4Q 2010 Earnings Call
February 1, 2011

Presenters:
Harold McGraw III
Chairman, President and CEO

Jack Callahan
Executive Vice President and CFO

Donald S. Rubin
Senior Vice President, Investor Relations
Comparison of Adjusted Information to U.S. GAAP Information

This presentation includes adjusted earnings per share, operating profit, and corporate expense 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 February 1, 2011 contains exhibits that reconcile the differences between the non-GAAP measures and comparable financial measures calculated in accordance with U.S. GAAP.


This presentation includes certain forward-looking statements about our businesses and our prospects, new products, sales, expenses, tax rates, cash flows, prepublication investments and operating and capital requirements. Such forward-looking statements include, but are not limited to: the strength and sustainability of the U.S. and global economy; Educational Publishing's level of success in 2011 adoptions and in open territories and enrollment and demographic trends; the level of educational funding; the strength of School Education including the testing market, Higher Education, Professional and International publishing markets and the impact of technology on them; the level of interest rates and the strength of profit levels and the capital markets in the U.S. and abroad; the level of success of new product development and global expansion and strength of domestic and international markets; the demand and market for debt ratings, including collateralized debt obligations (“CDO”), residential and commercial mortgage and asset-backed securities and related asset classes; the continued difficulties in the credit markets and their impact on Standard & Poor’s and the economy in general; the regulatory environment affecting Standard & Poor’s; the level of merger and acquisition activity in the U.S. and abroad; the strength of the domestic and international advertising markets; the strength and the performance of the domestic and international automotive markets; the volatility of the energy marketplace; the contract value of public works, manufacturing and single-family unit construction; the level of political advertising; and the level of future cash flow, debt levels, manufacturing expenses, distribution expenses, prepublication, amortization and depreciation expense, income tax rates, capital, technology, restructuring charges and other expenditures and prepublication cost investment.

Actual results may differ materially from those in any forward-looking statements because any such statements involve risks and uncertainties and are subject to change based upon various important factors, including, but not limited to, worldwide economic, financial, political and regulatory conditions; currency and foreign exchange volatility; the health of debt and equity markets, including interest rates, credit quality and spreads, the level of liquidity, future debt issuances including residential and commercial mortgage-backed securities and CDOs backed by residential mortgages and related asset classes; the implementation of an expanded regulatory scheme affecting Standard & Poor’s ratings and services; the level of funding in the education market (both domestically and internationally); the pace of recovery in advertising; continued investment by the construction, automotive, computer and aviation industries; the successful marketing of new products, and the effect of competitive products and pricing.
Harold McGraw III  
Chairman, President and CEO  
The McGraw-Hill Companies

### MHP: Double-digit growth in FY 2010

<table>
<thead>
<tr>
<th></th>
<th>As Reported</th>
<th>4Q 2010</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted EPS</td>
<td></td>
<td>$0.50</td>
<td>$2.65</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>As Adjusted</th>
<th>4Q 2010</th>
<th>4Q 2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted EPS</td>
<td></td>
<td>$0.55</td>
<td>$0.51</td>
<td>7.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FY 2010</td>
<td>FY 2009</td>
<td>Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$2.69</td>
<td>$2.37</td>
<td>13.5%</td>
</tr>
</tbody>
</table>

**Dilution from acquisitions**
- 4Q 2010: $0.01
- FY 2010: $0.02

2010 revenue: $6.2 billion, a 5.3% increase
- Excluding impact of acquisitions and divestitures
MHP: Realigned into four operating segments

New Reporting Structure (Recasted)

2010 Revenue

- MHF: 19%
- S&P: 27%
- I&M: 15%
- MHE: 39%

2010 Adjusted Segment Operating Profit

- MHF: 22%
- MHF: 19%
- I&M: 11%
- S&P: 47%
- MHE: 22%

McGraw-Hill Financial

Standard & Poor’s

McGraw-Hill Education

McGraw-Hill Information & Media
The strategy for McGraw-Hill Financial


New structure integrates core capabilities
  • Segment can be greater than the sum of its parts

Drive organic growth through:
  • Development of new, integrated solutions from proprietary assets
  • New solutions to help clients manage investments and trading strategies
  • Capitalize on growth trends for financial information, data, analytics

McGraw-Hill Financial

Existing Products & Services
(1) Previously in FRMS offering

- Global Data Solutions
- XpressFeed
- Compustat
- S&P Securities Evaluations
- CUSIP Global Services

