

The *McGraw-Hill* Companies

INVESTOR FACT BOOK
2008-2009



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PRINCIPAL EXECUTIVES

Harold McGraw III*Chairman, President and Chief Executive Officer***Corporate****Robert J. Bahash***Executive Vice President and
Chief Financial Officer***Peter C. Davis***Executive Vice President
Global Strategy***Bruce D. Marcus***Executive Vice President and
Chief Information Officer***David L. Murphy***Executive Vice President
Human Resources***Kenneth M. Vittor***Executive Vice President and
General Counsel***Kenneth J. Michaels***Senior Vice President
Business Process Management***David B. Stafford***Senior Vice President,
Corporate Affairs and
Executive Assistant to the
Chairman and Chief Executive
Officer***Operations****Henry Hirschberg***President
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May 2008

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COMMITTED TO CREATING SHAREHOLDER VALUE

The 2008-09 *Investor Fact Book* offers a look back at a decade of corporate achievement and a look ahead at promising new opportunities for The McGraw-Hill Companies.

Since 1996, MHP has returned \$8.4 billion to shareholders through dividends and share buybacks, a tangible measure of management's commitment to advancing total shareholder value. As shown in the table below, cash returned to shareholders through dividends and share repurchases has grown at a compound annual rate of 27.3% between 1997 and 2007. In that decade, MHP produced a total shareholder return of 10.8% versus 5.9% for the S&P 500.

In 2007, MHP issued \$1.2 billion in long-term debt, but remains conservatively financed with a ratio of 0.5x net debt to EBITDA (see table below).

MHP's future is inextricably linked to the growth of global demand for capital, education and information – powerful trends with significant potential (see page 4). In a rapidly changing world, integrating content, technology, and distribution offers significant growth opportunities. With scale to create more operating leverage, MHP will continue to reshape its businesses by connecting content, digital assets, and talent to sustain a record of growth.

FREE CASH FLOW

Years ended December 31
(dollars in thousands)

| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|----------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash provided by operating activities | \$1,716,951 | \$1,509,304 | \$1,559,890 | \$1,063,472 | \$1,382,345 | \$1,142,391 | \$1,099,581 | \$720,754 | \$746,368 | \$796,484 | \$390,498 |
| Investment in prepublication costs | (298,984) | (276,810) | (257,795) | (237,760) | (218,049) | (249,317) | (294,538) | (250,005) | (246,341) | (194,978) | (166,784) |
| Purchase of property and equipment | (229,609) | (126,593) | (120,232) | (139,003) | (114,984) | (70,019) | (116,895) | (97,721) | (154,324) | (178,889) | (78,724) |
| Additions to technology projects | (16,654) | (22,978) | (16,456) | (10,623) | (28,145) | (55,477) | (28,840) | (15,194) | (38,315) | (41,414) | (17,422) |
| Other adjustments, principally foreign exchange | 16,567 | 2,831 | (22,947) | 10,019 | 14,115 | 13,817 | (2,221) | (3,089) | (1,679) | (1,715) | (1,500) |
| Dividends paid to shareholders | (277,746) | (260,323) | (246,048) | (228,166) | (206,543) | (197,016) | (189,834) | (182,462) | (169,049) | (154,386) | (142,705) |
| Tax payment/(dividend) from divestitures (a, b, c) | – | – | – | 172,000 | (103,500) | – | – | – | – | – | 150,000 |
| Free cash flow | \$910,525 | \$825,431 | \$896,412 | \$629,939 | \$725,239 | \$584,379 | \$467,253 | \$172,283 | \$136,660 | \$225,102 | \$133,363 |

(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

NET DEBT TO EBITDA

(dollars in millions)

| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|-------------------------------------|----------------|------------------|------------------|------------------|------------------|----------------|------------------|------------------|----------------|----------------|----------------|
| Cash and equivalents | \$396.1 | \$353.5 | \$748.8 | \$680.6 | \$695.6 | \$58.2 | \$53.5 | \$3.2 | \$6.5 | \$10.5 | \$4.8 |
| Total short-term and long-term debt | 1,197.4 | 2.7 | 3.3 | 5.1 | 26.3 | 578.3 | 1,056.5 | 1,045.4 | 536.4 | 527.6 | 684.4 |
| Net debt/(cash) | \$801.4 | \$(350.8) | \$(745.5) | \$(675.5) | \$(669.2) | \$520.2 | \$1,003.0 | \$1,042.2 | \$530.0 | \$517.1 | \$679.7 |
| Net debt/EBITDA | 0.5x | (0.2x) | (0.5x) | (0.5x) | (0.5x) | 0.5x | 1.3x | 1.2x | 0.7x | 0.7x | 1.1x |

Note: EBITDA is net of investment in prepublication costs

CASH RETURNED TO SHAREHOLDERS

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

| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 10-year CAGR |
|----------------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| MHP dividends paid | \$277.7 | \$260.3 | \$246.0 | \$228.2 | \$206.5 | \$197.0 | \$189.8 | \$182.5 | \$169.0 | \$154.4 | \$142.7 | 6.9% |
| MHP shares repurchased | 2,212.7 | 1,540.1 | 677.7 | 409.4 | 216.4 | 183.1 | 176.5 | 167.6 | 173.8 | 105.6 | 79.9 | 39.4% |
| Total | \$2,490.4 | \$1,800.4 | \$923.7 | \$637.6 | \$422.9 | \$380.1 | \$366.3 | \$350.1 | \$342.8 | \$260.0 | \$222.6 | 27.3% |
| <i>MHP growth</i> | <i>38.3%</i> | <i>94.9%</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>n/a</i> | |
| S&P 500 dividend per share | \$27.73 | \$24.88 | \$22.22 | \$19.44 | \$17.38 | \$16.07 | \$15.74 | \$16.27 | \$16.69 | \$16.20 | \$15.49 | 6.0% |
| <i>S&P 500 growth</i> | <i>11.5%</i> | <i>12.0%</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>n/a</i> | |

Note: Shares repurchased are reported on a settlement-date basis

Share Repurchase, Dividend, and Stock Split History

ADVANCING TOTAL SHAREHOLDER VALUE

Since 1996, The McGraw-Hill Companies has returned more than \$8.4 billion to shareholders through dividend payments and share buybacks. The combination of an expanded share repurchase program and a record of increased dividends for the 35th consecutive year demonstrates The McGraw-Hill Companies' commitment to advancing total shareholder value.

In 2007, The McGraw-Hill Companies repurchased 37 million shares at a cost of \$2.2 billion. Twenty-eight million shares remain under the stock repurchase program approved in January 2007, with a target of 15 million shares in 2008. In the first quarter of 2008, 3.4 million shares were repurchased for a total cost of \$134 million at an average price of \$39.42 per share.

The Board of Directors approved in January 2008, a 7.3% increase in the regular quarterly cash dividend on MHP's common stock. The 2008 annualized rate of \$0.88 per share represents an average compound annual dividend growth rate of 10.3% since 1974. MHP is one of fewer than 30 companies in the S&P 500 that has increased its dividend annually for the last 35 consecutive years.

Share Repurchase Programs¹

| Year | \$ in millions | Shares Purchased | Average Price | Diluted Weighted Average Shares Outstanding |
|------|----------------|------------------|---------------|---------------------------------------------|
| 2007 | \$ 2,212.7 | 37,000,000 | \$ 59.80 | 344,784,866 |
| 2006 | \$ 1,540.1 | 28,400,000 | \$ 54.23 | 366,877,769 |
| 2005 | \$ 671.9 | 14,343,900 | \$ 46.84 | 382,569,750 |
| 2004 | \$ 400.6 | 10,000,000 | \$ 40.06 | 385,823,700 ² |
| 2003 | \$ 212.6 | 6,935,400 | \$ 30.65 | 384,009,014 |
| 2002 | \$ 195.6 | 6,409,200 | \$ 30.52 | 389,146,638 |
| 2001 | \$ 182.1 | 6,203,400 | \$ 29.35 | 391,745,196 |
| 2000 | \$ 167.7 | 6,235,200 | \$ 26.90 | 392,143,250 |
| 1999 | \$ 173.8 | 6,463,400 | \$ 26.89 | 397,114,618 |
| 1998 | \$ 105.6 | 5,348,000 | \$ 19.75 | 398,208,132 |
| 1997 | \$ 79.9 | 5,200,400 | \$ 15.36 | 399,008,728 |
| 1996 | \$ 63.3 | 5,451,600 | \$ 11.61 | 399,483,608 |
| 1987 | \$ 135.0 | 19,960,000 | \$ 6.76 | |

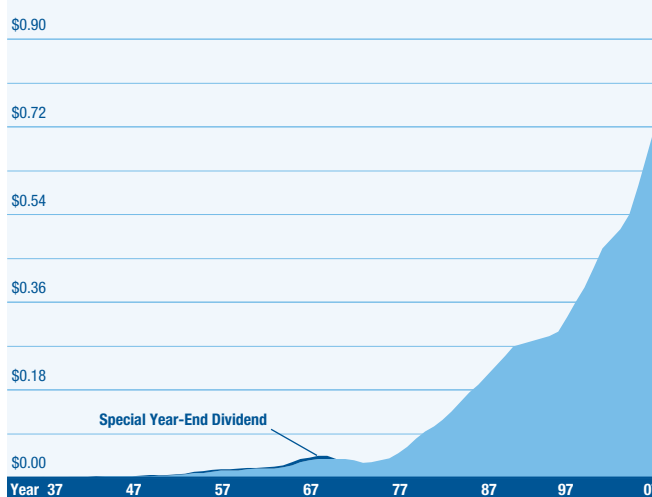
Note:

Shares repurchased are reported on a trade-date basis

¹ Adjusted for all stock splits through 2005. Approximately 45% of repurchases during 1996-2007 offset the issuance of shares for stock option and restricted share programs; the remaining 55% reduce the net number of shares outstanding

² Increase primarily due to impact of 30% increase in MHP stock price in 2004. Under the treasury-stock method, an increase in share price results in more shares assumed to be issued since more options are considered in-the-money

Common Stock Dividend History, 1937-2007



Notes:

Represents nominal dividend rates

Dividend increases effective for first quarter of 1974 and forward

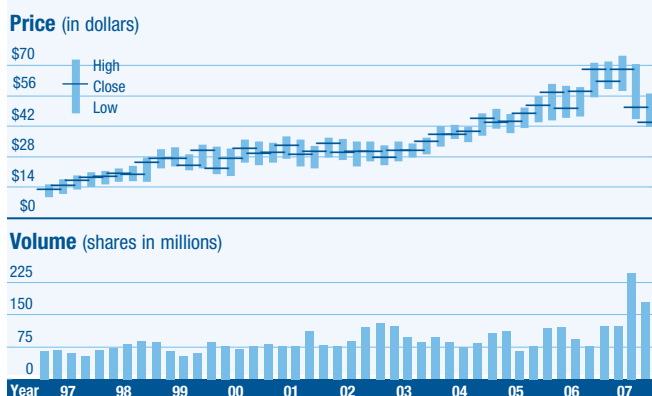
No special year-end dividends after 1969

Adjusted for all stock splits through 2005

Stock Split History

| Record Date | Payment Date | Distribution |
|-------------------|----------------|--------------|
| May 6, 2005 | May 17, 2005 | 2 for 1 |
| February 24, 1999 | March 8, 1999 | 2 for 1 |
| March 28, 1996 | April 26, 1996 | 2 for 1 |
| May 9, 1983 | June 1, 1983 | 2 for 1 |
| June 30, 1967 | July 17, 1967 | 2 for 1 |
| March 10, 1961 | March 17, 1961 | 3 for 1 |
| July 25, 1956 | August 8, 1956 | 3 for 1 |
| July 24, 1953 | August 3, 1953 | 2 for 1 |

MHP Stock Price and Volume History, 1997-2007*



Source: Standard & Poor's Compustat

MHP DEBT PROFILE**Summary of Debt Outstanding, 12/31/2007**

(dollars in millions)

| | |
|---------------------------------|-------------------|
| 5.375% Senior notes, due 2012 | \$ 399.7 |
| 5.900% Senior notes, due 2017 | 399.0 |
| 6.550% Senior notes, due 2037 | 398.4 |
| Notes payable | 0.3 |
| Commercial paper ⁽¹⁾ | — |
| Total debt | \$ 1,197.4 |
| Cash | 396.1 |
| Net debt | \$ 801.4 |

¹ Company's available commercial paper program is \$1.2 billion. There were no outstanding commercial paper borrowings as of 12/31/2007**MHP Debt Ratings**

The McGraw-Hill Companies continues to maintain a strong financial position even as it invests in new opportunities.

| | Moody's | Fitch |
|------------------|----------------|--------------|
| Long-term debt | A1 | A+ |
| Commercial paper | P1 | F1 |
| Outlook | Negative | Stable |

QUARTERLY STOCK VALUATION DATA

| Year | Quarter | Prices* | | | MHP Volume | MHP – Price to Earnings** | | | S&P 500 – Price to Earnings | | | P/E Relative to S&P 500 | | |
|------|---------|---------|--------|--------|---------------|------------------------------|-------|-------|--------------------------------|-------|-------|-------------------------|------|-------|
| | | High | Low | Close | | High | Low | Close | High | Low | Close | High | Low | Close |
| 2007 | 4 | 55.140 | 43.460 | 43.810 | 178,192,844 | 18.08 | 14.25 | 14.36 | 19.09 | 17.04 | 17.79 | 0.95 | 0.84 | 0.81 |
| | 3 | 68.810 | 47.150 | 50.910 | 247,126,617 | 21.98 | 15.06 | 16.27 | 17.42 | 15.35 | 17.09 | 1.26 | 0.98 | 0.95 |
| | 2 | 72.500 | 60.160 | 68.080 | 123,650,344 | 24.83 | 20.60 | 23.32 | 16.83 | 15.47 | 16.42 | 1.48 | 1.33 | 1.42 |
| | 1 | 69.980 | 61.060 | 62.880 | 124,541,820 | 25.63 | 23.37 | 23.03 | 16.36 | 15.26 | 15.90 | 1.57 | 1.53 | 1.45 |
| 2006 | 4 | 69.250 | 57.280 | 68.020 | 76,636,900 | 26.95 | 22.29 | 26.47 | 16.32 | 15.13 | 16.17 | 1.65 | 1.47 | 1.64 |
| | 3 | 58.300 | 48.400 | 58.030 | 92,639,400 | 22.95 | 19.06 | 22.85 | 15.60 | 14.25 | 15.55 | 1.47 | 1.34 | 1.47 |
| | 2 | 58.750 | 47.800 | 50.230 | 121,441,400 | 23.98 | 19.51 | 20.50 | 16.23 | 14.92 | 15.54 | 1.48 | 1.31 | 1.32 |
| | 1 | 59.570 | 46.370 | 57.620 | 119,198,700 | 25.35 | 19.73 | 24.52 | 16.55 | 15.73 | 16.35 | 1.53 | 1.25 | 1.50 |
| 2005 | 4 | 53.970 | 45.600 | 51.630 | 78,045,900 | 23.26 | 19.66 | 22.25 | 16.69 | 15.28 | 16.33 | 1.39 | 1.29 | 1.36 |
| | 3 | 48.750 | 43.010 | 48.040 | 66,287,000 | 21.86 | 19.29 | 21.54 | 16.79 | 15.95 | 16.56 | 1.30 | 1.21 | 1.30 |
| | 2 | 45.675 | 40.510 | 44.250 | 111,714,000 | 21.91 | 19.43 | 21.22 | 16.88 | 15.73 | 16.49 | 1.30 | 1.24 | 1.29 |
| | 1 | 47.995 | 42.810 | 43.625 | 106,768,000 | 24.00 | 21.41 | 21.81 | 17.61 | 16.67 | 16.91 | 1.36 | 1.28 | 1.29 |
| 2004 | 4 | 46.055 | 39.425 | 45.770 | 83,969,000 | 23.74 | 20.32 | 23.59 | 17.94 | 16.11 | 17.91 | 1.32 | 1.26 | 1.32 |
| | 3 | 39.885 | 36.415 | 39.845 | 74,212,200 | 21.50 | 19.63 | 21.48 | 17.66 | 16.44 | 17.25 | 1.22 | 1.19 | 1.25 |
| | 2 | 40.670 | 37.825 | 38.285 | 85,443,000 | 23.11 | 21.49 | 21.75 | 18.52 | 17.32 | 18.36 | 1.25 | 1.24 | 1.18 |
| | 1 | 40.185 | 34.550 | 38.070 | 97,652,000 | 23.64 | 20.32 | 22.39 | 19.95 | 18.98 | 19.39 | 1.18 | 1.07 | 1.15 |
| 2003 | 4 | 35.000 | 30.995 | 34.960 | 84,799,800 | 21.21 | 18.78 | 21.19 | 20.34 | 18.21 | 20.33 | 1.04 | 1.03 | 1.04 |
| | 3 | 32.255 | 29.300 | 31.065 | 97,932,400 | 20.35 | 18.49 | 19.60 | 20.10 | 18.57 | 19.25 | 1.01 | 1.00 | 1.02 |
| | 2 | 33.075 | 27.730 | 31.000 | 124,260,600 | 21.62 | 18.12 | 20.26 | 20.74 | 17.32 | 19.91 | 1.04 | 1.05 | 1.02 |
| | 1 | 31.290 | 25.870 | 27.795 | 131,153,800 | 20.79 | 17.19 | 18.47 | 19.62 | 16.55 | 17.79 | 1.06 | 1.04 | 1.04 |
| 2002 | 4 | 33.150 | 27.755 | 30.220 | 120,239,200 | 22.25 | 18.63 | 20.28 | 20.73 | 16.70 | 19.11 | 1.07 | 1.12 | 1.06 |
| | 3 | 32.990 | 25.355 | 30.610 | 87,467,400 | 23.15 | 17.79 | 21.48 | 22.58 | 17.62 | 18.52 | 1.03 | 1.01 | 1.16 |
| | 2 | 34.365 | 28.150 | 29.850 | 78,497,800 | 25.74 | 21.09 | 22.36 | 27.60 | 22.92 | 23.80 | 0.93 | 0.92 | 0.94 |
| | 1 | 34.850 | 29.440 | 34.125 | 78,760,600 | 27.23 | 23.00 | 26.66 | 30.20 | 27.57 | 29.44 | 0.90 | 0.83 | 0.91 |
| 2001 | 4 | 30.900 | 24.350 | 30.490 | 110,203,800 | 24.92 | 19.64 | 24.59 | 30.21 | 26.43 | 29.55 | 0.82 | 0.74 | 0.83 |
| | 3 | 33.975 | 25.275 | 29.100 | 77,876,200 | 27.51 | 20.47 | 23.56 | 29.50 | 22.48 | 24.77 | 0.93 | 0.91 | 0.95 |
| | 2 | 35.435 | 28.920 | 33.075 | 76,444,200 | 30.29 | 24.72 | 28.27 | 27.98 | 23.22 | 26.03 | 1.08 | 1.06 | 1.09 |
| | 1 | 32.370 | 27.045 | 29.825 | 82,145,400 | 28.27 | 23.62 | 26.05 | 26.16 | 20.44 | 21.94 | 1.08 | 1.16 | 1.19 |
| 2000 | 4 | 33.000 | 26.000 | 29.313 | 75,829,400 | 27.73 | 21.85 | 24.63 | 25.92 | 22.34 | 23.52 | 1.07 | 0.98 | 1.05 |
| | 3 | 33.844 | 27.125 | 31.781 | 68,728,000 | 29.18 | 23.38 | 27.40 | 26.94 | 25.00 | 25.30 | 1.08 | 0.94 | 1.08 |
| | 2 | 29.938 | 20.938 | 27.000 | 77,756,800 | 26.49 | 18.53 | 23.89 | 27.47 | 24.09 | 26.17 | 0.96 | 0.77 | 0.91 |
| | 1 | 30.844 | 21.750 | 22.750 | 87,262,600 | 28.56 | 20.14 | 21.06 | 28.80 | 24.57 | 27.79 | 0.99 | 0.82 | 0.76 |
| 1999 | 4 | 31.563 | 24.500 | 30.813 | 59,725,800 | 30.94 | 24.02 | 30.21 | 28.37 | 23.87 | 28.43 | 1.09 | 1.01 | 1.06 |
| | 3 | 27.063 | 23.563 | 24.188 | 52,501,000 | 28.04 | 24.42 | 25.06 | 28.76 | 25.44 | 25.98 | 0.98 | 0.96 | 0.96 |
| | 2 | 30.375 | 25.219 | 26.969 | 66,502,200 | 33.94 | 28.18 | 30.13 | 29.36 | 27.28 | 29.29 | 1.16 | 1.03 | 1.03 |
| | 1 | 29.563 | 24.438 | 27.250 | 85,734,200 | 34.28 | 28.33 | 31.59 | 29.37 | 26.74 | 28.54 | 1.17 | 1.06 | 1.11 |
| 1998 | 4 | 25.828 | 18.063 | 25.469 | 87,647,200 | 30.30 | 21.19 | 29.88 | 28.12 | 20.86 | 27.77 | 1.08 | 1.02 | 1.08 |
| | 3 | 21.750 | 18.516 | 19.813 | 82,613,200 | 26.13 | 22.24 | 23.80 | 27.00 | 21.32 | 23.07 | 0.97 | 1.04 | 1.03 |
| | 2 | 20.750 | 18.188 | 20.375 | 71,664,398 | 26.60 | 23.32 | 26.12 | 25.40 | 24.05 | 25.38 | 1.05 | 0.97 | 1.03 |
| | 1 | 19.500 | 17.125 | 19.015 | 67,188,390 | 26.09 | 22.91 | 25.44 | 25.09 | 20.57 | 24.83 | 1.04 | 1.11 | 1.02 |
| 1997 | 4 | 18.844 | 15.781 | 18.500 | 52,370,784 | 25.64 | 21.47 | 25.17 | 22.41 | 19.43 | 22.05 | 1.14 | 1.11 | 1.14 |
| | 3 | 17.406 | 14.750 | 16.922 | 60,297,190 | 24.18 | 20.49 | 23.50 | 22.05 | 20.43 | 21.66 | 1.10 | 1.00 | 1.09 |
| | 2 | 15.719 | 12.469 | 14.703 | 67,458,780 | 24.37 | 19.33 | 22.80 | 21.17 | 17.21 | 20.77 | 1.15 | 1.12 | 1.10 |
| | 1 | 13.281 | 11.219 | 12.781 | 65,728,781 | 21.34 | 18.02 | 20.53 | 19.56 | 17.45 | 18.11 | 1.09 | 1.03 | 1.13 |

* Data reflects the 2-for-1 stock split completed on May 17, 2005. All prior periods have been restated to reflect the 2005 split

** Based on 12-month moving operating earnings per share, which excludes one-time items

Source: Standard & Poor's Compustat

POSITIONED FOR LONG-TERM GROWTH

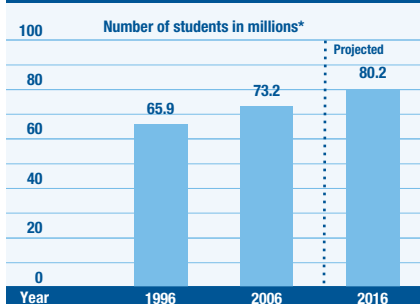
Education, finance, and information – the focus of The McGraw-Hill Companies – have each grown in importance over the past ten years. Going forward over the next decade, this pattern should continue, according to recent government forecasts. Taken together, the following trends suggest that The McGraw-Hill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

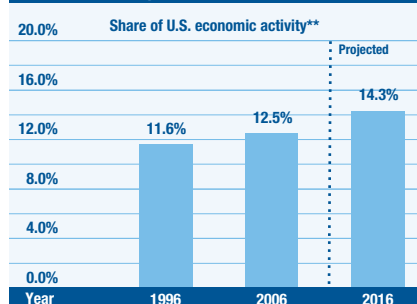
Enrollments are projected to rise...



Source: National Center for Education Statistics, December 2007 projections

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

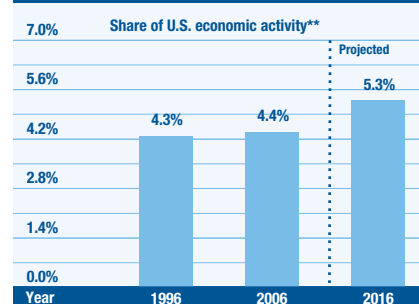
...the financial sector is expected to expand over the long run...



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

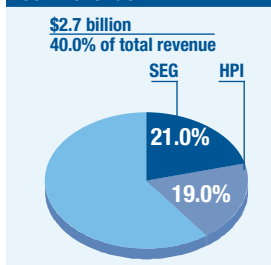
...and so is the information sector.



