

*The **McGraw-Hill** Companies*

2Q 2009 Earnings Call

July 28, 2009

Presenters:

Harold McGraw III

Chairman, President and CEO

Robert J. Bahash

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

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

This presentation includes certain forward-looking statements about the Company's 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; the duration and depth of the current recession; Educational Publishing's level of success in 2009 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 the economy, 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.

The McGraw-Hill Companies

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

MHP 2Q 2009 results

EPS

- **2Q 2009: \$0.52**
 - Includes \$0.06 for a net restructuring charge and a loss on a divestiture

Revenue

- **2Q 2009: Declined 12.4% to \$1.5 billion compared to 2Q 2008**

4

The McGraw-Hill Companies

Signs of economic improvement

States' budget pressures persist

- **Still see challenges in school market**

Encouraging economic activity:

- **Improving flow of credit is helping lay groundwork for recovery**
- **Spreads are narrowing and should continue to tighten**
- **Money managers and insurance companies putting money to work**
- **Renewed investor interest in non-financial investment-grade bonds and speculative-grade instruments**

5

The McGraw-Hill Companies

2Q: Took steps to prepare for future

\$0.03 restructuring charge for workforce reduction of approximately 550 positions

- **Key step: Combining supplemental and basal operations and reduction of approximately 340 positions at McGraw-Hill Education**

Sold Vista Research

- **Resulted in pre-tax loss of \$13.8 million, or \$0.03 per diluted share**

Exploring strategic options for *BusinessWeek*

The McGraw-Hill Companies

McGraw-Hill Education

Financial Services

Information & Media

McGraw-Hill Education: Tale of two markets

2009:

- Declining sales in elementary-high school market
- Sustained growth in the U.S. college and university market

Both trends were evident in 2Q performance

- Will also be factors in our second half 2009 results

8

The McGraw-Hill Companies

2Q 2009 segment results at McGraw-Hill Education

Revenue	(17.2%) to \$555.2 million <ul style="list-style-type: none">• School Education Group: (22.7%) to \$338.6 million• Higher Education, Professional and International Group: (6.9%) to \$216.6 million
Operating Profit	Declined by 70.1% to \$21.0 million <ul style="list-style-type: none">• Includes a net pre-tax restructuring charge of \$11.6 million
Operating Margin	3.8%

9

The McGraw-Hill Companies

Challenges in elementary-high school market

State budgets for education are under pressure

Substantial cut backs in historic buying levels in adoption states

Reducing estimate for the 2009 state new adoption market to \$500 million–\$550 million range

- **Had been forecasting \$550 million to \$600 million**

Without benefit of federal stimulus funds, el-hi market could decline by 15% to 20% this year

10

The McGraw-Hill Companies

Outlook for 2009 state new adoption market

More state-level postponements not expected

- **Could be school district level postponements in economically stressed states like California**

We expect to perform well in state new adoption market

- **Reading: California, Louisiana**
- **Math: California, South Carolina, Kentucky and Oregon**
- **Science: Tennessee**
- **Social studies: Indiana**

We estimate a capture rate of 30% of total available dollars in this year's state new adoption market

11

The McGraw-Hill Companies

Mixed outlook for testing market

***Acuity* continues to win new adoptions and renewals**

- Our online formative assessment program

Gains in formative market offset by declines in custom and off-the-shelf products

12

The McGraw-Hill Companies

A strong start in U.S. college and university market

Improving revenue outlook in higher education

Increasing our forecast for 2009

- Now expect market to grow 5% to 7%
- Previously forecasted 3% to 4% growth

We will benefit from:

- Solid new publications list for all four imprints
- Successful new digital offerings
- Higher enrollments last fall and this spring
 - Indications that enrollments will grow again this fall

13

The McGraw-Hill Companies

Gauging the impact of a declining el-hi market in 2009

Reducing 2009 revenue guidance for the McGraw-Hill Education segment

- Now expect revenue to decline 8.5% to 9.5%
- Previously forecasted a 7% to 8% decrease

14

The McGraw-Hill Companies

Why we expect outlook for education to improve in 2010

Comparisons will get easier

Benefits of recent restructuring will be realized

We expect to operate more efficiently and to lower development costs

Growing lineup of digital products will produce more growth

Federal stimulus funds will make a difference

State new adoption calendar improves in 2010

Growing enrollments

15

The McGraw-Hill Companies

Why we expect outlook for education to improve in 2010

Comparisons will get easier next year

- School Education Group's revenue is off 20.1% for first half 2009
- Expect rate of decline to diminish in second half
- Easier comparisons in 2010