S&P Indices for:
- Equity
- Fixed Income
- Emerging & Frontier
- Real Estate
- Thematic
- Custom

- Equity Research (STARS)
- Market, Credit & Risk Strategies (cross-asset)
- Leveraged Commentary & Data
- MarketScope Advisor
- Quantitative Research

- Capital IQ
- TheMarkets.com
- Global Credit Portal
- RatingsDirect
- Risk Solutions
- ABSXchange

McGraw-Hill Financial’s New Integrated Product Capabilities

Enterprise Solutions

Benchmarks

Research & Analytics

Integrated Desktop Solutions
McGraw-Hill Financial’s new integrated product capabilities

Existing Products & Services
(1) Previously in FIRM's offering

- Global Data Solutions
- XpressFeed
- Compustat
- S&P Securities Evaluations
- CUSIP Global Services

Enterprise Solutions

Leverages our data organization to create and deliver:
- Global benchmark data and indices that are integrated into one consolidated data feed.
  Includes:
  - Comprehensive access to S&P and McGraw-Hill Financial's in-depth fixed income and equity fundamental data
  - Broad range of 3rd party and proprietary-derived data

Value Proposition: Integrated Data
- Provide investors with a cross-asset view of entities they invest in
- Access critical content sets through a number of delivery methods that meet any client’s configuration

McGraw-Hill Financial’s new integrated product capabilities

Existing Products & Services

Benchmarks

Leverages the capabilities of the data organization and Enterprise Solutions to:
- Increase the type and asset classes covered and extend global regions for benchmark solutions
- Build “Benchmark Analytics” into Integrated Desktop Solutions and Enterprise Solutions

Value Proposition: Indices as Benchmarks:
- More benchmarks for fundamental and quantitative trading strategies
- Investors can benchmark portfolio performance against established global indices
McGraw-Hill Financial’s new integrated product capabilities

Existing Products & Services
(1) Previously in FIRMS offering

• Equity Research (STARS)
• Market, Credit & Risk Strategies (cross-asset)
• Leveraged Commentary & Data
• MarketScope Advisor
• Quantitative Research

Research & Analytics

Value Proposition: Market Analysis & Investment Insight

• The most comprehensive source of cross asset-class analytics, market commentary, and company research for institutional investors and private wealth managers

Leverages the capabilities of Enterprise Solutions and Benchmarks to provide:
• Unique analytics backed by models, methodologies, and expertise (e.g. Risk-to-Price and Credit Health Panel)
• Daily multi asset class market commentary
• Integrated research to address a company’s overall capital structure

Integrated Desktop Solutions

Value Proposition: Integrated Workflow Tools

• Brings together the integrated data sets, indices, research, and analytic insights to bring a “package” of content to serve multiple investor segments

Leverages the capabilities of Enterprise Solutions, Benchmarks, and Research & Analytics to provide:
• Credit & Risk Analytics (Global Credit Portal, RatingsDirect and Risk Solutions) integrated with Capital IQ
• Proprietary research and wealth management tools integrated with Capital IQ

Existing Products & Services
(1) Previously in FIRMS offering

• Capital IQ
• TheMarkets.com
• Global Credit Portal
• RatingsDirect
• Risk Solutions
• ABSXchange
How a recasted McGraw-Hill Financial performed in 2010

Recasted 2010 results for McGraw-Hill Financial
• Revenue: $1.2 billion
• Operating margin: 26.5%

Compares to Standard & Poor’s Investment Services revenue of $918 million
• McGraw-Hill Financial includes the securities information business from S&P Credit Market Services (S&P Ratings Direct and S&P RatingsXpress®)

McGraw-Hill Financial: Primarily subscription revenue

<table>
<thead>
<tr>
<th>Revenue</th>
<th>FY 2010</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscription</td>
<td>$875.7</td>
<td>74%</td>
</tr>
<tr>
<td>Non-subscription</td>
<td>$312.8</td>
<td>26%</td>
</tr>
<tr>
<td>Total McGraw-Hill</td>
<td>$1,188.5</td>
<td>100%</td>
</tr>
<tr>
<td>Financial</td>
<td></td>
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<table>
<thead>
<tr>
<th>Revenue</th>
<th>FY 2010</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>$828.5</td>
<td>70%</td>
</tr>
<tr>
<td>International</td>
<td>$360.1</td>
<td>30%</td>
</tr>
<tr>
<td>Total McGraw-Hill</td>
<td>$1,188.5</td>
<td>100%</td>
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• 2010 international revenue grew at a double-digit rate as S&P Indices and Capital IQ expanded in foreign markets
McGraw-Hill Financial:
12.4% revenue growth in 4Q 2010