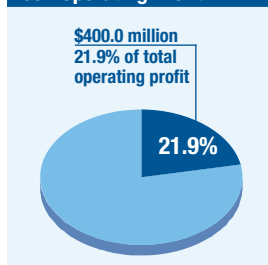
Source: U.S. Department of Labor, Bureau of Labor Statistics, November 2007 projections

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 ^(a) | 2006 ^(b) | 2005 ^(c) |
|-----------------------|---------------------|---------------------|---------------------|
| 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

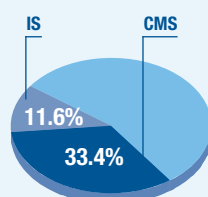
(b) Operating profit reflects a \$16.0 million pre-tax restructuring charge and, as a result of the adoption of Financial Accounting Standards Board Statement No. 123(R), "Share Based Payment," ("SFAS No. 123(R)") stock-based compensation expense of \$31.6 million pre-tax, which includes a one-time pre-tax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

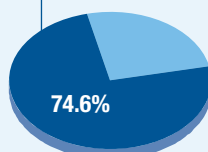
2007 Revenue

\$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 ^(d) | 2006 ^(e) | 2005 ^(f) |
|-----------------------|---------------------|---------------------|---------------------|
| 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

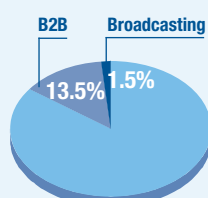
(e) As a result of the adoption of SFAS No. 123(R), operating profit reflects stock-based compensation expense of \$38.3 million pre-tax, which includes a one-time pre-tax charge of \$2.1 million for the elimination of the Company's restoration stock option program

(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 & MEDIA

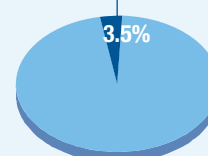
2007 Revenue

\$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 & Media – Segment Revenue, Operating Profit and Operating Margin

| (dollars in millions) | 2007 ^(g,h) | 2006 ^(g,i) | 2005 ⁽ⁱ⁾ |
|-----------------------|-----------------------|-----------------------|---------------------|
| Revenue | \$ 1,020 | \$ 985 | \$ 931 |
| Profit | \$ 63 | \$ 50 | \$ 61 |
| Profit Margin | 6.2% | 5.1% | 6.5% |

Breakout of I&M Revenue

| (dollars in millions) | 2007 ^(g) | 2006 ^(g) | 2005 ⁽ⁱ⁾ |
|-----------------------|---------------------|---------------------|---------------------|
| B2B Group | \$ 917 | \$ 864 | \$ 819 |
| Broadcasting | \$ 103 | \$ 121 | \$ 112 |

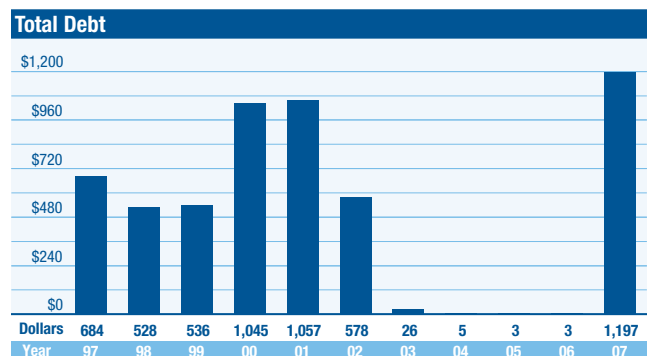
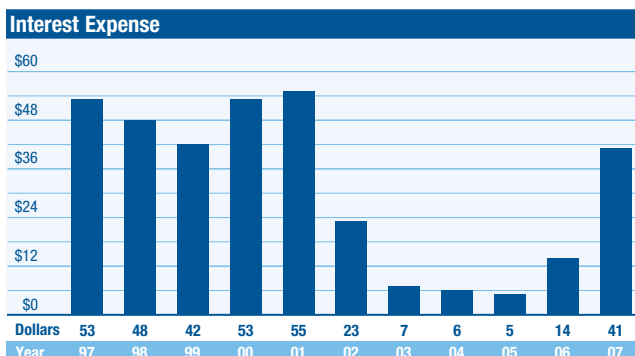
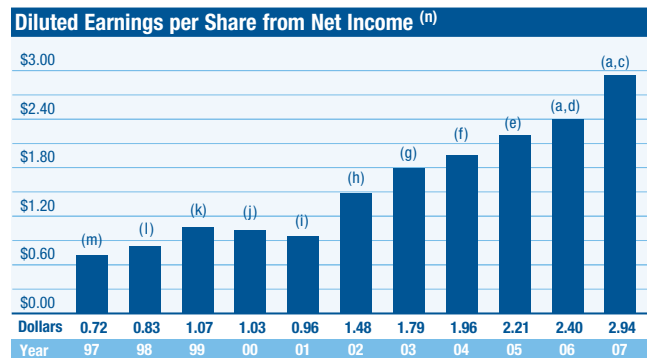
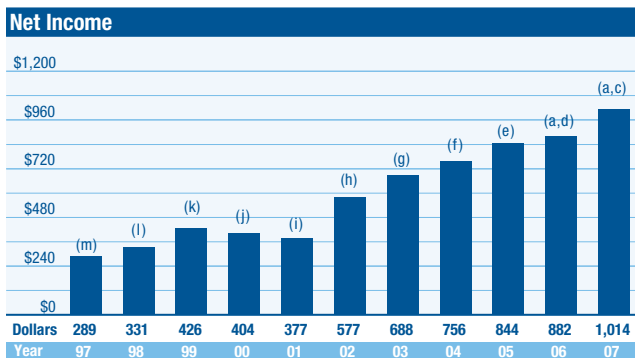
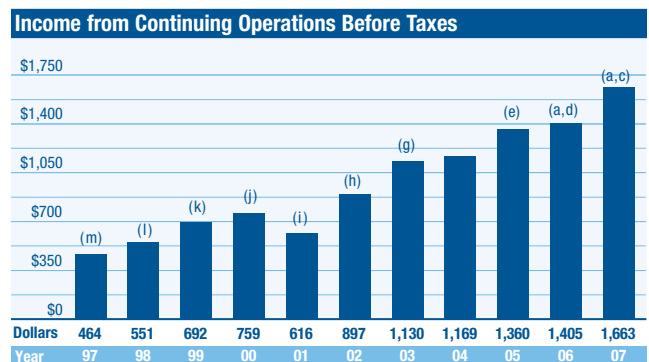
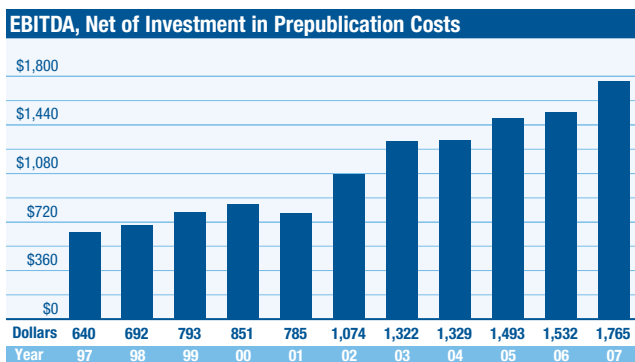
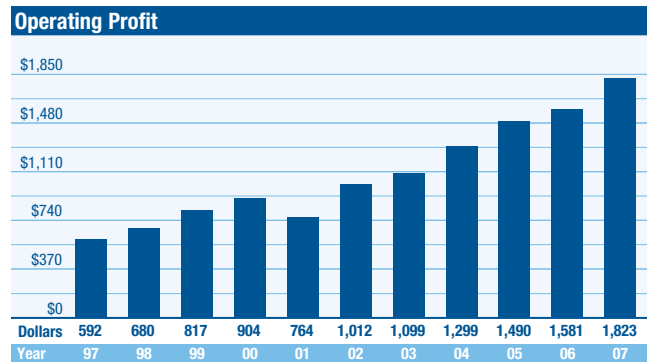
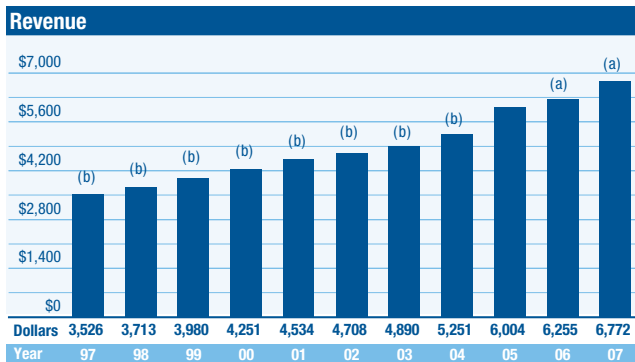
(g) During 2006, the Sweets building products database transitioned from a primarily print catalog offering to an integrated online service. In 2006, revenue and operating profit of \$23.8 million and \$21.1 million, respectively, of the bundled product were deferred and recognized ratably over the service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

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

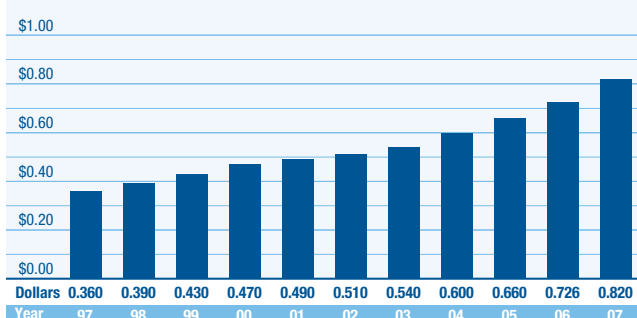
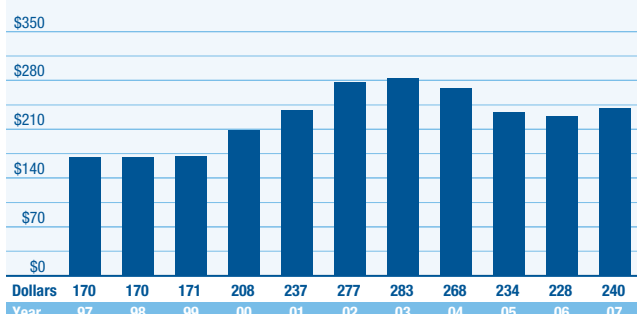
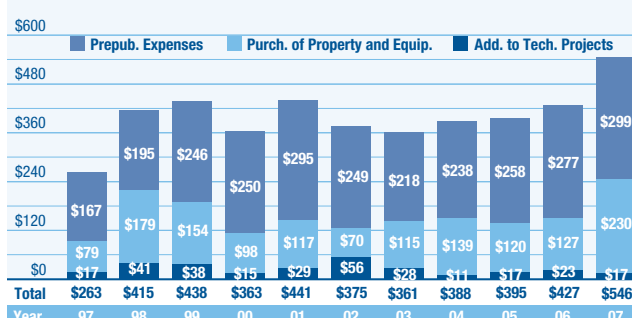
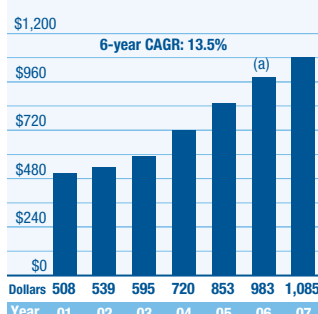
(i) Operating profit reflects an \$8.7 million pre-tax restructuring charge and, as a result of the adoption of SFAS No. 123(R), stock-based compensation expense of \$22.9 million pre-tax, which includes a one-time pre-tax charge of \$2.7 million for the elimination of the Company's restoration stock 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

(dollars in millions, except per share data)



Please refer to EBITDA reconciliation table on page 16

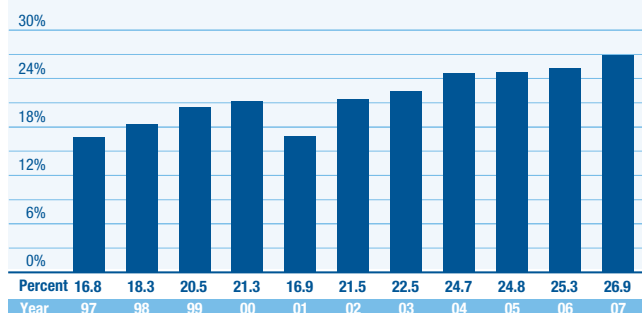
Dividends per Share of Common Stock⁽ⁿ⁾**Amortization of Prepublication Costs****Capital Expenditures****Unearned Revenue**

Notes for Eleven-Year Financial Trends (pages 6 and 7):

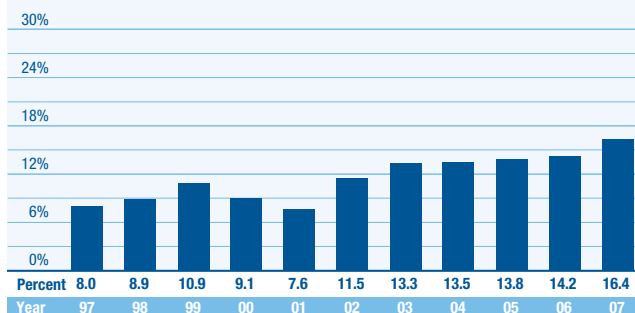
Certain prior year amounts have been reclassified for comparability purposes

- (a) 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 (\$13.3 million after-tax or \$0.04 per diluted share), respectively, of the bundled product were deferred and recognized ratably over the service period, primarily 2007
- (b) In 2004, all revenue in prior periods was reclassified in accordance with Emerging Issues Task Force Issue 00-10, "Accounting for Shipping and Handling Fees and Costs," resulting in an increase in revenue in all years presented
- (c) Includes a \$43.7 million pre-tax restructuring charge (\$27.3 million after-tax, or \$0.08 per diluted share) and a \$17.3 million pre-tax gain (\$10.3 million after-tax, or \$0.03 per diluted share) on the sale of the mutual fund data business
- (d) Includes a \$31.5 million pre-tax restructuring charge (\$19.8 million after-tax, or \$0.06 per diluted share). In 2006, as a result of the adoption of Financial Accounting Standards Board Statement No. 123(R), "Share Based Payment," the Company incurred stock-based compensation expense of \$136.2 million (\$85.5 million after-tax, or \$0.23 per diluted share). Included in this expense is a one-time charge for the elimination of the Company's restoration stock option program of \$23.8 million (\$14.9 million after-tax, or \$0.04 per diluted share)
- (e) Includes a \$6.8 million pre-tax gain (\$4.2 million after-tax, or \$0.01 per diluted share) on the sale of the Corporate Value Consulting business, a \$5.5 million loss (\$3.5 million after-tax) on the sale of the Healthcare Information Group, and a \$23.2 million pre-tax restructuring charge (\$14.6 million after-tax, or \$0.04 per diluted share). Net income includes a \$10.0 million (\$0.03 per diluted share) increase in income taxes on the repatriation of funds
- (f) Includes a non-cash benefit of approximately \$20.0 million (\$0.05 per diluted share) as a result of the Company's completion of various federal, state and local, and foreign tax audit cycles. In the first quarter of 2004 the Company accordingly removed approximately \$20.0 million from its accrued income tax liability accounts. This non-cash item resulted in a reduction to the overall effective tax rate from continuing operations to 35.3%
- (g) Includes a \$131.3 million pre-tax gain (\$58.4 million after-tax, or \$0.15 per diluted share) on the sale of real estate
- (h) Includes a \$14.5 million pre-tax loss (\$2.0 million after-tax benefit, or \$0.01 per diluted share) on the disposition of MMS International
- (i) Includes impact of the following items: a \$159.0 million pre-tax charge (\$112.0 million after-tax, or \$0.29 per diluted share) for restructuring and asset write-down, a \$6.9 million pre-tax gain (\$0.01 per diluted share) on the sale of real estate, an \$8.8 million pre-tax gain (\$26.3 million after-tax, or \$0.07 per diluted share) on the sale of DRI, and a \$22.8 million pre-tax charge (\$21.9 million after-tax, or \$0.06 per diluted share) for the write-down of certain assets, the shutdown of *Blue List* and the contribution of Rational Investors
- (j) Includes a \$16.6 million gain (\$10.2 million after-tax, or \$0.03 per diluted share) on sale of Tower Group International and the cumulative effect on prior years of changes in accounting of \$68.1 million (\$0.17 per diluted share) for the adoption of SAB 101, "Revenue Recognition in Financial Statements"
- (k) Includes a \$39.7 million gain (\$24.2 million after-tax, or \$0.06 per diluted share) on the sale of the Petrochemical publications
- (l) Includes a \$26.7 million gain (\$16.3 million after-tax, or \$0.04 per diluted share) on sale of a building and a \$16.0 million provision (\$9.8 million after-tax, or \$0.02 per diluted share) at Continuing Education Center for write-down of assets due to a continuing decline in enrollments and the impact of an extraordinary loss of \$8.7 million (\$5.6 million after-tax, or \$0.01 per diluted share) on the early extinguishment of debt
- (m) Includes a provision of \$33.2 million (\$19.9 million after-tax, or \$0.05 per diluted share) for real estate write-downs for the consolidation of office space in New York City; also includes a gain on the sale of Datapro Information Services of \$20.4 million (\$20.2 million after-tax, or \$0.05 per diluted share)
- (n) All per share data have been restated to reflect the Company's two-for-one stock split completed on May 17, 2005

Operating Profit Margin

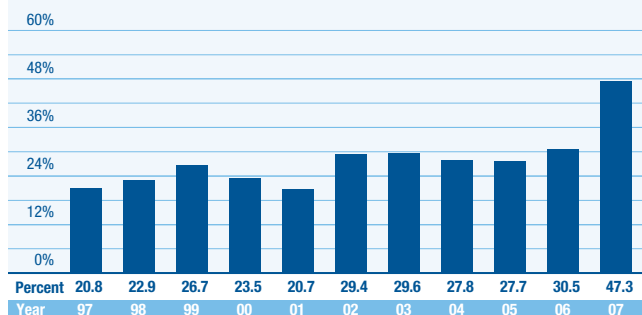


Return on Average Assets*

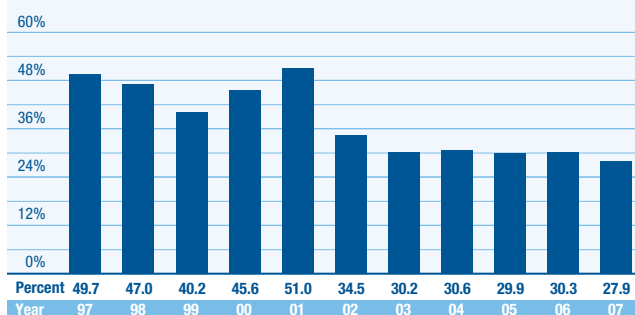


* Certain prior year amounts have been reclassified for comparability purposes

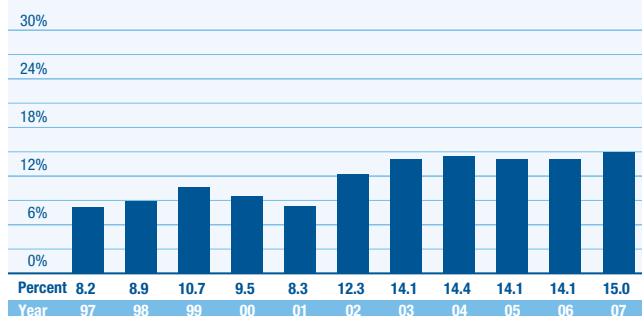
Return on Average Shareholders' Equity



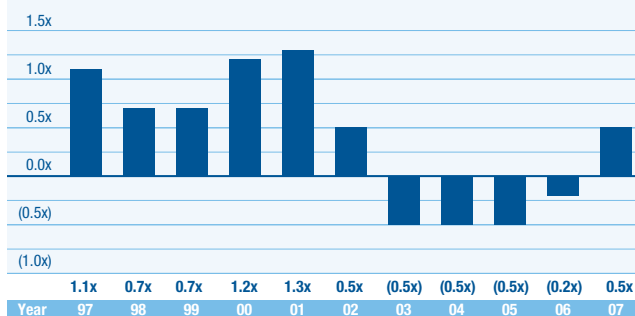
Dividend Payout (as a percentage of current year's earnings)



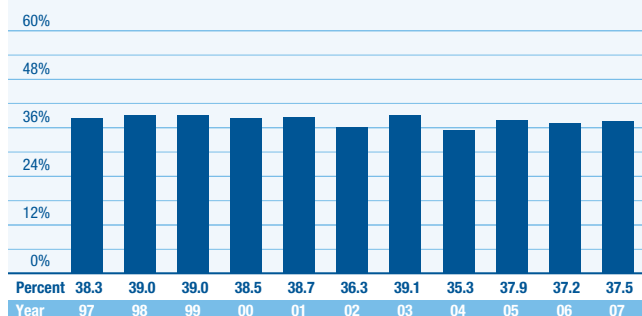
Net Income Margin



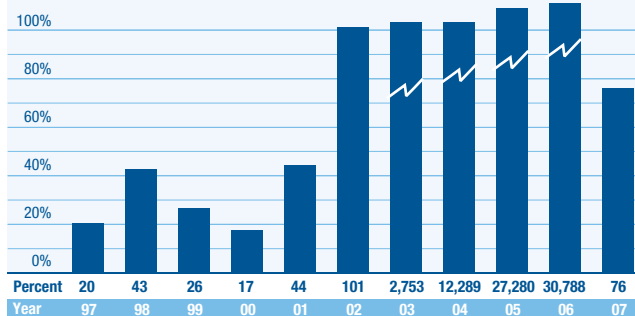
Net Debt to EBITDA



Tax Rate



Free Cash Flow to Debt



Please refer to free cash flow table on page 1

| RETURN ON INVESTED CAPITAL | | | | | | | | | | | |
|---------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| (dollars in millions) | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
| Income from continuing operations before extraordinary item and cumulative adjustment | \$ 1,013.6 | \$ 882.2 | \$ 844.3 | \$ 756.4 | \$ 687.8 | \$ 572.0 | \$ 377.7 | \$ 467.0 | \$ 422.2 | \$ 336.4 | \$ 286.3 |
| Post-tax adjustments for one-time items ⁽¹⁾ | 17.0 | 34.7 | 20.4 | (20.0) | (58.4) | (2.0) | 103.4 | (10.2) | (24.2) | (6.5) | (0.3) |
| Post-tax interest adjustment ⁽²⁾ | 69.6 | 49.2 | 43.3 | 44.6 | 46.6 | 47.6 | 67.8 | 63.1 | 61.1 | 51.8 | 46.2 |
| Adjusted earnings before interest, after tax | \$ 1,100.2 | \$ 966.1 | \$ 908.0 | \$ 781.0 | \$ 676.0 | \$ 617.6 | \$ 548.9 | \$ 519.9 | \$ 459.1 | \$ 381.7 | \$ 332.2 |
| Present value of operating lease obligations (average) | \$ 1,190.3 | \$ 1,193.7 | \$ 1,207.1 | \$ 1,273.5 | \$ 1,303.9 | \$ 1,141.2 | \$ 931.6 | \$ 829.1 | \$ 795.0 | \$ 667.5 | \$ 368.3 |
| Short-term & long-term debt (average) | 600.1 | 3.0 | 4.2 | 15.7 | 302.3 | 817.4 | 1,051.0 | 790.9 | 532.0 | 606.0 | 632.9 |
| Shareholders' equity (average) | 2,143.1 | 2,896.4 | 3,048.8 | 2,770.8 | 2,361.4 | 2,009.9 | 1,807.5 | 1,704.8 | 1,578.7 | 1,451.7 | 1,358.6 |
| Cash (average) | (374.8) | (551.1) | (714.7) | (688.1) | (376.9) | (55.9) | (28.4) | (4.8) | (8.5) | (7.6) | (4.1) |
| Average invested capital | \$ 3,558.7 | \$ 3,542.0 | \$ 3,545.5 | \$ 3,371.9 | \$ 3,590.7 | \$ 3,912.6 | \$ 3,761.7 | \$ 3,320.0 | \$ 2,897.2 | \$ 2,717.6 | \$ 2,355.7 |
| Return on invested capital | 30.9% | 27.3% | 25.6% | 23.2% | 18.8% | 15.8% | 14.6% | 15.7% | 15.8% | 14.0% | 14.1% |

⁽¹⁾ Adjustment to income from continuing operations to exclude all one-time items discussed in the notes below. Adjustment for 2006 does not include the impact of the transformation of Sweets

⁽²⁾ After-tax interest expense, adjusted for implied interest on capitalized operating lease obligations

Notes for Eleven-Year Key Ratios (pages 8 and 9):

Certain prior year amounts have been reclassified for comparability purposes

The following one-time items were included in the calculation of the eleven-year key ratios on page eight:

2007: Includes a \$43.7 million pre-tax restructuring charge (\$27.3 million after-tax, or \$0.08 per diluted share), a \$17.3 million pre-tax gain (\$10.3 million after-tax, or \$0.03 per diluted share) on the sale of the Company's mutual fund data business, and the impact of the Sweets transformation (see 2006 note below)

2006: Includes a \$31.5 million pre-tax restructuring charge (\$19.8 million after-tax, or \$0.06 per diluted share), and a \$21.1 million pre-tax deferral of operating profit (\$13.3 million after-tax charge or \$0.04 per diluted share) due to a change in revenue recognition related to the transformation of the Sweets building products database from a primarily print catalog offering to an integrated online service, which was recognized ratably over 2007. In 2006, as a result of the adoption of Financial Accounting Standards Board Statement No. 123(R), "Share Based Payment," the Company incurred stock-based compensation expense of \$136.2 million (\$85.5 million after-tax, or \$0.23 per diluted share). Included in this expense is a one-time charge for the elimination of the

Company's restoration stock option program of \$23.8 million (\$14.9 million after-tax, or \$0.04 per diluted share)

2005: Includes a \$6.8 million pre-tax gain (\$4.2 million after-tax, or \$0.01 per diluted share) on the sale of the Corporate Value Consulting business, and a \$23.2 million pre-tax restructuring charge (\$14.6 million after-tax, or \$0.04 per diluted share)

Includes a \$10.0 million (\$0.03 per diluted share) increase in income taxes on the repatriation of funds

2004: The Company reclassified revenue in accordance with Emerging Issues Task Force 00-10, "Accounting for Shipping and Handling Fees and Costs," resulting in an increase in revenue in all years presented

Includes a non-cash benefit of approximately \$20.0 million (\$0.05 per diluted share) as a result of the Company's completion of various federal, state and local, and foreign tax audit cycles

In the first quarter of 2004 the Company accordingly removed approximately \$20.0 million from its accrued income tax liability accounts. This non-cash item resulted in a reduction to the overall effective tax rate from continuing operations to 35.3%

2003: Income from continuing operations includes a pre-tax gain on the sale of real estate of \$131.3 million (\$58.4 million after-tax gain, or \$0.15 per diluted share)

2002: \$14.5 million pre-tax loss on the disposition of MMS International. The variance between the \$14.5 million pre-tax loss and the \$2.0 million after-tax benefit on the sale of MMS International is the result of previous book write-downs and the inability of the Company to take a tax benefit for the write-downs until the unit was sold. This transaction reduced the effective tax rate by 1.2 percentage points

2001: \$159.0 million pre-tax charge for restructuring and asset write-down (\$112.0 million after-tax, or \$0.29 per diluted share). A \$26.3 million after-tax gain (\$8.8 million pre-tax, or \$0.07 per diluted share) from the divestiture of DRI. The variance between the pre-tax gain and the after-tax benefit – which reduced the effective tax rate by 3.4 percentage points – is the result of previous book write-downs and the inability of the Company to take a tax benefit for the write-downs until the unit was sold. Also included in the effective tax rate was the write-down of certain assets, the shutdown of the *Blue List*, and the contribution of Rational Investors to mPower.com in exchange for an equity position in the company. The total charge for these items was \$21.9 million after-tax (\$22.8 million pre-tax, or \$0.06 per diluted share). This transaction increased the effective tax rate by 1.3 percentage points due to the Company's inability to take a

benefit for these write-downs. Also included in income from continuing operations is a \$6.9 million pre-tax gain on the sale of real estate (\$4.2 million after-tax, or \$0.01 per diluted share)

2000: \$16.6 million pre-tax gain (\$10.2 million after-tax) on the sale of Tower Group International; \$68.1 million after-tax cumulative change in accounting related to the implementation of SAB 101, "Revenue Recognition in Financial Statements"

1999: \$39.7 million pre-tax gain (\$24.2 million after-tax) on the sale of the Petrochemical publications

1998: \$26.7 million pre-tax gain (\$16.3 million after-tax) on the sale of a building; \$16.0 million pre-tax charge (\$9.8 million after-tax) at Continuing Education Center for write-down of assets; \$8.7 million after-tax loss on the early extinguishment of debt

1997: \$33.2 million pre-tax provision (\$19.9 million after-tax) for the consolidation of office space in New York City; \$20.4 million pre-tax gain (\$20.2 million after-tax) on the sale of Datapro Information Services

REVENUE BY SEGMENT

| (dollars in millions) | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|----------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| McGraw-Hill Education^(f) | \$2,705.9 | \$2,524.2 | \$2,671.7 | \$2,395.5 | \$2,348.6 | \$2,342.5 | \$2,289.6 | \$2,038.6 | \$1,786.2 | \$1,660.1 | \$1,611.9 |
| % increase/(decrease)* | 7.2% | (5.5%) | 11.5% | 2.0% | 0.3% | 2.3% | 12.3% | 14.1% | 7.6% | 3.0% | 23.1% |
| % of total revenue | 40.0% | 40.4% | 44.5% | 45.6% | 48.0% | 49.8% | 50.5% | 48.0% | 44.9% | 44.7% | 45.7% |
| Financial Services | \$3,046.2 | \$2,746.4 | \$2,400.8 | \$2,055.3 | \$1,769.1 | \$1,555.7 | \$1,398.3 | \$1,205.0 | \$1,163.6 | \$1,037.0 | \$878.3 |
| % increase/(decrease)* | 10.9% | 14.4% | 16.8% | 16.2% | 13.7% | 11.3% | 16.0% | 3.6% | 12.2% | 18.1% | 14.6% |
| % of total revenue | 45.0% | 43.9% | 40.0% | 39.2% | 36.2% | 33.0% | 30.8% | 28.3% | 29.2% | 27.9% | 24.9% |
| Information & Media^(b) | \$1,020.2 | \$984.5 | \$931.1 | \$799.7 | \$772.6 | \$809.5 | \$846.1 | \$1,007.6 | \$1,030.0 | \$1,015.6 | \$1,035.8 |
| % increase/(decrease)* | 3.6% | 5.7% | 16.4% | 3.5% | (4.6%) | (4.3%) | (16.0%) | (2.2%) | 1.4% | (2.0%) | 4.5% |
| % of total revenue | 15.0% | 15.7% | 15.5% | 15.2% | 15.8% | 17.2% | 18.7% | 23.7% | 25.9% | 27.4% | 29.4% |
| Total revenue | \$6,772.3 | \$6,255.1 | \$6,003.6 | \$5,250.5 | \$4,890.3 | \$4,707.7 | \$4,534.0 | \$4,251.2 | \$3,979.8 | \$3,712.7 | \$3,526.0 |
| % increase/(decrease)* | 8.3% | 4.2% | 14.3% | 7.4% | 3.9% | 3.8% | 6.7% | 6.8% | 7.2% | 5.3% | 15.0% |

* % increase/(decrease) over prior year

Notes for Revenue and Operating Profit by Segment (pages 10 and 11):

Certain prior year amounts have been reclassified for comparability purposes. All per share amounts have been restated to reflect the Company's two-for-one stock split completed on May 17, 2005

(a) 2007 income from continuing operations before taxes on income includes a \$43.7 million pre-tax restructuring charge (\$27.3 million after-tax, or \$0.08 per diluted share) which is comprised of the following: McGraw-Hill Education of \$16.3 million pre-tax, Financial Services of \$18.8 million pre-tax, Information & Media of \$6.7 million pre-tax, and Corporate of \$1.9 million pre-tax; the impact of the Sweets transformation (see note (b) below); and a \$17.3 million pre-tax gain (\$10.3 million after-tax, or \$0.03 per diluted share) on the sale of the Company's mutual fund data business which was part of the Financial Services segment

(b) 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

(c) 2006 income from continuing operations before taxes on income includes a \$31.5 million pre-tax restructuring charge (\$19.8 million after-tax, or \$0.06 per diluted share) which is comprised of the following: McGraw-Hill Education of \$16.0 million pre-tax; Information & Media of \$8.7 million pre-tax; and Corporate of \$6.8 million pre-tax. In 2006, as a result of the adoption of Financial Accounting Standards Board Statement No. 123(R), "Share Based Payment," the Company incurred stock-based compensation expense of \$136.2 million (\$85.5 million after-tax, or \$0.23 per diluted share) which was charged to the following: McGraw-Hill Education of \$31.6 million pre-tax; Financial Services of \$38.3 million pre-tax; Information &

