

The McGraw-Hill Companies

3Q 2008 Earnings Call

October 28, 2008

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; Educational Publishing's level of success in 2008 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.

2


The McGraw-Hill Companies

The McGraw-Hill Companies

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

MHP 3Q 2008 results

EPS

- **3Q 2008: \$1.23**
 - Includes pre-tax restructuring charge of \$23.4 million, or \$0.05 per diluted share, for a workforce reduction of approximately 270 positions

Revenue

- **3Q 2008: Declined 6.4% to \$2.0 billion**

4

The McGraw-Hill Companies

Measuring restructuring actions since end of 2007

2Q and 3Q restructuring charges

- \$47.1 million pre-tax
- \$29.4 million after-tax
- Reduced approximately 670 positions

Including actions announced in 4Q 2007, approximately 1,275 positions have been eliminated through 3Q 2008

5

The McGraw-Hill Companies

New efforts to restore confidence in credit markets

More support by U.S. government for financial sector and to restore confidence in credit markets

- U.S. Treasury Secretary Paulson provided details on bank recapitalization measures
- Fed Chairman Bernanke is supporting another stimulus package

More rate cuts now likely

- Another Fed rate cut could come this week

6

The McGraw-Hill Companies

Continued weakness in U.S. housing market

Housing prices won't hit bottom until end of 2009, according to David Wyss, S&P's chief economist

Housing recession and credit crunch in financial markets continue to impact our results

7

The McGraw-Hill Companies

Updating guidance for 2008

Now forecasting 2008 EPS of \$2.63 to \$2.65

- **Excludes restructuring charges, but includes the associated benefits**
- **Forecast assumes 4Q EPS of \$0.40 to \$0.42**

The McGraw-Hill Companies

McGraw-Hill Education

Financial Services

Information & Media

3Q results at McGraw-Hill Education

Revenue	Segment declined 3.8% to \$1.1 billion <ul style="list-style-type: none">• School Education Group declined 9.1% to \$623.5 million• Higher Education, Professional and International Group increased 3.7% to \$507.8 million
Operating Profit	Decreased 14.5% to \$351.5 million <ul style="list-style-type: none">• Includes \$5.4 million restructuring charge
Operating Margin	31.1%

10

The McGraw-Hill Companies

Results through nine months at McGraw-Hill Education

Revenue	Segment declined 1.0% to \$2.1 billion
Operating Profit	Decreased 17.5% to \$330.7 million
Operating Margin	15.5%

2Q and 3Q restructuring charges total \$13.9 million for the reduction of approximately 240 positions

11

The McGraw-Hill Companies

The changing outlook for the el-hi market

Industry sales up 3.9% through July, according to AAP

Market started slipping in August

- **16.6% decline in August**
- **17.6% decline in September**
- **Industry sales down 3.3% though September**

**We expect el-hi market to decline about 3% to 4% in
2008**

We expect to gain share in 2008

Unprecedented slowdown in residual sales

**Historically, residual sales are heaviest in
third quarter**

- **Sales of previously adopted textbooks and
materials for new enrollments or to replace
lost, damaged books**
- **Sales of workbooks, lab manuals and other
consumable softbound materials**

Decline in new textbook sales

Decrease was most pronounced in open territory states

- **More dependent on local property tax revenues**
- **These states are mainly in northern and central regions which face higher fuel costs for bus transportation and heating**

14

The McGraw-Hill Companies

Pressures on state education budgets

School districts face increased costs for personnel that are frequently indexed to rate of inflation

- **Salaries, health care, pensions**

New budgets not sufficient to cover inflationary increases

- **Expenses considered discretionary became low-priority items**

Situation aggravated by cutback in Reading First

- **Dropped from more than \$1 billion last year to only \$383 million this year**