<table>
<thead>
<tr>
<th>As Recasted</th>
<th>4Q 2010</th>
<th>4Q 2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$321.8 million</td>
<td>$286.4 million</td>
<td>12.4%</td>
</tr>
</tbody>
</table>

• Includes $12.7 million in revenue from TheMarkets.com acquisition

Solid growth for S&P Indices in 2010

$300.3 billion in assets under management based on S&P indices at end of 2010
• 21.6% year-over-year increase
• ETFs based on S&P indices increased by 95 to 301 in 2010

Assets Under Management Based on S&P Indices

Source: Bloomberg
Continuing to build and expand at Capital IQ

More clients in 2010
• An increase of 15.8% for the year to more than 3,400

Smooth integration of TheMarkets.com
• Strong addition to McGraw-Hill Financial’s integrated desktop platform

2011 outlook for McGraw-Hill Financial

Expect a good start to the year
• Momentum building at end of 2010
• Promising market conditions in 2011

Expect to produce low double-digit revenue and operating profit growth
• Strong organic growth
• Acquisition of TheMarkets.com
### Solid results at Standard & Poor’s in 2010

<table>
<thead>
<tr>
<th></th>
<th>As Adjusted</th>
<th>4Q 2010</th>
<th>4Q 2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td>$471.6 million</td>
<td>$415.9 million</td>
<td>13.4%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td></td>
<td>$204.8 million</td>
<td>$179.2 million</td>
<td>14.3%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>As Adjusted</th>
<th>FY 2010</th>
<th>FY 2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td>$1.7 billion</td>
<td>$1.5 billion</td>
<td>10.3%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td></td>
<td>$755.1 million</td>
<td>$708.8 million</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

- Adjusted operating margin: 44.5%, down 160 basis points from 2009
A record year for
global high-yield new issuance

Worldwide Corporates High Yield

<table>
<thead>
<tr>
<th>Period</th>
<th>2Q 2007</th>
<th>4Q 2010</th>
<th>FY 2007</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$106.0</td>
<td>$120.5</td>
<td>$243.5</td>
<td>$381.4</td>
</tr>
</tbody>
</table>

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

Tightening interest rate spreads:
A key factor in issuance levels

Spreads have narrowed since July 2010

<table>
<thead>
<tr>
<th>Basis Points</th>
<th>12/31/10</th>
<th>11/30/10</th>
<th>7/30/10</th>
<th>January 2010</th>
<th>5 year Mvg Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speculative-grade composite spread</td>
<td>540</td>
<td>601</td>
<td>628</td>
<td>616</td>
<td>579</td>
</tr>
<tr>
<td>Investment-grade composite spread</td>
<td>178</td>
<td>193</td>
<td>196</td>
<td>193</td>
<td>196</td>
</tr>
</tbody>
</table>

Source: Standard & Poor’s Global Fixed Income Research
Refinancing: 64% of U.S. high-yield dollar volume in 2010

<table>
<thead>
<tr>
<th>U.S. Issuance</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>11%</td>
</tr>
<tr>
<td>Refinancing</td>
<td>64%</td>
</tr>
<tr>
<td>(Bonds/Bank Debt/Refi)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
</tr>
<tr>
<td>LBO</td>
<td>4%</td>
</tr>
<tr>
<td>Dividend</td>
<td>5%</td>
</tr>
<tr>
<td>Corporate Purpose</td>
<td>11%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
<tr>
<td>Par Vol</td>
<td>$285 billion</td>
</tr>
</tbody>
</table>

Source: Standard & Poor’s Leveraged Commentary Data

U.S. public finance set records in 2010

- 4Q 2010: All-time record dollar volume issuance
- 2010: Topped previous record set in 2007 by $18.3 billion

U.S. Public Finance

Source: Thomson Financial, Harrison Scott Publications, Standard & Poor’s
Prospects for more growth at Standard & Poor’s in 2011

Expect to benefit from same trends that contributed to success in 2010

Corporate issuance, including high-yield bonds, looks strong again

2011 off to good start

Why 2011 should be another good year for ratings

Refinancing requirements are substantial and should contribute to 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

![Graph showing corporate debt maturing by year in the U.S. and Europe.]