Media of \$22.9 million pre-tax; and Corporate of \$43.4 million pre-tax. Included in this expense is a one-time charge for the elimination of the Company's restoration stock option program of \$23.8 million (\$14.9 million after-tax, or \$0.04 per diluted share) which impacted the segments by \$4.2 million pre-tax to McGraw-Hill Education, \$2.1 million pre-tax to Financial Services, \$2.7 million to Information & Media, and the remainder to Corporate. Also included in the expense is restricted performance stock expense of \$66.0 million (\$41.5 million after-tax, or \$0.11 per diluted share) as compared with \$51.1 million (\$32.1 million after-tax, or \$0.08 per diluted share) in 2005. The break-out by segment is as follows: McGraw-Hill Education, \$16.8 million pre-tax in 2006 and \$12.0 million pre-tax in 2005; Financial Services, \$20.2 million pre-tax in 2006 and \$8.4 million pre-tax in 2005; Information & Media, \$12.1 million pre-tax in 2006 and \$8.8 million pre-tax in 2005; and Corporate, \$16.9 million pre-tax in 2006 and \$21.9 million pre-tax in 2005

(d) 2005 income from continuing operations before taxes on income includes the following items: a \$6.8 million pre-tax gain (\$4.2 million after-tax, or \$0.01 per diluted share) on the sale of the Corporate Value Consulting business, a \$5.5 million loss (\$3.5 million after-tax) on the sale of the Healthcare Information Group, and a \$23.2 million pre-tax restructuring charge (\$14.6 million after-tax, or \$0.04 per diluted share)

(e) 2005 includes a \$10.0 million (\$0.03 per diluted share) increase in income taxes on the repatriation of funds

(f) In 2004, all revenue in prior periods was reclassified in accordance with Emerging Issues Task Force Issue 00-10, "Accounting for Shipping and Handling Fees and Costs," resulting in an increase in revenue in all years presented

(g) 2004 includes a non-cash benefit of approximately \$20.0 million (\$0.05 per diluted share) as a result of the Company's completion of various federal, state and local, and foreign tax audit cycles. In the first quarter of 2004 the Company accordingly removed approximately \$20.0 million from its accrued income tax liability accounts. This non-cash item resulted in a reduction to the overall effective tax rate from continuing operations to 35.3%

(h) In 2003, the Company adopted the Discontinued Operations presentation, outlined in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Revenue and operating profit of S&P ComStock and the juvenile retail publishing business historically included in the Financial Services and McGraw-Hill Education segments, respectively, were presented as discontinued operations. 2003 discontinued operations include \$87.5 million on the divestiture of S&P ComStock (\$57.2 million after-tax gain, or \$0.15 per diluted share), and an \$81.1 million loss on the planned disposition of the juvenile retail publishing business (\$57.3 million after-tax loss, or \$0.15 per diluted share) which was subsequently sold on January 30, 2004. Discontinued operations in years 2002-2000 reflect net after-tax earnings/(loss) from the operations of S&P ComStock and the juvenile retail publishing business and 1999-1996 reflect net after-tax earnings/(loss) from the operations of S&P ComStock. Discontinued operations in 2004 reflect the net after-tax (loss) from the operations of the juvenile retail publishing business in January of 2004 before the sale of the business

(i) 2003 income from continuing operations before taxes includes a pre-tax gain of \$131.3 million (\$58.4 million after-tax gain, or \$0.15 per diluted share) on the sale of real estate

(j) 2002 income from continuing operations before taxes reflects a \$14.5 million pre-tax loss (\$2.0 million after-tax benefit, or \$0.01 per diluted share) on the disposition of MMS International

(k) 2001 income from continuing operations before taxes reflects the following items: a \$159.0 million pre-tax charge for restructuring and asset write-down; an \$8.8 million pre-tax gain on the disposition of DRI; a \$22.8 million pre-tax loss on the closing of *Blue List*, the contribution of Rational Investors and the write-down of selected assets; and a \$6.9 million pre-tax gain on the sale of a building

(l) 2000 income from continuing operations before taxes reflects a \$16.6 million gain on the sale of Tower Group International

(m) 1999 income from continuing operations before taxes on income reflects a \$39.7 million gain on the sale of the Petrochemical publications

(n) 1998 income from continuing operations before taxes on income reflects a \$26.7 million gain on sale of a building and a \$16.0 million charge at Continuing Education Center for write-down of assets due to a continuing decline in enrollments

(o) 1997 income from continuing operations before taxes on income reflects a \$33.2 million provision for the consolidation of office space in New York City and a \$20.4 million gain on the sale of Datapro Information Services

(p) The cumulative adjustment in 2000 reflects the adoption of SAB 101, "Revenue Recognition in Financial Statements." The extraordinary item in 1998 relates to costs for the early extinguishment of \$155.0 million of the Company's 9.43% Notes during the third quarter

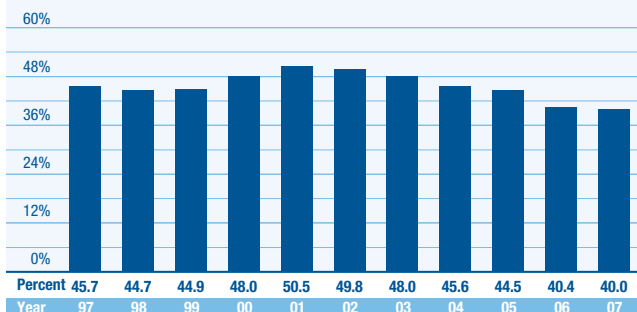
| OPERATING PROFIT BY SEGMENT | | | | | | | | | | | |
|-------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|---------|---------|---------|---------|---------|
| (\$ in millions, except per share data) | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
| McGraw-Hill Education | \$400.0 | \$329.1 | \$410.2 | \$340.1 | \$321.8 | \$333.0 | \$273.3 | \$307.7 | \$273.7 | \$202.1 | \$187.7 |
| % increase/(decrease)* | 21.5% | (19.8%) | 20.6% | 5.7% | (3.4%) | 21.8% | (11.2%) | 12.4% | 35.4% | 7.6% | 23.6% |
| % of total | 21.9% | 20.8% | 27.5% | 26.2% | 29.3% | 32.9% | 35.8% | 34.0% | 33.5% | 29.7% | 31.7% |
| Financial Services | \$1,359.4 | \$1,202.3 | \$1,019.2 | \$839.4 | \$667.6 | \$560.8 | \$425.9 | \$383.0 | \$358.2 | \$338.7 | \$245.2 |
| % increase/(decrease)* | 13.1% | 18.0% | 21.4% | 25.7% | 19.0% | 31.7% | 11.2% | 6.9% | 5.8% | 38.1% | 1.5% |
| % of total | 74.6% | 76.0% | 68.4% | 64.6% | 60.7% | 55.4% | 55.7% | 42.4% | 43.8% | 49.8% | 41.4% |
| Information & Media^(b) | \$63.5 | \$49.9 | \$60.6 | \$119.3 | \$109.8 | \$118.0 | \$65.0 | \$212.9 | \$185.5 | \$139.3 | \$158.9 |
| % increase/(decrease)* | 27.2% | (17.6%) | (49.2%) | 8.6% | (7.0%) | 81.6% | (69.5%) | 14.8% | 33.2% | (12.3%) | 20.9% |
| % of total | 3.5% | 3.2% | 4.1% | 9.2% | 10.0% | 11.7% | 8.5% | 23.6% | 22.7% | 20.5% | 26.9% |
| Total operating profit | \$1,822.9 | \$1,581.3 | \$1,490.0 | \$1,298.8 | \$1,099.2 | \$1,011.8 | \$764.2 | \$903.6 | \$817.4 | \$680.1 | \$591.8 |
| % increase/(decrease)* | 15.3% | 6.1% | 14.7% | 18.2% | 8.6% | 32.4% | (15.4%) | 10.6% | 20.2% | 14.9% | 12.8% |
| General corporate income/(expense) ⁽ⁱ⁾ | (159.7) | (162.9) | (124.8) | (124.1) | 38.2 | (91.9) | (93.0) | (91.4) | (83.3) | (80.7) | (75.3) |
| Interest expense | (40.6) | (13.6) | (5.2) | (5.8) | (7.1) | (22.5) | (55.1) | (52.8) | (42.0) | (48.0) | (52.6) |
| Income from continuing operations before taxes on income^(a,b,c,d,j,k,l,m,n,o) | 1,622.6 | 1,404.8 | 1,360.0 | 1,168.9 | 1,130.3 | 897.4 | 616.1 | 759.4 | 692.1 | 551.4 | 463.8 |
| Provision for taxes on income ^(e,g) | 609.0 | 522.6 | 515.7 | 412.5 | 442.5 | 325.4 | 238.4 | 292.4 | 269.9 | 215.0 | 177.6 |
| Income from continuing operations before extraordinary item and cumulative adjustment | 1,013.6 | 882.2 | 844.3 | 756.4 | 687.8 | 572.0 | 377.7 | 467.0 | 422.2 | 336.4 | 286.3 |
| Discontinued operations | | | | | | | | | | | |
| Net earnings/(loss) from discontinued operations ^(h) | — | — | — | (0.6) | (0.1) | 4.8 | (0.7) | 4.9 | 3.4 | 2.9 | 2.4 |
| Income before extraordinary item and cumulative adjustment | 1,013.6 | 882.2 | 844.3 | 755.8 | 687.7 | 576.8 | 377.0 | 471.9 | 425.6 | 339.3 | 288.7 |
| Early extinguishment of debt, net of taxes ^(p) | — | — | — | — | — | — | — | — | — | (8.7) | — |
| Cumulative effect on prior years of changes in accounting ^(p) | — | — | — | — | — | — | — | (68.1) | — | — | — |
| Net income | \$1,013.6 | \$882.2 | \$844.3 | \$755.8 | \$687.7 | \$576.8 | \$377.0 | \$403.8 | \$425.6 | \$330.6 | \$288.7 |
| Basic earnings per share | | | | | | | | | | | |
| Income from continuing operations before extraordinary item and cumulative adjustment | \$3.01 | \$2.47 | \$2.25 | \$1.99 | \$1.81 | \$1.48 | \$0.97 | \$1.21 | \$1.07 | \$0.85 | \$0.72 |
| Discontinued operations ^(h) | — | — | — | — | — | 0.01 | — | 0.01 | 0.01 | 0.01 | 0.01 |
| Income before extraordinary item and cumulative adjustment | \$3.01 | \$2.47 | \$2.25 | \$1.99 | \$1.81 | \$1.49 | \$0.97 | \$1.22 | \$1.08 | \$0.86 | \$0.73 |
| Extraordinary item and cumulative adjustment ^(p) | — | — | — | — | — | — | — | (0.18) | — | (0.02) | — |
| Net income | \$3.01 | \$2.47 | \$2.25 | \$1.99 | \$1.81 | \$1.49 | \$0.97 | \$1.04 | \$1.08 | \$0.84 | \$0.73 |
| Diluted earnings per share | | | | | | | | | | | |
| Income from continuing operations before extraordinary item and cumulative adjustment | \$2.94 | \$2.40 | \$2.21 | \$1.96 | \$1.79 | \$1.47 | \$0.96 | \$1.19 | \$1.06 | \$0.84 | \$0.71 |
| Discontinued operations ^(h) | — | — | — | — | — | 0.01 | — | 0.01 | 0.01 | 0.01 | 0.01 |
| Income before extraordinary item and cumulative adjustment | \$2.94 | \$2.40 | \$2.21 | \$1.96 | \$1.79 | \$1.48 | \$0.96 | \$1.20 | \$1.07 | \$0.85 | \$0.72 |
| Extraordinary item and cumulative adjustment ^(p) | — | — | — | — | — | — | — | (0.17) | — | (0.02) | — |
| Net income | \$2.94 | \$2.40 | \$2.21 | \$1.96 | \$1.79 | \$1.48 | \$0.96 | \$1.03 | \$1.07 | \$0.83 | \$0.72 |

* % increase/(decrease) over prior year

MCGRAW-HILL EDUCATION

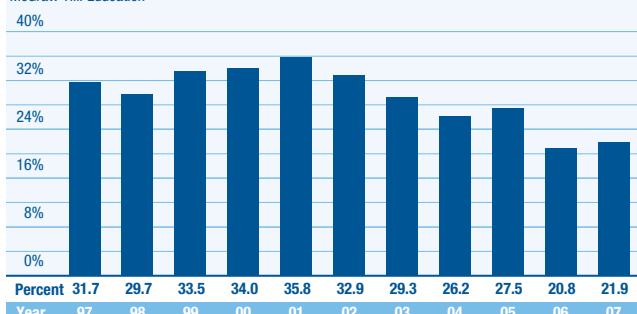
Percent of Total Revenue

McGraw-Hill Education



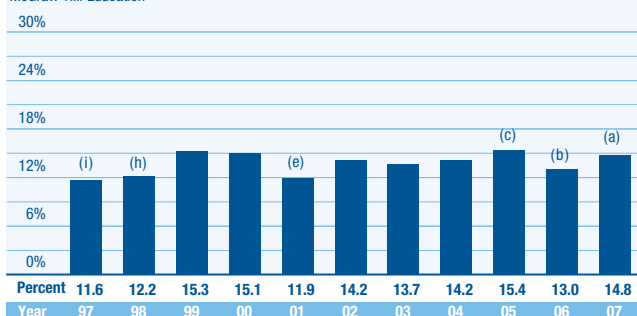
Percent of Total Operating Profit

McGraw-Hill Education



Operating Profit Margin

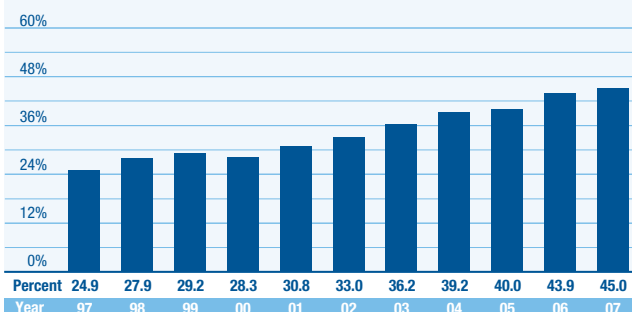
McGraw-Hill Education



FINANCIAL SERVICES

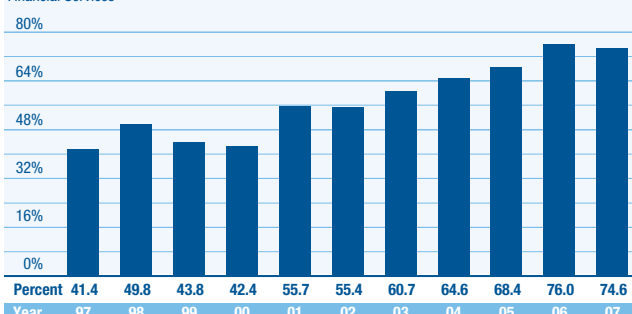
Percent of Total Revenue

Financial Services



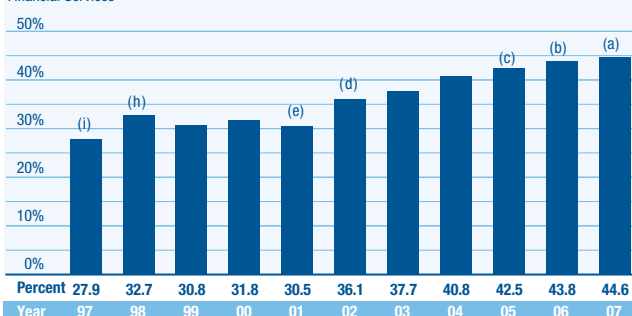
Percent of Total Operating Profit

Financial Services



Operating Profit Margin

Financial Services



Notes for Segment Trends (pages 12 and 13):

(a) Operating margin for 2007 reflects a \$43.7 million pre-tax restructuring charge (\$27.3 million after-tax, or \$0.08 per diluted share) which is comprised of the following: McGraw-Hill Education of \$16.3 million pre-tax, Financial Services of \$18.8 million pre-tax, Information & Media of \$6.7 million pre-tax, and Corporate of \$1.9 million pre-tax; the impact of the Sweets transformation (see note (b) below); and a \$17.3 million pre-tax gain (\$10.3 million after-tax, or \$0.03 per diluted share) on the sale of the Company's mutual fund data business

(b) Operating margin for 2006 reflects a \$31.5 million pre-tax restructuring charge (\$19.8 million after-tax, or \$0.06 per diluted share) consisting of the following: \$16.0 million for McGraw-Hill Education; \$8.7 million for Information & Media; and a \$21.1 million pre-tax deferral of operating profit (\$13.3 million after-tax charge or \$0.04 per diluted share) due to a change in revenue recognition related to the transformation of the Sweets building products database from a primarily print catalog offering to an integrated online service, which was recognized ratably over 2007. In 2006, as a result of the adoption of Financial Accounting Standards Board Statement No. 123(R), "Share Based Payment," the Company

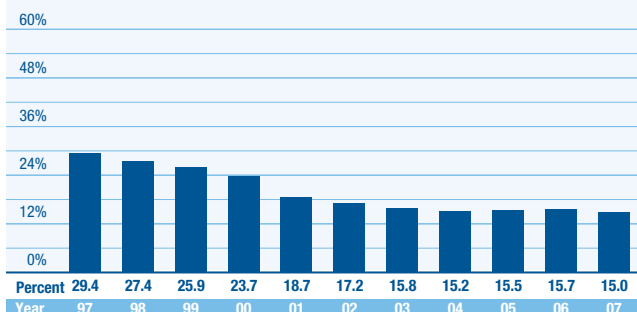
incurred stock-based compensation expense of \$136.2 million (\$85.5 million after-tax, or \$0.23 per diluted share) which was charged to the following: McGraw-Hill Education of \$31.6 million pre-tax; Financial Services of \$38.3 million pre-tax; Information & Media of \$22.9 million pre-tax; and Corporate of \$43.4 million pre-tax. Included in this expense is a one-time charge for the elimination of the Company's restoration stock option program of \$23.8 million (\$14.9 million after-tax, or \$0.04 per diluted share) which impacted the segments by \$4.2 million pre-tax to McGraw-Hill Education, \$2.1 million pre-tax to Financial Services, \$2.7 million to Information & Media, and the remainder to Corporate. Also included

in the expense is restricted performance stock expense of \$66.0 million (\$41.5 million after-tax, or \$0.11 per diluted share) as compared with \$51.1 million (\$32.1 million after-tax, or \$0.08 per diluted share) in 2005. The breakout by segment is as follows: McGraw-Hill Education, \$16.8 million pre-tax in 2006 and \$12.0 million pre-tax in 2005; Financial Services, \$20.2 million pre-tax in 2006 and \$8.4 million pre-tax in 2005; Information & Media, \$12.1 million pre-tax in 2006 and \$8.8 million pre-tax in 2005; and Corporate, \$16.9 million pre-tax in 2006 and \$21.9 million pre-tax in 2005

INFORMATION & MEDIA

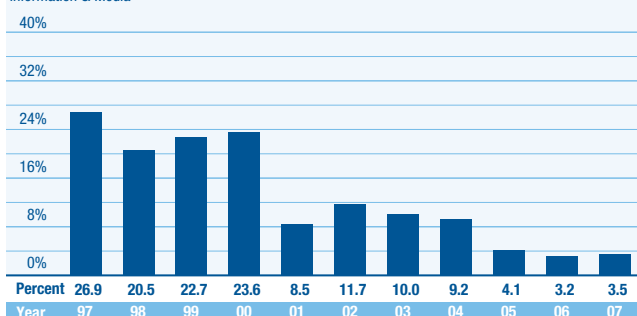
Percent of Total Revenue

Information & Media



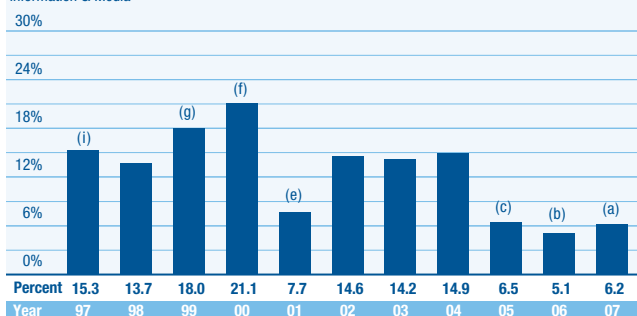
Percent of Total Operating Profit

Information & Media



Operating Profit Margin

Information & Media



(c) Operating margin for 2005 reflects a \$6.8 million pre-tax gain (\$4.2 million after-tax, or \$0.01 per diluted share) on the sale of the Corporate Value Consulting business, a \$5.5 million loss (\$3.5 million after-tax) on the sale of the Healthcare Information Group, and a \$23.2 million pre-tax restructuring charge (\$14.6 million, or \$0.04 per diluted share). The pre-tax restructuring charge by segment is as follows: McGraw-Hill Education – \$9.0 million; Financial Services – \$1.2 million; Information & Media – \$10.2 million; and Corporate – \$2.8 million

(d) Operating margin for 2002 reflects a \$14.5 million pre-tax loss (\$2.0 million after-tax benefit, or \$0.01 per diluted share) on the disposition of MMS International

(e) Operating margin for 2001 reflects the following items: a \$159.0 million provision (\$112.0 million after-tax, or \$0.29 per diluted share) for restructuring and asset write-down, a \$6.9 million pre-tax gain (\$0.01 per diluted share) on the sale of real estate, an \$8.8 million pre-tax gain (\$26.3 million after-tax, or \$0.07 per diluted share) on the sale of DRI, and a \$22.8 million pre-tax charge (\$21.9 million after-tax, or \$0.06 per diluted share) for the write-down of certain assets, the shutdown of *Blue List*, and the contribution of Rational Investors

(f) Operating margin for 2000 reflects a \$16.6 million gain on the sale of Tower Group International

(g) Operating margin for 1999 reflects a \$39.7 million gain on the sale of the Petrochemical publications

(h) Operating margin for 1998 reflects a \$16.0 million provision for the write-down of assets at the Continuing Education Center and a \$26.7 million gain on the sale of an office building

(i) Operating margin for 1997 reflects a \$33.2 million provision for real estate write-downs for the consolidation of office space in New York City and a \$20.4 million gain on the sale of Datapro Information Services

2007 QUARTERLY REVENUE AND OPERATING PROFIT BY SEGMENT

| (dollars in thousands, except earnings per share) favorable/(unfavorable) | 1Q | 2007 vs. 2006 | 2Q | 2007 vs. 2006 | 3Q | 2007 vs. 2006 | 4Q | 2007 vs. 2006 | Total | 2007 vs. 2006 |
|------------------------------------------------------------------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|
| Revenue | | | | | | | | | | |
| McGraw-Hill Education | \$331,680 | 5.6% | \$647,324 | 5.8% | \$1,175,954 | 9.9% | \$550,873 | 4.3% | \$2,705,831 | 7.2% |
| Financial Services | 728,882 | 21.5% | 820,993 | 21.2% | 759,614 | 12.5% | 736,740 | (7.2%) | 3,046,229 | 10.9% |
| Information & Media | 235,856 | 4.1% | 249,862 | 4.7% | 252,428 | 2.1% | 282,075 | 3.6% | 1,020,221 | 3.6% |
| Total revenue | \$1,296,418 | 13.7% | \$1,718,179 | 12.5% | \$2,187,996 | 9.8% | \$1,569,688 | (1.5%) | \$6,772,281 | 8.3% |
| Operating Profit | | | | | | | | | | |
| McGraw-Hill Education | \$(90,680) | 6.6% | \$80,402 | 18.7% | \$411,059 | 16.1% | \$(791) | (118.1%) | \$399,990 | 21.5% |
| Financial Services | 348,012 | 38.3% | 401,368 | 27.9% | 346,650 | 17.3% | 263,447 | (22.8%) | 1,359,477 | 13.1% |
| Information & Media | 9,886 | 483.9% | 14,740 | 13.8% | 18,629 | 35.8% | 20,212 | (6.1%) | 63,467 | 27.2% |
| Total operating profit | \$267,218 | 71.0% | \$496,510 | 25.8% | \$776,338 | 17.0% | \$282,868 | (22.9%) | \$1,822,934 | 15.3% |
| General corporate (expense) | \$(35,037) | 13.8% | \$(41,085) | (20.1%) | \$(37,686) | 20.1% | \$(46,013) | (12.6%) | \$(159,821) | 1.9% |
| Interest (expense)/income | (1,204) | N/M | (12,099) | N/M | (15,423) | N/M | (11,855) | N/M | (40,581) | N/M |
| Income from operations | | | | | | | | | | |
| before taxes on income | 230,977 | 95.4% | 443,326 | 26.0% | 723,229 | 18.8% | 225,000 | (31.0%) | 1,622,532 | 15.5% |
| Provision for taxes on income | 87,139 | (98.2%) | 166,248 | (27.0%) | 271,211 | (19.8%) | 84,375 | 30.4% | 608,973 | (16.5%) |
| Net income | \$143,838 | 93.8% | \$277,078 | 25.4% | \$452,018 | 18.2% | \$140,625 | (31.3%) | \$1,013,559 | 14.9% |
| Earnings per common share: | | | | | | | | | | |
| Basic | \$0.41 | 105.0% | \$0.81 | 30.6% | \$1.37 | 25.7% | \$0.43 | (25.9%) | \$3.01 | 21.9% |
| Diluted | \$0.40 | 100.0% | \$0.79 | 31.7% | \$1.34 | 26.4% | \$0.43 | (23.2%) | \$2.94 | 22.5% |

2006 QUARTERLY REVENUE AND OPERATING PROFIT BY SEGMENT

| (dollars in thousands, except earnings per share) favorable/(unfavorable) | 1Q | 2006 vs. 2005 | 2Q | 2006 vs. 2005 | 3Q | 2006 vs. 2005 | 4Q | 2006 vs. 2005 | Total | 2006 vs. 2005 |
|------------------------------------------------------------------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|
| Revenue | | | | | | | | | | |
| McGraw-Hill Education | \$314,150 | 2.2% | \$611,646 | (2.7%) | \$1,070,238 | (6.3%) | \$528,117 | (11.0%) | \$2,524,151 | (5.5%) |
| Financial Services | 600,000 | 9.6% | 677,313 | 13.4% | 675,063 | 11.4% | 794,066 | 22.1% | 2,746,442 | 14.4% |
| Information & Media | 226,529 | 29.9% | 238,584 | 3.6% | 247,269 | 8.0% | 272,163 | (8.5%) | 984,545 | 5.7% |
| Total revenue | \$1,140,679 | 10.9% | \$1,527,543 | 4.9% | \$1,992,570 | 0.8% | \$1,594,346 | 3.4% | \$6,255,138 | 4.2% |
| Operating Profit | | | | | | | | | | |
| McGraw-Hill Education | \$(97,051) | (23.4%) | \$67,761 | (5.3%) | \$354,038 | (7.0%) | \$4,377 | (88.0%) | \$329,125 | (19.8%) |
| Financial Services | 251,657 | 13.1% | 313,886 | 21.5% | 295,650 | 17.3% | 341,096 | 19.1% | 1,202,289 | 18.0% |
| Information & Media | 1,693 | (64.3%) | 12,956 | (4.8%) | 13,717 | 10.3% | 21,522 | (27.7%) | 49,888 | (17.6%) |
| Total operating profit | \$156,299 | 5.2% | \$394,603 | 14.9% | \$663,405 | 2.8% | \$366,995 | 4.1% | \$1,581,302 | 6.1% |
| General corporate (expense) | \$(40,625) | (77.3%) | \$(34,200) | (15.9%) | \$(47,176) | (33.7%) | \$(40,847) | (10.0%) | \$(162,848) | (30.5%) |
| Interest (expense)/income | 2,509 | N/M | (8,555) | N/M | (7,515) | N/M | (70) | N/M | (13,631) | N/M |
| Income from operations | | | | | | | | | | |
| before taxes on income | 118,183 | (5.4%) | 351,848 | 13.3% | 608,714 | 0.3% | 326,078 | 2.7% | 1,404,823 | 3.3% |
| Provision for taxes on income | 43,963 | 4.9% | 130,887 | (13.3%) | 226,441 | (0.3%) | 121,301 | 5.3% | 522,592 | (1.3%) |
| Net income | \$74,220 | (5.7%) | \$220,961 | 13.3% | \$382,273 | 0.3% | \$204,777 | 8.2% | \$882,231 | 4.5% |
| Earnings per common share: | | | | | | | | | | |
| Basic | \$0.20 | (4.8%) | \$0.62 | 19.2% | \$1.09 | 6.9% | \$0.58 | 13.7% | \$2.47 | 9.8% |
| Diluted | \$0.20 | 0.0% | \$0.60 | 17.6% | \$1.06 | 6.0% | \$0.56 | 12.0% | \$2.40 | 8.6% |

