

**POSITIONED FOR LONG-TERM GROWTH**

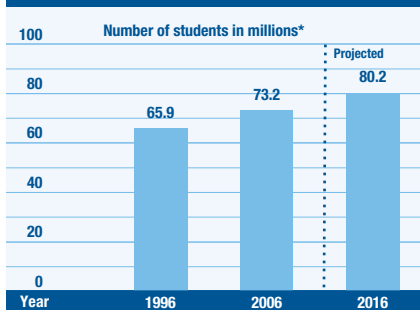
Education, finance, and information – the focus of The McGraw-Hill Companies – have each grown in importance over the past ten years. Going forward over the next decade, this pattern should continue, according to recent government forecasts. Taken together, the following trends suggest that The McGraw-Hill Companies is well situated for the next ten years. Here’s why:

**Education:** Politicians and corporate leaders increasingly understand that an educated population is essential for U.S. and global competitiveness. What’s more, U.S. student enrollments are expected to keep rising, according to the latest projections from the Department of Education. These two forces should ensure rising spending.

**Financial:** The repercussions from the current turmoil in the financial markets will not go away overnight. Nevertheless, increased access to capital is still the keystone for economic growth, in both developed and emerging countries. Over the long-run, financial markets will continue to get deeper and more pervasive around the world.

**Information:** More than ever, useful information is the lifeblood of the global economy. Demand for such information should continue to grow, even as it becomes less expensive to deliver. The result: New opportunities for companies which are nimble enough to take advantage of them.

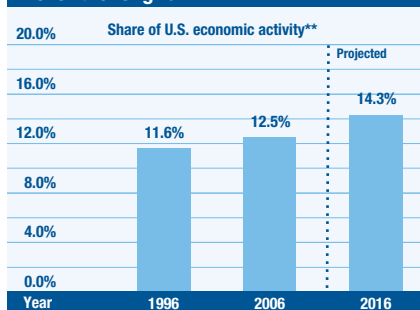
**Enrollments are projected to rise...**



Source: National Center for Education Statistics, December 2007 projections

\* Includes Pre-K-12 and degree-granting postsecondary institutions

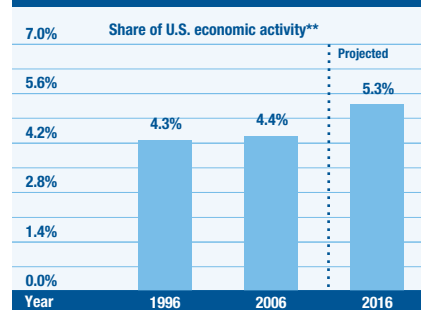
**...the financial sector is expected to expand over the long run...**



Source: U.S. Department of Labor, Bureau of Labor Statistics, November 2007 projections

\*\* Economic activity, which includes many business-to-business transactions, is a broader measure of the economy than Gross Domestic Product

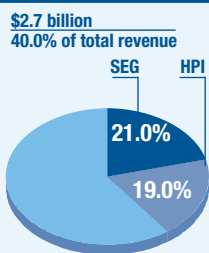
**...and so is the information sector.**



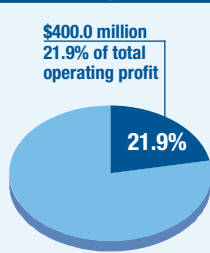
Source: U.S. Department of Labor, Bureau of Labor Statistics, November 2007 projections

**MCGRAW-HILL EDUCATION**

**2007 Revenue**



**2007 Operating Profit**



**School Education Group (SEG)**

**Key markets:**

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

**Higher Education, Professional and International Group (HPI)**

**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)	2007 <sup>(a)</sup>	2006 <sup>(b)</sup>	2005 <sup>(c)</sup>
Revenue	\$ 2,706	\$ 2,524	\$ 2,672
Profit	\$ 400	\$ 329	\$ 410
Profit Margin	14.8%	13.0%	15.4%

**Breakout of MHE Revenue**

(dollars in millions)	2007	2006	2005
School Education Group	\$ 1,417	\$ 1,327	\$ 1,515
Higher Ed/Prof/Int'l Group	\$ 1,289	\$ 1,197	\$ 1,157