Source: Standard & Poor’s Global Fixed Income Research
Why 2011 should be another good year for ratings (cont’d)

Access to capital markets remains strong and financing costs are still low

Tighter spreads will allow for needed refinancing requirements

Fundamentals are supportive
  • Credit investors expect default rates to remain low (2% to 3% range)
  • U.S. GDP to grow between 2.5% and 3% in 2011

Why 2011 should be another good year for ratings (cont’d)

Confidence of issuers and investors is improving
  • Companies are generating cash and are more confident about initiating expansion activities
  • Investors’ search for yield will persist
    – In 2010, S&P saw increased weighting of higher yielding and higher risk bonds in some portfolios
    – Deals in North America were oversubscribed for companies rated B- and sometimes lower
Why 2011 should be another good year for ratings (cont’d)

Merger and acquisition activity is growing
• M&A is a key driver of new bond issuance

Continued deleveraging by banks
• Will contribute to growth of public debt markets

Trends driving activity in U.S. will also contribute to international growth
• We anticipate improved results from most regions in 2011

Outlook for 2011 new issuance volume

Public finance: Expect modest growth after record issuance in 2010
• S&P expects more borrowing by state and local governments in face of pension costs and toll on tax revenues

Structured finance: Expect slow recovery in U.S. and international markets

Leveraged loan market: Excellent outlook as banks resume lending
• Investors’ appetite is high
Latest developments on litigation front

The record:
• 16 cases have been dismissed outright
  – Four of these cases involved fraud charges
• Seven cases have been voluntarily withdrawn
• Progress in all three categories:
  1. Underwriter claims
  2. “Stock drop” suits
  3. State law claims

1. Underwriter claims based on Securities Act of 1933
   ▪ 12 of our motions to dismiss have been granted to date
     • Three have been appealed
   ▪ On January 11, 2011, the U.S. Court of Appeals heard arguments on plaintiffs’ appeal of earlier dismissals
2. “Stock drop” suits
   - Our motions to dismiss were granted in three of the four cases in this category
     - Two have been appealed; awaiting decision from the U.S. Court of Appeals
   - In remaining case, we are waiting for a decision on our motion to dismiss

3. Suits involving state law claims, including fraud
   - Includes favorable ruling in case of Rice versus S&P and Moody’s in October
     - Federal district court in California dismissed complaint with prejudice
     - Court acknowledged ratings are opinions about the future and not actionable unless plaintiffs can demonstrate the rating agency did not believe the ratings to be true when given
Update on lawsuits overseas

Overseas lawsuits are in preliminary stages and some involve jurisdictional issues

Most notable is Parmalat litigation which started in Italy in 2005

• In a procedural hearing on January 11, 2011, judge ordered final briefs to be submitted in March
• We continue to believe the outcome against two subsidiaries of the Corporation should not have a material effect on our financial condition

Favorable decision in Pennsylvania state court

State court in Pennsylvania dismissed negligence claims in four related cases brought by the Federal Home Loan Bank of Pittsburgh

• By narrowly circumscribing the fraud claim, court set a very high standard for the plaintiffs

• Judge ruled that plaintiffs must show the credit rating agency did not “truly believe that the credit quality of the mortgage pool underlying each certificate plus credit enhancement, if any, was sufficient to support its AAA ratings at the time the ratings were assigned.”

• Our legal team does not believe plaintiff can meet this standard
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

A meaningful precedent...

Difficult to estimate when to expect more court rulings

- Courts have discretion on when they will act on the lawsuits before them

We believe decisions already rendered by the courts constitute meaningful precedent, which should help guide rulings on pending cases

Our overall assessment of legal risk in various lawsuits remains low
How S&P has invested to meet new regulations

S&P created Quality, Criteria, Compliance, Risk (QCCR) governance and control framework

- Significant investments in technology platforms and staffing for quality, criteria, compliance and risk management
- Operates independently of the ratings business