15

The McGraw-Hill Companies

How school districts are reducing costs

Buying newly-adopted programs for a few grades

- Will add more grades in the future

Buying classroom set and having classes reuse books versus one book per student

More photocopying of workbooks

Why short-term cost saving measures are not sustainable

Growing enrollments

- Schools will face shortages of standards-aligned materials

Need materials to prepare students for NCLB's accountability requirements

Ordering new workbooks more cost effective than copying old ones

Delivering on the forecast for state new adoption sales

Captured approximately 31% of total available dollars in state new adoption market

- Florida K–5 reading: Expect to capture more than 70%
- K–12 reading/literature: Expect to take about 40%
- Texas K–5 math: Project a 31% capture rate
- California:
 - Did very well in first year of math adoption
 - Led first-year science adoption; 2nd year sales following positive trend
- Music, fine arts, health, business and vocational lines performed well

18

The McGraw-Hill Companies

3Q testing: A seasonally-slow period

Custom contract revenue declined

- Reductions in volume of work performed for Indiana and Missouri
- Expiration of contracts in Mississippi and Tennessee

Continue to make progress with:

- *Acuity*, our new formative testing program
- *LAS Links*, assessment for English-language learners
- *TABE*, diagnostic assessments and instructional resources for adult students

19

The McGraw-Hill Companies

In U.S. college market: Shift in ordering pattern

Peak ordering normally occurs in July and August

- In 2008, surge in September as bookstores waited to gauge student demand

Still expect total market to grow 4% to 6% this year

- Our higher education group will underperform industry

20

The McGraw-Hill Companies

How 3Q shaped up for U.S. Higher Education

Good growth in 3Q with our main academic imprints

- Business & Economics
- Science, Engineering & Mathematics
- Humanities, Social Sciences & World Languages

Off-cycle year for revisions of traditional best-sellers will dampen 2008 performance

Strong gain in Career Education product line

- Strengthened position in allied health market and computer information technology market
- Programs combine software and print

21

The McGraw-Hill Companies

How 3Q shaped up for U.S. Higher Education

Digital products grew rapidly

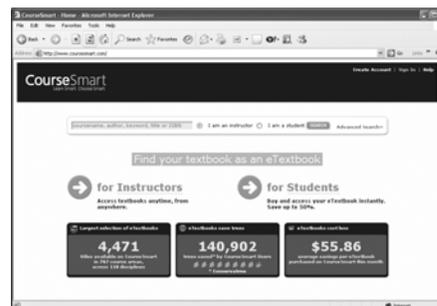
- Study guide products like *Homework Manager* led the way
 - Students embracing generation of products that provide course-critical content that helps them study and prepare for exams more efficiently

22

The McGraw-Hill Companies

Making headway with eBooks

- 618 McGraw-Hill titles now on CourseSmart.com, industry's eBook website
- Cost-effective way to provide samples to instructors and increase awareness among students
- Partnerships with 50 campuses



www.CourseSmart.com

23

The McGraw-Hill Companies

Digital products growing in professional markets

Digital subscriptions and licensing had favorable impact

Could not offset softness at retail as bookstores cut back on orders and reduced inventory in face of economic conditions

24

The McGraw-Hill Companies

3Q success in international markets

Professional

- Recently released English and Spanish editions of *Harrison's Principles of Internal Medicine* continued to perform well

Higher Education

- Products sold well in Europe, the Middle East and India

School

- Benefited from back-to-school sales in Spain and Mexico

25

The McGraw-Hill Companies

3Q results for McGraw-Hill Education

Summary

- **Growth in higher education markets here and abroad in 3Q**
- **Digital revenue continued to grow rapidly in higher education and professional markets**
- **Strong performance in state new adoption market with 31% capture rate**

26

The McGraw-Hill Companies

Outlook for McGraw-Hill Education

Summary

- **Slowdown in el-hi market in August and September signals a 3% to 4% decline in industry sales this year**
- **Growth in college market of 4% to 6% this year**
- **Expect to increase share in el-hi market and to underperform U.S. college and university market**
- **Now expect revenue to decrease 1% to 2% in 2008 with operating margin decline of 300 to 350 basis points**