2005 QUARTERLY REVENUE AND OPERATING PROFIT BY SEGMENT(dollars in thousands, except earnings per share)
favorable/(unfavorable)

| | 1Q | 2005 vs. 2004 | 2Q | 2005 vs. 2004 | 3Q | 2005 vs. 2004 | 4Q | 2005 vs. 2004 | Total | 2005 vs. 2004 |
|-----------------------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|
| Revenue | | | | | | | | | | |
| McGraw-Hill Education | \$307,300 | 7.3% | \$628,647 | 14.8% | \$1,142,331 | 10.7% | \$593,454 | 12.1% | \$2,671,732 | 11.5% |
| Financial Services | 547,281 | 19.9% | 597,366 | 18.4% | 605,751 | 20.5% | 650,411 | 10.0% | 2,400,809 | 16.8% |
| Information & Media | 174,425 | (1.3%) | 230,264 | 18.6% | 228,959 | 21.9% | 297,453 | 23.4% | 931,101 | 16.4% |
| Total revenue | \$1,029,006 | 11.9% | \$1,456,277 | 16.9% | \$1,977,041 | 14.8% | \$1,541,318 | 13.2% | \$6,003,642 | 14.3% |
| Operating Profit | | | | | | | | | | |
| McGraw-Hill Education | \$(78,674) | (14.4%) | \$71,591 | 25.5% | \$380,847 | 17.8% | \$36,449 | 27.7% | \$410,213 | 20.6% |
| Financial Services | 222,512 | 28.0% | 258,286 | 20.6% | 251,945 | 24.7% | 286,458 | 14.9% | 1,019,201 | 21.4% |
| Information & Media | 4,746 | (65.2%) | 13,608 | (45.2%) | 12,437 | (47.8%) | 29,785 | (47.8%) | 60,576 | (49.2%) |
| Total operating profit | \$148,584 | 25.2% | \$343,485 | 16.0% | \$645,229 | 17.5% | \$352,692 | 5.3% | \$1,489,990 | 14.7% |
| General corporate (expense) | \$(22,910) | 17.1% | \$(29,512) | 4.9% | \$(35,274) | (9.7%) | \$(37,130) | (11.7%) | \$(124,826) | (0.6%) |
| Interest (expense)/income | (698) | 59.8% | (3,512) | (62.5%) | (2,808) | (50.4%) | 1,816 | N/M | (5,202) | 10.1% |
| Income from operations | | | | | | | | | | |
| before taxes on income | 124,976 | 39.9% | 310,461 | 18.1% | 607,147 | 17.9% | 317,378 | 5.2% | 1,359,962 | 16.3% |
| Provision for taxes on income | 46,241 | N/M | 115,491 | (18.7%) | 225,858 | (18.5%) | 128,066 | (14.7%) | 515,656 | (25.0%) |
| Net income | \$78,735 | 4.0% | \$194,970 | 17.7% | \$381,289 | 17.5% | \$189,312 | (0.4%) | \$844,306 | 11.7% |
| Earnings per common share: | | | | | | | | | | |
| Basic | \$0.21 | 5.0% | \$0.52 | 18.2% | \$1.02 | 18.6% | \$0.51 | 2.0% | \$2.25 | 13.1% |
| Diluted | \$0.20 | 0.0% | \$0.51 | 18.6% | \$1.00 | 17.7% | \$0.50 | 2.0% | \$2.21 | 12.8% |

N/M indicates a non-meaningful or non-calculable variance

Notes for Quarterly Revenue and Operating Profit by Segment (pages 14 and 15):

Basic and diluted earnings per share are computed independently for each quarter and full year presented. The number of weighted average shares outstanding changes as common shares are issued pursuant to employee stock option plans, as shares are repurchased by the Company, and as other activity occurs throughout the year. Accordingly, the sum of the quarterly earnings per share data may not agree with the calculated full year earnings per share. All per share data have been restated to reflect the Company's two-for-one stock split completed on May 17, 2005

2007: In the first quarter, operating profit at the Financial Services segment includes a \$17.3 million pre-tax gain (\$10.3 million after-tax, or \$0.03 per diluted share) on the divestiture of the Company's mutual fund data business. In the third quarter, operating profit at the McGraw-Hill Education segment includes a \$4.1 million gain on the divestiture of a product line. In the fourth quarter, net income includes a \$43.7 million pre-tax restructuring charge (\$27.3 million after-tax, or \$0.08 per diluted share). The pre-tax restructuring charge by segment is as follows: McGraw-Hill Education of \$16.3 million pre-tax; Financial Services of \$18.8 million pre-tax; Information & Media of \$6.7 million pre-tax; and Corporate of \$1.9 million pre-tax. 2007 revenue and operating profit also include the impact of the Sweets transformation (see 2006 note below)

2006: In 2006, the Company adopted Financial Accounting Standards Board Statement No. 123(R), "Share Based Payment," which resulted in stock-based compensation expense of \$54.0 million (\$33.9 million after-tax charge or \$0.09 per diluted share), \$23.0 million (\$14.4 million after-tax charge or \$0.04 per diluted share), \$29.2 million (\$18.3 million after-tax charge, or \$0.05 per diluted share), and \$30.0 million (\$18.8 million after-tax charge or \$0.05 per diluted share), in the first, second, third and fourth quarters of 2006, respectively. The first quarter expense includes a one-time charge of \$23.8 million (\$14.9 million after-tax, or \$0.04 per diluted share) for the elimination of the Company's restoration stock option program. In the third quarter, net income includes a \$15.4 million pre-tax restructuring charge (\$9.7 million after-tax charge, or \$0.03 per diluted share). The pre-tax restructuring charge by segment is as follows: McGraw-Hill Education – \$5.6 million; Information & Media – \$5.7 million; and Corporate – \$4.1 million. In the fourth quarter, net income includes a \$16.1 million pre-tax restructuring charge (\$10.1 million after-tax charge, or \$0.03 per diluted share). The pre-tax restructuring charge by segment is as follows: McGraw-Hill Education – \$10.4 million; Information & Media – \$3.0 million; and Corporate – \$2.7 million. For the Information & Media

segment, fourth quarter results also reflect deferrals of revenue of \$23.8 million and operating profit of \$21.1 million (\$13.3 million after-tax charge or \$0.04 per diluted share) due to a change in revenue recognition related to the transformation of the Sweets building products database from a primarily print catalog offering to an integrated online service, which was recognized ratably over 2007

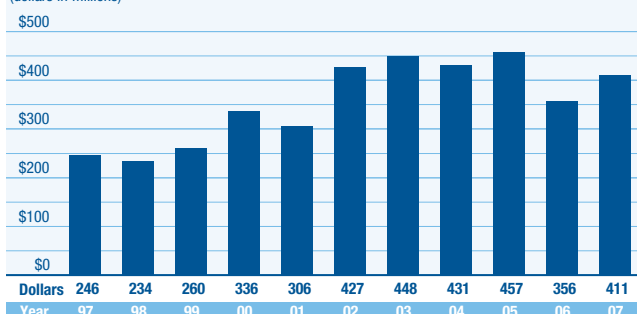
2005: In the third quarter, operating profit at the Financial Services segment includes a \$6.8 million pre-tax gain (\$4.2 million after-tax, or \$0.01 per diluted share) on the sale of the Corporate Value Consulting business. In the fourth quarter, operating profit at the Information & Media segment includes a \$5.5 million loss (\$3.5 million after-tax) on the sale of the Healthcare Information Group. In the fourth quarter, net income includes the impact of a \$23.2 million pre-tax charge (\$14.6 million after-tax, or \$0.04 per diluted share) for restructuring. The pre-tax restructuring charge by segment is as follows: McGraw-Hill Education – \$9.0 million; Financial Services – \$1.2 million; Information & Media – \$10.2 million; and Corporate – \$2.8 million. Net income in the fourth quarter also includes a \$10.0 million (\$0.03 per diluted share) increase in income taxes on the repatriation of funds

2004: The Company reclassified revenue in accordance with Emerging Issues Task Force 00-10, "Accounting for Shipping and Handling Fees and Costs," resulting in an increase in revenue of \$8.3 million, \$15.7 million, \$27.0 million and \$11.5 million in the first, second, third and fourth quarters of 2004, respectively; and an increase in revenue of \$10.2 million, \$17.1 million, \$25.9 million and \$9.3 million in the first, second, third and fourth quarters of 2003, respectively

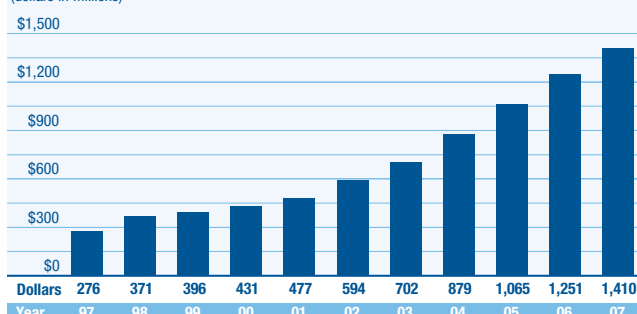
Includes a non-cash benefit of approximately \$20.0 million (\$0.05 per diluted share) as a result of the Company's completion of various federal, state and local, and foreign tax audit cycles. In the first quarter of 2004, the Company accordingly removed approximately \$20.0 million from its accrued income tax liability accounts. This non-cash item resulted in a reduction to the overall effective tax rate from continuing operations to 35.3%

McGraw-Hill Education, Net of investment in prepublishing costs

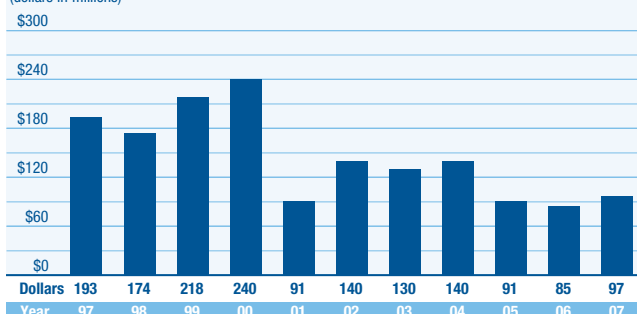
(dollars in millions)

**Financial Services^(c)**

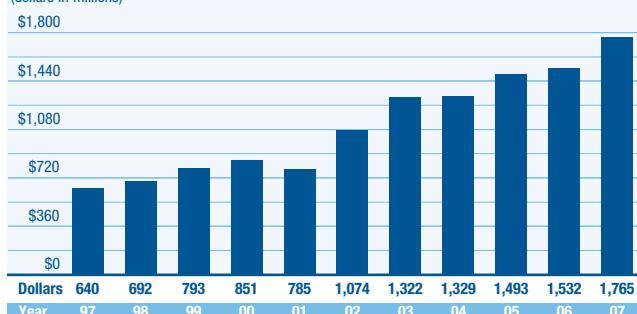
(dollars in millions)

**Information & Media**

(dollars in millions)

**Total Company EBITDA, Net of investment in prepublishing costs^(c)**

(dollars in millions)

**EBITDA, NET OF INVESTMENT IN PREPUBLICATION COSTS**

(dollars in thousands)

| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|----------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| McGraw-Hill Education | \$ 399,990 | \$ 329,125 | \$ 410,213 | \$ 340,067 | \$ 321,751 | \$ 332,949 | \$ 273,339 | \$ 307,672 | \$ 273,667 | \$ 202,076 | \$ 187,722 |
| Financial Services | 1,359,477 | 1,202,289 | 1,019,201 | 839,398 | 667,597 | 560,845 | 425,911 | 383,025 | 358,155 | 338,655 | 245,150 |
| Information & Media | 63,467 | 49,888 | 60,576 | 119,313 | 109,841 | 118,052 | 65,003 | 212,921 | 185,551 | 139,352 | 158,879 |
| Total operating profit | \$ 1,822,934 | \$ 1,581,302 | \$ 1,489,990 | \$ 1,298,778 | \$ 1,099,189 | \$ 1,011,846 | \$ 764,253 | \$ 903,618 | \$ 817,373 | \$ 680,083 | \$ 591,751 |
| Unusual (loss)/gain ^(a) | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ (68,122) | \$ — | \$ (8,716) | \$ — |
| Corporate (expense)/income ^(b) | (159,821) | (162,848) | (124,826) | (124,088) | 38,185 | (91,934) | (93,062) | (91,380) | (83,280) | (80,685) | (75,342) |
| Depreciation ^(c) | 112,586 | 113,200 | 106,750 | 92,268 | 82,827 | 86,818 | 85,748 | 84,812 | 80,348 | 75,538 | 71,689 |
| Amortization of intangibles ^(c) | 48,403 | 48,387 | 44,235 | 32,470 | 32,973 | 36,270 | 84,108 | 63,508 | 54,366 | 51,310 | 48,814 |
| Amortization of prepublishing costs ^(c) | 240,182 | 228,405 | 234,276 | 267,743 | 282,505 | 277,081 | 236,620 | 207,806 | 170,653 | 169,542 | 170,333 |
| Investment in prepublishing costs ^(c) | (298,984) | (276,810) | (257,795) | (237,760) | (213,954) | (246,577) | (293,002) | (249,333) | (246,341) | (194,978) | (166,784) |
| EBITDA | \$ 1,765,300 | \$ 1,531,636 | \$ 1,492,630 | \$ 1,329,411 | \$ 1,321,725 | \$ 1,073,504 | \$ 784,665 | \$ 850,909 | \$ 793,119 | \$ 692,094 | \$ 640,461 |

Notes for EBITDA, Net of investment in prepublishing costs:

(a) The unusual gains and losses are as follows:

In 2000, the cumulative adjustment for the adoption of Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements"

In 1998, the early extinguishment of \$155.0 million of the Company's 9.43% debt

(b) In 2003, corporate expense includes a pre-tax gain on sale of real estate of \$131.3 million

(c) Amounts have been adjusted to exclude the juvenile retail publishing business and S&P ComStock, which are included in discontinued operations

| ACQUISITIONS ^(a) | | | | DIVESTITURES ^(b) | | |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 2007 | \$86,707,000 IMAKE/ABSX ClariFI, Inc. | FS FS | Hot Chalk, Inc. (6% interest) Reading Success (reading program) | MHE MHE | \$62,261,000 S&P mutual fund data business Benziger | FS MHE |
| 2006 | \$13,480,000 Azteca America affiliate low-powered TV station in Bakersfield, CA Automotive Resources Asia, Ltd. Heale Financial | I&M I&M FS | TheMarkets.com (5.51% interest after acquisition of additional 2.75% interest) | FS | \$12,381,000 Power Magazine E-Source The Review of Securities Regulation newsletters | I&M I&M FS |
| 2005 | \$461,842,000 CRISIL Limited (58.5% interest after acquisition of additional 49.07% interest) Vista Research, Inc. ASSIRT Pty Limited Taiwan Ratings Corporation (51% interest after acquisition of additional 1% interest) | FS FS FS FS | TheMarkets.com (2.76% interest) J.D. Power and Associates TurnLeaf Solutions Azteca America affiliate low-powered TV stations in Colorado and San Diego USDTV | FS I&M MHE I&M I&M | \$131,335,000 Corporate Value Consulting Healthcare Information Group Standard & Poor's Securities, Inc. | FS I&M FS |
| 2004 | \$306,232,000 Center for Business Intelligence (energy conference business only) Grow.net, Inc. | I&M MHE | Capital IQ, Inc. PRCEDU Corporation (8.7% interest) | FS MHE | \$46,904,000 Landoll, Frank Schaffer and related juvenile retail publishing businesses J.J. Kenny Drake, Inc. | MHE FS |
| 2003 | \$3,678,000 FriedWire, Inc. | I&M | | | \$502,665,000 Rock-McGraw, Inc. (45% interest) S&P ComStock | Corporate FS |
| 2002 | \$19,310,000 Open University Press Reality Based Learning Bredex Corporation | MHE MHE MHE | Clear Learning EA Ratings | MHE FS | \$24,304,000 MMS International Lifetime Learning CAP | FS MHE I&M |
| 2001 | \$333,234,000 Mayfield Publishing Company Charter Research Corporation Frank Schaffer Publications Corporate Value Consulting | MHE FS MHE FS | Financial Times Energy Visual Education Corporation BizNet TV, Inc. Uniscor, Inc. | I&M MHE I&M MHE | \$17,876,000 Data Resources Inc. Rational Investors | FS FS |
| 2000 | \$703,719,000 Tribune Education BuildPoint Corporation Canadian Bond Rating Service Portfolio Management Data, LLC | MHE I&M FS FS | MPI Interactive – eBuilder, Inc. Thomas Murray Network Management Ltd. | I&M FS | \$142,418,000 Tower Group International | I&M |
| 1999 | \$67,085,000 Appleton & Lange, Inc. IFIS, Inc. Rational Investors, Inc. | MHE FS FS | Micropal France Thesys Information, Ltd. Emerging Markets Data Base | FS FS FS | \$67,244,000 Petrochemical Publications (<i>Chemical Engineering</i> , <i>Modern Plastics</i> , <i>Modern Plastics International</i>) Libri Italia SRL (School titles only) | I&M MHE |
| 1998 | \$24,720,000 Xebec Multimedia Solutions, Ltd. Optical Data Corporation | MHE MHE | | | \$66,479,000 Information Technology and Communications Group (<i>BYTE</i> , <i>Data Communications</i> , <i>LAN Times</i> , <i>tele.com</i> , NSTL) | I&M |
| 1997 | \$85,698,000 ^(c) Argentina Ratings Fund Research, Ltd. Thomson Technical List Published Image | FS FS MHE FS | Micropal Group, Ltd. Taiwan Ratings Corp. (50% interest) CRISIL Limited (9.6% interest) | FS FS FS | \$64,507,000 London House McGraw-Hill School Systems Datapro Information Services | MHE MHE I&M |

Operating Segment Legend:
MHE McGraw-Hill Education
FS Financial Services
I&M Information & Media

(a) Amounts include acquisition purchase price adjustments and earnouts in year of payment

(b) Amounts include proceeds from the disposition of property and equipment

(c) Includes \$41.9 million in debt acquired in the purchase of Micropal Group, Ltd.

INTERNATIONAL OPERATIONS BY REGION AND SEGMENT

Revenue from foreign sources grew by 15.3% to \$1,763.8 million in 2007 and represented 26.0% of The McGraw-Hill Companies' total revenue. Favorable foreign exchange rates contributed \$78.3 million to revenue in 2007.

Europe continues to be the most important contributor to The McGraw-Hill Companies' foreign revenue, producing 58.4% of the total in 2007. Europe also grew the fastest of the foreign regions, increasing revenue by 16.6%. Latin America, Canada and Asia grew by 14.4%, 13.2% and 13.2%, respectively.

Financial Services

Financial Services continues to be the Company's largest international business. Standard & Poor's foreign revenue grew by 15.8% in 2007 to \$1,087.6 million and accounted for 61.7% of the Company's total foreign revenue. Favorable foreign exchange rates contributed \$53.0 million to revenue for this segment in 2007.

Since 1997, foreign revenue in this segment has grown at a compound annual rate of 18.6%.

McGraw-Hill Education

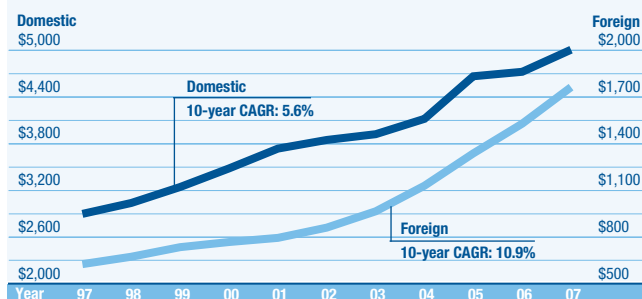
McGraw-Hill Education's foreign revenue grew by 11.6% to \$439.1 million in 2007 and accounted for 24.9% of the Company's total foreign revenue. Favorable foreign exchange rates contributed \$23.6 million to revenue for this segment in 2007.

Information & Media

Information & Media's foreign revenue grew by 20.1% to \$237.1 million in 2007 and accounted for 13.4% of the Company's total foreign revenue in 2007. Foreign exchange rates had an immaterial impact on revenue for this segment in 2007.

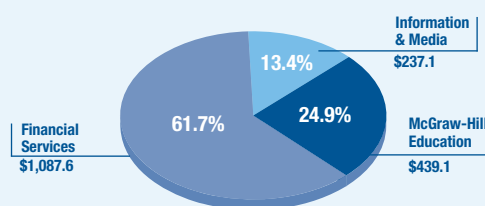
Domestic and Foreign Source Revenue Growth,* 1997-2007

(dollars in millions)



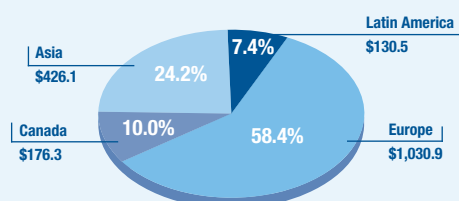
Foreign Source Revenue by Segment,* 2007

(dollars in millions)



Foreign Source Revenue by Geographic Region,* 2007

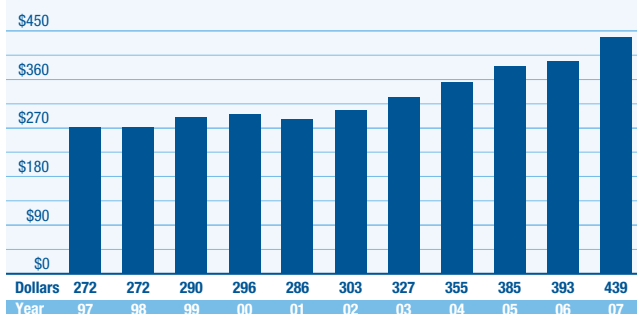
(dollars in millions)



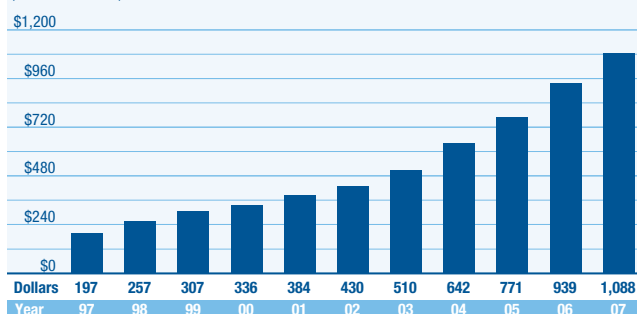
* Foreign source revenue includes international sales by U.S. operations

FOREIGN SOURCE REVENUE BY SEGMENT,* 1997-2007**McGraw-Hill Education**

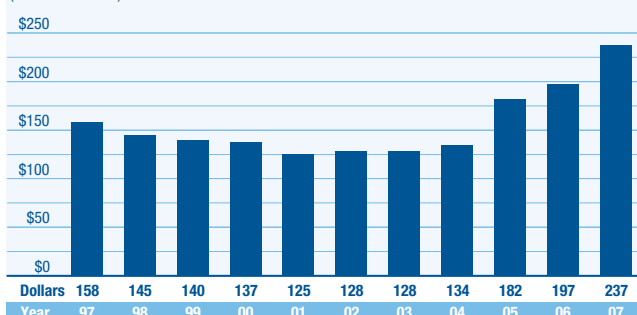
(dollars in millions)

**Financial Services**

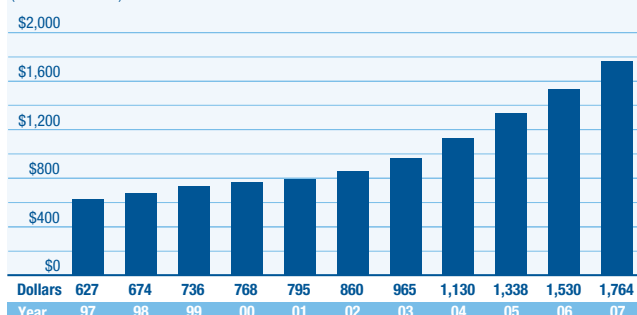
(dollars in millions)

**Information & Media**

(dollars in millions)

**Total Company^(a)**

(dollars in millions)



(a) Segments may not sum to Total Company due to rounding

SUMMARY OF DOMESTIC AND FOREIGN SOURCE REVENUE, 1997-2007

| (dollars in millions) | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 10-year CAGR |
|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------|
| Revenue | | | | | | | | | | | | |
| Domestic | \$5,008.5 | \$4,725.0 | \$4,665.8 | \$4,120.1 | \$3,924.9 | \$3,847.7 | \$3,739.0 | \$3,483.0 | \$3,243.5 | \$3,039.2 | \$2,899.1 | 5.6% |
| Foreign* | 1,763.8 | 1,530.1 | 1,337.8 | 1,130.4 | 965.4 | 860.0 | 795.0 | 768.2 | 736.3 | 673.5 | 626.9 | 10.9% |
| Total | \$6,772.3 | \$6,255.1 | \$6,003.6 | \$5,250.5 | \$4,890.3 | \$4,707.7 | \$4,534.0 | \$4,251.2 | \$3,979.8 | \$3,712.7 | \$3,526.0 | 6.7% |

Revenue by Segment

| | | | | | | | | | | | | |
|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------|
| Domestic | | | | | | | | | | | | |
| McGraw-Hill Education | \$2,266.8 | \$2,130.8 | \$2,286.9 | \$2,041.0 | \$2,021.2 | \$2,039.9 | \$2,004.0 | \$1,743.1 | \$1,496.6 | \$1,388.4 | \$1,339.7 | 5.4% |
| Financial Services | 1,958.6 | 1,807.1 | 1,629.6 | 1,413.1 | 1,258.8 | 1,126.0 | 1,014.3 | 868.8 | 856.7 | 779.8 | 681.3 | 11.1% |
| Information & Media | 783.1 | 787.1 | 749.3 | 666.0 | 644.9 | 681.8 | 720.7 | 871.1 | 890.2 | 871.0 | 878.1 | (1.1%) |
| Total | \$5,008.5 | \$4,725.0 | \$4,665.8 | \$4,120.1 | \$3,924.9 | \$3,847.7 | \$3,739.0 | \$3,483.0 | \$3,243.5 | \$3,039.2 | \$2,899.1 | 5.6% |
| Foreign* | | | | | | | | | | | | |
| McGraw-Hill Education | \$439.1 | \$393.4 | \$384.8 | \$354.5 | \$327.4 | \$302.6 | \$285.6 | \$295.5 | \$289.6 | \$271.7 | \$272.2 | 4.9% |
| Financial Services | 1,087.6 | 939.3 | 771.2 | 642.2 | 510.3 | 429.7 | 384.0 | 336.2 | 306.9 | 257.2 | 196.9 | 18.6% |
| Information & Media | 237.1 | 197.4 | 181.8 | 133.7 | 127.7 | 127.7 | 125.4 | 136.5 | 139.8 | 144.6 | 157.8 | 4.2% |
| Total | \$1,763.8 | \$1,530.1 | \$1,337.8 | \$1,130.4 | \$965.4 | \$860.0 | \$795.0 | \$768.2 | \$736.3 | \$673.5 | \$626.9 | 10.9% |

Number of Employees

| | | | | | | | | | | | |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Domestic | 12,565 | 12,860 | 13,486 | 13,122 | 12,736 | 13,180 | 13,566 | 13,339 | 13,032 | 12,599 | 12,669 |
| Foreign | 8,606 | 7,354 | 6,114 | 4,131 | 3,332 | 3,325 | 3,569 | 3,422 | 3,344 | 3,298 | 3,021 |
| Total | 21,171 | 20,214 | 19,600 | 17,253 | 16,068 | 16,505 | 17,135 | 16,761 | 16,376 | 15,897 | 15,690 |

Notes:

* Foreign source revenue includes international sales by U.S. operations

Years restated for discontinued operations

Revenue reflects reclassification for adoption of Emerging Issues Task Force 00-10 "Accounting for Shipping and Handling Fees and Costs" in 2004

HOW TECHNOLOGY IS CHANGING THE MARKETPLACE AND CREATING NEW OPERATIONAL LEVERAGE

To meet the growing demand for digital capabilities in the markets The McGraw-Hill Companies serves – financial services, education and business information – the Corporation has invested in a global data center strategy. Technology investments support MHP's ability to provide its customers with products and services that represent the shift to an emerging model. Connecting content and managing digital assets globally across the entire organization is an essential part of the effort to grow revenue while reducing costs. It is also helping to improve workflow and productivity.

TRADITIONAL MODEL

One-time unit sales

Long development cycles

Physical inventory

One-size-fits-all

U.S.-centric production

One-way customer relationships

Third-party intermediary sales

DRIVERS

Broadband penetration
Shrinking technology costs
Digital savvy customers

ENABLERS

Digital content repositories
Multi-channel delivery
Workflow integration
Web 2.0 (search, community)

EMERGING MODEL

Subscription-based revenue

Rapid development cycles

Digital asset management

Customized solutions

Global production & distribution

Interactive customer relationships

Direct to consumer sales/distribution

DIGITAL PUBLISHING @ THE MCGRAW-HILL COMPANIES

Digital asset management is a key to improving operating leverage for The McGraw-Hill Companies. The digital workflow system is fundamentally changing how products are produced and enables seamless interoperability of digital publishing, content management, and production workflow systems.