Why we expect outlook for education to improve in 2010

Benefits of restructuring in el-hi business

- Will begin to see benefits in second half of 2009
- More to be realized in 2010

Combined basal and supplemental school operations streamlines our pre-K-12 organization

- \$11.6 million net restructuring charge for approximately 340 positions in this segment

Why we expect outlook for education to improve in 2010

Lowering development costs and reducing time-to-market will improve operating effectiveness and revenue potential

- **Increasing focus on growth areas such as intervention and college and career readiness**
- **Streamlining product creation in four learning solution centers**

Why we expect outlook for education to improve in 2010

Integration of content, technology and distribution offers growth opportunities

We will be increasingly digital in:

- **School market**
- **Testing**
- **Higher education**
- **Professional**

Why we expect outlook for education to improve in 2010

New Center for Digital Innovation to create same digital environment in classrooms that is emerging outside school



CINCH Mathematics delivers an all-digital curriculum that combines online capabilities with the power of interactive whiteboards



Acuity UnWired permits students to use wireless handheld devices in formative assessments

20

The McGraw-Hill Companies

Why we expect outlook for education to improve in 2010

\$25.2 billion available for Title I and IDEA programs

- Could make a meaningful difference in some states and some product categories in second half 2009

Federal stimulus money is moving into states but slowly into districts

- As of July 24, \$29 billion in funding had been approved for 44 states, the District of Columbia, and Puerto Rico
- First wave of stabilization funding is expected to be used to cover shortfalls and save teaching jobs in 2009, rather than new purchases

21

The McGraw-Hill Companies

Why we expect outlook for education to improve in 2010

We expect a solid list of stimulus-funded adoptions in 3Q and 4Q

Administration's focus on real-time assessments and multiple measures will provide new opportunities for Acuity

Stimulus package will have greater impact on el-hi market in 2010 than in 2009

Federal stimulus contains provisions with positive implications for postsecondary education

- Pell Grants: Maximum increased
- Work-Study Programs: Increased support

22

The McGraw-Hill Companies

Why we expect outlook for education to improve in 2010

An improved state new adoption calendar in 2010:
Estimate about \$950 million to \$1 billion

Market should benefit from:

- Increased availability of stimulus funds
- Implementation of 2009 postponements in 2010
- Return of Texas to market for K–12 reading/literature adoption (program has been funded by state legislature)
- Florida K–12 math opportunity looks solid in 2010
 - State needs new textbooks correlated to new state standards

23

The McGraw-Hill Companies

Why we expect outlook for education to improve in 2010

Pre-K–16 enrollments are growing, according to National Center for Education Statistics

- 56.4 million el-hi students in 2010
- 18.6 million students in U.S. higher education

2009 outlook for McGraw-Hill Education

Before the benefits of the federal stimulus package:

- 15% to 20% decline in the elementary-high school market
- 5% to 7% increase in the U.S. college and university market

For the segment in 2009:

- 8.5% to 9.5% decline in revenue
- 300 to 400 basis point decline in operating margin, excluding 2008 and 2009 restructuring charges
- Implies a 9% to 10% operating margin

McGraw-Hill Education

Financial Services

Information & Media

2Q 2009 results at Financial Services

Revenue	(8.4%) to \$673.8 million <ul style="list-style-type: none">• S&P Credit Market Services: (9.9%) to \$457.4 million• S&P Investment Services: (4.9%) to \$216.4 million
Operating Profit	(8.8%) to \$276.4 million <ul style="list-style-type: none">• Includes pre-tax loss of \$13.8 million from divestiture of Vista Research and a pre-tax net benefit of \$0.4 million from restructuring charges
Operating Margin	41.0%

Key takeaways from Financial Services' 2Q 2009 results

Comparisons especially challenging

- 2Q 2008 was biggest revenue and profit producer for the segment last year

Signs of a thaw in credit markets

- Banks' increased activity to issue debt without government guarantees
 - 1Q: Guaranteed debt was more than 80% of financial sector issuance
 - 2Q: Guaranteed debt fell to less than 50%