The costs of creating a framework for dealing with regulations

S&P spending for QCCR-related items:
- 2010: $80 million, a $17 million increase vs. 2009
- 2011: May be an estimated $12 million to $15 million in incremental investments
<table>
<thead>
<tr>
<th>Gaining more clarity on regulatory issues</th>
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<tbody>
<tr>
<td>United States: SEC will engage in more rulemaking in 2011 to meet Dodd-Frank Act requirements</td>
</tr>
<tr>
<td>New regulations expected from Canada and Singapore</td>
</tr>
<tr>
<td>Hong Kong and Taiwan recently passed new regulations</td>
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</table>

<table>
<thead>
<tr>
<th>Gaining more clarity on regulatory issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>New European Securities and Markets Authority (ESMA) will oversee rating agencies in European Union</td>
</tr>
<tr>
<td>• Creates a more centralized approach to regulation in the European Union</td>
</tr>
<tr>
<td>European Commission seeking comments on rating agencies for potential new legislation</td>
</tr>
<tr>
<td>• S&amp;P is carefully tracking developments and reviewing issues with decision makers</td>
</tr>
<tr>
<td>The QCCR framework prepares S&amp;P to deal effectively with current and new regulations</td>
</tr>
</tbody>
</table>
2011 outlook
for Standard & Poor’s

Summary
• Legal risk remains low
• We are prepared to deal effectively with new regulatory requirements
• Continuing strong corporate issuance should produce high single-digit revenue growth
• Operating profit should grow in high single-digits in 2011
## 2010 revenue at McGraw-Hill Education

<table>
<thead>
<tr>
<th>As Reported</th>
<th>4Q 2010</th>
<th>4Q 2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$496.3 million</td>
<td>$520.0 million</td>
<td>(4.6%)</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$2,433.1 million</td>
<td>$2,387.8 million</td>
<td>1.9%</td>
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</tbody>
</table>

## 2010 operating profit at McGraw-Hill Education

<table>
<thead>
<tr>
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<th>4Q 2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Profit</td>
<td>$16.2 million</td>
<td>$33.5 million</td>
<td>(51.7%)</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$363.4 million</td>
<td>$276.0 million</td>
<td>31.7%</td>
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<table>
<thead>
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<th>4Q 2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Profit</td>
<td>$16.2 million</td>
<td>$33.5 million</td>
<td>(51.7%)</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$359.6 million</td>
<td>$287.6 million</td>
<td>25.0%</td>
</tr>
</tbody>
</table>
### McGraw-Hill Education revenue pattern mirrors market data

**Elementary-high school market:**
- FY 2010: 3.3% increase despite decline in 4Q
- 4Q 2010: Double-digit decrease, according to Association of American Publishers statistics

**U.S. higher education market**
- FY 2010: 6.8% increase
- 4Q 2010: Sales fell 3.3% as second semester purchasing declined

**Difficult comparisons for McGraw-Hill Education in 4Q 2010**
- 4Q 2009: Robust markets in both el-hi and higher education

### Key to 2010 el-hi results: Strong state new adoption market

McGraw-Hill School Education Group’s 2010 results:
- Captured about 30% of state new adoption market
  - Estimated at $850 million to $875 million
- Increased overall market share in 2010
Gains in el-hi market, Decline in testing

2010 revenue flat for McGraw-Hill School Education Group

Gain in el-hi market offset by a decline in testing
  • Impact of planned discontinuation of custom testing contracts in Florida, California, and Arizona
    – These programs produced revenue in 2009

Award-winning Acuity program continued to add new clients in 2010
  – Leader in the formative assessment market

McGraw-Hill Higher Education, Professional and International Group

Revenue increased in 2010 despite weakness in 4Q
  • FY 2010: Increased 3.8%
  • 4Q 2010: Declined 3.3%

McGraw-Hill Higher Education benefited from:
  • Increased enrollments in U.S. colleges and universities
  • Growth in all four major imprints
  • Double-digit gains for our digital products and services

McGraw-Hill Higher Education did not match industry’s overall growth rate
Growing digital opportunities for expanding array of products

The Blackboard connection:
• Through new alliance with Blackboard, McGraw-Hill Higher Education’s products will be integrated seamlessly into the Blackboard platform
  – *McGraw-Hill Connect™*: Homework management product
  – *McGraw-Hill Create*: Custom publishing system

Usage of *McGraw-Hill Connect* is expected to increase
• Blackboard services 80% of U.S. colleges and universities

Mix is shifting from print to digital in professional markets

Majority of our new print publications are also released as e-books
• More than 6,000 McGraw-Hill professional titles available as e-books
• More than 130 mobile phone applications also available

