

COMMITTED TO CREATING SHAREHOLDER VALUE

The 2006 *Investor Fact Book* provides fundamental data on what The McGraw-Hill Companies has achieved and new information on key initiatives that will enable MHP to capitalize on the growing global need for knowledge.

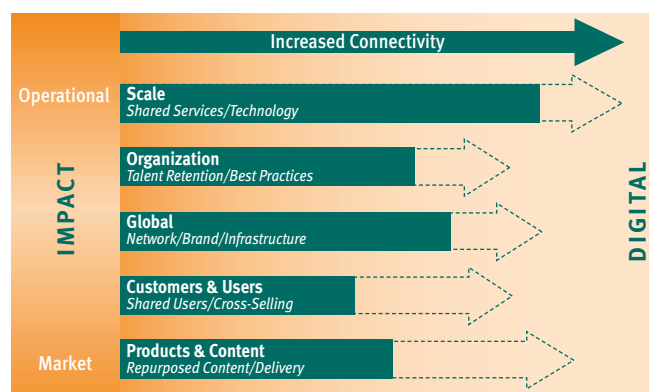
Achievement can be measured by another year of sustained growth in operating earnings, free cash flow, return on invested capital, and cash returned to shareholders. Over the last 10 years, MHP has outperformed the S&P 500, producing an annualized return of 19.0% versus 9.1% for the S&P 500.

Committed to building total shareholder value, MHP has returned more than \$5.0 billion in cash to shareholders through payment of dividends and share repurchases since 1996 including more than \$1.0 billion in the first quarter of 2006. Cash returned to shareholders through dividends and share repurchases grew at a compound rate of 18.9% between 1996 and 2005 (see table below).

As the need for global knowledge expands and intangible investments eclipse physical resources as the main driver of economic growth, The McGraw-Hill Companies is providing more proprietary, higher value-added content, analytics, and tools to both financial and non-financial industries. Technology substantially improves MHP's ability to leverage content and provide materials – anytime, anywhere. It also reduces the need to print, ship, or warehouse materials by removing time and distance from the distribution equation. Connected throughout by a robust telecommunications network, MHP is well positioned to address the growing global need for continuing education through knowledge-based market insights, transparency, intelligence, and digital interconnectivity.

Increasing Operational Leverage

Scale and digital asset management are key to MHP's increased connectivity for greater operating leverage and market impact (see illustration below). The innovative use of technology is transforming the company and its markets. As content and technology converge to create new opportunities, MHP is using its scale to build a growing global organization with improved market penetration and operating impact. This approach is very different than it had been in the past. Today, it is about connecting content, digital assets, best practices, and talent across the organization on a global scale to grow revenue while reducing costs.



FREE CASH FLOW

Years ended December 31
(dollars in thousands)

| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|------------------|
| Cash provided by operating activities | \$1,559,890 | \$1,063,472 | \$1,382,345 | \$1,142,391 | \$1,099,581 | \$720,754 | \$746,368 | \$796,484 | \$390,498 | \$473,336 | \$440,719 |
| Investment in pre-publication costs | (257,795) | (237,760) | (218,049) | (249,317) | (294,538) | (250,005) | (246,341) | (194,978) | (166,784) | (182,978) | (134,118) |
| Purchase of property and equipment | (120,232) | (139,003) | (114,984) | (70,019) | (116,895) | (97,721) | (154,324) | (178,889) | (78,724) | (63,313) | (58,776) |
| Additions to technology projects | (16,456) | (10,623) | (28,145) | (55,477) | (28,840) | (15,194) | (38,315) | (41,414) | (17,422) | (13,184) | (7,483) |
| Other adjustments, principally foreign exchange | (22,947) | 10,019 | 14,115 | 13,817 | (2,221) | (3,089) | (1,679) | (1,715) | (1,500) | (341) | (2,213) |
| Dividends paid to shareholders | (246,048) | (228,166) | (206,543) | (197,016) | (189,834) | (182,462) | (169,049) | (154,386) | (142,705) | (131,375) | (119,653) |
| Tax payment/(dividend) from divestitures (a, b, c) | – | 172,000 | (103,500) | – | – | – | – | – | 150,000 | – | – |
| Free cash flow | \$896,412 | \$629,939 | \$725,239 | \$584,379 | \$467,253 | \$172,283 | \$136,660 | \$225,102 | \$133,363 | \$82,145 | \$118,476 |

(a) 2004, \$172.0 million tax payment related to a 2003 gain from sale of real estate

(b) 2003, \$103.5 million dividend received from the sale of the Corporation's equity interest in real estate

(c) 1997, \$150.0 million tax payment related to the sale of Shepard's/McGraw-Hill in 1996

CASH RETURNED TO SHAREHOLDERS

(dollars in millions, except S&P 500 dividend)

| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 9-year CAGR |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| MHP dividends paid | \$246.0 | \$228.2 | \$206.5 | \$197.0 | \$189.8 | \$182.5 | \$169.0 | \$154.4 | \$142.7 | \$131.4 | 7.2% |
| MHP shares repurchased | 677.7 | 409.4 | 216.4 | 183.1 | 176.5 | 167.6 | 173.8 | 105.6 | 79.9 | 63.3 | 30.1% |
| Total | \$923.7 | \$637.6 | \$422.9 | \$380.1 | \$366.3 | \$350.1 | \$342.8 | \$260.0 | \$222.6 | \$194.7 | 18.9% |
| <i>MHP growth</i> | <i>44.9%</i> | <i>50.8%</i> | <i>11.3%</i> | <i>3.8%</i> | <i>4.6%</i> | <i>2.1%</i> | <i>31.8%</i> | <i>16.8%</i> | <i>14.3%</i> | <i>n/a</i> | |
| S&P 500 dividend | \$22.22 | \$19.44 | \$17.38 | \$16.07 | \$15.74 | \$16.27 | \$16.69 | \$16.20 | \$15.49 | \$14.90 | 4.5% |
| <i>S&P 500 growth</i> | <i>14.3%</i> | <i>11.9%</i> | <i>8.2%</i> | <i>2.1%</i> | <i>(3.3%)</i> | <i>(2.5%)</i> | <i>3.0%</i> | <i>4.6%</i> | <i>4.0%</i> | <i>n/a</i> | |