(a) Operating profit reflects a \$16.3 million pre-tax restructuring charge

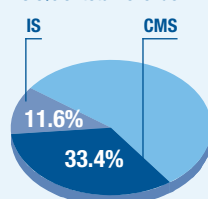
(b) Operating profit reflects a \$16.0 million pre-tax restructuring charge and, as a result of the adoption of Financial Accounting Standards Board Statement No. 123(R), "Share Based Payment," ("SFAS No. 123(R)") stock-based compensation expense of \$31.6 million pre-tax, which includes a one-time pre-tax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

(c) Operating profit reflects a \$9.0 million pre-tax restructuring charge

## FINANCIAL SERVICES

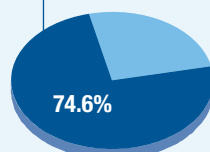
## 2007 Revenue

\$3.0 billion  
45.0% of total revenue



## 2007 Operating Profit

\$1.4 billion  
74.6% of total operating profit



## Credit Market Services (CMS)

## Key markets:

Corporations, governments, and municipalities; commercial and investment banks; insurance companies; asset managers/institutional investors; and other debt issuers.

## Investment Services (IS)

## Key markets:

Asset managers, investment banks, investors, brokers, financial advisors, investment sponsors, and companies' back-office functions including compliance, operations, risk, clearance, and settlement.

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

(dollars in millions)	2007 <sup>(d)</sup>	2006 <sup>(e)</sup>	2005 <sup>(f)</sup>
Revenue	\$ 3,046	\$ 2,746	\$ 2,401
Profit	\$ 1,359	\$ 1,202	\$ 1,019
Profit Margin	44.6%	43.8%	42.5%

## Breakout of FS Revenue

(dollars in millions)	2007	2006	2005
Credit Market Services	\$ 2,264	\$ 2,074	\$ 1,738
Investment Services	\$ 782	\$ 672	\$ 663

(d) Operating profit reflects an \$18.8 million pre-tax restructuring charge and a \$17.3 million pre-tax gain on the sale of the mutual fund data business

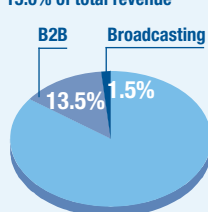
(e) As a result of the adoption of SFAS No. 123(R), operating profit reflects stock-based compensation expense of \$38.3 million pre-tax, which includes a one-time pre-tax charge of \$2.1 million for the elimination of the Company's restoration stock option program

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

## INFORMATION &amp; MEDIA

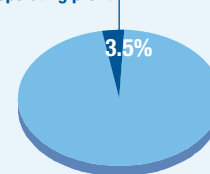
## 2007 Revenue

\$1.0 billion  
15.0% of total revenue



## 2007 Operating Profit

\$63.5 million  
3.5% of total operating profit



## Business-to-Business Group (B2B)

## 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.

## 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.

## Information &amp; Media – Segment Revenue, Operating Profit and Operating Margin

(dollars in millions)	2007 <sup>(g,h)</sup>	2006 <sup>(g,i)</sup>	2005 <sup>(j)</sup>
Revenue	\$ 1,020	\$ 985	\$ 931
Profit	\$ 63	\$ 50	\$ 61
Profit Margin	6.2%	5.1%	6.5%

## Breakout of I&amp;M Revenue

(dollars in millions)	2007 <sup>(g)</sup>	2006 <sup>(g)</sup>	2005 <sup>(i)</sup>
B2B Group	\$ 917	\$ 864	\$ 819
Broadcasting	\$ 103	\$ 121	\$ 112

(g) During 2006, the Sweets building products database transitioned from a primarily print catalog offering to an integrated online service. In 2006, revenue and operating profit of \$23.8 million and \$21.1 million, respectively, of the bundled product were deferred and recognized ratably over the service period, primarily 2007

(h) Operating profit reflects a \$6.7 million pre-tax restructuring charge

(i) Operating profit reflects an \$8.7 million pre-tax restructuring charge and, as a result of the adoption of SFAS 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

(j) 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 a \$10.2 million pre-tax restructuring charge and a \$5.5 million pre-tax loss on the sale of the Healthcare Information Group