Signs of a thaw in credit markets

Renewed ability to attract capital from private sector as capital base of banks improve

Liquidity has improved

- Banks' decreasing demand for short-term funding from Fed programs

Sharp drop in LIBOR

- Spread between three-month LIBOR and Fed's overnight rate is down to approximately 0.4%

Signs of a thaw in credit markets

Greater willingness of investors to take on some risk

- **Trend contributed to 82.6% increase in U.S. speculative-grade issuance in 2Q 2009**
 - **Issuance was used to refinance bonds and loans**
- **Significant need remains for speculative-grade companies to raise cash, especially those looking to shift debt from short-term loans into longer-term maturities**

2Q new dollar volume issuance

Industrial sector issuance increased in 2Q

- **Up 2.1% in U.S. and 34.8% in Europe**

Why issuers have turned to public markets:

- **Avoid refinancing risks over next 18 months**
- **Low short-term interest rates and aversion to equity and structured finance have channeled investors toward industrial bonds**

2Q new dollar volume issuance

Structured finance market declined in U.S. and in Europe

Significant impact of corporate activity on S&P Credit Market Services' transaction revenue

- Up compared to 1Q 2009, but down year-over-year
 - 31.6% increase compared to 1Q 2009
 - 21.6% decrease compared to 2Q 2008—the biggest quarter of 2008

Outlook for structured finance remains uncertain

Residential mortgage-backed securities (RMBS)

- U.S. market has benefited in short-term from increased re-REMIC issuance
- Longer-term outlook depends upon recovery in housing market

Majority of European structured finance transaction revenue is derived from government and central bank liquidity programs

U.S. and European commercial mortgage-backed securities and collateralized debt obligation markets

- Very little new issuance
- Very low trading volume in secondary markets

Outlook for asset-backed securities market

**TALF (Term Asset-Backed Securities Loan Facility)
stimulated new activity in U.S. ABS market**

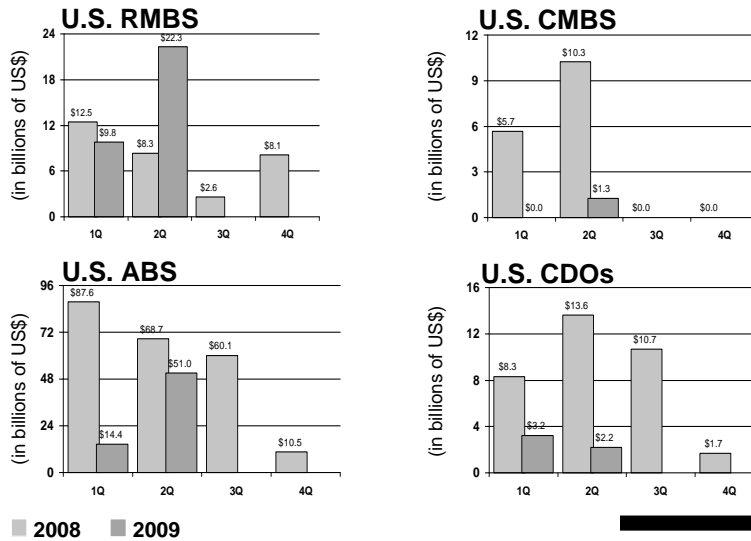
- **2Q 2009: New issuance declined 25.8% year-over-year**
- **Substantial tightening of spreads since beginning of 2009
in three consumer asset classes:**
 - Autos
 - Credit cards
 - Student loans
- **We anticipate a further recovery in ABS sector**

Improving our forecast for 2009 transaction revenue

Encouraging new activity in bond market

- **Continuation will favorably impact
transaction revenue in second half 2009 as
year-over-year comparisons get easier**