Digital Workflow –

- Create once
- Store
- Repurpose on demand

The workflow system provides a platform that streamlines the entire production process:

Organizes activities of

- Editors
- Designers
- Photo editors
- Production teams

Creates a collaborative environment

- Copy editing
- Page layout
- File management
- Workgroup administration

Sources and archives rich-media assets

- Photographs
- Illustrations
- Video
- Animations
- Audio

Enables critical production processes

- File tracking
- Version control
- Digital delivery to multiple distribution channels including local and offshore vendor partners for printing

McGraw-Hill Education

McGraw-Hill Education's digital workflow enables a growing number of higher education titles – 600 by August 2008 – to be available through www.CourseSmart.com, a common eBook platform developed by a consortium of publishers.

See page 34 for more details



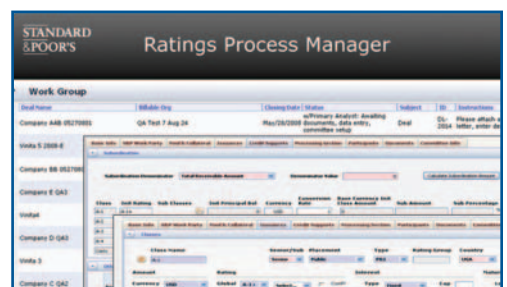
Information & Media

Information & Media's digital workflow system streamlines the production for an increasing number of publications, including *BusinessWeek* and *AVIATION WEEK & SPACE TECHNOLOGY*. The system will be installed at additional publications.



Financial Services

Financial Services' workflow portal for S&P's credit rating analysts provides a single point of access to the critical information needed to help in their decision-making process. This includes access to news on companies, industries and markets; ratings criteria; tools for modeling; previously published content; ratings documents; and scheduling priorities.



EXAMPLES OF THE EMERGING MODEL

ONLINE ASSESSMENT INFORMATION ENHANCES TEACHING AND LEARNING

Acuity™

McGraw-Hill Education's investments in digital products and services are increasingly a source of competitive advantage at all levels of education. Technology is changing the formative assessment market – “low-stakes” tests that are given throughout the school year for the purpose of informing instruction. Whether tests are taken online or with paper and pencil, McGraw-Hill Education's Acuity provides fast feedback to students and teachers. The timely information enables teachers and districts to individualize instruction and improve the education of children. These ongoing assessments also provide a strong indication of student outcomes on the summative “high-stakes” test at the end of the school year while there is still time to make a positive impact.

See page 33 for more details



www.acuityforschool.com

REAL-TIME DELIVERY OF PLATT'S® INFORMATION TO THE GLOBAL ENERGY MARKETS

Platts

Information & Media continues to make progress in providing its customers with higher-value information products and services that are directly integrated into their workflow and infrastructure. Platts provides industry-leading intelligence, price benchmarks, analysis, and solutions to the global energy market. Real-time digital delivery options include:

- Platts' multiple alert service, including its flagship *Global Alert*
- Distribution through multiple vendors, including Reuters and Bloomberg®
- Data feeds
- *Platts Energy Advantage* for energy market fundamentals data

See page 50 for more details



www.platts.com

ROBUST FINANCIAL INFORMATION AND ANALYTICAL PLATFORM

Capital IQ

Standard & Poor's embeds its comprehensive and timely financial information into the workflow of financial professionals globally. Standard & Poor's Capital IQ research platform combines deep information on companies, markets, and people worldwide with robust tools for fundamental analysis, financial modeling, market analysis, screening, targeting, and relationship and workflow management.

See page 45 for more details



www.CapitalIQ.com

Trends in Pre-K–16 Education

CREATING A SKILLED WORKFORCE TO COMPETE IN THE GLOBAL KNOWLEDGE ECONOMY

Government and business communities throughout the United States recognize that they must do a better job of building and maintaining a skilled workforce to compete successfully in the global knowledge economy. The level of innovation needed to retain our society's competitiveness is directly linked to the mathematical, scientific, and technological skills attained by today's students.

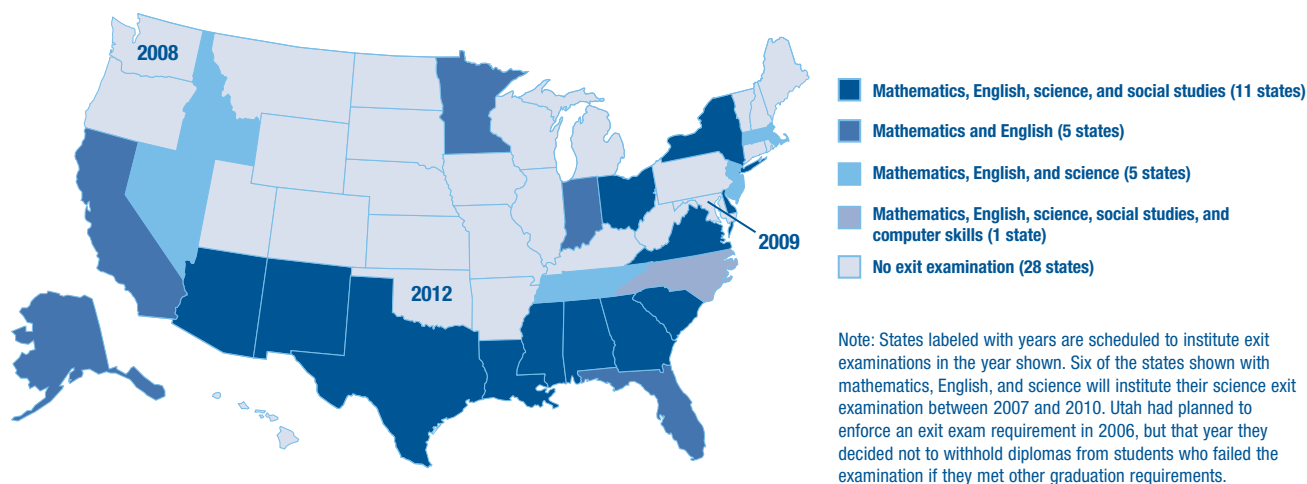
Even with reauthorization of the *No Child Left Behind Act* pending in Congress, it is clear that NCLB has helped revitalize the states' role in education. States are holding schools more accountable for improving academic achievement and raising measurement standards. With the value of education growing nationwide, McGraw-Hill Education will continue to provide a diverse range of print and digital solutions to help teachers improve and measure student performance.

At the time of publication of the *2008-2009 Investor Fact Book* it is too early in the legislative session to predict whether NCLB will be reauthorized before the end of 2008. Many observers predict that no major action will be taken until after the 2008 presidential election. However, significant programs mandated by *No Child Left Behind* have been funded for FY 2008 at levels slightly higher than those provided in the prior fiscal-year budget.

HIGH SCHOOL EXIT EXAMINATIONS – STATES TAKING ACTION TO BETTER PREPARE STUDENTS

A growing number of states are adopting exit exams to better assess the quality of their educational programs to ensure that graduates have the skills necessary to enter the workforce and college. As of 2006, 22 states required public high school students to pass both an English/language arts and a mathematics exit exam to receive a high school diploma. Three additional states are scheduled to adopt exit exams within the next few years – Washington in 2008, Maryland in 2009, and Oklahoma in 2012. Additionally, 19 of the 25 states will require an exam in science by 2012, with 13 states also requiring a U.S. history/social studies exam.

MAPPING THE GROWING NUMBER OF STATES WITH MANDATORY HIGH SCHOOL EXIT EXAMS

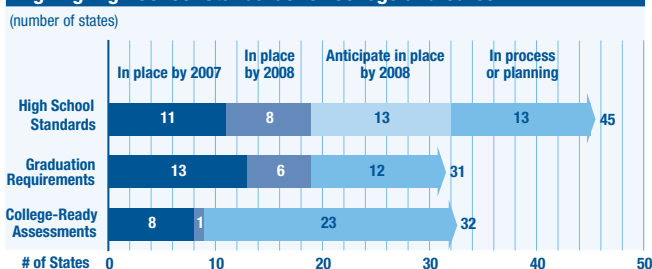


Source: U.S. Department of Education, National Center for Education Statistics, "The Condition of Education 2007"

PREPARING HIGH SCHOOL STUDENTS FOR COLLEGE AND CAREER DEMANDS

Aligning high school expectations with the demands of college and career is a growing priority for many states. Achieve, Inc., a non-profit organization created by the nation's governors and business leaders to help states put policies in place to foster high schools that create college- and career-ready high school graduates, recently surveyed all 50 states about the status of their efforts to align their high school standards, graduation requirements, and assessments with the demands of college and career. Achieve's survey revealed a steady growth in the number of states that already have or will soon put in place policies consistent with a college- and career-ready agenda.

Aligning High School Standards for College and Career



Source: Achieve Survey/Research, 2008

RAPIDLY GROWING ENGLISH-LANGUAGE LEARNER (ELL) ENROLLMENT

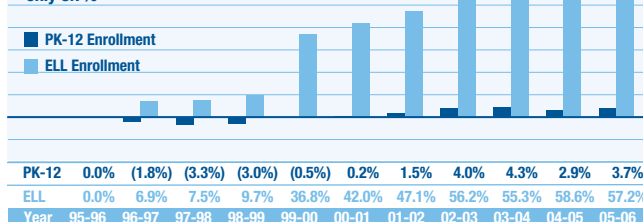
Children who speak a language other than English in the home and are not fully fluent in English are designated as English-language learners (ELLs). The number of English-language learners enrolled in U.S. schools has increased substantially in the past decade. Since NCLB requires adequate yearly progress across all student populations, educational policymakers are paying particular attention to the needs of ELLs, who may have particular difficulty demonstrating progress in an English-only curriculum. All ELLs are required to be tested in English within two years of entering a U.S. school.

During the 2005-2006 academic year, there were an estimated 5.1 million ELL students enrolled in pre-K–12 public schools, representing 10.5% of the total public school student enrollment and demonstrating more than a 57% increase between the 1995-1996 and 2005-2006 school years. Nearly four-fifths (79%) of all ELL students are Hispanic native Spanish speakers. With ELLs projected to become an even more significant percentage of the school population in the years ahead, they will require learning solutions that support their vocabulary and language acquisition needs in order to become successful learners.

Growing Number of English-Language Learners

(% enrollment growth)

Between Fall 1995 and Fall 2005, ELL enrollment grew 57.2% while overall PK-12 enrollment grew only 3.7%



Source: The National Clearinghouse for English Language Acquisition (NCELA), The Growing Numbers of Limited English Proficient Students 1995/96-2005/06, 2007

Six state education agencies (Colorado, Connecticut, Hawaii, Indiana, Maryland, and Nevada) which serve an estimated 320,000 English-language learners have implemented CTB/McGraw-Hill's LAS Links English-language proficiency assessment for their statewide English as a Second Language (ESL) programs.

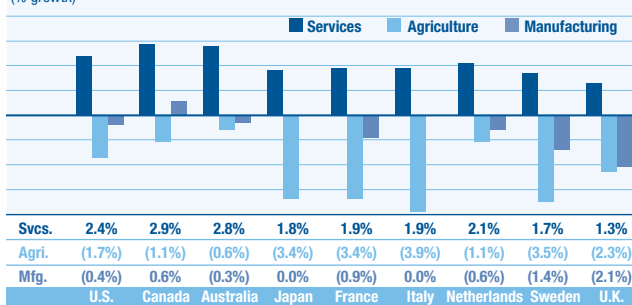
LIFELONG LEARNING IN THE KNOWLEDGE ECONOMY

The global knowledge economy is transforming the demands of the labor market in economies worldwide and placing new demands on workers who need more skills and knowledge to function in their day-to-day activities. As illustrated in the chart, there is growing evidence that the services sector is becoming the predominant source of employment worldwide.

The emergence of the global knowledge economy continues to put a premium on lifelong learning throughout the world. Ideas and know-how as sources of economic growth and development, along with the application of new technologies, have important implications for how people learn and apply knowledge throughout their lives.

Average Annual Growth Rates for Employment, by Sector, 1965-2006*

(% growth)



Source: U.S. Bureau of Labor Statistics, Comparative Civilian Labor Force Statistics, 1960-2006, October 2007

* 1965-2005 for France and the Netherlands. Employment growth rates shown do not represent the total economy because employment in mining and construction is excluded

ACCESS TO HIGHER EDUCATION COURSE MATERIALS – ANYTIME, ANYWHERE

Not only is the need for more skills and knowledge driving growth in higher education enrollments both in the U.S. and abroad, but it is the driving force behind the increased use of technology to deliver content anytime, anywhere:

- High-speed access to the Internet has become virtually universal at the higher education level in North America
- Course management systems (CMS) are now commonplace on U.S. college campuses and enable instructors to place course materials online and give students 24/7 online access
- McGraw-Hill Education's textbooks and course content can be read online or downloaded. Audio chapter summaries, videos, and quizzes are available for iPods and MP3 players

Taken together, all of this is leading to a transformation and evolution in the delivery of college courses. Individual faculty-student interaction is increasing through the use of CMS (and e-mail), as is student-to-student contact. On-site courses are becoming increasingly a hybrid delivery, with portions of the course work moving online. Totally online courses are growing steadily, and the connection between out-of-class activity and work in a course is becoming much stronger. Access to learning anytime, anywhere is certainly helping students gain the skills and knowledge necessary for success in the knowledge economy.

According to a 2006 Eduventures report, approximately 1.2 million college students were taking at least one online course during the Fall 2005 term and that number is forecasted to increase to 2.1 million in 2008.

Trends in Pre-K–16 Education

PRE-K–16: GROWING ENROLLMENTS

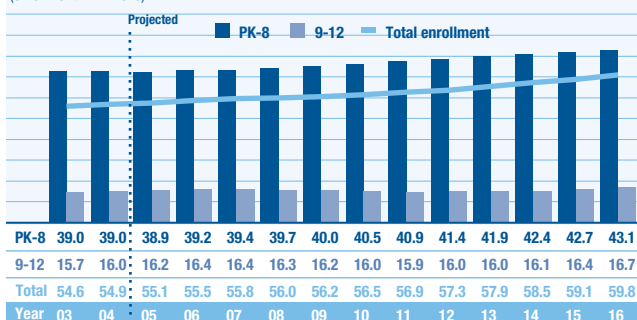
School enrollments continue to be on the rise. According to the latest projections by the National Center for Education Statistics, 59.8 million students will be enrolled in grades pre-K–12 by 2016.

State-funded pre-K reached more children during the 2006-07 school year than ever before, with total enrollments topping one million in the 38 states with pre-K programs.

Total enrollment in U.S. degree-granting higher education institutions is projected to increase 17% to 20.4 million in 2016.

Enrollment in Elementary and Secondary Institutions

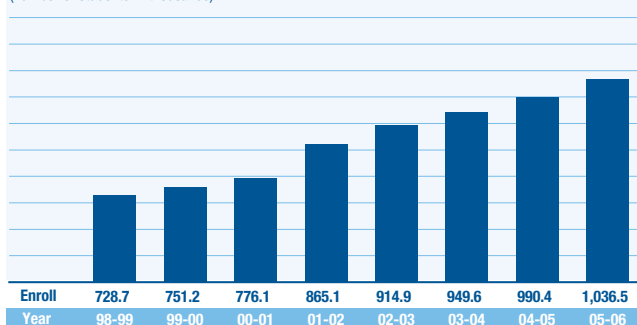
(enrollment in millions)



Source: U.S. Department of Education, National Center for Education Statistics, "Projections of Education Statistics to 2016"

Public School Pre-Kindergarten Enrollment, 1998-2006

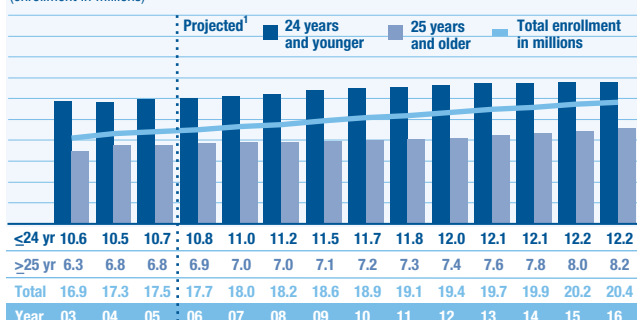
(number of students in thousands)



Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data

Enrollment in U.S. Higher Education Institutions

(enrollment in millions)



Source: U.S. Department of Education, National Center for Education Statistics, "Projections of Education Statistics to 2016"

Note: Detail may not sum to totals due to rounding

¹ Middle range of projections cited

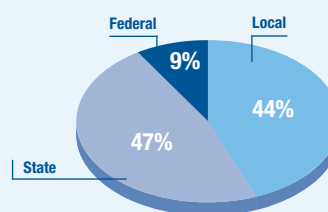
PRE-K–12 EDUCATION FUNDING AND EXPENDITURES PER PUPIL

Of the approximately \$488 billion in federal, state, and local funding for public education in the 2004-05 school year, 91% was provided by state and local governments. More than two-thirds of the \$230 billion funded by the states came from sales and income tax. At the local level, property taxes accounted for 65%, or \$139 billion, of the \$215 billion local funding amount.

States spent an average of \$8,777 for every K–12 student in 2004-05, up from \$8,310 in 2003-04. Expenditures per student in K–12 are projected to increase more than 27% to over \$11,000 by 2016. State pre-K spending also increased for the first time since the 2001-02 school year, according to the National Institute for Early Education Research (NIEER). In the 2006-07 school year, state spending per child increased 4.6% to \$3,642 on average from \$3,482 in 2005-06.

The Public Education Dollar: Revenues by Source

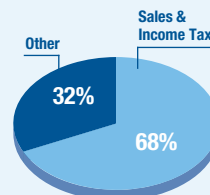
Total Revenue: \$488 billion



Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data, "National Public Education Financial Survey, 2004-05"

Sources of State Funding

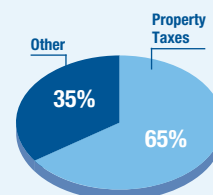
Total State Revenue: \$230 billion



Source: U.S. Census Bureau, "Public Education Finances Report: 2005"

Sources of Local Funding

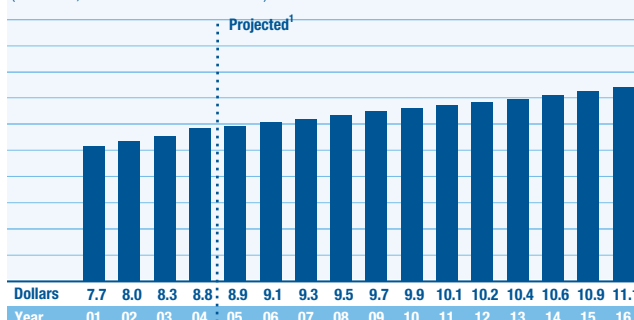
Total Local Revenue: \$215 billion



Source: U.S. Census Bureau, "Public Education Finances Report: 2005"

Current and Projected Expenditures per Pupil in K–12

(thousands, in constant 2004-2005 dollars)



Source: U.S. Department of Education, National Center for Education Statistics, "Projections of Education Statistics to 2016"

¹ Middle range of projections cited

PROVIDING A FULL SPECTRUM OF INSTRUCTIONAL PROGRAMS

McGraw-Hill Education's diverse range of proven instructional approaches and solutions combine print and digital materials in ways that provide educators with a multitude of practical options to improve and better measure academic performance for all students. From comprehensive, research-based basal programs to programs for English-language learners, educators are turning to McGraw-Hill Education to support individualized classroom instruction and student learning.

READING

| Literacy-Based | Balanced Basal | Skills-Based |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Wright Group Literacy (K–3) Wright Group Sunshine (K–3) | Macmillan/McGraw-Hill Treasures (K–6) Macmillan/McGraw-Hill Little Treasures (pre-K) Macmillan/McGraw-Hill Treasure Chest (K–6) Glencoe Reading with Purpose (6–8) Glencoe The Reader's Choice (9–12) | SRA Imagine It!: An Open Court Program (K–6) SRA Reading Mastery Plus: A Direct Instruction Program (pre-K–6) Wright Group Breakthrough to Literacy (pre-K–3) |
| Literacy-Based These programs work well in districts where students begin formal schooling with basic skills acquired at home or in academic pre-schools. Reading programs in this category develop language learning through literature. | Balanced Basal Traditional basal programs are effective with most students. | Skills-Based These programs have proven to be especially effective with students who come from disadvantaged backgrounds, have limited proficiency in English, or have special needs. Lesson plans are highly structured. |

MATH

| Reform-Based | Balanced Basal | Skills-Based |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Wright Group Everyday Mathematics (pre-K–6) Wright Group UCSMP Math (6–12) Wright Group Growing with Mathematics (pre-K–5) Glencoe MathScape (6–8) Glencoe Impact Math (6–8) Glencoe Core-Plus (9–12) | Macmillan/McGraw-Hill Math Connects (pre-K–8) Glencoe Math Applications and Concepts (6–8) Glencoe Math (8–12): Pre-Algebra, Algebra 1&2, Geometry, Pre-Calculus, Calculus | SRA Real Math (pre-K–6) SRA Connecting Math Concepts (K–8) Glencoe Math Matters (9–12) |
| Reform-Based These math programs emphasize investigative problem-solving activities and work well in school districts where teachers have strong math backgrounds and effective staff development is in place. Most of these programs receive National Science Foundation funding. | Balanced Basal Effective with most students, these programs are well suited for school districts that need flexible lesson plans to accommodate a variety of teaching styles and meet each student's individual needs. | Skills-Based These products have been designed for school districts where skill development is the most important aspect of the math program. Lesson plans are highly structured and often involve direct instruction. |

INTERVENTION SOLUTIONS TO HELP STRUGGLING STUDENTS

McGraw-Hill Education's intervention programs are for students who have fallen behind or need extra help to reach grade-level standards. Developed using field-tested research, these programs provide teachers with research-based instructional routines and explicit direct instruction to support students dealing with barriers to comprehension. Programs feature diagnostic assessment, targeted instruction and progress monitoring, and typically include student workbooks, teacher guides, assessment resources, digital practice materials, and student tutorials that are available online or via CD-ROM.

| Reading Intervention | Science Intervention | Math Intervention |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Macmillan/McGraw-Hill Reading Triumphs (K–6) Macmillan/McGraw-Hill Treasure Chest for English-Language Learners (K–6) SRA Kaleidoscope (2–6) SRA Corrective Reading: A Direct Instruction Program (3–12) Glencoe Jamestown Reading Navigator (6–12) Glencoe Signature Reading (6–12) | Snapshots Video Science (3–5) | Macmillan/McGraw-Hill Math Triumphs (K–8) SRA Number Worlds (pre-K–6) SRA Corrective Math: A Direct Instruction Program (3–12) Wright Group Pinpoint Math (4–7) Glencoe Math Matters (6–8) |

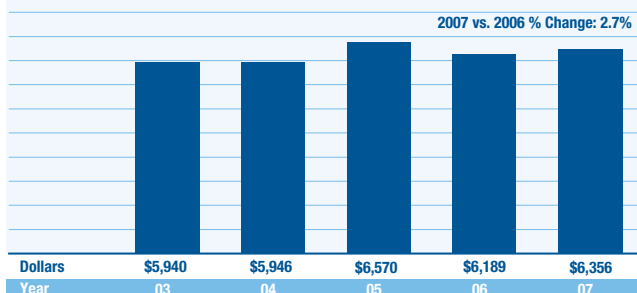
Pre-K–12 Education: Market, Adoption States, Open Territories, and Supplemental Sales

PRE-K–12 SALES

In 2007, sales of textbooks and educational materials for the pre-K–12 school market increased 2.7% to \$6.4 billion, according to the Association of American Publishers (AAP).

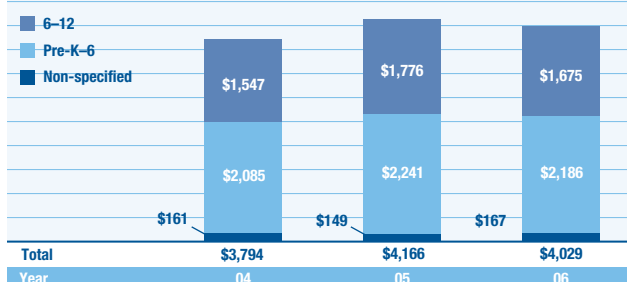
Estimated Total Pre-K–12 Industry Sales

(dollars in millions)



Source: AAP. Includes sales of domestic and non-domestic products

Total Net Elementary/High School Sales

Basal, Supplemental, and Online Materials
(dollars in millions)

Source: AAP, as reported by 6 publishers. Includes sales of U.S. products only. Includes sales to foreign subsidiaries and third parties

PRE-K–6 MARKET

Basal and Supplemental Materials

Net Sales by State (dollars in thousands)

| | 2006 | % of 2006 Total | 2005 | 2004 |
|----------------------------|---------------------|-----------------|---------------------|---------------------|
| 1 California | \$ 292,276 | 16.2% | \$ 237,875 | \$ 225,644 |
| 2 Texas | 132,166 | 7.3% | 230,940 | 103,906 |
| 3 New York | 118,852 | 6.6% | 96,091 | 114,968 |
| Top 3 for 2006 | \$ 543,294 | 30.1% | \$ 564,906 | \$ 444,518 |
| 4 Florida | 110,641 | 6.1% | 107,479 | 106,823 |
| 5 Illinois | 87,308 | 4.8% | 88,889 | 77,582 |
| 6 Pennsylvania | 74,707 | 4.1% | 75,553 | 74,164 |
| 7 New Jersey | 64,789 | 3.6% | 74,050 | 76,325 |
| 8 Ohio | 64,567 | 3.6% | 70,330 | 60,503 |
| 9 North Carolina | 61,196 | 3.4% | 38,243 | 50,547 |
| 10 Georgia | 47,650 | 2.6% | 46,564 | 42,579 |
| Top 10 for 2006 | \$ 1,054,152 | 58.4% | \$ 1,066,014 | \$ 933,041 |
| 11 Arizona | 46,945 | 2.6% | 45,327 | 34,050 |
| 12 Maryland | 46,007 | 2.5% | 40,849 | 39,179 |
| 13 Michigan | 43,849 | 2.4% | 39,157 | 44,530 |
| 14 Missouri | 36,703 | 2.0% | 32,545 | 32,395 |
| 15 Virginia | 36,438 | 2.0% | 40,002 | 53,423 |
| Top 15 for 2006 | \$ 1,264,094 | 70.1% | \$ 1,263,894 | \$ 1,136,618 |
| All Others | \$ 540,348 | 29.9% | \$ 533,675 | \$ 501,058 |
| Total Domestic U.S. | \$ 1,804,442 | 100% | \$ 1,797,569 | \$ 1,637,676 |

Source: AAP, as reported by 6 publishers. Excludes supplemental and non grade-specific basal materials.
State ranking varies each year in accordance with adoption cycle

6–12 MARKET

Basal and Supplemental Materials

Net Sales by State (dollars in thousands)

| | 2006 | % of 2006 Total | 2005 | 2004 |
|----------------------------|---------------------|-----------------|---------------------|---------------------|
| 1 California | \$ 253,843 | 16.4% | \$ 203,071 | \$ 159,835 |
| 2 Florida | 127,827 | 8.3% | 129,114 | 123,313 |
| 3 New York | 83,366 | 5.4% | 88,067 | 92,746 |
| Top 3 for 2006 | \$ 465,036 | 30.0% | \$ 420,252 | \$ 375,894 |
| 4 Illinois | 76,788 | 5.0% | 59,961 | 73,985 |
| 5 Pennsylvania | 58,645 | 3.8% | 59,592 | 64,136 |
| 6 Texas | 54,802 | 3.5% | 159,514 | 59,410 |
| 7 North Carolina | 54,291 | 3.5% | 58,755 | 53,827 |
| 8 Virginia | 52,770 | 3.4% | 63,367 | 41,599 |
| 9 Ohio | 51,055 | 3.3% | 50,867 | 50,825 |
| 10 New Jersey | 47,509 | 3.1% | 48,620 | 53,348 |
| Top 10 for 2006 | \$ 860,896 | 55.6% | \$ 920,928 | \$ 773,024 |
| 11 Georgia | 45,163 | 2.9% | 48,275 | 47,459 |
| 12 Tennessee | 42,799 | 2.8% | 37,124 | 36,448 |
| 13 Michigan | 41,074 | 2.7% | 33,532 | 35,099 |
| 14 Maryland | 39,383 | 2.5% | 37,292 | 39,678 |
| 15 Missouri | 36,421 | 2.4% | 35,541 | 25,454 |
| Top 15 for 2006 | \$ 1,065,736 | 68.8% | \$ 1,112,692 | \$ 957,162 |
| All Others | \$ 482,948 | 31.2% | \$ 506,297 | \$ 433,919 |
| Total Domestic U.S. | \$ 1,548,684 | 100% | \$ 1,618,989 | \$ 1,391,081 |

