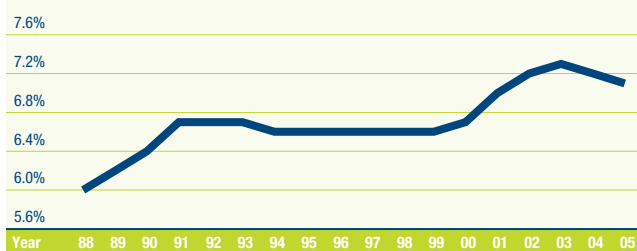


**THE WORLD IS GOING OUR WAY**

Education, finance and information – the focus of The McGraw-Hill Companies – have each increased significantly as a share of the U.S. economy over the past 15 years (see charts). The growth in these sectors, so essential for U.S. and global competitiveness, will likely continue, creating new opportunities for The McGraw-Hill Companies.

**Education spending has risen to 7.1% of U.S. GDP**

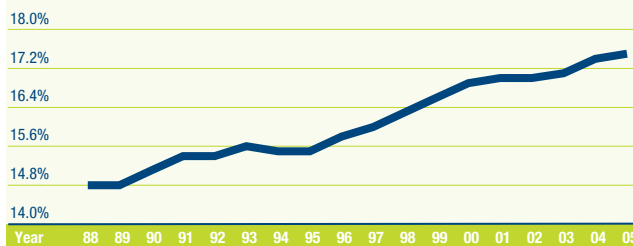
(spending as a percent of U.S. GDP)



Source: National Center for Education Statistics, Bureau of Economic Analysis

**Financial sector has risen to 17.5% of U.S. gross output\***

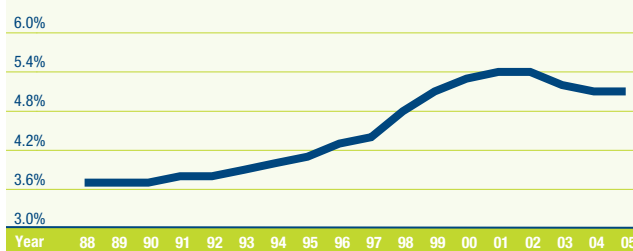
(value-added as a percent of U.S. GDP)



Source: National Center for Education Statistics, Bureau of Economic Analysis \*Includes finance, insurance and real estate

**Information sector has risen to 5.1% of U.S. gross output**

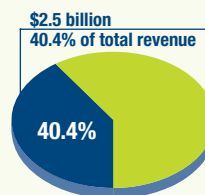
(value-added as a percent of U.S. GDP)



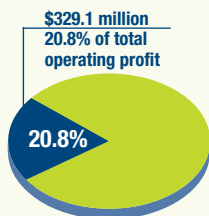
Source: National Center for Education Statistics, Bureau of Economic Analysis

**MCGRAW-HILL EDUCATION**

**2006 Revenue**



**2006 Operating Profit**



**School Education Group**

**Key markets:**  
Pre-kindergarten, elementary, secondary, testing, supplemental, vocational, and post-secondary fields in the U.S.

**Higher Education, Professional and International Group**

**Key higher education markets:**  
International college, university, and post-graduate fields/markets, and English as a Second Language (ESL).

**Key professional markets:**  
Worldwide engineering, science, medicine, health care, computer technology, business, government, and general reference publishing.

**Key international markets:**  
Education, business, and professional markets.

**McGraw-Hill Education – Segment Revenue, Operating Profit and Operating Margin**

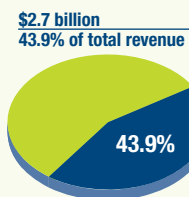
(dollars in millions)	2006 <sup>(a)</sup>	2005 <sup>(b)</sup>	2004 <sup>(c)</sup>
Revenue	\$ 2,524	\$ 2,672	\$ 2,396
Profit	\$ 329	\$ 410	\$ 340
Profit Margin	13.0%	15.4%	14.2%

**Breakout of MHE Revenue**

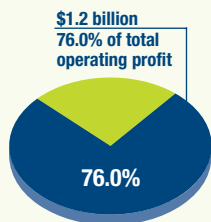
(dollars in millions)	2006	2005	2004 <sup>(c)</sup>
School Education Group	\$ 1,327	\$ 1,515	\$ 1,279
Higher Ed/Prof/Int'l Group	\$ 1,197	\$ 1,157	\$ 1,117

**FINANCIAL SERVICES**

**2006 Revenue**



**2006 Operating Profit**



**Standard & Poor's**

**Key markets:**

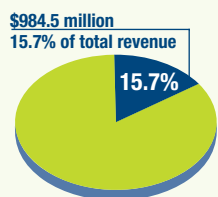
Worldwide customers include debt issuers, investors, intermediaries, corporations, government agencies, financial institutions, portfolio managers, brokers, financial advisors, fund managers, and securities traders.