Easier comparisons in second half vs. 2008

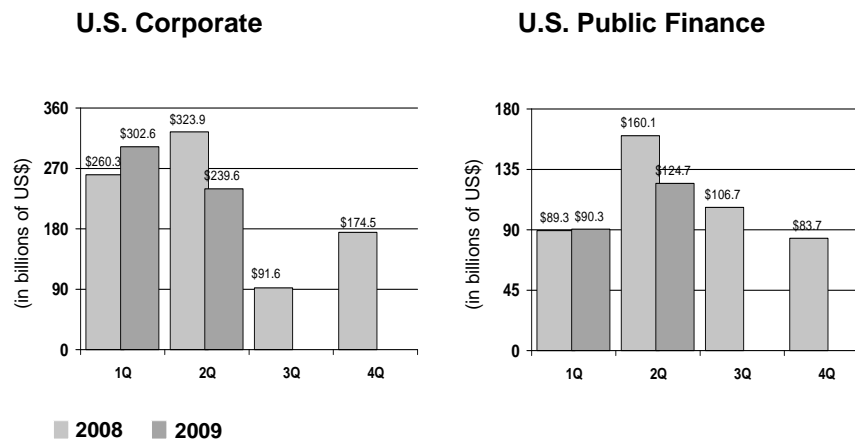


36

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

The McGraw-Hill Companies

Easier comparisons in second half vs. 2008



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

37

The McGraw-Hill Companies

Improving our forecast for 2009 transaction revenue

**Now expect mid single-digit decline in
transaction revenue for 2009**

- Compares to previous forecast of a
10% to 12% decline

Outlook for non-transaction revenue

Non-transaction revenue off 3.1% in 2Q 2009

- Reduction in fees earned for work on canceled transactions (breakage fees)
- Impact of foreign exchange

**Non-transaction revenue is a resilient source of
S&P Credit Market Services' revenue**

- 2Q 2009: 67.9% of CMS' total revenue
- 1H 2009: 69.6% of CMS' total revenue

FY 2009: Continue to expect only a slight decline

- Reduced breakage fees in 2009 versus 2008, and impact from foreign exchange

Outlook for S&P Credit Market Services' revenue

**International revenue declined in 2Q 2009
by \$24.0 million**

- **Foreign exchange rates account for
\$21.0 million of the decrease but will be
less of a factor in 2H 2009**

**FY 2009: We continue to expect low single-
digit revenue decline in S&P CMS' revenue**

40

The McGraw-Hill Companies

Near-term outlook mixed for S&P Investment Services

2Q 2009: Revenue declined 4.9%

**FY 2009: Now expect low single-digit decrease for
the year**

Factors contributing to revised outlook

- **Sale of Vista Research in May**
- **Settlement contracts with investment banks for
S&P's equity research products expire at end of July**
 - **Nine firms purchasing research from S&P; will retain
some of these clients**
 - **Signed new agreement with Citibank; more in the works**

41

The McGraw-Hill Companies

Outlook for index services

Index services declined in 2Q, primarily driven by:

- Reduction in asset-based fees from exchange-traded funds
- Drop in over-the-counter derivative trades linked to various S&P indices

Assets under management in exchange-traded funds fell by 8.0% to \$189.8 billion versus same period last year

- Sequential improvement over 1Q 2009, which ended at \$158.6 billion

42

The McGraw-Hill Companies

Finding new ways to grow index business

Increased sales of data and growth in custom index business in 2Q

Launched eleven new exchange-traded funds based on S&P indices in 2Q 2009

Now 209 exchange-traded funds based on S&P indices

- More in the pipeline

43

The McGraw-Hill Companies

Data and information benefiting Investment Services

Capital IQ added customers in 2Q

- Now serves over 2,800 clients
- An increase of 5.2% since end of 2008

**Expanded overseas and benefited from
international growth in second quarter**

The regulatory outlook: Creating a global framework

**Ongoing dialogue with policymakers,
regulators, and market participants**

- **U.S.**: Working with SEC, White House, Treasury Department and Congress on proposed new legislation
- **Europe**: Working with CESR, European Commission, and others; will continue to work with IOSCO
- Reaching out to regulators and policymakers in Japan, Australia, and Canada

S&P's initiatives complement proposed new regulations

Focused on four key areas:

- Quality
- Prevention of conflicts
- Increased transparency
- Accountability

46

The McGraw-Hill Companies

S&P's global outreach

S&P's commitment to reform

- Addresses changes S&P has made in its businesses in the last two years
- Appeared in *Financial Times*, *The Wall Street Journal*, *The New York Times*, and *The Washington Post*

Full text at
www.standardandpoors.com

Standard & Poor's Commitment to Reform: Restoring Confidence in the Credit Markets

The recent global financial crisis has proven beyond doubt that more action is required. Here at Standard & Poor's, our business is no exception. As the world's leading provider of credit ratings, S&P has experienced a period of intense scrutiny since the credit crisis began two years ago. While the vast majority of us in the industry agree that S&P's ratings performed as anticipated, the performance of our ratings in the area of structured mortgage-related securities was a major disappointment. This is something that we at S&P deeply regret. We have learned important lessons from this experience, and we have made changes to our business. Today, S&P is a very different place than it was two years ago.