Source: AAP, as reported by 6 publishers. Excludes supplemental and non grade-specific basal materials.
State ranking varies each year in accordance with adoption cycle

Sales by Subject Category (dollars in millions)

| | 2006 | % of 2006 Total | 2005 | % of 2005 Total | 2004 | % of 2004 Total |
|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Reading/Literature | \$ 702 | 38.0% | \$ 673 | 36.7% | \$ 758 | 45.5% |
| Mathematics | 487 | 26.4% | 494 | 26.9% | 529 | 31.7% |
| Social Studies | 193 | 10.4% | 144 | 7.9% | 86 | 5.2% |
| Science | 174 | 9.4% | 133 | 7.3% | 99 | 5.9% |
| Language Arts/English | 100 | 5.4% | 99 | 5.4% | 100 | 6.0% |
| Music | 51 | 2.8% | 93 | 5.0% | 27 | 1.6% |
| Health | 20 | 1.1% | 77 | 4.2% | 14 | 0.8% |
| Total | \$ 1,847 | 100% | \$ 1,835 | 100% | \$ 1,667 | 100% |

Source: AAP, as reported by 6 publishers. Excludes supplemental, non grade-specific basal, and non-domestic

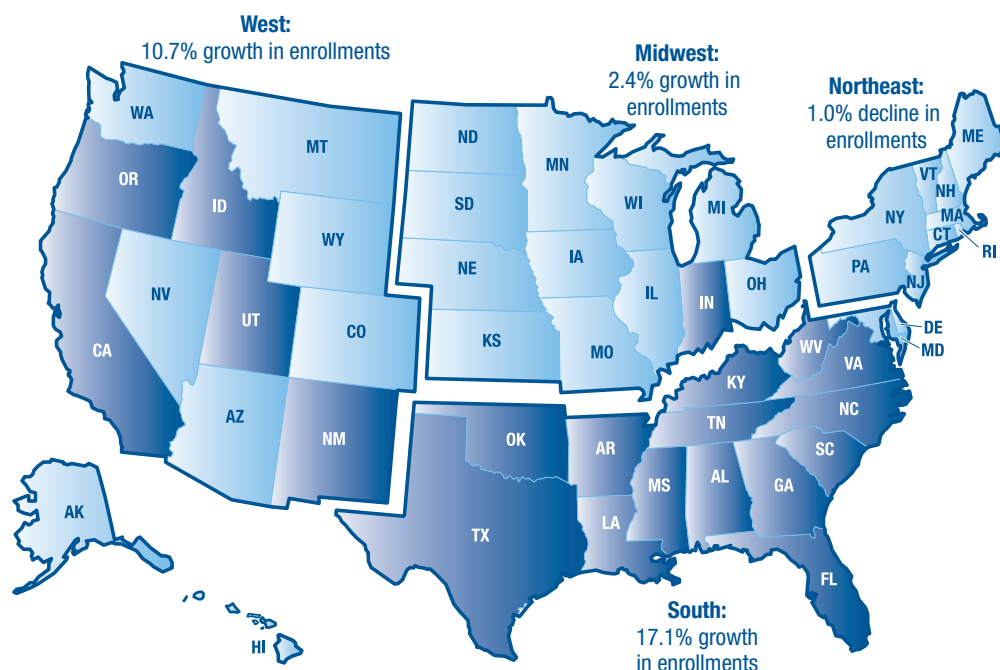
Sales by Subject Category (dollars in millions)

| | 2006 | % of 2006 Total | 2005 | % of 2005 Total | 2004 | % of 2004 Total |
|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Social Studies | \$ 312 | 19.8% | \$ 322 | 19.6% | \$ 188 | 13.3% |
| Science | 310 | 19.7% | 271 | 16.5% | 227 | 16.0% |
| Mathematics | 267 | 16.9% | 302 | 18.4% | 396 | 28.0% |
| Reading/Literature | 182 | 11.5% | 162 | 9.9% | 149 | 10.5% |
| Language Arts/English | 120 | 7.6% | 96 | 5.9% | 99 | 7.0% |
| Foreign Language | 113 | 7.2% | 174 | 10.6% | 128 | 9.1% |
| Business Education | 59 | 3.7% | 65 | 4.0% | 55 | 3.9% |
| All Others | 214 | 13.6% | 248 | 15.1% | 173 | 12.3% |
| Total | \$ 1,576 | 100% | \$ 1,639 | 100% | \$ 1,414 | 100% |

Source: AAP, as reported by 6 publishers. Excludes supplemental, non grade-specific basal, and non-domestic

GROWING ENROLLMENTS IN KEY ADOPTION STATES

Changing U.S. Pre-K–12 Enrollment by Region and State, 2004–2016



Total U.S. Enrollment Growth: 9.2%

Between 2004 and 2016 enrollment in public elementary and secondary schools is projected to increase in 40 states and decline in 10 states as well as the District of Columbia, translating into an 9.2% national increase overall.

Projected Enrollment Growth in Key Adoption States, 2004–2016

| | |
|----------------|-------|
| Texas | 28.1% |
| Florida | 22.9% |
| North Carolina | 18.3% |
| Virginia | 12.9% |
| California | 5.2% |

Source: U.S. Department of Education, National Center for Education Statistics, "Projections of Education Statistics to 2016"

MAPPING THE ADOPTION PROCESS

Nineteen states use the adoption process to buy elementary and secondary textbooks. A twentieth state, California, adopts textbooks through the eighth grade. In the adoption process, a state education board selects textbooks to be placed on an approved list. To use state education funds, local school districts must choose textbooks from the approved list. In adoption states, the state board issues curriculum guidelines and schedules the purchase of new books in each subject area. In the remaining states, known as "open territories," textbooks are purchased independently by local school districts or individual schools. There are no statewide purchasing schedules or state selected lists of textbooks.

Open Territories:
States in which schools purchase educational materials independently.

Adoption States:
States in which school districts must purchase educational materials that have been "adopted" at the state level in order to qualify for state funding.

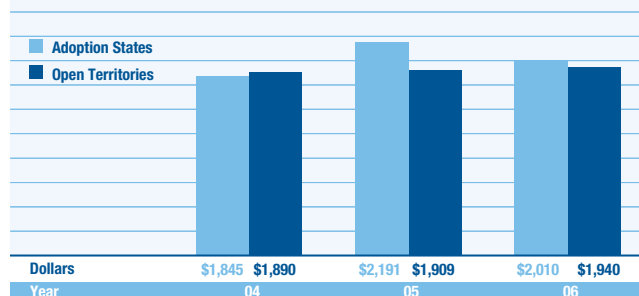
California:
Adopts for grades K–8; grades 9–12 are open territory.

Utah and Oregon:
Issue state-recommended lists, but do not tie textbook purchases to funding.

ADOPTION STATES, OPEN TERRITORIES, AND SUPPLEMENTAL SALES

Industry Textbook Sales: Adoption States, Open Territories (Pre-K–12)

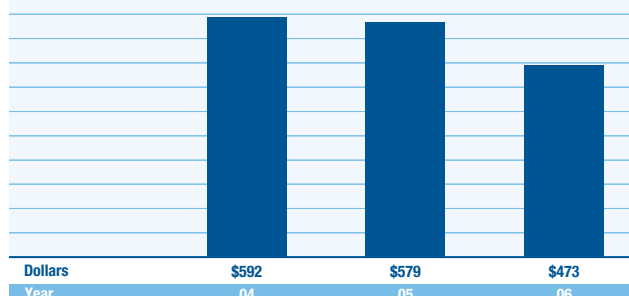
(dollars in millions)



Source: AAP, as reported by 6 publishers. Includes non grade-specific basal and supplemental materials. Excludes non-domestic sales of \$80 million, \$65 million, and \$59 million for 2006, 2005, and 2004, respectively

Supplemental Materials Market (Pre-K–12)

(dollars in millions)



Source: AAP, as reported by 6 publishers. Includes non grade-specific materials

Elementary and Secondary School Adoption Schedules

EL-HI ADOPTION OPPORTUNITIES

There is good visibility in the growing state new adoption market over the next several years. As these schedules show, prospects improve for the rest of the decade. Major adoption states, including Florida, Texas, and California, have announced plans to buy new educational materials.

ELEMENTARY SCHOOL ADOPTION SCHEDULE

| Bid Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Purchase Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Reading² | Alabama Florida Idaho Louisiana Oklahoma | California Georgia | New Mexico ¹ South Carolina (K-5) Texas (Eng/ <i>Span K-5</i>) | Arkansas Mississippi North Carolina Oklahoma ¹ | Kentucky Virginia (K-5) | Indiana (1-6) Tennessee West Virginia | Alabama Florida Idaho ¹ Oklahoma ¹ Oregon |
| Mathematics | California Mississippi Texas (Eng/ <i>Span K-5</i>) | Idaho Kentucky (P-6) North Carolina (K-5) Oregon South Carolina ¹ | Alabama Florida Indiana (1-6) Oklahoma West Virginia | Tennessee Virginia | Arkansas | Georgia Louisiana New Mexico | California Mississippi North Carolina |
| Social Studies | Arkansas North Carolina Tennessee | Indiana (1-6) | Virginia | Alabama Georgia Idaho Mississippi ⁴ New Mexico West Virginia | California Florida Mississippi ⁵ Oregon South Carolina ¹ | Kentucky North Carolina Oklahoma Texas (Eng/ <i>Span K-6</i>) | Arkansas Louisiana Tennessee |
| Science | Georgia Kentucky | Tennessee | Florida ⁶ Mississippi North Carolina ³ Oregon | Florida Indiana (1-6) Louisiana | Alabama Idaho New Mexico Oklahoma Texas (Eng/ <i>Span K-6</i>) Virginia West Virginia | Arkansas California South Carolina | Georgia Kentucky |
| Language Arts/ English² | Indiana (1-6) West Virginia | Alabama California ¹ Florida Georgia Louisiana | New Mexico South Carolina (K-5) Tennessee (1-6) Texas (Eng/ <i>Span K-1</i>) | Arkansas North Carolina Oklahoma Texas (Eng/ <i>Span 2-6</i>) | Kentucky | Idaho ¹ Mississippi | Indiana (1-6) Oregon West Virginia |
| Health (H) Physical Education (PE) | Oregon (H, PE) | North Carolina (H) Oklahoma (H, PE) Tennessee (H) | Alabama (H, PE) Georgia (H, PE) Idaho (H, PE) Kentucky (H, PE) | Indiana (H) (1-6) Louisiana (H, PE) South Carolina (H) (K-5) | Florida (H, PE) New Mexico (H, PE) West Virginia (H) | Arkansas (H, PE) California (H) Mississippi (H, PE) | North Carolina (H) |
| Art (A) Music (M) Drama (D) | South Carolina (A, M, D) West Virginia (A, M) | Florida (M) | Arkansas (A, M) Idaho (A, M) ¹ | Georgia (A, M, D) Kentucky (A, M) | Indiana (A, M) Louisiana (A, M) Mississippi (A, M) ³ North Carolina (A, M, D) Tennessee (A, M) | Alabama (A, M, D) Florida (A) New Mexico (A, M) Oklahoma (A, M) Oregon (A, M) | South Carolina (A, M, D) |
| Spelling | Indiana (1-6) | Alabama Georgia | South Carolina (K-5) | Arkansas North Carolina (2-6) Oklahoma Texas (1-6) | Kentucky Tennessee (1-6) | Idaho Mississippi | Indiana (1-6) West Virginia |
| Literature² | Oklahoma | — | — | — | Kentucky | Indiana (Reading 1-6) | Alabama Oklahoma |
| World Languages | South Carolina | — | — | Oregon (<i>Span K-6</i>) | California | Alabama Florida | South Carolina |
| Computer Education | Mississippi | Idaho | Florida Idaho | Idaho Louisiana | Arkansas Idaho | — | — |
| English as a Second Language (ESL) | — | Arkansas | Georgia North Carolina Tennessee (1-6) | Oklahoma Oregon Texas ³ | — | — | Oregon |
| Handwriting | Indiana West Virginia | Alabama | South Carolina (K-3) | Arkansas North Carolina (1-5) Oklahoma Texas (1-3) ¹ | Kentucky Louisiana | Idaho Indiana (1-3) Mississippi | West Virginia |
| Dictionaries | — | Alabama Georgia | — | Arkansas Oklahoma | — | Idaho Mississippi | — |

Source: AAP School Division/NASTA

Notes:

- Elementary adoptions are for grades K-6, unless otherwise noted
- Secondary adoptions are for grades 6-12, unless otherwise noted
- *Italics indicate Spanish-language program*
- Schedules are subject to change. 2007 and 2008 bid years are in effect. 2009 to 2013 bid years reflect assumptions from various sources including state websites

¹ Selected titles

² Some states bid separately on, or some combination of, Reading, English/Language Arts, and Literature programs. These states may be listed under more than one discipline in a bid year until they issue their actual bids

³ Pending final decision and/or approval

⁴ U.S. History only

⁵ Except U.S. History

⁶ Contracts ending March 31, 2009 will be extended to end on March 31, 2011

⁷ Postponed indefinitely

SECONDARY SCHOOL ADOPTION SCHEDULE

| Bid Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Purchase Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Mathematics | California (6-8) Georgia (9-12) Mississippi | Georgia ¹ Idaho Kentucky Oregon (6-8) South Carolina (6-8) ¹ | Alabama Florida Indiana North Carolina ³ Oklahoma Oregon (9-12) South Carolina (9-12) ¹ West Virginia | South Carolina (9-12) ¹ Tennessee Virginia | Arkansas | Georgia (6-8) Louisiana New Mexico | California (6-8) Georgia (9-12) Mississippi North Carolina |
| Science | Georgia Kentucky South Carolina (9-12) ¹ | South Carolina (9-12) ¹ Tennessee | Florida ⁵ Mississippi North Carolina ³ Oregon South Carolina (9-12) ¹ | Florida Indiana Louisiana | Alabama Idaho New Mexico Oklahoma Texas Virginia West Virginia | Arkansas California (6-8) South Carolina (6-8) | Georgia Kentucky South Carolina (9-12) ¹ |
| Social Studies | Arkansas North Carolina South Carolina (9-12) ¹ Tennessee | Indiana | South Carolina (9-12) ¹ Virginia | Alabama Georgia Idaho Mississippi ⁴ New Mexico South Carolina (9-12) ¹ West Virginia | California (6-8) Florida Mississippi ⁵ Oregon South Carolina (6-8) ¹ | Kentucky North Carolina Oklahoma Texas | Arkansas Louisiana South Carolina (9-12) ¹ Tennessee |
| Literature² | Alabama Indiana Louisiana Oklahoma | Florida Georgia (6-8) New Mexico (9-12) South Carolina (9-12) | Georgia (9-12) New Mexico (6-8) Texas | Arkansas Mississippi North Carolina | Kentucky South Carolina ¹ Tennessee Virginia | Indiana (6-8) (Reading 6-8) West Virginia | Alabama Indiana Oklahoma Oregon |
| Reading² | Alabama (6-8) Florida Idaho ¹ Louisiana Oklahoma ¹ | California (6-8) Georgia (6-8) New Mexico (9-12) ¹ | New Mexico (6-8) ¹ Texas (Elective 6-8) | Arkansas (6-8) Mississippi (6-8) North Carolina (6-8) Oklahoma ¹ | Kentucky (6-8) | Indiana (6-8) (Lit 6-8) Tennessee West Virginia (6-8) | Alabama (6-8) Florida Idaho ¹ Oklahoma ¹ Oregon (6-8) |
| Language Arts/ English² | Indiana West Virginia | Alabama California (6-8) ¹ Florida Georgia (6-8) Louisiana New Mexico (9-12) South Carolina (9-12) ¹ | Georgia (9-12) New Mexico (6-8) Tennessee | Arkansas North Carolina Oklahoma Texas | Kentucky South Carolina (6-8) ¹ Virginia | Idaho ¹ Mississippi | Indiana Oregon West Virginia |
| World Languages | Indiana South Carolina | Arkansas Mississippi New Mexico (9-12) ¹ Oklahoma West Virginia (7-12) | Georgia Idaho New Mexico (6-8) ¹ North Carolina ¹ Tennessee | Kentucky Oregon ¹ | California (6-8) Louisiana | Alabama Florida | Indiana South Carolina |
| Business Education | Mississippi New Mexico North Carolina South Carolina (9-12) ¹ | Arkansas Idaho ¹ Mississippi ¹ Oklahoma South Carolina (9-12) ¹ | Alabama Florida ¹ Kentucky Louisiana South Carolina (7-12) ¹ | South Carolina (7-12) ¹ | Georgia Indiana Tennessee | Florida North Carolina South Carolina (9-12) ¹ | Mississippi ¹ New Mexico South Carolina (9-12) ¹ Texas ¹ |
| Computer Education | Idaho Mississippi North Carolina (7-12) South Carolina (9-12) ¹ | Idaho Mississippi ¹ Oklahoma | Alabama Florida Idaho Kentucky South Carolina (7-12) ¹ | Idaho Louisiana South Carolina (7-12) ¹ Tennessee | Arkansas Idaho Oklahoma | Florida North Carolina (7-12) South Carolina ¹ | South Carolina (9-12) ¹ |
| Health (H) Physical Education (PE) | Oregon (H, PE) | North Carolina (H) Oklahoma (H, PE) Tennessee (H) | Alabama (H, PE) Georgia (H, PE) Idaho (H, PE) Kentucky (H, PE) South Carolina (PE) (9-12) | Indiana (H) Louisiana (H, PE) | Florida (H, PE) New Mexico (H, PE) South Carolina West Virginia (H) | Arkansas (H, PE) California (H) (6-8) Mississippi (H, PE) | North Carolina (H) |
| Family/ Consumer Science | New Mexico South Carolina (Occup) ¹ | Idaho Oklahoma Tennessee | Alabama Arkansas Kentucky Louisiana West Virginia | South Carolina ¹ (Non-Occup) | Georgia Indiana North Carolina South Carolina ¹ | Florida Mississippi | New Mexico South Carolina (Occup) ¹ Texas |
| Art (A) Music (M) Drama (D) Speech (S) | South Carolina (A, M, D) West Virginia (A, M) (S 9-12) | Alabama (S 9-12) Florida (M) Louisiana (S 9-12) ⁷ South Carolina (S 9-12) West Virginia (D) | Arkansas (A, M) Georgia (S 9-12) Idaho (A, M) ¹ (D 9-12) Tennessee (S 9-12) | Arkansas (S 9-12) Florida (D, S) (9-12) Georgia (A, M, D) Kentucky (A, M, D) Oklahoma (S 9-12) Texas (S 6-8) | Indiana (A, M) Kentucky (S 9-12) Louisiana (A, M) Mississippi (A, M) (D, S 9-12) ³ North Carolina (A, M, D) Tennessee (A, M) (D 9-12) | Alabama (A, M, D) Florida (A) Idaho (S) New Mexico (A, M) (D 9-12) Oklahoma (A, M) (D 9-12) Oregon (A, M) Texas (S 9-12) | South Carolina (A, M, D) West Virginia (S 9-12) |
| Vocational/ Technical Education | New Mexico | Arkansas Idaho ¹ Mississippi ¹ North Carolina (9-12) Oklahoma South Carolina ¹ | Alabama Arkansas (9-12) ¹ Florida ¹ Kentucky Louisiana | North Carolina (7-12) ¹ South Carolina ¹ | Georgia Indiana Tennessee Texas (9-12) ¹ | Arkansas (9-12) ¹ Florida ¹ South Carolina ¹ | Mississippi ¹ New Mexico North Carolina (9-12) Texas |
| Career/ Workforce Education | New Mexico South Carolina (9-12) | Arkansas Idaho (9-12) ¹ Mississippi (9-12) North Carolina Oklahoma | Alabama Louisiana | — | Georgia | — | New Mexico North Carolina South Carolina (9-12) ¹ Texas (9-12) |

INNOVATIVE SOLUTIONS FOR THE PRE-K–12 CLASSROOM

McGraw-Hill Education's focus is on providing learning solutions that engage students and provide teachers with the resources they need to effectively teach every child. McGraw-Hill Education has a variety of products that combine traditional print materials with digital tools to help teachers maximize individual performance. McGraw-Hill Education's investments in digital products and services are increasingly a source of competitive advantage at all levels of education.


**NEW READING PROGRAM FOR K–6, INCLUDING
ENGLISH-LANGUAGE LEARNERS AND INTERVENTION MARKET**
Treasures Reading Program

<http://treasures.macmillanmh.com>

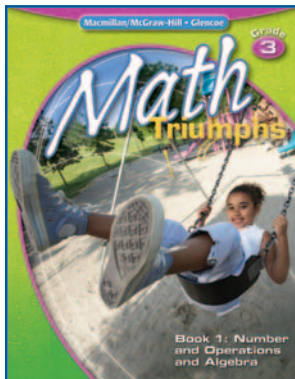
Treasures is a comprehensive, research-based program that provides differentiated reading and language arts instruction for K–6 students. Through assessment tools and motivating student resources, teachers are able to address the full spectrum of individual and whole-class needs while helping children become lifelong readers. Multimedia resources include an interactive phonics game, and puzzles to practice vocabulary and spelling words. A rich audio library supports students as they listen to stories and practice reading them aloud.

A new parallel program introduced in 2008 for Spanish-speaking learners – *Tesoros de lectura* – features the same intervention, skills practice, and assessment opportunities provided by *Treasures*:

- *Tesoros de lectura* offers a variety of differentiated instruction strategies and features a wide range of print and digital materials including workbooks, eBooks, videos, and an interactive teacher's edition

MATH INTERVENTION FOR STRUGGLING STUDENTS
Math Triumphs

www.macmillanmh.com



Math Triumphs, a math intervention program designed for K–8 students who are two or more years below grade level, is the first intervention program designed around the National Council of Teachers of Mathematics (NCTM) Curriculum Focal Points. Targeted content ensures student mastery of foundational skills and concepts from prior grades that are prerequisites for the current grade level. Meaningful diagnostic assessments identify students for intensive intervention and prescribe program resources to teach and reinforce essential mathematics content. *Math Triumphs* offers:

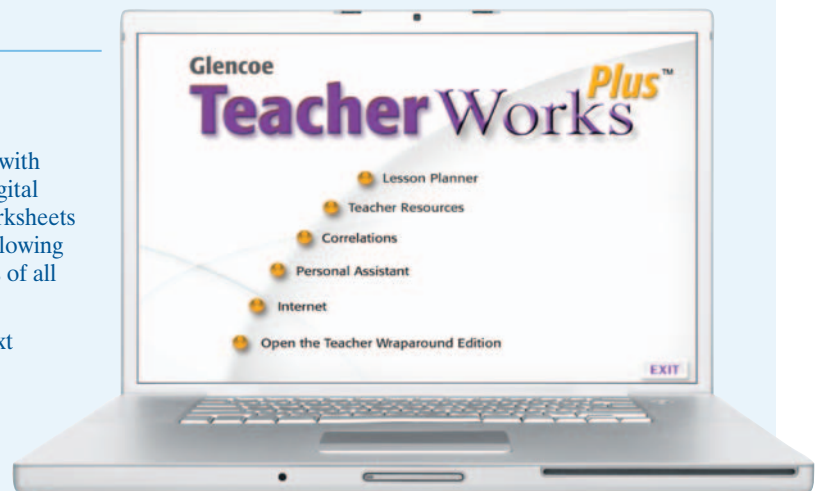
- Targeted resources to help teachers differentiate instruction for each student, providing many ways a student can practice math skills
- Support for a variety of instructional settings, including after school, before school, summer school, pull-out programs, intersession, and tutoring
- Comprehensive Teacher's Editions that offer lesson plans, intervention and ELL strategies, and Chapter Resource Masters

INCREASING TEACHER PRODUCTIVITY
TeacherWorks Plus™

CD-ROM

TeacherWorks Plus™ combines electronic textbook editions with teacher productivity tools in a single software solution. A digital lesson planner and innovative solutions such as editable worksheets and up-to-date content can be downloaded from the Web allowing a teacher to customize instruction to meet the diverse needs of all students. Key components include:

- Relevant state and national standards correlated to the text
- An Electronic Teacher Wraparound Edition
- Worksheet Editor



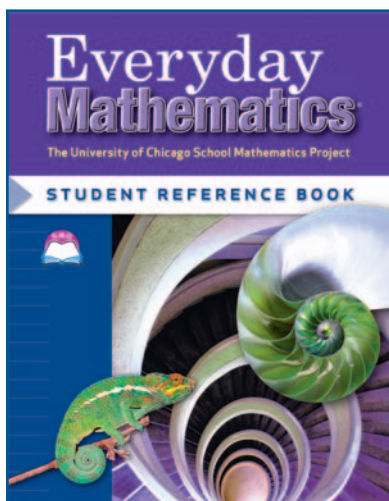
READING INTERVENTION FOR GRADES 6–12

Jamestown Reading Navigator

www.readingnavigator.com

Jamestown Reading Navigator is a research-based, field-tested online and print-based program developed to raise reading competencies and test scores of struggling students in grades 6–12. The online component of *Jamestown Reading Navigator* improves students' comprehension by utilizing direct, explicit instruction and modeling of good reading practices. The print-based readings encourage collaborative or independent learning. Teachers can monitor student progress utilizing the online Learner Management System where scores from formative and summative assessments are recorded. *Jamestown Reading Navigator* can be used to:

- Raise scores on state and national tests with direct, explicit instruction in reading skills and strategies
- Provide support for English-language learners
- Ensure teacher and student success with ongoing progress monitoring, robust reporting systems, comprehensive Professional Development, and teacher support tools



SUPPORTING TEACHERS TO IMPROVE STUDENTS' UNDERSTANDING OF MATH

Everyday Mathematics, Third Edition

www.emgames.com

Everyday Mathematics, Third Edition is designed to provide teachers with stronger lesson and content support and give every student a greater understanding of mathematics. From pre-K through grade 6, each level builds on and extends understanding to help students connect math to real-life applications. *Everyday Mathematics'* new online eSuite offers teachers and students fully integrated resources, including:

- **ePlanner:** All lesson materials are accessed online which helps teachers save time when planning lessons
- **Interactive Student Reference Books:** Audio recordings enable students to listen to the textbook line-by-line in English and Spanish. "Show Me" animations provide step-by-step explanations of different concepts; "Try Me" interactive tools let students manipulate input and observe the results, such as measuring angles
- **Assessment Management System:** Identifies individual student and class progress

RESEARCH-BASED ELEMENTARY READING & LANGUAGE ARTS PROGRAM

Imagine It!

www.imagineitreading.com

Imagine It! is a pre-K–6 reading and language arts program that combines the strength of proven, research-based instruction with explicit instruction and practice in the five key areas of reading: phonemic awareness, phonics, vocabulary, comprehension, and fluency. *Imagine It!* combines easy-to-follow instruction with frequent progress assessments to meet the needs of every student. Teachers, parents, and students can find engaging online activities for students to practice anytime, anywhere as well as support for reading practice. *Imagine It!:*

- Integrates technology to make teaching easier and learning more effective
- Maximizes student performance to meet Adequate Yearly Progress
- Contains activities to ensure English-language learner success
- Provides assessment and progress monitoring



Assessment and Reporting Market

TRANSFORMING THE LEARNING CONTINUUM

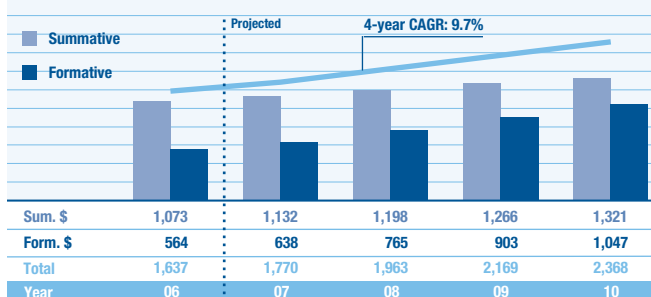
Education today is undergoing a profound change worldwide as students prepare to participate in the global economy. This transformation – aligned to accountability measures, technology advances, and the availability of comprehensive resources for students and parents as well as educators – is creating new ways of teaching and learning. McGraw-Hill Education, through its leading brands CTB and The Grow Network, is leveraging advances in assessment and reporting to create a more dynamic, transparent form of education – one that is much more individualized and efficient and aligned with true data-driven instruction. As a leader in summative and formative assessment, online reporting capabilities, and student and parent resources, McGraw-Hill Education is providing comprehensive solutions and best practices at home and abroad:

- Assessments that meet the needs of available classroom technology to enhance curricula, teaching and performance
- Personalized study guides that address individual student needs
- Online multilingual assessment reporting that gives both families and schools exceptional clarity around achievement
- Adult assessments and English-language proficiency resources that enable more learners to reach their education goals
- International assessments and reports that guide the future of global education efforts

These tools and resources not only capture data on learning and achievement, but are fundamentally changing the way teachers teach, students learn, and parents engage in classrooms around the world.