27

The McGraw-Hill Companies

McGraw-Hill Education

Financial Services

Information & Media

3Q results at Financial Services

Revenue	Segment declined 14.2% to \$651.5 million <ul style="list-style-type: none">• S&P Credit Market Services declined 24.2% to \$423.2 million• S&P Investment Services increased 13.5% to \$228.2 million
Operating Profit	Decreased 18.8% to \$281.6 million <ul style="list-style-type: none">• Includes \$4.1 million restructuring charge
Operating Margin	43.2%

Results through nine months at Financial Services

Revenue Segment declined 12.0% to \$2.0 billion

Operating Profit Decreased 23.3% to \$840.9 million

Operating Margin 41.4%

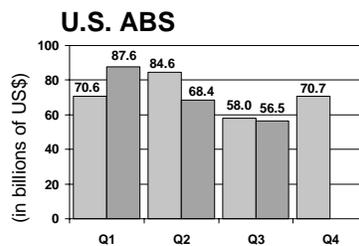
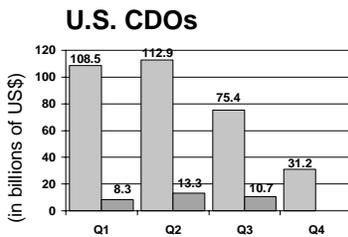
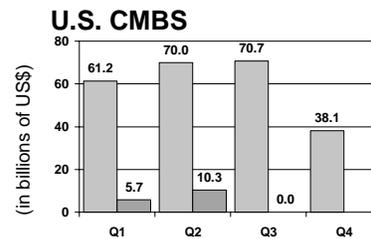
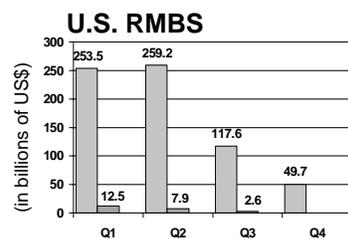
2Q and 3Q restructuring charges total \$19.3 million for reduction of approximately 290 positions

- Reduction of 460 positions including cutback announced in 4Q07
- Reduced operating margin by 64 basis points in 3Q and 95 basis points after nine months

30

The McGraw-Hill Companies

Turbulence in credit markets has carried into third quarter of 2008



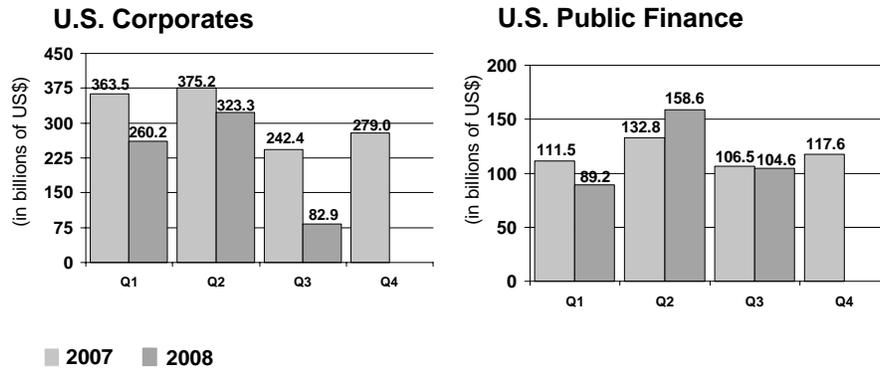
■ 2007 ■ 2008

31

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

The McGraw-Hill Companies

Turbulence in credit markets has carried into third quarter of 2008



32

The McGraw-Hill Companies

Revenue vs. new issuance in 3Q 2008

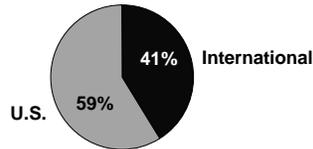
Revenue	% Change 3Q '08 vs. 3Q '07	New Issue Volume	% Change 3Q '08 vs. 3Q '07
Financial Services	-14.2%	Global Issuance	-44.2%
Credit Market Services	-24.2%	Global Issuance	-44.2%
International	-11.6%	Non-U.S. Issuance	-21.0%
Domestic	-33.0%	U.S.-only Issuance	-61.6%

