services to produce another solid year of growth

2Q selling season is underway. Monitoring:

- **District adoption activity levels**
- **State funding developments**
- **Buying patterns across our markets**

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Outlook for 2011 U.S. education market

The e-l-hi market is stabilizing

Market could still meet or exceed 2010 levels

- **Depends to great extent on Texas legislature and how it funds instructional materials**
 - Won't know until sometime in May
- **Carefully watching North Carolina's reading and literature adoption**
 - Recently called for purchase this year but funding has not been approved
- **Open territory: Signs of pent up demand but too soon to make a forecast**

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Outlook for 2011 U.S. education market

Still believe U.S. college market will grow between 4% and 6%

Enrollments expected to show modest growth after surge in the last two years

Realizing the benefits of Blackboard connection in 2011

- **Hard to overstate value of offering students and instructors a single point of access for course content and study tools through Blackboard's learning management system**
- **Expanded arrangement with Blackboard to international markets earlier in April**

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2011 outlook for McGraw-Hill Education

Market expectations:

- Flat to minimal growth in elementary-high school market
- 4% to 6% growth in U.S. higher education market

For McGraw-Hill Education:

- Revenue: Expect growth in low single-digits
- Operating profit: A decline driven by investments, especially for digital developments
 - Decrease could range from mid single-digits to high single-digits

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McGraw-Hill Financial

Standard & Poor's

McGraw-Hill Education

**McGraw-Hill
Information & Media**

Information & Media: Strong growth in 1Q

1Q: Delivering on the promise of a sustainable operating margin

As Reported	1Q 2011	1Q 2010	Change
Revenue	\$227.5 million	\$206.2 million	10.3%
Operating Profit	\$37.4 million	\$27.8 million	34.5%
Operating Margin	16.4%	13.5%	

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Business-to-Business Group: More than 70% digital

Now primarily a subscription business delivered digitally

- More than 70% of revenue is digital

Growth at Platts, J.D. Power and acquisition of BENTEK Energy in January fueled 1Q revenue increase

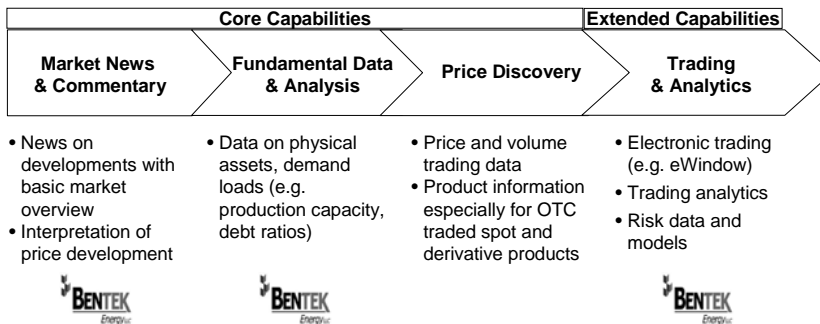
As Reported	1Q 2011	1Q 2010	Change
Revenue	\$206.9 million	\$187.5 million	10.3%

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Platts: BENTEK acquisition adds to capabilities in energy markets

Platts has a strong position in market news, data, and price discovery across many commodities including oil, natural gas, coal, metals, petrochemicals, nuclear and electricity



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J.D. Power and Associates: Global growth driving strong 1Q results

Benefitting from recovery in domestic and international auto markets

Experiencing gains in healthcare, financial services, and insurance markets as well

A recovering worldwide automotive market

- 2011 J.D. Power forecast:
 - 7% growth in global light vehicle sales
 - 20% growth in U.S. light vehicle sales

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Solid growth at Broadcasting Group in 1Q

As Reported	1Q 2011	1Q 2010	Change
Revenue	\$20.6 million	\$18.7 million	10.2%

Key drivers:

- A pick up in automotive time sales
- Increased retransmission revenue

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2011 outlook for Information & Media

Summary:

- Revenue: Expect mid single-digit growth
- Adjusted operating profit: Expect mid single-digit growth

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2011 outlook for The McGraw-Hill Companies

Solid start to year

- 1Q is seasonally small

2011 EPS guidance: Expect earnings per diluted share in the \$2.79 to \$2.89 range

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Jack Callahan
**Executive Vice President and
Chief Financial Officer**
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2011: Expect another year of strong cash flow

Before dividends:

- Expect to generate cash flow greater than \$1 billion

After dividends:

- Projected to be in excess of \$700 million despite increased capital investments

The outlook for prepublication investments

2011: Continue to expect roughly \$200 million to \$225 million

- Represents \$50 million to \$75 million increase compared to 2010, an unusually low year

The outlook for capital expenditures

2011: Expect approximately \$150 million

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

A well-capitalized company

Net cash and short-term investments:

- As of March 31, 2011: \$100 million

Cash and short-term investments: \$1.3 billion

Gross debt: Approximately \$1.2 billion

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

Capital allocation in 1Q 2011

Spent \$250 million on acquisitions and share repurchases

- Primary drivers of \$250 million decline in cash and short-term investments from year-end

\$126 million on acquisitions

- Most notable: BENTEK Energy which is now part of Platts in the Information & Media segment

Impact of recent acquisitions on 1Q results:

- Revenue: Accelerated growth by approximately 150 basis points
- Profit: Modestly dilutive

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Capital allocation in 1Q 2011: Share repurchase program

1Q 2011: Repurchased 3.3 million shares for approximately \$124 million

- Average price: \$37.44 per share

Considering step up in 2011 share repurchases versus initial guidance due to:

- Cash position
- Reduced cash commitment for OPIS acquisition that has been withdrawn

5.1 million shares remain in the current 2007 program authorized by the Board of Directors

- To further increase buy backs, a new program would need consideration and formal authorization by Board of Directors

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Outlook for corporate expenses

1Q 2011: \$34 million, a decrease of 4% or \$1.5 million compared to the prior year

- **Benefited from a decline in real estate costs and tight cost control**

2011: 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

1Q 2011: \$19 million, a \$3 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

1Q 2011: 36.4%, flat versus 2010

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Net income attributable to non-controlling interests

1Q 2011: \$4.2 million, largely driven by CRISIL

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A decline in diluted weighted average shares outstanding (WASO)

1Q 2011: 309.6 million shares

- 6.7 million decrease from prior year
- 0.7 million decrease from 4Q 2010

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

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