Online resources in science, medicine and engineering contributed to digital growth in professional markets

2011: Expect expansion of online subscription products, e-books, other digital services
Digital developments will increase opportunities in international markets

Launching mConnect mobile learning platform in India with Wipro

Initiative combines:
• McGraw-Hill’s digital learning and adaptive educational software
• Wipro’s wireless technology capabilities

mConnect will deliver supplemental education services by cell phone to students and job seekers
• Nearly 700 million cell phones in India

Outlook for elementary-high school market

2011: We expect flat to minimal market growth
• Reflects continuing pressures on state and local budgets

Swing factor will be strength of 2011 state new adoption market
• Could be the same or somewhat larger than 2010
• Depends to a great extent on how Texas funds this year’s adoption list
  – Won’t be able to size opportunity until 2Q
## 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: Anticipate a decline, largely driven by investments, especially for digital developments
  - Decrease could range from mid single-digits to high single-digits

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The McGraw-Hill Companies

- McGraw-Hill Financial
- Standard & Poor’s
- McGraw-Hill Education
- McGraw-Hill Information & Media
### 2010 revenue at Information & Media

<table>
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<th></th>
<th>4Q 2010</th>
<th>4Q 2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$249.3 million</td>
<td>$253.3 million</td>
<td>(1.6%)</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$907.5 million</td>
<td>$953.8 million</td>
<td>(4.9%)</td>
</tr>
<tr>
<td><strong>As Adjusted</strong></td>
<td>4Q 2010</td>
<td>4Q 2009</td>
<td>Change</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>$249.3 million</td>
<td>$231.7 million</td>
<td>7.6%</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$907.5 million</td>
<td>$854.6 million</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

### 2010 operating profit at Information & Media

<table>
<thead>
<tr>
<th></th>
<th>4Q 2010</th>
<th>4Q 2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Profit</strong></td>
<td>$39.2 million</td>
<td>$45.9 million</td>
<td>(14.6%)</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$160.4 million</td>
<td>$92.7 million</td>
<td>73.1%</td>
</tr>
<tr>
<td><strong>As Adjusted</strong></td>
<td>4Q 2010</td>
<td>4Q 2009</td>
<td>Change</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>$49.8 million</td>
<td>$35.4 million</td>
<td>40.8%</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$171.0 million</td>
<td>$86.1 million</td>
<td>98.6%</td>
</tr>
</tbody>
</table>
Information & Media:
Best operating margin in a decade

<table>
<thead>
<tr>
<th>Operating Margin</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>As reported</td>
<td>17.7%</td>
<td>9.7%</td>
</tr>
<tr>
<td>As adjusted</td>
<td>18.8%</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

We believe the new operating margin level is sustainable
- 2010 adjusted margin is best achieved since 21.1% in 2000

Contributors to improvement
- Divestiture of BusinessWeek in 2009
- Continuing strength of Platts
- Rebound in Broadcasting Group’s performance

Platts: Strong results and new growth opportunities

Market demand for Platts’ proprietary content grew in
U.S. and international markets

More proprietary content will keep Platts moving ahead
- 24 new price assessments launched in 2010
- Platts recognizes and responds to trends in markets—many price assessments are firsts in their markets

Adding new capabilities in energy markets
- Acquired BENTEK Energy for fundamental data and analysis for North America’s natural gas market
- Acquisition of Oil Price Information Service (OPIS) (subject to regulatory approval) for news and price information for North America’s wholesale and retail petroleum markets
4Q results at Business-to-Business Group

J.D. Power and Associates
• Improvement in U.S. automotive business contributed to 4Q performance
• Sets the stage for more growth in 2011

Softness in construction
• Commercial construction industry continued to hamper McGraw-Hill Construction in 2010

Business-to-Business Group: Digital and subscription growth

| Revenue          | FY 2010      | FY 2009      | Change  
|------------------|--------------|--------------|---------
| As Reported      | $811.5 million | $872.7 million | (7.0%) |
| As Adjusted      | $811.5 million | $773.6 million | 4.9%    |

Business-to-Business Group: A growing, digitally-based subscription business
• More than 65% of 2010 revenue was digital
• Expect an increase again in 2011
A strong rebound at Broadcasting Group in 2010

Key drivers:
• Strong political advertising
• Improved national and local-time sales