These changes have not been made in a vacuum. Through our ongoing dialogue with investors, regulators, and other stakeholders in the market, we have consulted closely with thousands of investors, regulators, and legislators from around the world. We have also focused on strengthening internal controls and transparency, and we are committed to the same high standards of ethical behavior that we have always had. (These initiatives, the Investor and Exchange Committee, Investor Link and other programs around the world.)

Through this process, we have identified and addressed four core areas to restore investor confidence in our ratings:

First, we have further strengthened analysis to provide confidence in ratings. One source of concern has been the issue of model risk. At S&P, we understand that there is a close relationship between models and the ratings they produce. We have taken significant steps to address this issue. In recent months, we have taken steps to strengthen this connection. We have established a new internal review process for our models. And when an analyst issues a rating for an issuer, we have established a "check back" process to ensure the integrity of our prior ratings. We have also expanded the quality, volume, and timing of data used in our ratings. We have established a new internal review process for our ratings. To further increase transparency, we have established a new internal review process for our ratings. To further increase transparency, we have established a new internal review process for our ratings.

Second, we have enhanced our transparency. As a company, we are committed to providing investors with the information they need to make informed decisions. We have taken significant steps to increase our transparency. We have established a new internal review process for our ratings. To further increase transparency, we have established a new internal review process for our ratings.

Third, we have enhanced our accountability. As a company, we are committed to providing investors with the information they need to make informed decisions. We have taken significant steps to increase our accountability. We have established a new internal review process for our ratings. To further increase transparency, we have established a new internal review process for our ratings.

Fourth, we have enhanced our prevention of conflicts. As a company, we are committed to providing investors with the information they need to make informed decisions. We have taken significant steps to increase our prevention of conflicts. We have established a new internal review process for our ratings. To further increase transparency, we have established a new internal review process for our ratings.

STANDARD
& POOR'S

—Deven Sharma
President

47

The McGraw-Hill Companies

Timeline on new regulatory framework remains fluid

U.S. legislative process may be completed by end of 2009

- Depending on congressional priorities, could finish in 2010

Europe: Expect new European Union legislation on credit rating agencies to be formally adopted this fall

- Effective date for rating agencies to be in compliance expected by mid-2010

S&P Credit Market Services is now subject to robust regulatory oversight

Credit Rating Agency Reform Act of 2006 gave SEC significant regulatory authority

In early 2009, new wide-ranging SEC rules took effect, including:

- Measures related to disclosure and management of potential conflicts related to issuer-pay model
- Ban on certain conduct involving gifts and fee discussions with analysts
- Increased record-keeping requirements for material deviations assigned from model outputs and complaints about analysts' performance

More rules may be coming according to SEC

Accountability: The marketplace, the SEC, and private litigation

Daily accountability is most important check on our ratings business

Accountable to SEC and subject to private litigation

- **S&P can be sued for securities fraud, like all other participants in the financial markets**
- **Courts have recognized that ratings opinions are entitled to First Amendment protection against certain claims, but there is no exemption from potential liability for intentionally misleading or defrauding investors**

The legal outlook: Setting the record straight

S&P not immune from litigation or legal liability

- **Always subject to potential liability under fraud provisions of federal securities law**

Critics' comments on immunity and liability do not match the facts

Latest developments on litigation front

New CALPERS lawsuit:

- Purchased without due diligence \$1.3 billion of securities based solely on ratings opinions issued by S&P, Moody's and Fitch
- S&P's clear and long standing public disclosure: A rating is not a recommendation to buy, sell, or hold

We think the lawsuit is without merit and intend to defend against it vigorously

2009 outlook for Financial Services

Summary

- Slight decline in revenue
- Margin decline of 225 to 275 basis points, excluding 2008 and 2009 restructuring charges and the loss on Vista Research
- Low single-digit growth in expenses
- Implied operating margin of approximately 39%