33

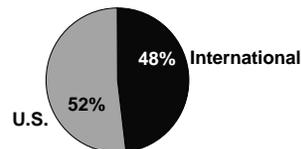
The McGraw-Hill Companies

Building a diverse, resilient revenue stream for Financial Services

3Q 2007 Ratings Revenue



3Q 2008 Ratings Revenue



- Europe: Substantial drop in structured finance issuance resulting from widening spreads and decline in fundamentals
- Asia-Pacific: Some issuance softness; CRISIL, in India, continues to post solid gains
- Actively exploring opportunities to expand S&P’s international footprint

34

The McGraw-Hill Companies

Building a diverse, resilient revenue stream for Financial Services

Non-transaction revenue: Another measure of our diversification strategy

- 3Q 2008: Up 2.3%
- First nine months of 2008: Up 8.9%

Non-transaction revenue includes surveillance fees, annual contracts, and subscriptions

- All three categories grew in 3Q 2008

35

The McGraw-Hill Companies

Growth of deferred revenue in 3Q

Up 7.2% to just over \$805 million at end of 3Q

A sequential decline compared vs. 2Q

- **Slower growth reflects seasonality of revenue and decline in ratings activity**

36

The McGraw-Hill Companies

The benefits of a diversified and resilient portfolio

S&P Investment Services

- **Another quarter of double-digit growth**
- **Capital IQ and index services: Key contributors to 13.5% revenue increase in 3Q**

37

The McGraw-Hill Companies

Data and information benefiting Investment Services

Capital IQ is adding customers here and abroad

- **Now serves more than 2,500 clients**
- **Client base: Up 22.2% in past 12 months**

Capital IQ continues to expand product offering and functionality

- **Recently acquired copy of Reuters Estimates and Reuters Research-on-Demand databases**
- **Adds to global analytical solutions offering**

38

The McGraw-Hill Companies

Continuing to expand index products and services

Index services benefited from:

- **Higher volume for exchange-traded derivatives**
- **Increase in assets under management in ETFs based on S&P indices**
- **Growth in data and custom indices**

\$223.5 billion in assets under management in ETFs based on S&P indices at end of 3Q 2008

- **6.7% increase vs. 3Q 2007**
- **Growth due, in part, to use of ETFs for hedging; asset class mix also acts as natural hedge**

39

The McGraw-Hill Companies

Continuing to expand index products and services

**27% year-over-year increase in average daily
volume for exchange-traded derivatives based on
S&P indices**

- **Daily volume averaged 3.7 million contracts in 3Q**

Continuing to expand index products and services

New in 2008:

- **45 ETFs launched in first nine months of
2008 vs. 46 for all of 2007**
- **189 ETFs based on S&P indices now
available worldwide**

Continuing to expand index products and services

Additions to family of fixed income indices

- October: S&P/LSTA U.S. Leveraged Loan 100 index
- October: S&P U.S. Commercial Paper Index

Signed agreement with Korean Exchange to develop new set of indices in September

- S&P has partnerships with primary exchanges in Australia, Tokyo, Milan, Toronto, Moscow, Hong Kong and India

More in the pipeline this year from Index Services

42

The McGraw-Hill Companies

S&P faces easier comparisons in Q4

Improvement hinges on some market recovery in fourth quarter

Visibility of extent and speed of recovery remains low

- Growing concern about economy
- Markets are assessing new rescue programs from federal government and how to respond to various fiscal stimulus packages

Infusion of capital into banks should help return confidence and credit to the market

- Decline in Libor is a sign credit markets may be on the mend

43

The McGraw-Hill Companies

Outlook for structured finance

When investors return, it will be back to basics

- Less leverage
- Less risk
- More plain vanilla securities

Outlook for year assumed a low level of activity in structured finance

Guidance:

- Segment revenue will decrease 11% to 12%
- 425 to 475 basis point decline in operating margin
- Previously expected 500 to 600 basis point decline

The regulatory scene: Clarifying the issues

S&P's president, Deven Sharma, testified before U.S. House of Representatives Committee on Oversight and Government Reform last week

Basic charges against rating agencies:

1. Structured finance ratings were not objective
2. S&P's only concern was profits
3. Business model is prone to conflict

**It is difficult to be heard in a rush to judgment.
A must read: Sharma's complete testimony at www.standardandpoors.com**

Regulatory issues: S&P's standards

Policies and procedures for S&P's ratings business:

- **Has strong policies against analysts structuring transactions S&P rates**
- **Does not provide consulting services to issuers**
- **Does not give higher ratings based on how it is paid**
- **Does make its ratings, criteria and methodologies available and open to market comment**

46

The McGraw-Hill Companies

Regulatory issues: S&P's standards

No business model is without potential conflicts

A responsible organization like S&P has policies and procedures in place to manage them

- **Our professionals have never been compensated upon the amount of revenue they generate**
- **Credit analysts do not negotiate fees**
- **Rating decisions are always made by a committee and not by individuals**
- **We have a team of quality officers to promote analytical rigor and safeguard the ratings process**

47

The McGraw-Hill Companies

What the SEC found

A thorough examination by the SEC found “there is no evidence found that decisions about ratings methodology or models were based on attracting or losing market share”

What an S&P rating represents

Under the issuer-pays model, S&P makes all its ratings public, free of charge, in real-time

Credit ratings are not investment advice or recommendations to buy, sell or hold a security

Credit ratings primarily address the likelihood that an obligation will be repaid on time with interest

Ratings are not static

Regulatory issues: S&P's commitment

S&P recognizes the seriousness of the current dislocation in capital markets and that not all the forecasts used in its ratings analysis have been borne out

S&P is committed to:

- **Constant improvement**
- **Greater transparency**
- **Independence**

S&P announced 27 actions to enhance ratings process and promote confidence. Update available at www.standardandpoors.com

50

The McGraw-Hill Companies

Gaining perspective on AAA defaults

S&P's record in rating AAA U.S. structured finance securities

- **Default rate is only 0.28% for those rated between January 1978 and October 13, 2008**

51

The McGraw-Hill Companies

The outlook for regulation

S&P expects to learn more about regulatory initiatives next month

- **SEC could issue new rules for rating agencies next month**
- **November 12: European Commission expected to issue its proposals on rating agencies**

We believe global consistency should be based on IOSCO's recently revised code for the rating agencies

52

The McGraw-Hill Companies

The outlook on the legal situation

Not a lot has changed since we reviewed legal risk at an investor conference on September 18

New lawsuit filed at end of September against Federal National Mortgage Association and number of defendants, including The McGraw-Hill Companies

- **We believe the litigation is without merit**

53

The McGraw-Hill Companies

Assessing the legal and regulatory outlook

We continue to believe any pending legal, governmental, or self-regulatory proceedings or investigation will not result in a material adverse effect on our financial condition or results of operations

Outlook for Financial Services

Summary

- **Revenue will decline 11% to 12% in 2008**
- **Operating margin will decline 425 to 475 basis points this year**
- **Low visibility in credit markets**
- **Double-digit revenue growth for S&P Investment Services in 2008**

McGraw-Hill Education

Financial Services

Information & Media

3Q results at Information & Media

Revenue	Segment increased 5.3% to \$265.7 million <ul style="list-style-type: none">• Business-to-Business Group grew 5.4% to \$240.7 million• Broadcasting up 4.4% to \$25.0 million
Operating Profit	Increased 22.6% to \$22.8 million <ul style="list-style-type: none">• Includes \$13.9 million restructuring charge
Operating Margin	8.6% <ul style="list-style-type: none">• Restructuring charge reduced operating margin by 523 basis points