K-12 Educational Testing: Projected Market Growth

(dollars in millions)












Source: Eduventures

The Impact of No Child Left Behind on Annual Testing

| Starting Year | Subject | Grades | Frequency |
|---------------|-------------|-----------------|---------------------------------------------|
| 2005-06 | Reading | 3–8 10–12 | Once a year Once in high school* |
| | Mathematics | 3–8 10–12 | Once a year Once in high school* |
| 2007-08 | Science | 3–5, 6–9, 10–12 | Once a year at three different grade levels |

* Grade not specified

ASSESSMENT AND REPORTING SOLUTIONS – SERVING THE NEEDS OF ALL LEARNERS

| Pre-K–3 | Grades 3–8 | Grades 9–12 | Adult |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p>FIRST PERFORMANCES™ Reading and mathematics assessments and instructional guidance for Pre-K through grade 3 students; monitors student progress toward state standards</p> |  <p>All-in-one interim and formative assessment solution that informs teaching and improves student learning</p>  <p>TERRANOVA™ Assessment solution that supports data-driven instruction, measures student progress relative to state standards, and predicts student performance on state tests</p> |  <p>Assessments and instructional guidance for English-language learners</p>  <p>Writing ROADMAP™ Innovative online writing assessments and instructional guidance aligned with national and state standards</p> |  <p>TABE Complete Language Assessment System—English™</p>  <p>Diagnostic assessments and instructional support for adult students, including Basic Education and English as a Second Language students</p> |
|  <p>Personalized parent engagement plans based on student assessment results. Provides families with immediate 24/7 online access to their child's test results</p> | |  <p>MyGuide™ Personal Learning Program</p> <p>Personalized data-driven student learning pathways in print and online. In Texas, MyGuide is credited with a 19-point increase in 11th grade students passing the state assessment test in 2006</p> | |

TECHNOLOGY TO ENHANCE TEACHING AND LEARNING

DIAGNOSTIC AND PREDICTIVE BENCHMARK ASSESSMENTS FOR THE FORMATIVE MARKET

Acuity™

McGraw-Hill's formative and interim assessments help teachers identify knowledge gaps as they are occurring so students receive immediate individualized assistance. Acuity is a suite of diagnostic and predictive formative and interim assessments designed to show student growth toward state standards in reading, English/ language arts, math, and science for grades 3–8 and in algebra for grades 6–12. Developed in consultation with administrators, principals, teachers and students, Acuity features:

- Online and paper-and-pencil administration options to match the level of technology available in schools
- Informative reports that provide data teachers need to improve student achievement
- Instructional exercises tied to student performance and a state-correlated online item bank
- Custom, teacher-created tests to help students remain current on classroom instruction

In 2007, New York City awarded Acuity the largest formative contract ever at \$80 million over five years. The program's first state-level contracts in Indiana and West Virginia will also produce revenue in 2008 and beyond.



33



REACHING PARENTS STATEWIDE THROUGH TECHNOLOGY

Parent Network

The Parent Network is the first system in the nation to deliver statewide student assessment results directly to parents online.

- Gives states and districts an innovative digital platform that provides meaningful and timely information
- Enables parents to remain continuously engaged in their child's academic growth and planning for college and beyond
- Offers Personal Action Plans and other resources to help students succeed

In Florida, the Parent Network has had more than 5.7 million visits and 154 million hits. Indiana and Nevada launched customized Parent Networks in 2008.

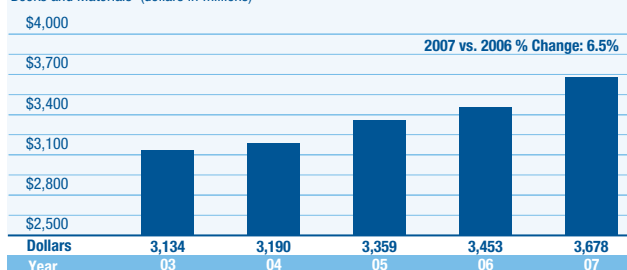
Higher Education Market

THE ROLE OF HIGHER EDUCATION IN THE GROWING KNOWLEDGE ECONOMY

Countries throughout the world are taking the initiative to meet today's educational demands for a more educated workforce. In the U.S. higher education market, universal high-speed Internet access is providing opportunities for a new generation of products that is enhancing learning for students. In the emerging markets of Asia/Pacific, Latin America, and the Middle East, higher education growth is being stimulated by increased government spending and growing enrollments. In Europe, the Bologna Process, which was implemented to make educational standards across the European continent more uniform, is starting to fulfill Europe's goal of a streamlined higher education system that will result in a more competitive global workforce.

Estimated Higher Education Industry Sales of U.S. Publishers*

Books and Materials (dollars in millions)



Source: AAP. Includes sales of domestic and non-domestic products

* Domestic and non-domestic

THINKING "OUTSIDE THE BOOK"

As the applications of technology for course management and content delivery continue to grow world-wide, McGraw-Hill Education is pursuing a variety of initiatives to deliver its trusted content. Created by leading experts in content development and instructional technology, these applications are providing new flexibility for students to study when and where it is most convenient. Digital deliveries open up new revenue opportunities for McGraw-Hill Education and will gradually migrate current print revenue toward a more advantageous subscription model.

Major Subject Areas

Allied Health
Business & Economics
Humanities, Social Sciences
& World Languages
Science, Engineering & Math

DIGITAL HOMEWORK SERVICES

Homework Manager Plus

Homework Manager Plus is a subscription service that is purchased per semester. It combines the latest interactive learning technology with McGraw-Hill Education's trusted content to create a comprehensive, fully-integrated online study package. Online homework help is available to students for mathematics, accounting, economics, and finance courses and will be introduced in physics and chemistry.

How it works:

- Student submits homework online and receives immediate grade instead of waiting days for a paper submission to be graded
- Assignment reaches instructor already graded and entered in the instructor's digital grade book – saving time
- An interactive online textbook links students to specific material for further study

In this homework assignment, economics students plot a short-run supply curve using the interactive graph
www.mhbm.com

COMMON eBook PLATFORM ACROSS PUBLISHERS

CourseSmart

McGraw-Hill Education, along with other publishers, is a founding member of CourseSmart, an industry consortium formed to develop a common eBook platform that standardizes delivery for students and instructors. CourseSmart is quickly establishing itself as the preeminent portal for all faculty seeking course content. It will also service students seeking to purchase required content. eBooks will be available for both instructors and students as an online-only access, or downloadable to a computer.

Virtually all instructor resource materials from McGraw-Hill Education are delivered as digital product, resulting in substantial cost savings versus print

www.CourseSmart.com

ONLINE COURSES

McGraw-Hill Online Learning

Online courses enable college students and working adults to take courses any-time, anywhere. Most traditional postsecondary institutions are rapidly increasing their offerings of fully online courses for credit, and a number of totally online schools have emerged in the for-profit sector. McGraw-Hill Education offers 40 online higher education courses and will be adding more in 2008.

McGraw-Hill Education's instructional design enables its online courses to be used in an exclusively online program or in a blended learning environment that leverages the best of traditional and innovative online learning solutions. McGraw-Hill Education's course content:

- Augments but does not replace a textbook
- Supports different learning styles through animations, graphics, streaming video, and interactive activities
- Allows instructors to customize content with a modular topic- and objective-based format



McGraw-Hill Education's online learning content won in two education categories:

- Best Postsecondary Course or Learning Management Instruction
- Best Postsecondary Instructional Solution



www.OnlineLearning.com



MEDIA-ENHANCED EDITIONS OF TEXTBOOKS

Fundamental Accounting Principles, 18th Edition

Icons appear throughout the media-enhanced edition linking the text to iPod® content including:

- Audio and video presentations
- Quizzes
- Narrated demonstration problems that correlate to the text
- Content that can also be downloaded from a DVD packaged with the book or online

MOBILE LEARNING RESOURCES FOR STUDENTS ON THE GO

Digital media brings *The Art of Public Speaking* to life

Lucas-On-the-Go is a companion website to *The Art of Public Speaking, Ninth Edition* that enables students to download content directly to an iPod or an MP3 player including:

- Audio chapter summaries
- Video flash cards for studying-on-the-go

Students can view a library of famous speeches



McGraw-Hill Education is the first major educational publisher to offer college-level content for the iQuiz game application, launched by Apple and designed for the iPod

iQuiz content for the iPod®

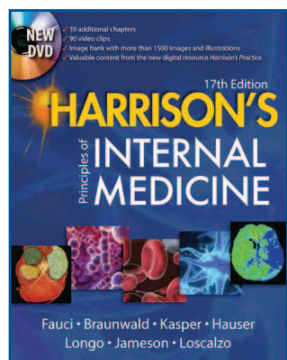
iQuiz's interactive game format enables students to practice and learn. Students can download a quiz created by the instructor and race against the clock to answer questions and beat the last high score. This useful self-assessment feature is available for hundreds of courses.

MEETING THE INFORMATION NEEDS OF PROFESSIONALS AROUND THE WORLD

The McGraw-Hill Higher Education, Professional and International (HPI) Group continually leverages its global brands and expert content to provide new digital services and tools to professional markets.

MEDICAL

MEDICAL VIDEOS ENHANCE NEW 17TH EDITION OF CLASSIC TEXTBOOK



The #1 selling medical textbook worldwide, *Harrison's Principles of Internal Medicine* has defined internal medicine for millions of physicians, clinicians, and students. In 2008, the 17th Edition has been thoroughly updated with new features, 800 new illustrations, an expanded focus on global health, and a first-ever companion DVD.

The DVD provides rich multimedia content that expands on the classic textbook:

- Digital “e-chapters” covering vital topics from Health Disparities to Patient Safety and Health Quality
- 90 video clips clearly demonstrate key diagnostic studies and interventional procedures
- An image bank of 1,500 illustrations for use in lectures and presentations

AN EXPANDING LINE OF SUBSCRIPTION-BASED MEDICAL SPECIALTY SITES

McGraw-Hill's online medical specialty sites provide researchers, physicians, medical students, professors, and healthcare professionals worldwide with fully-searchable market-leading texts, medical updates, curricular tools, illustrations, animations and videos, interactive self-assessment, comprehensive search platforms, and content downloadable to PDAs.

McGraw-Hill's
ACCESSMedicine

Online access to over 50 leading clinical resources that are cross-searchable and regularly updated. Used in more than 42 countries and by virtually all U.S. medical schools.
www.AccessMedicine.com

McGraw-Hill's
ACCESSEMERGENCY MEDICINE

Allows users to quickly search for the diagnosis and treatment of a broad range of illnesses and injuries found in emergency departments.
www.AccessEmergencyMedicine.com

McGraw-Hill's
ACCESSPHARMACY

An online curricular resource developed to meet the changing demands of pharmacy education.
www.AccessPharmacy.com

HARRISON'Spractice
Answers on Demand

A point-of-care clinical resource for internal medicine providing quick access to the latest diagnosis and treatment recommendations from world-class clinicians and researchers.
www.HarrisonsPractice.com

McGraw-Hill's
ACCESSSURGERY

Customizable, media-rich resource for surgical education
www.AccessSurgery.com

Custom curriculum tools enable residency directors to shape the *AccessSurgery* experience for their institution's needs

New Pay-per-View Access
Timed access in increments of 24 or 48 hours is available to non-subscribers on most sites



Quick tests and interactive self-assessment for surgical board review

Library of narrated surgical videos and animations of critical procedures and operations

Leading surgical references including *Schwartz's Principles of Surgery* and *Maingot's Abdominal Operations*

BUSINESS

INTERACTIVE INVESTOR EDUCATION TOOLS

ChartSource™ is a Web-based, subscription service that provides financial services institutions and professionals with access to a library of up-to-date charts that illustrate historical market and economic performance over various time periods. ChartSource's print and Web-based materials are used by financial professionals to educate clients on key investing concepts.

- Includes over 200 charts, graphs and tables on personal finance, retirement, and investing styles
- Seven topic groupings and 37 sub-categories including diversification and asset allocation
- Created from recognized data sources, including Standard & Poor's, the Federal Reserve, and the Bureau of Labor Statistics



TECHNICAL

CONTINUALLY UPDATED SCIENTIFIC AND TECHNICAL SUBSCRIPTION-BASED CONTENT



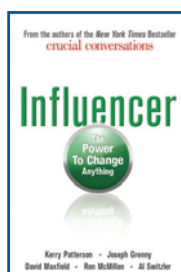
AccessScience includes the fully-searchable content of the *McGraw-Hill Encyclopedia of Science and Technology, 10th Edition*, updated daily, plus current awareness and multimedia content. *AccessScience's* growing list of global adoptions includes the Hong Kong Public Libraries, Council of Australian University Libraries, Ontario Council of University Libraries, and the Danish National Library Authority. www.AccessScience.com

Digital Engineering Library provides access to over 200 McGraw-Hill engineering titles along with an engineering dictionary containing 18,000 terms in a fully-searchable, taxonomically-organized database. www.DigitalEngineeringLibrary.com

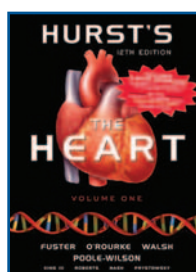
FINDING GROWTH IN OUR MARKETS

The HPI Group provides timely, authoritative, and actionable knowledge to professional customers through the publication of more than 1,000 titles a year.

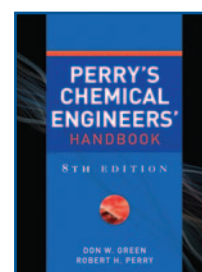
Business: A leader in management, finance, and investing content, McGraw-Hill continues to grow its business program with globally-oriented professional finance, leadership, and management topics.



Medical: A leading medical publisher, McGraw-Hill is expanding its programs to provide expert solutions to medical students and professionals throughout their entire careers.



Technical: McGraw-Hill focuses on globalizing its content and authorship to meet the developing needs of science, engineering, computing, and construction professionals worldwide.



Standard & Poor's

STANDARD & POOR'S

Standard & Poor's serves the global capital markets through S&P Credit Market Services and S&P Investment Services. Revenue diversification is important to Standard & Poor's performance and includes:

- **Geographic expansion:** Extends Standard & Poor's ratings and non-ratings businesses into international capital markets.
- **Product/service expansion:** Reduces S&P's dependence on new debt issuance by expanding non-transaction and non-traditional offerings and non-ratings opportunities.
- **Fee structure:** Creates a deferred revenue stream by emphasizing recurring annual fees through frequent issuer programs, surveillance fees, and subscription services.

STANDARD & POOR'S CREDIT MARKET SERVICES

A global leader in credit ratings and credit risk analysis, S&P Credit Market Services provides objective and independent opinions on credit risk. Analytical teams examine issuers and debt obligations of corporations, financial institutions, insurance companies, states and municipalities, and sovereign governments. The analytical teams also provide insight into the credit risk associated with securitized instruments. Revenue for S&P Credit Market Services in 2007 was \$2.3 billion.

STANDARD & POOR'S INVESTMENT SERVICES

S&P Investment Services is the world's leading index provider, managing close to 100 index families. Other key services include Capital IQ, a research platform for fundamental and market analysis and financial modeling; Compustat for fundamental company, index and industry information; and CUSIP Global Services, a securities classification system. A global team of equity analysts covers approximately 2,000 stocks. Revenue for S&P Investment Services in 2007 was \$782.1 million.

STANDARD & POOR'S REVENUE

| (dollars in millions) | 1Q 2007 | 1Q 2006 | 2Q 2007 | 2Q 2006 | 3Q 2007 | 3Q 2006 | 4Q 2007 | 4Q 2006 | 2007 | % of 2007 Total | 2006 | 2007 vs. 2006 |
|------------------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------|--------------------|-----------|------------------|
| Credit Market Services | \$545.0 | \$444.4 | \$635.7 | \$513.4 | \$558.5 | \$505.2 | \$524.9 | \$610.9 | \$2,264.1 | 74.3% | \$2,073.8 | 9.2% |
| Investment Services | 183.9 | 155.6 | 185.3 | 163.9 | 201.1 | 169.9 | 211.9 | 183.2 | 782.1 | 25.7% | 672.6 | 16.3% |
| Total revenue | \$728.9 | \$600.0 | \$821.0 | \$677.3 | \$759.6 | \$675.1 | \$736.7 | \$794.1 | \$3,046.2 | 100.0% | \$2,746.4 | 10.9% |

THREE VIEWS OF CREDIT MARKET SERVICES REVENUE

| (dollars in millions) | 1Q 2007 | 1Q 2006 | 2Q 2007 | 2Q 2006 | 3Q 2007 | 3Q 2006 | 4Q 2007 | 4Q 2006 | 2007 | % of 2007 Total | 2006 | 2007 vs. 2006 |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------|--------------------|-----------|------------------|
| Transaction ^(a) | \$267.0 | \$209.9 | \$335.9 | \$254.1 | \$246.4 | \$250.7 | \$196.6 | \$335.1 | \$1,046.0 | 46.2% | \$1,049.8 | (0.4%) |
| Non-Transaction ^(b) | \$278.0 | \$234.5 | \$299.8 | \$259.3 | \$312.1 | \$254.4 | \$328.3 | \$275.8 | \$1,218.1 | 53.8% | \$1,024.0 | 19.0% |
| Traditional ^(c) | \$399.9 | \$340.8 | \$490.3 | \$388.9 | \$413.8 | \$385.7 | \$383.2 | \$462.8 | \$1,687.3 | 74.5% | \$1,578.1 | 6.9% |
| Non-Traditional ^(d) | \$145.1 | \$103.6 | \$145.4 | \$124.4 | \$144.7 | \$119.5 | \$141.7 | \$148.1 | \$ 576.8 | 25.5% | \$ 495.7 | 16.4% |
| International | \$193.4 | \$155.0 | \$243.5 | \$184.8 | \$229.1 | \$192.4 | \$243.1 | \$254.2 | \$ 909.2 | 40.2% | \$ 786.3 | 15.6% |
| Domestic | \$351.6 | \$289.5 | \$392.2 | \$328.6 | \$329.4 | \$312.8 | \$281.7 | \$356.7 | \$1,355.0 | 59.8% | \$1,287.6 | 5.2% |

Note: Totals for each category may not sum due to rounding

(a) Transaction: Revenue related to rating new issuance of corporate, public finance, and structured finance instruments

(b) Non-transaction: Revenue from annual fees for frequent issuer programs, surveillance, subscriptions, and certain non-traditional products

(c) Traditional: Revenue produced by new ratings and surveillance of corporate, municipal, and structured finance obligations as well as subscription products

(d) Non-traditional: Revenue not tied to public bond issuance. Examples include ratings of financial strength of insurance companies and bank loan ratings

NEW ACTIONS TO STRENGTHEN THE RATINGS PROCESS AND BETTER SERVE GLOBAL CAPITAL MARKETS

Standard & Poor's is committed to playing a leadership role in addressing the issues currently facing the global credit markets. In February 2008, Standard & Poor's announced the implementation of a broad set of new actions to further strengthen its ratings operations and better serve the capital markets around the world. The actions include enhancements in the four areas below. Details of Standard & Poor's progress on all 27 actions are available at www.spnewactions.com.

Governance

S&P is implementing new measures that build on existing governance policies and protections and further strengthen the integrity of the ratings process to ensure its independence and make the effectiveness of governance even more transparent

Analytics

S&P is taking steps to ensure that its ratings models, processes, and analytical talent continue to be of the highest quality and that S&P remains fully equipped to rate complex financial structures with increasing transparency regarding assumptions

Information

S&P is providing market participants with greater transparency about the ratings process and greater clarity about the risks that could cause a change in ratings assumptions

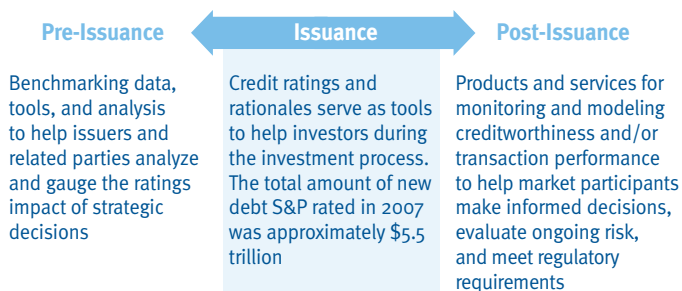
Education

S&P is undertaking an extensive educational outreach program to help market participants better understand what a credit rating is – and is not. The goal is to help them use ratings appropriately

THE EXPANDING WORLD OF S&P RATINGS

While Standard & Poor's traditional credit ratings have been widely used by the capital markets, the value and information they provide, along with newer products and services, are creating more growth opportunities. From pre-issuance to post-issuance, financial decision makers are utilizing a growing range of S&P products and services to identify, measure, and manage credit risk.

How Standard & Poor's Plays a Role in a Changing Market



Representative S&P Products and Services



INNOVATING IN CREDIT MARKETS: INTRODUCTION OF NEW PRODUCTS AND SERVICES¹

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2008 Leadership Actions Recovery Ratings: Unsecured Speculative-Grade Corporate Issues Servicer Evaluation Spotlight Report | 2007 ABSXchange Recovery ratings on speculative-grade secured loans and bonds LEVELS Australia Ratings Review Triggers™ Small Business Portfolio Evaluator CDO Evaluator Engine Financial Management Assessment Tenants-In-Common | GLOBAL² OFFICES 2008 Israel South Africa United Arab Emirates 2006 Taiwan 2005 India (CRISIL) 2004 China 2000 Korea 1999 Italy 1998 Brazil Russia 1997 Argentina 1996 Singapore 1995 Hong Kong 1993 Canada Mexico 1992 Germany Spain 1990 Australia France 1988 Sweden 1985 Japan 1984 United Kingdom 1868 New York |
| 2006 Swap Risk Ratings | 2004 Enterprise Risk Management (Financial Institutions) LossStats Data & Model | |
| 2005 Trustee Evaluations SPIRE Data & Model Credit Default Swaps (Synthetic) Data & Model | 2001 Advance Capital Modeling (Insurance) | |
| 2003 Secured Bank Loan Recovery Ratings | 2000 LEVELS Data & Model | |
| 1997 Collateralized Debt Obligations Credit Default Swaps/Synthetic Collateralized Debt Obligations | 1996 Catastrophe (CAT) Bonds Covered Bonds Rating Evaluation Service | |
| 1994 Government Investment Pools | 1995 Bank Loans | |
| 1992 Derivatives Products Companies | 1993 Trust Preferred | |
| 1989 Servicer Evaluations | 1987 European Structured Finance | |
| 1986 Non-U.S. Commercial Paper | 1985 Asset-Backed Securities Commercial Mortgage-Backed Securities | |
| 1984 Bond Funds Money Market Funds Eurobonds | 1982 Municipal Notes | |
| 1979 Securities Companies | 1978 Non-U.S. Financial Institutions | |
| 1975 Mortgage-Backed Bonds | 1974 Non-U.S. Industrials | |
| 1971 Insurance Companies Bond Insurance | | |
| 1969 Commercial Paper | 1941 Municipal Bonds | |
| 1916 Corporate Bonds and Sovereign Debt | 1868 Poor's Manual of the Railroads of the United States | |

¹ Coverage is a representative sample

² Physical presence does not indicate inception of coverage

Standard & Poor's Credit Market Services

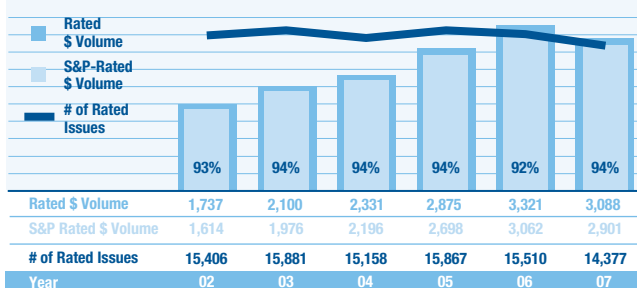
U.S. DEBT MARKET

In 2007, the size of the rated debt market in the U.S. totaled \$3.1 trillion, with Standard & Poor's rating approximately 94% of this debt issuance. The rated debt market is a component of the total debt market and includes only the debt securities issued with a rating. The rated U.S. debt market chart below is comprised of five new-issue categories: (1) Corporates; (2) Municipals; (3) Mortgage-Backed Securities (Residential Mortgage-Backed Securities and Commercial Mortgage-Backed Securities); (4) Asset-Backed Securities; and (5) Collateralized Debt Obligations.

(annual figures; dollar volume in billions; data by domicile of issuer/assets)

Rated U.S. Debt Market^(a, b, c, d, e, f)

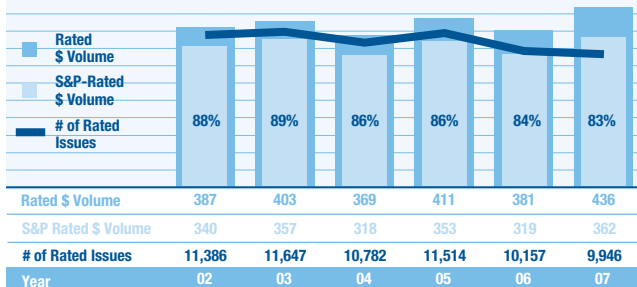
S&P penetration rate as a % of rated dollar volume



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

Municipals^(a)

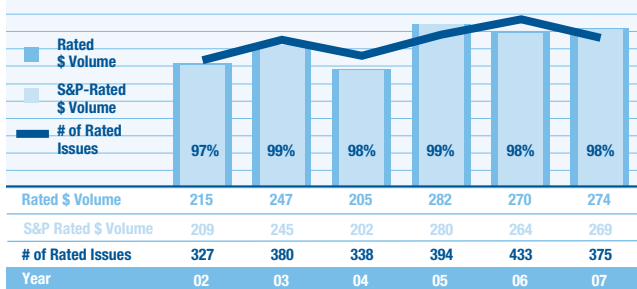
S&P penetration rate as a % of rated dollar volume



Source: Thomson Financial

Asset-Backed^(b, e)

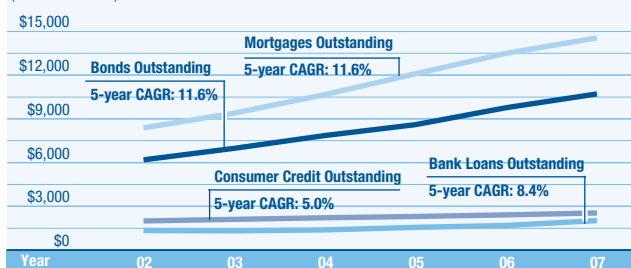
S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/Standard & Poor's

U.S. Credit Market Debt Outstanding

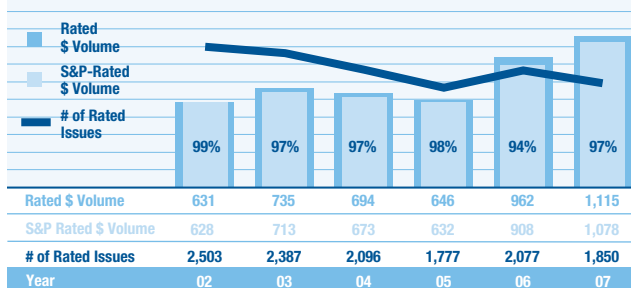
(dollars in billions)



Source: Board of Governors of the Federal Reserve System, dated December 6, 2007 and March 6, 2008
Note: Excludes open market paper, treasury securities, agency and GSE-backed securities, municipal securities, and other loans and advances

Corporates^(c, d)

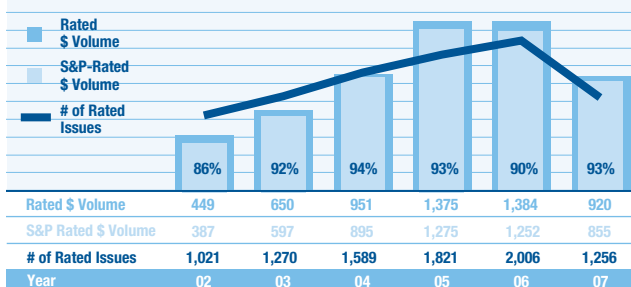
S&P penetration rate as a % of rated dollar volume



Source: Thomson Financial

Mortgage-Backed^(b, d, f)

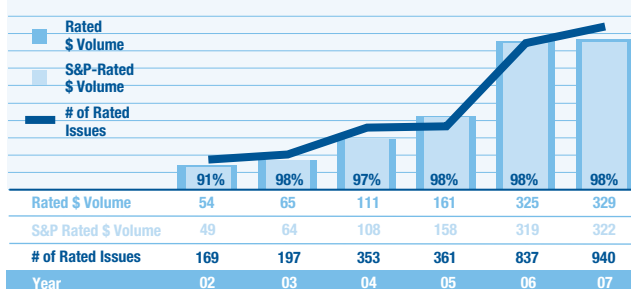
S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/Standard & Poor's

Collateralized Debt Obligations (CDOs)^(b)

S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/Standard & Poor's

Notes for debt issuance:

- (a) Excludes municipal student loans and private placements
(b) Excludes confidential transactions

- (c) Includes industrial and financial services issuers. Also includes Rule 144a (private placements), MTN takedowns, convertibles, and preferred

- (d) Excludes agency deals. Includes home equity loans
(e) Excludes sovereign issuers, private placements (except Rule 144a issues), retail notes, commercial paper, and all agency issues

- (f) Includes commercial mortgage-backed securities and residential mortgage-backed securities; includes U.S. CRE CDOs

EUROPEAN AND ASIAN DEBT MARKETS

European Debt Market

In 2007, rated debt issuance in Europe was nearly \$2.3 trillion, up 5% from 2006. Standard & Poor's utilized its European network to capitalize on growth and opportunities in the region. Standard & Poor's 2007 market penetration was 79% for all rated European debt.