McGraw-Hill Education

Financial Services

Information & Media

Information & Media:
2Q 2009 results

**Continuing weakness in the advertising
market a key factor in 2Q**

2Q 2009 segment results at Information & Media

Revenue	(11.5%) to \$236.2 million <ul style="list-style-type: none">• Broadcasting Group: (23.1%) to \$20.4 million• Business-to-Business Group: (10.2%) to \$215.8 million
Operating Profit	(41.8%) to \$14.4 million <ul style="list-style-type: none">• Includes a net pre-tax restructuring charge of \$4.0 million
Operating Margin	6.1%

56

The McGraw-Hill Companies

Factors influencing 2Q results

Broadcasting: Declines in national and local time sales

- Softness in auto advertising a contributor
- Absence of political advertising a factor in 2009

Print advertising soft in Business-to-Business Group

- Includes publications in construction and aviation markets
- *BusinessWeek* ad pages down 34.3% in second quarter, according to Publishers Information Bureau

57

The McGraw-Hill Companies

Factors influencing 2Q results

Platts: Volatility contributes to strong performance

- Oil prices have more than doubled since hitting low of \$33.98 a barrel in February

Platts is growing in the petroleum, natural gas, nuclear and metals markets

Outlook for 2009: Information & Media

Summary:

- Revenue: Now expect 8% to 9% decline in view of continued weakness in advertising
 - Versus previous guidance of 5% to 6% decline
- Operating margin: Now expect 300 to 400 basis point decline, excluding 2008 and 2009 restructuring charges

Outlook for 2009: The McGraw-Hill Companies

Summary:

- Revenue to decline 5.5% to 6.5% versus previous guidance of 4% to 5% decrease
- Excluding second quarter restructuring charge and divestiture of Vista, earnings per share of \$2.20 to \$2.25, although it appears we will come in at low end of range

The McGraw-Hill Companies

Robert J. Bahash
Executive Vice President and
Chief Financial Officer
The McGraw-Hill Companies

Second half is key to 2009 performance

Factors influencing second half results

- **Seasonality of education business**
 - 3Q is biggest earnings contributor each year
- **Expect revenue's rate of decline to diminish**
 - Off 9.6% in first half
- **Minimal growth in expenses**
 - Down 7.1% in first half
 - For full year, consolidated expenses expected to decline in low single-digit range, excluding restructuring charges in 2008 and 2009 and the loss on the divestiture of Vista Research in 2009

62

The McGraw-Hill Companies

Key takeaways for 2009

Revenue decline in first half mitigated by stringent expense controls

- **No let up in 2H 2009**

Company's financial position will remain strong

Our actions leave us well positioned when economic conditions improve

63

The McGraw-Hill Companies

Realizing the benefits of restructuring

2Q restructuring charge of \$24.3 million relating to reduction of approximately 550 positions

- **Partially offset by reversal of \$9.1 million related to prior restructuring initiatives, for a net charge of \$15.2 million pre-tax, or approximately \$0.03 per diluted share of 2Q EPS**
- **Cost benefits of combining McGraw-Hill Education's operations will be largely realized in 2010**

Key factors in the restructuring reversal

Reversal of \$9.1 million for prior restructuring initiatives is primarily due to two factors:

- **Although positions were eliminated, we were able to place affected employees in faster growing businesses**
- **Lower than anticipated severance payments**
 - **Most pronounced at international locations where country rules made estimating severance challenging; our estimates turned out to be conservative**

Foreign exchange rates: A factor all year

Reduced revenue significantly in first half

- 2Q: Reduced revenue by \$37.2 million, or 220 basis points
- 1H: Reduced revenue by \$74.6 million, or 260 basis points

Based on current rates, we anticipate less impact on revenue in 2H 2009

Measuring impact of foreign exchange on expenses

Foreign exchange reduced segment expenses, as reported

- 2Q 2009: \$32.4 million reduction
- 1H 2009: \$82.0 million reduction

In constant currency, segment expenses declined less than reported results (excluding restructuring charges in 2008 and 2009 and the loss on the divestiture of Vista Research)

- 2Q 2009: Would have declined 7.6% vs. reported 10.1% decline
- 1H 2009: Would have declined 3.8% vs. reported 7.4% decline

Based on current rates, we anticipate the impact on expenses to lessen in second half of 2009

Measuring impact of foreign exchange on operating profit

**Benefited operating profit by \$7.3 million in
1H 2009**

Why different top and bottom line outcomes

- **Revenue:** Billings are primarily in Euros and U.S. dollars
- **Costs:** Significant expenses are denominated in non-U.S. dollars