Results through nine months at Information & Media

Revenue Segment up 5.1% to \$776 million

Operating Profit Increased 37.3% to \$59.4 million

Operating Margin 7.7%

**3Q restructuring charges total \$13.9 million for
reduction of approximately 140 positions**

58

The McGraw-Hill Companies

Growth at Business-to-Business Group

Platts—a key revenue driver

- **Leading provider of global energy information to customers in more than 160 countries**

Customers depend on our news and pricing information to help with decision making in uncertain times

Our information is embedded in the customers' workflow

59

The McGraw-Hill Companies

Growth at Business-to-Business Group

Aviation Week benefited from Farnborough Air Show

- Held every other year in third quarter

Growth at Business-to-Business Group

**BusinessWeek's advertising pages were down
13.9% in 3Q**

**Continues to attract new subscribers and
improve its renewal rate**

Launched Business Exchange

- Enables users to create topics around business issues and connect with BusinessWeek's community
- Social media will create opportunity to leverage context and content for users and advertisers

Broadcasting: Benefiting from political advertising

Solid increase in political advertising on TV offset softness in local and national advertising in 3Q

Our Denver station benefited from:

- Colorado status as swing state in presidential election
- Advertising by candidates for U.S. Senate and House
- Significant spending on issues

Our Indianapolis station benefited from:

- Governor's race
- Presidential campaign

62

The McGraw-Hill Companies

Outlook for Information & Media

Summary

- More progress this year with Business-to-Business Group
- Solid growth in political advertising for Broadcasting
- Revenue growth of 4% to 6%
- Improvement in operating margin

63

The McGraw-Hill Companies

Outlook for The McGraw-Hill Companies

2008: Now forecasting EPS of \$2.63 to \$2.65

- Projection excludes restructuring charges, but includes the associated benefits
- Forecast assumes 4Q EPS of \$0.40 to \$0.42

64

The McGraw-Hill Companies

Outlook for The McGraw-Hill Companies

Outlook for 2009

- Budgeting process is underway
 - We're not in a position to make a forecast until process is complete
- We know state new adoption market will not match this year's total
 - Texas not scheduled in 2009
 - 2010 state new adoption market improves sharply
- College and university market is counter-cyclical
 - Enrollments increase in times of economic difficulty
- Visibility in financial markets is low
 - Will be important to see when various stimulus packages begin to have an impact
- Focused on managing costs and maintaining liquidity

65

The McGraw-Hill Companies

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

**Taking a hard look
at costs and expenses**

**4Q 2007: Revenue for S&P Credit Market Services
dropped by 14.1% and segment was off by 7.2%**

**4Q 2008: Easier comparisons, but segment faces
challenges**

Outlook for 4Q 2008 revenue

- **Credit Market Services: Don't expect a pick up**
- **S&P Investment Services: Growth will probably slow
again in 4Q, but will increase by double-digits in 2008**

Taking a hard look at costs and expenses

McGraw-Hill Education

- 4Q is seasonally slow
- El-hi market: We may realize some sales from postponements, but too hard to call
- U.S. college and university: Introducing new titles in 4Q but timing of pick up is difficult to gauge

68

The McGraw-Hill Companies

Taking a hard look at costs and expenses

For MHP: \$23.4 million restructuring charge in 3Q

- Primarily for severance costs related to workforce reduction of approximately 270 positions
- Contain costs and mitigate impact of current and future economic conditions

69

The McGraw-Hill Companies

Taking a hard look at costs and expenses

**For MHP: \$117 million year-over-year
decline in incentive compensation**

- **\$71 million reduction in long-term, stock-based compensation**
 - Lowered accruals for long-term awards due to reduced operating results
 - Resulted in negative \$39 million for stock-based compensation in 3Q
- **Balance of year-over-year reduction was in short-term incentive compensation**
 - Cash savings in 2008 will not be realized until awards are paid out in March 2009