<table>
<thead>
<tr>
<th>Revenue</th>
<th>2010</th>
<th>2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q</td>
<td>$28.4 million</td>
<td>$23.3 million</td>
<td>21.7%</td>
</tr>
<tr>
<td>Full Year</td>
<td>$96.0 million</td>
<td>$81.1 million</td>
<td>18.3%</td>
</tr>
</tbody>
</table>

2011 outlook for Information & Media

Summary:
• Revenue: Expect mid single-digit growth
• Adjusted operating profit: Expect mid single-digit growth
2011 outlook for
The McGraw-Hill Companies

Standard & Poor’s and McGraw-Hill Financial: 
Expect to build on strong 2010 results

McGraw-Hill Education: Will make important investments in digital products and services to achieve a new level in a rapidly developing market

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

Jack Callahan
Executive Vice President and Chief Financial Officer
The McGraw-Hill Companies
A royalty for Standard & Poor’s content

McGraw-Hill Financial pays a royalty to use and distribute content and data developed by Standard & Poor’s

Impact of $56 million royalty:
• Non-transaction revenue for Standard & Poor’s
• Expense for McGraw-Hill Financial

Realigning products in the new segments

S&P Ratings Direct and S&P RatingsXpress® now part of McGraw-Hill Financial
• Products previously included in S&P Credit Market Services’ non-transaction revenue

The result:
• Reduces S&P’s non-transaction revenue
• Increases percentage of transaction revenue

<table>
<thead>
<tr>
<th>% of Non-Transaction Revenue</th>
<th>New Standard &amp; Poor’s Segment</th>
<th>S&amp;P Credit Market Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>61%</td>
<td>65%</td>
</tr>
</tbody>
</table>
Outlook for corporate expenses

Adjusted expenses exclude one-time charge of $15.6 million related to subleasing space
- 4Q 2010: Adjusted expenses increased $10 million to $46.7 million
- YTD 2010: Adjusted expenses increased approximately $37 million to $164.4 million

Primary drivers:
- Increase in incentive compensation as a result of strong 2010 results, especially compared to depressed base in 2009
- Increase in vacant space

2011: Expect mid single-digit increase

The outlook for free cash flow

2010: $881 million of free cash flow
- Given strong free cash flow, we made a $125 million discretionary payment to U.S. pension plan in December
- 2011: Anticipate a relatively minimal contribution to the pension plan

2011: Expect free cash flow in excess of $700 million despite increased capital investments
### The outlook for prepublication investments

**2010: $151 million**

- **Time shift in investments**
  - By delaying publication dates by several months, we are able to reflect both existing state standards and final Common Core Standards in new product releases
  - Stepping up digital investments

**2011: Expect $200 million to $225 million**

### The outlook for amortization of prepublication costs

**2010: $246 million**

**2011: Expected to decline given reduced level of investment in 2010**
The outlook for capital expenditures

2010: $115 million

2011: Expect approximately $150 million
• Driven in part by increased digital and technology investments

Returning cash to shareholders in 2010

2010: Returned $548 million to shareholders through dividends and share repurchases

2010: Repurchased 8.7 million shares for a total cost of $255.8 million
• Average price: $29.37 per share
• No share repurchases made in 4Q 2010
Returning cash to shareholders in 2011

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

2011: Expect to repurchase about half of the remaining 8.4 million shares, subject to market conditions
  • Factored into 2011 EPS guidance; minimal impact

Dividend increased 6.4% in January, our 38th consecutive increase
  • MHP is one of fewer than 25 companies in S&P 500 to hold similar record of increases
  • 2011: New annual dividend is $1.00 per share

A decline in diluted weighted average shares outstanding (WASO)

4Q 2010: 310.3 million shares

4.2 million share decline compared to 4Q 2009
  • Primarily due to 2010 share repurchases
A well-capitalized company

Net cash and short-term investments:
• As of December 31, 2010: $350 million

Cash and short-term investments:
• 4Q 2010: $1.548 billion

Gross debt: Approximately $1.2 billion
• Comprised of long-term unsecured senior notes
• No commercial paper outstanding

Presenters:
Harold McGraw III
Chairman, President and CEO
Jack Callahan
Executive Vice President and CFO
Donald S. Rubin
Senior Vice President, Investor Relations

4Q 2010 Earnings Call
February 1, 2011

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
4Q 2010 Earnings Call
February 1, 2011

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International: +1-203-369-3257
No password required