Measuring the impact of incentive compensation

**Changing levels of incentive compensation were a
factor in first half; will be more significant in second
half**

- 2Q 2009 benefited from \$23 million decline for operating segments and corporate
- 1H 2009 benefited by approximately \$29 million

**Expect full year incentive compensation to increase
\$90 million compared to 2008**

- Previously forecasted \$110 million increase
- Implies a \$119 million increase in second half 2009 compared to 2H 2008 when we reduced long-term and short-term accruals, particularly in 3Q 2008
 - Resulted in a negative \$39 million in stock-based compensation in 3Q 2008

Benefits of cost containment at McGraw-Hill Education

2009 outlook for McGraw-Hill Education

- **Revenue:** Now expected to decline 8.5% to 9.5% versus previous guidance of a 7% to 8% decrease
- **Expenses:** Anticipate a mid single-digit decline versus previous estimate of a low single-digit decline
- **Maintaining previous margin guidance of 300 to 400 basis point decline, excluding 2008 and 2009 restructuring charges**

70

The McGraw-Hill Companies

Benefits of cost containment at McGraw-Hill Education

Lower expenses at McGraw-Hill Education

- **2Q 2009:** Down 11.7% year-over-year
- **1H 2009:** Down 10.0% year-over-year
- **In constant currency, first half expenses down 7.1%, benefiting from:**
 - 2007 and 2008 restructuring actions
 - Lower cost of goods sold
 - Lower sales and marketing costs, which in some cases will shift to 3Q 2009

71

The McGraw-Hill Companies

2009 outlook for Financial Services

S&P Credit Market Services transaction revenue

- 1H 2009: Down 20%
- 2H 2009: Expect strong growth as comparisons get easier due to depressed issuance in 2008

S&P Credit Market Services non-transaction revenue

- 1Q 2009: \$280 million
- 2Q 2009: \$311 million
- Reasons for sequential increase:
 - 1Q 2009 was \$22 million lower than 4Q 2008
 - Timing of renewals for certain contracts

Benefits of cost containment at Financial Services

Margins now expected to decline 225 to 275 basis points versus previous guidance of a 250 to 300 basis point decline

- Implies low single-digit increase in expenses and a modest improvement from our previous guidance

Benefits of cost containment at Financial Services

2Q 2009: Expenses down 8.0% excluding restructuring charges in 2008 and 2009 and the loss on the divestiture of Vista Research

- In constant currency, 2Q expenses down \$15.2 million, or 3.6%
 - Decrease primarily driven by reduced incentive compensation and restructuring benefits
 - Also benefited from divestiture of Vista Research and CRISIL Gas Strategies

1H 2009: Expenses down 4.4%

- In constant currency, first half expenses up 1.3%

2H 2009 comparisons more difficult given increased incentive compensation and reduced impact of foreign exchange

- Will be partially offset by benefits of restructuring actions

74

The McGraw-Hill Companies

2009 outlook for Information & Media

2009 revenue and profits adversely impacted by non-cash accounting, a result of converting J.D. Power's studies onto new online Compass platform

- **FY 2009: Now expect a \$12 million decrease in revenue and a \$7 million decrease in profit**
 - Compares to previous guidance of \$15 million decrease in revenue and \$10 million decrease in profit
 - Revised estimate is due to changes in scope and timing of conversions
- **2Q 2009: \$3.4 million decrease in revenue and a \$2.9 million decrease in profit**
- **1H 2009: \$8.1 million decrease in revenue and a \$5.2 million decrease in profit**

75

The McGraw-Hill Companies

2009 outlook for Information & Media

Lowering guidance for operating margin

- Additional revenue decline partially mitigated by continued cost containment initiatives
- Forecasting a 300 to 400 basis point decline versus earlier guidance of a 200 to 300 basis point decline, excluding 2008 and 2009 restructuring charges

Expenses: Mid single-digit decline versus previous guidance of low single-digit decline

2009 outlook for corporate expenses

2Q 2009: \$29.3 million, a \$4.2 million decline compared to same period last year

- Largely due to reduced stock-based compensation

2009: Continue to expect an increase of \$25 million to \$30 million compared to 2008

- Largely reflects increased stock-based and short-term incentive compensation
- Second half comparisons will be challenging, particularly in 3Q