70

The McGraw-Hill Companies

Taking a hard look at costs and expenses

**Measuring the impact of reduced incentive
compensation across the company:**

- **McGraw-Hill Education: \$15.9 million**
- **Financial Services: \$60.0 million**
- **Information & Media: \$12.4 million**
- **Corporate: \$29.1 million**

71

The McGraw-Hill Companies

Managing expenses at Financial Services

3Q Financial Services Expenses (in millions)	2008	2007	Change
As Reported	\$369.8	\$413.0	\$(43.2)
Without Restructuring	\$365.7	\$413.0	\$(47.3)

Year-over-year expense comparison benefits from \$60 million reduction in incentive compensation in 3Q

- Up from second quarter's \$30 million year-over-year reduction primarily due to negative stock based compensation
- Benefits from restructuring actions taken in 4Q 2007 and 2Q 2008, partially offset by impact of acquisitions and investments in fast growing areas

72

The McGraw-Hill Companies

Managing expenses at Financial Services (cont'd)

Sequential 3Q expenses decreased \$66 million, or 15.2% vs. 2Q as reported

Contributors:

- \$46 million decrease in incentive compensation
- Reduction in 3Q vs. 2Q restructuring charges of \$11 million
- Savings from restructuring actions

73

The McGraw-Hill Companies

Managing expenses at McGraw-Hill Education

3Q McGraw-Hill Education Expenses (in millions)	2008	2007	Change
As Reported	\$779.9	\$764.9	\$15.0
Without Restructuring	\$774.5	\$764.9	\$ 9.6

Minimal expense growth driven by:

- \$14.1 million increase in prepublication amortization
- Increased costs related to strong state new adoption opportunities
- Investments in technology, including \$4 million in data center migration costs

Offset by:

- \$15.9 million decline in incentive compensation
- Lower cost of goods sold due to reduction in revenue

74

The McGraw-Hill Companies

Migration to new data center is nearly complete

Migration costs:

- 3Q 2008: \$8 million
- First nine months of 2008: \$21 million
- 2008: Expect \$30-35 million
 - \$5-10 million lower than original forecast
 - McGraw-Hill Education represents about half of the total cost

75

The McGraw-Hill Companies

Outlook for lower corporate expenses

3Q 2008: Decreased \$28 million, or 74.3%, to \$9.7 million, compared to a year ago

- Primarily driven by lower incentive compensation accruals for the quarter
- Excluding the reduction in incentive compensation accruals, expenses were approximately flat with prior year

2008: Now expect about \$50 million decrease

- Approximate \$10 million decline in 4Q
- Previously forecast mid single-digit decrease

76

The McGraw-Hill Companies

MHP's strong financial position

3Q 2008 net debt: \$1.0 billion

- As of September 30, decrease of approximately \$349 million versus end of 2Q 2008 as a result of free cash flow generated in 3Q

3Q 2008 gross debt: \$1.5 billion

- As of September 30, comprised of \$1.2 billion of unsecured senior notes and \$307 million in commercial paper outstanding
- Offset by \$485 million in cash, primarily foreign holdings

77

The McGraw-Hill Companies

MHP's strong financial position

Outstanding commercial paper is supported by new \$1.15 billion credit facility

- **Commercial paper rating is F-1/P-1**
- **Given current liquidity issues in market, important to be a Tier 1 issuer for pricing and availability**

Plan to reduce commercial paper outstanding through balance of year with seasonal cash inflows

Objective: Maintaining 2008 net debt at year-end 2007 level

78

The McGraw-Hill Companies

Evaluating repatriating cash from overseas

Overseas cash is primarily invested in money market instruments

- **Repatriation does not impact net debt but causes swings between where cash is held and commercial paper outstanding**

79

The McGraw-Hill Companies

Outlook for net interest expense

3Q 2008: \$22 million net interest expense

- Compared to \$15.4 million in 3Q 2007

2008: Expect approximately \$80 million for year

- Expect 4Q to be roughly comparable with 3Q

2008 outlook for free cash flow

3Q 2008: Approximately \$500 million, roughly flat with 2007

2008: Expect approximately \$500 million versus previous \$600 million forecast

- New forecast due to reduction in 3Q revenue and impact on cash collections in 4Q