**Financial Services – Segment Revenue, Operating Profit and Operating Margin**

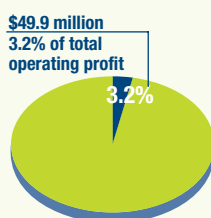
(dollars in millions)	2006 <sup>(d)</sup>	2005 <sup>(e)</sup>	2004
Revenue	\$ 2,746	\$ 2,401	\$ 2,055
Profit	\$ 1,202	\$ 1,019	\$ 839
Profit Margin	43.8%	42.5%	40.8%

**INFORMATION & MEDIA**

**2006 Revenue**



**2006 Operating Profit**



**Business-to-Business Group**

**Key markets:**

Professionals and corporate executives in automotive, aerospace and defense, construction, and energy. Global business and financial professionals, investors, marketers, advertisers, and consumers worldwide.

**Information & Media – Segment Revenue, Operating Profit and Operating Margin**

(dollars in millions)	2006 <sup>(f)</sup>	2005 <sup>(g)</sup>	2004
Revenue	\$ 985	\$ 931	\$ 800
Profit	\$ 50	\$ 61	\$ 119
Profit Margin	5.1%	6.5%	14.9%

**Broadcasting Group**

**ABC affiliates:**

KMGH-TV (Denver), KGTV (San Diego), KERO-TV (Bakersfield), WRTV (Indianapolis)

**Azteca America affiliates (low-powered stations):**  
KZCS-TV (Colorado Springs), KZCO-TV (Denver), KZFC-TV (Fort Collins, CO), KPMC-TV (Bakersfield), KZSD-TV (San Diego, CA)

**Key markets:**

Television audiences in Denver, Colorado Springs, and Fort Collins, Colorado; Indianapolis, Indiana; San Diego and Bakersfield, California.

**Breakout of I&M Revenue**

(dollars in millions)	2006 <sup>(f)</sup>	2005 <sup>(g)</sup>	2004
B2B Group	\$ 864	\$ 819	\$ 686
Broadcasting	\$ 121	\$ 112	\$ 114

Notes for Segments at a Glance (pages 4 and 5):

**McGraw-Hill Education**

- (a) Operating profit reflects a \$16.0 million pre-tax restructuring charge and, as a result of the adoption of Financial Accounting Standards Board's Statement No. 123(R), "Share Based Payment," stock-based compensation expense of \$31.6 million pre-tax, which includes a one-time pre-tax charge of \$4.2 million for the elimination of the Company's restoration stock option program
- (b) Operating profit reflects the impact of a \$9.0 million pre-tax restructuring charge

- (c) Revenue has been reclassified in accordance with Emerging Issues Task Force 00-10 "Accounting for Shipping and Handling Fees and Costs," resulting in an increase in revenue of \$62.5 million in 2004

**Financial Services**

- (d) As a result of the adoption of Statement No. 123(R), operating profit reflects stock-based compensation expense of \$38.3 million pre-tax, which includes a one-time pre-tax charge of \$2.1 million for the elimination of the Company's restoration stock option program

- (e) Operating profit reflects the impact of a \$6.8 million pre-tax gain on the sale of Corporate Value Consulting and a \$1.2 million pre-tax restructuring charge

**Information & Media**

- (f) 2006 revenue of \$23.8 million and operating profit of \$21.1 million was deferred to 2007 due to the transformation of Sweets from a primarily print catalog to a bundled print and online service. Operating profit reflects an \$8.7 million pre-tax restructuring charge and, as a result of the adoption of Statement No. 123(R), stock-based

compensation expense of \$22.9 million pre-tax, which includes a one-time pre-tax charge of \$2.7 million for the elimination of the Company's restoration stock option program

- (g) The acquisition of J.D. Power and Associates contributed \$144.7 million to the Business-to-Business Group's revenue within the Information & Media segment. Operating profit reflects the impact of a \$5.5 million pre-tax loss on the sale of the Healthcare Information Group and a \$10.2 million pre-tax restructuring charge