Changes in the effective tax rate for 2009

2Q 2009: 36.4% versus 37.0% in 2Q 2008

2009: Expect the full-year tax rate to be 36.4%

- **An approximate 60 basis point decline from 2008**

2009 guidance for free cash flow

Pension contribution of about \$25 million is planned in 3Q 2009

- **Incorporated into free cash flow projections**

2009: Still expect free cash flow in \$430 to \$450 million range, though probably at low end of range

- **Approximately equal to 2008, despite lower profits, due to continuing working capital improvements, focus on cost containment and prudent investments**

2009 guidance for free cash flow

1H 2009: Free cash flow improved by \$337 million versus 1H 2008, driven by:

- Significant reduction in incentive compensation payments
- Continuing working capital improvements, particularly for inventories and accounts receivable

2H 2009: More difficult comparisons given lower anticipated receipts

80

The McGraw-Hill Companies

MHP's debt position at end of 2Q

Net debt: Ended 2Q at \$731 million, down \$130 million versus 1Q and down \$65 million versus year-end 2008

- We continue to have access to the commercial paper market at reasonable rates

Gross debt: \$1.3 billion at the end of 2Q

- \$1.2 billion in unsecured senior notes
- \$89.6 million in commercial paper outstanding
- Offset by \$556.1 million in cash, primarily foreign holdings
- First long-term debt payment not due until 2012

81

The McGraw-Hill Companies

Diluted weighted average shares outstanding (WASO)

2Q 2009: 313.0 million shares

- **8.1 million share decrease compared to 2Q 2008**
 - Primarily due to 2008 share repurchases and to lesser extent, decline in our stock price
- **Roughly flat compared to 1Q 2009**

**Fully-diluted shares at end of 2Q 2009:
Approximately 313 million shares**

Outlook for net interest expense

2Q 2009: \$18.5 million net interest expense

- **A \$1.9 million decline from 2Q 2008**

**2009: Still expect interest expense to be roughly
comparable to 2008**

Outlook for prepublication investments in 2009

**2Q 2009: \$42.3 million, down \$22.9 million
compared to 2Q 2008**

**2009: Now expect approximately \$200 million,
down from previous guidance of \$225 million and
\$254 million invested in 2008**

- **Factors for lower level:**
 - Reducing scope of some programs in current economic environment
 - Change in timing of some programs
 - Benefits of off-shoring and other efficiencies

Outlook for capital expenditures for property and equipment in 2009

**2Q 2009: \$8.9 million, compared to \$25.2
million in same period last year**

- **Reflects year-over-year reductions in
technology spend and real estate
improvements**

**2009: Now expect \$75 million to \$80 million,
versus previous estimate of \$90 million**

Outlook for non-cash items

Amortization of prepublication costs

- **2Q 2009: \$71 million, compared to \$66 million in same period last year**
- **2009: Continue to expect a range of \$275 million to \$280 million**
 - **Compares to \$270 million in 2008**

86

The McGraw-Hill Companies

Outlook for non-cash items

Depreciation

- **2Q 2009: \$28.8 million, \$1.6 million lower than same period last year**
- **2009: Still expect approximately \$130 million**

87

The McGraw-Hill Companies

Outlook for non-cash items

Amortization of intangibles

- **2Q 2009: \$11.4 million, compared to \$13.1 million for same period last year**
- **2009: Now expect approximately \$50 million, versus previous estimate of \$55 million**

Outlook for unearned revenue in 2009

End of 2Q 2009: \$1.1 billion

- **Roughly flat year-over-year and with 1Q 2009**
- **In constant currency, grew 2.6% versus prior year**
- **Financial Services represents approximately 75% of MHP's unearned revenue**

2009: Still expect to grow slightly in 2009

The McGraw-Hill Companies

2Q 2009 Earnings Call

July 28, 2009

Presenters:

Harold McGraw III
Chairman, President and CEO

Robert J. Bahash
Executive Vice President and CFO

Donald S. Rubin
Senior Vice President, Investor Relations

NOTE: The presenters' slides and a replay of this webcast will be available from www.mcgraw-hill.com/investor_relations approximately two hours after the end of the call.

The McGraw-Hill Companies

2Q 2009 Earnings Call

July 28, 2009

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, 2009

Domestic: 866-419-8651

International: +1-203-369-0780

No password required