Carefully managing costs and capital investments to help offset lower operating cash flow

- Will continue to monitor our investment priorities given uncertain economic environment

Investing in fast-growing businesses

First nine months 2008: Approximately \$40 million spent on acquisitions

October: Enhanced Capital IQ's data offering

- **Acquired copy of Reuters Estimates and Reuters Research-on-Demand databases**

82

The McGraw-Hill Companies

Update on share repurchases

3Q 2008: 3.5 million shares repurchased for \$142.4 million; average price of \$40.70

First nine months of 2008: 10.9 million shares repurchased for \$447.2 million; average price of \$41.03

Capacity: 17.1 million shares remaining in 2007 buyback program

83

The McGraw-Hill Companies

Currently evaluating extent of share repurchases in 4Q

**Remain committed to returning cash to
shareholders through dividend payments and
share repurchases**

- **Must balance commitment while maintaining
appropriate liquidity during difficult credit
environment**

Reduced diluted weighted average shares outstanding (WASO)

3Q 2008: 317.2 million shares

- **20.5 million share decrease compared to 3Q 2007**
- **3.9 million share decrease compared to 2Q 2008**

**Fully-diluted shares at end of 3Q approximately
315 million shares**

Outlook for unearned revenue

3Q 2008: \$1.1 billion

- **Increased 6.4% year-over-year**
- **Financial Services: Grew 7.2% in 3Q**
 - Year-over-year decline at S&P's Credit Market Services accounts for slower growth
 - Segment represents approximately three quarters of McGraw-Hill's unearned revenue

2008: Expect minimal growth for Corporation given forecast for slower revenue growth at Financial Services

86

The McGraw-Hill Companies

Outlook for tax rate: No change

3Q 2008: 37.5%

2008: Expect to be approximately same for full-year

87

The McGraw-Hill Companies

Maintaining estimates for 2008 prepublication investments

**3Q 2008: \$65.4 million, compared to
\$76.9 million in same period last year**

2008: Continue to expect \$270 million

Lowering capital expenditures for property and equipment

**3Q 2008: \$17.7 million vs. \$63.0 million
in 3Q 2007**

- Higher last year while building data center

**2008: Now expect \$115 million versus
previous \$160 million forecast**

- Delaying a number of capital projects due to
slower operating free cash flow and
uncertain economic environment

Outlook for non-cash items

Amortization of pre-publication costs

- 3Q 2008: \$124.6 million, compared to \$110.5 million for 3Q 2007
- 2008: Continue to expect \$275 million

90

The McGraw-Hill Companies

Outlook for non-cash items

Depreciation

- 3Q 2008: \$30.0 million, compared to \$26.2 million in 3Q 2007
- 2008: Continue to expect approximately \$125 million
 - Completion of data center
 - Purchases of new technology equipment for data center

91

The McGraw-Hill Companies

Outlook for non-cash items

Amortization of intangibles

- 3Q 2008: \$13.6 million, compared to \$11.7 million in 3Q 2007
- 2008: Continue to expect approximately \$52 million

92

The McGraw-Hill Companies

Outlook for The McGraw-Hill Companies

Taking a hard line on company expenses while prudently managing investments to support areas of high growth potential

Protecting our strong financial position

Priorities are clear:

- Reduce expenses
- Ensure we have resources to fund growth
- Maintain liquidity

93

The McGraw-Hill Companies

The McGraw-Hill Companies

3Q 2008 Earnings Call

October 28, 2008

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 will be available for downloading from www.mcgraw-hill.com/investor_relations approximately two hours after the end of the call. A replay of this webcast will be available 2 hours after the end of the call.

The McGraw-Hill Companies

3Q 2008 Earnings Call

October 28, 2008

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 November 27)

Domestic: 888-433-2210

International: +1-203-369-3151

No password required