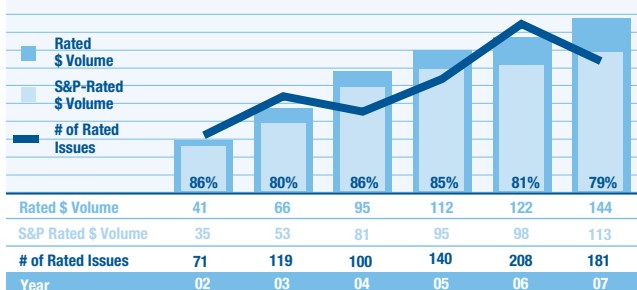
Asian Debt Market

In 2007, rated debt issue volume for corporates in Asia was \$170 billion, down 17% from 2006. Standard & Poor's 2007 market penetration was 82% for corporates. Rated issuance for structured finance was \$131 billion, down 22% from 2006, and Standard & Poor's rated 80% of that volume.

(annual figures; dollar volume in billions; data by domicile of issuer/assets)

European Asset-Backed (a, c, e)

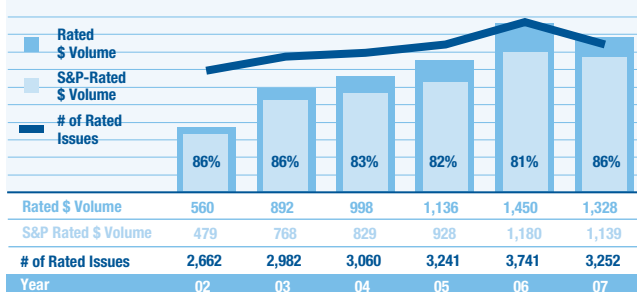
S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/Standard & Poor's

European Corporates (b, e)

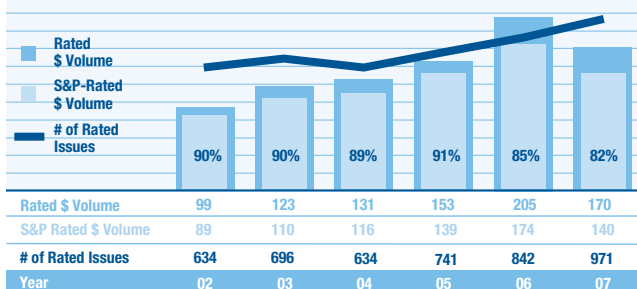
S&P penetration rate as a % of rated dollar volume



Source: Thomson Financial

Asian Corporates (b)

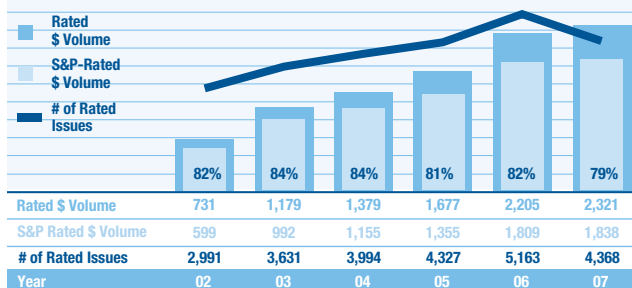
S&P penetration rate as a % of rated dollar volume



Source: Thomson Financial

Rated European Debt Market (a, b, c, d, e, f)

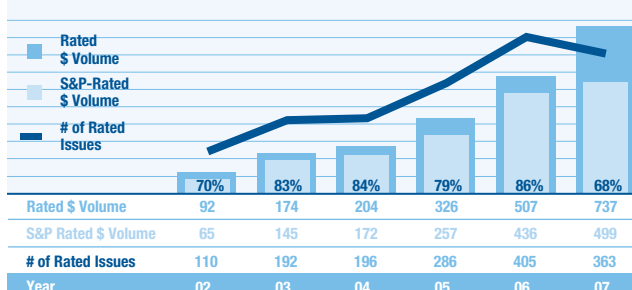
S&P penetration rate as a % of rated dollar volume



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

European Mortgage-Backed (a, d, e, f)

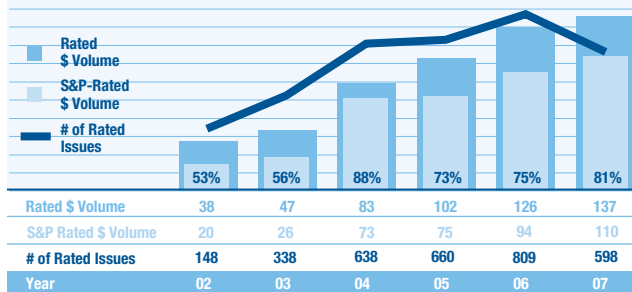
S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/Standard & Poor's

European Collateralized Debt Obligations (CDOs) (a, e)

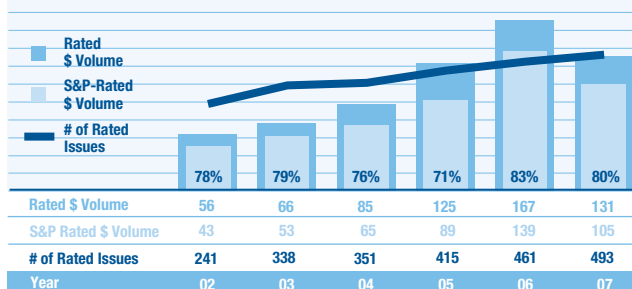
S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/Standard & Poor's

Asian Structured Finance (a, c, d)

S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/Standard & Poor's

Notes for debt issuance:

- (a) Excludes confidential transactions
 (b) Includes industrial and financial services issuers. Also includes Rule 144a (private placements),

MTN takedowns, convertibles, and preferred stocks. Excludes sovereign issuers, private placements (except Rule 144a issues), retail notes, commercial paper, and all agency issues

- (c) Excludes asset-backed commercial paper and letters of credit
 (d) Includes home equity loans

- (e) European data includes Middle East and Africa regions
 (f) Includes commercial mortgage-backed securities and residential mortgage-backed securities

Standard & Poor's Credit Market Services

NON-TRADITIONAL PRODUCTS AND SERVICES

Standard & Poor's continues to successfully reduce dependency on new issue volume in the bond markets by leveraging its expertise into non-traditional products and services, such as corporate credit ratings, bank loan ratings, and rating evaluation services. These areas tap into growing sensitivity to risk and increased regulatory and

public concern about the ability of financial markets to manage risk adequately. Globally, non-traditional products accounted for nearly 25% of ratings revenue in 2007. The growing marketplace acceptance of non-traditional rating activity by Standard & Poor's is illustrated in the charts below.

NON-TRADITIONAL RATINGS

Financial Strength, Counterparty, and Corporate Credit Ratings:

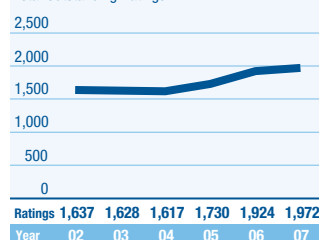
An opinion of an entity's overall creditworthiness and capacity to pay its financial obligations. These ratings do not apply to specific financial obligations.

Bank Loan Ratings: An evaluation of a syndicated loan based on the likelihood of ultimate repayment of the loan and on the recovery value in the event of default.

Recovery Ratings: A stand-alone, transparent opinion of the likely recovery of a loan in the event of default; expressed on a numerical scale, not linked to or limited by the issuer's traditional corporate credit rating. In 2007, S&P expanded its recovery rating scale to support the extension of recovery ratings to unsecured debt.

Financial Strength Ratings*

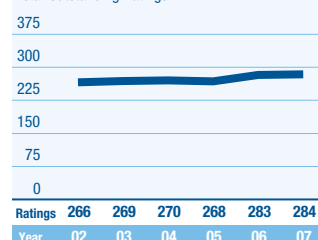
Total Outstanding Ratings



* Formerly Claims-Paying Ability Ratings

Counterparty Ratings*

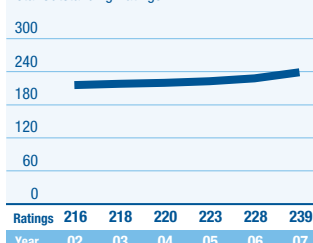
Total Outstanding Ratings



* Total for those organizations whose only rating is a Counterparty Rating

Corporate Credit Ratings*

Total Outstanding Ratings

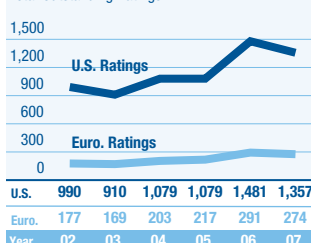


* Total for those organizations whose only rating is a Corporate Credit Rating

Source: Standard & Poor's

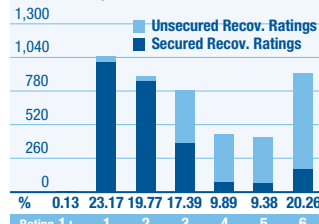
Bank Loan Ratings – U.S. & Europe

Total Outstanding Ratings

**Recovery Ratings**

Distribution of All Recovery Ratings

Total Rated: 4,531



As of April 22, 2008

* Recovery of principal plus accrued but unpaid interest at the time of default

** Very high confidence of full recovery resulting from significant overcollateralization or strong structural features

Standard & Poor's
Recovery Rating
and Description

| Recovery Rating and Description | Recovery Expectations* |
|-----------------------------------------|------------------------|
| 1+ Highest expectation of full recovery | 100%** |
| 1 Very high recovery | 90-100% |
| 2 Substantial recovery | 70-90% |
| 3 Meaningful recovery | 50-70% |
| 4 Average recovery | 30-50% |
| 5 Modest recovery | 10-30% |
| 6 Negligible recovery | 0-10% |

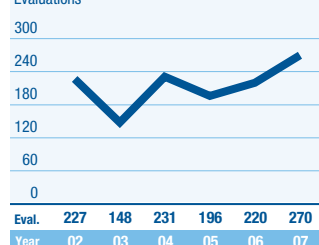
EVALUATIONS

Rating Evaluation Service: A confidential, specific, and indicative assessment of how potential acquisitions, debt issues, stock repurchases, recapitalizations, consolidations, and other actions will impact a company's creditworthiness and credit rating.

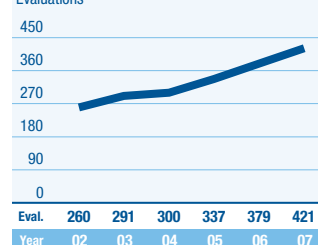
Service Evaluations: An independent, objective view of a company's ability to service loan and asset portfolios. The Service Evaluation rankings serve as consistent, objective benchmarks for assessing operational risk that provide valuable transparency and enable global market participants to make informed decisions.

Rating Evaluation Service

Evaluations

**Service Evaluations**

Evaluations



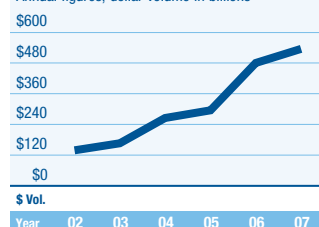
Source: Standard & Poor's

LEVERAGED COMMENTARY & DATA

Leveraged Commentary & Data: Strong demand in the first half of the year powered leveraged loan issuance to a record \$535 billion in 2007, up from \$480 billion in 2006. In addition to providing leveraged loan ratings and collateralized loan obligation ratings, Standard & Poor's is capitalizing on the market need for information by expanding its subscription-based commentary and data to participants.

U.S. New-Issue Leveraged Loan Volume

Annual figures; dollar volume in billions



Source:
Standard & Poor's Leveraged Commentary & Data

STANDARD & POOR'S SUITE OF PRODUCTS FACILITATES TRANSPARENCY IN CAPITAL MARKETS



STANDARD & POOR'S CDS ACCELERATOR

Customized for the synthetic CDO (collateralized debt obligation) market, Standard & Poor's *CDS Accelerator* offers an efficient way for investors, collateral managers, and structuring banks to analyze new and existing CDO structures and allows them to incorporate the same methodology and criteria used by Standard & Poor's in its own ratings and surveillance processes.

CDS Accelerator incorporates the *CDO Evaluator* credit model and the *CDS Xpress* data feed and enables users to:

- Manage their portfolio using a global database of Corporate Names and ABS assets, linked by identifier (MarkIt CLIPS, ISINs, CUSIPs), including all data inputs to the credit model
- Automatically calculate key benchmarks (SROC, SLR, VM, DM, CM) using asset-specific recovery rates
- Stress test multiple deals in a single scenario analysis
- Analyze deal performance using historical ratings data

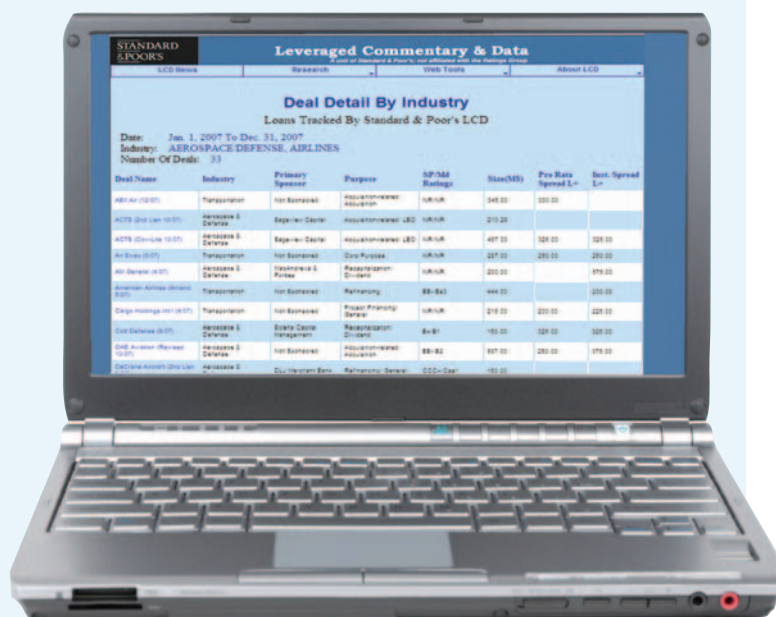
STANDARD & POOR'S LEVERAGED COMMENTARY & DATA (LCD)

Standard & Poor's LCD delivers unique insight into the leveraged primary and secondary loan markets through data, analysis, real-time news, and commentary. With data on more than 5,000 leveraged loan transactions, and more than \$1 trillion in new issues, LCD is a leading data provider to the leveraged finance community.

LCD's data provides a critical set of benchmarking and structuring tools for sell-side institutions to use in discussions with issuers, equity sponsors, and investors. LCD's proprietary loan information offers the only industry-wide database of leveraged loan information memoranda.

LCD subscribers can access the following services via www.lcdcomps.com:

- **LCD News:** Stories from reporters, editors and analysts in the U.S. and London who talk to loan and high-yield bond arrangers and traders
- **LCD Research:** Includes weekly, monthly, and quarterly statistical and trend analyses of the U.S. and European loan markets
- **Web Tools:** *Lender Wizard* enables custom searches of lenders and loans; *Credit Stats Wizard* helps analyze U.S. and European credit statistics



Standard & Poor's Investment Services

CONTRIBUTING TO TRANSPARENT, EFFICIENT FINANCIAL MARKETS

Standard & Poor's Investment Services is committed to offering comprehensive, value-added financial data, information, indices, and research that facilitate transparent, efficient markets and enable informed investment decision-making across asset classes for both institutional investors and financial advisors.

Standard & Poor's embeds its comprehensive and timely financial information into the workflow of financial professionals globally. Timely, critical, and unique content is distributed via client-integrated workflow platforms, specific workflow applications, and data feeds that enable clients to provide value to their customers.

EMBEDDING STANDARD & POOR'S DATA INTO CLIENT WORKFLOWS

Unique Content

- Company Data
- Reference Data
- Securities Evaluations
- Index Data
- Client's Proprietary Data*

Solution-Based Delivery

- Workflow Platform
 - Capital IQ Platform
- Applications
 - CUSIP Access
 - Research Insight
 - S&P Backtester
- Data Feeds
 - Compustat Xpressfeed
 - Masterfeed

CLIENT

* Client's own proprietary data stored on Capital IQ Platform and accessible only by client

Company Data: Standard & Poor's delivers timely, standardized fundamental data and market information, as well as industry classifications on global companies, to investment professionals worldwide. S&P's company data meets clients' needs through comprehensive company coverage, a large number of unique data items, and an extensive historical database.

Reference Data: Standard & Poor's global reference data solutions support securities operations and risk management worldwide, and include securities identification and cross-referencing services, corporate actions, descriptive data, and entity linkage services. Reference data capabilities assist customers with Straight Through Processing (STP) improvements, global clearance and settlement, compliance, security master file maintenance, and data management operations.

Securities Evaluations: Independent fixed-income evaluations and equity pricing for more than six million global instruments support clients' securities operations, fund pricing, and portfolio management functions worldwide. Standard & Poor's also provides objective fair value evaluations on municipals, corporates, mortgage-backed securities, derivatives, swaps, and other evaluated securities.

Index Data: Easy-to-use tools provide complete access to S&P index content and analysis. Standard & Poor's index data is accepted as crucial to the investment process for quantitative modeling, back testing, and portfolio construction and management, including risk monitoring and control.

Workflow Platform

Capital IQ Platform: High-impact information and workflow solutions are delivered to more than 2,300 leading financial institutions, advisory firms and corporations. Solutions are based on the Capital IQ Platform, a unique combination of global private and public capital market data and technology that enables end-users to draw deep market insights, generate better ideas, leverage relationships, and simplify workflow.

Applications

Research Insight: Investment professionals' portal to authoritative financial data, company reports, easy-to-use performance graphs, and documents. Extensive functionality and broad selection of data items enable investment professionals to customize research and transform their analysis into insight.

CUSIP-ISIDPlus Access: Online database of global security identifiers cross-referencing more than 900,000 issues.

Data Feeds

Compustat Xpressfeed: Timely, comparable, objective company information with deep history to support sophisticated analysis across industries, companies, and items.

Masterfeed: A single data feed for global pricing and pricing-related data including dividend announcements, credit ratings, and descriptive data on more than six million instruments. The flexible data delivery platform gives financial professionals the ability to prioritize pricing and reference data sources.

EMBEDDING STANDARD & POOR'S DATA INTO CLIENT WORKFLOWS

Capital IQ

Capital IQ is a Web- and Excel-based research platform that combines robust, integrated tools with deep information on companies, markets, and people worldwide to enable fundamental analysis, financial modeling, market analysis, screening, targeting, and relationship and workflow management. Features include:

- **Company Intelligence:** Comprehensive information on over 47,000 public companies, 822,000 private companies, 12,000 private capital firms, 370,000 transactions, and 1,000,000 professionals worldwide
- **Financial Analysis:** Easy-to-use tools for financial statement analysis, comparables analysis, financial modeling, sector analysis, and charting
- **Screening and Targeting:** Identify potential investments, investors, buyers, acquisitions, sales prospects, strategic partners, and executive hires as well as financial transactions and corporate actions
- **Relationship and Workflow Management:** Improve relationship coordination and decision-making across an enterprise
- **Capital IQ Real-Time™:** Add-on feature that provides real-time market activity
- **ClariFI® Portfolio Analytics:** Available as a standalone or bundled with Capital IQ



www.CapitalIQ.com

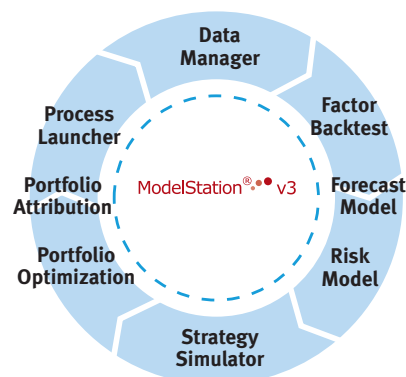
Capital IQ is used by more than 2,300 client firms including many of the world's most successful investment banks, hedge funds, private equity firms, consultants, and corporations

ClariFI®

The acquisition of ClariFI in 2007 adds portfolio analytics to Standard & Poor's Capital IQ platform. ClariFI provides software and services to help quantitative portfolio managers and researchers decrease the time it takes to research, test, and put into production their alpha generating strategies, leading to reduced operational risk, decreased time-to-market, and a significant competitive advantage. ClariFI's ModelStation® is a single solution for all the vital quantitative processes:

- Data Management
- Factor Backtesting
- Model Construction
- Strategy Simulation
- Portfolio Optimization
- Risk and Portfolio Attribution

ClariFI's ModelStation integrates all the vital processes for quantitative portfolio management and research onto one platform



www.clarifi.com

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www.cusip.com

CUSIP® Global Services

CUSIP Global Services is dedicated to driving efficient trading, clearing and settlement in capital markets throughout the world. By providing a unique common language for identifying financial instruments across institutions, exchanges and nations, financial services firms benefit from improved operating efficiencies and substantially reduced administrative costs.

Note: CUSIP Global Services is operated by the CUSIP Service Bureau (CSB), managed on behalf of the American Bankers Association by Standard & Poor's.

CUSIP Global Services provides coverage on more than 8.4 million financial instruments, including complex asset classes

Standard & Poor's Investment Services

A WORLD-LEADING INDEX PROVIDER

Standard & Poor's flagship index series, including the S&P 500 and the S&P Global 1200, are world-renowned as investable, liquid, and replicable offerings designed to serve as proxies for the different markets they measure. Over \$1.5 trillion in investment assets are directly tied to Standard & Poor's indices.

A leading full-service provider of tradeable and benchmark index products and services, Standard & Poor's has a long history of creating indices. Collaboration with major exchanges around the world enables Standard & Poor's to innovate local, regional and global solutions for all types of index needs. The goal: provide an index for every type of investment.

TRACKING THE GROWTH OF S&P'S FAMILY OF INDICES



THE GOAL: AN INDEX FOR EVERY TYPE OF INVESTMENT

Standard & Poor's family of indices represents a broad spectrum of asset classes, geographies and styles.

| Equity | Alternative | Strategy | Fixed Income | Custom |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Families of indices for global and local markets. Basis for futures, options, and exchange-traded funds (ETFs). Recent additions include 24 Shariah-compliant indices and a new series of emerging and frontier market solutions including infrastructure, S&P Extended Frontier 150, and S&P Select Frontier 30 | Benchmarking tools for assets beyond stocks and bonds. Examples: Commodities (S&P GSCI); residential real estate market (S&P Case-Shiller®); private equity (S&P Listed Private Equity); commercial real estate (S&P/GRA); master limited partnerships (S&P MLP); and environmental, social and corporate governing practices (S&P ESG India) | Portfolio strategies based on equities, fixed income, commodities, or innovative asset class allocations. Examples: S&P/BusinessWeek Global Innovation Index; S&P 500 130/30 Index; S&P Arbitrage series; and S&P Dividend series | A variety of bond benchmarks for investors in China, structured finance indices in the U.S. and Europe, and S&P National Municipal Bond Index in the U.S. | Indices designed for clients including asset managers, derivative desks, brokerage houses, listed companies, pension plans, consultants, and stock exchanges |

HOW S&P INDEX PRODUCTS AND SERVICES GENERATE REVENUE

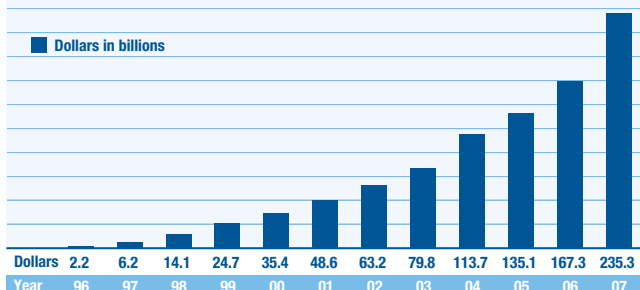
- **Investment vehicles such as ETFs**, which are based on Standard & Poor's indices and generate revenue through fees based on assets in underlying funds
- **Index-related licensing fees**, which are either annual fees based on assets under management or flat fees for over-the-counter (OTC) derivatives and retail structured products
- **Data subscriptions**, which support index product management, portfolio analytics, and research
- **Listed derivatives**, which generate royalties based on trading volumes of derivatives contracts listed on the Chicago Mercantile Exchange, Chicago Board Options Exchange, Australian Securities Exchange, Montreal Exchange, and other exchanges

RECORD-LEVEL ETFs LINKED TO S&P INDICES

Exchange-traded funds (ETFs), which represent share ownership of an index fund but trade like shares of stock, have become some of the most popular and actively-traded securities on stock markets around the world. Standard & Poor's has been at the forefront of ETF development since the launch of the S&P 500 SPDR (Standard & Poor's Depository Receipts) in 1993, the S&P MidCap SPDR in 1995, and the Select SPDRs in 1998. 46 ETFs linked to S&P indices were launched in 2007 (26 listed in the U.S. and 20 listed on international exchanges). Assets in the 144 listed ETFs linked to S&P indices reached record levels at year-end 2007, led by the SPDR S&P 500 ETF, the largest ETF in the world.

S&P Index-Based U.S. ETF Assets^(a)

(dollars in billions)

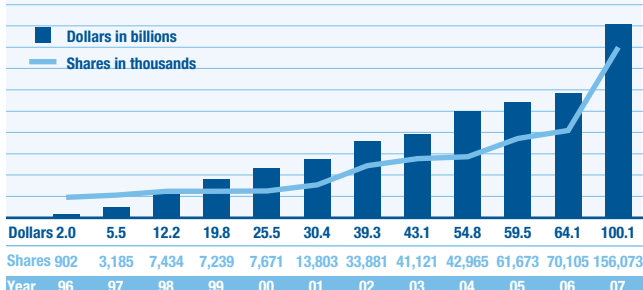


Source: Standard & Poor's: 1996-2005; Bloomberg: 2006-2007

Futures and options volume linked to indices continues to grow. Trading in E-mini S&P 500 futures at the Chicago Mercantile Exchange reached a record 415.3 million contracts in 2007, up 61.0% compared to 2006. Trading in S&P 500 options at the CBOE reached a record 158.1 million contracts in 2007, up 50.5% from 2006. New instruments such as options on VIX, a measure of volatility of the S&P 500, and weekly options linked to the S&P 500 and S&P 100, continue to expand the range of products linked to Standard & Poor's indices.

SPDR Trust Value/Average Daily Trading Volume

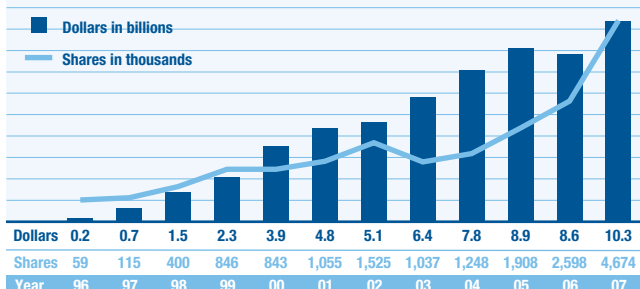
(dollars in billions)/(shares in thousands)



Source: American Stock Exchange

MidCap SPDR Trust Value/Average Daily Trading Volume*

(dollars in billions)/(shares in thousands)

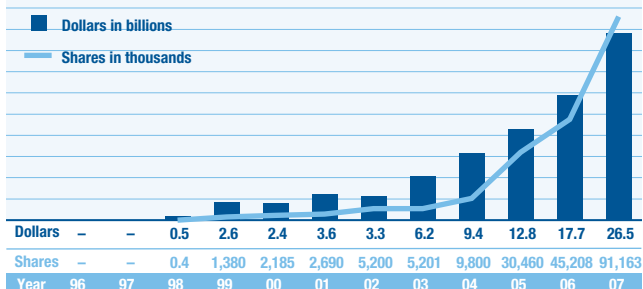


Source: American Stock Exchange

* MidCap SPDRs (MDY) started trading May 4, 1995

Select Sector SPDR Trust Value/Average Daily Trading Volume*

(dollars in billions)/(shares in thousands)

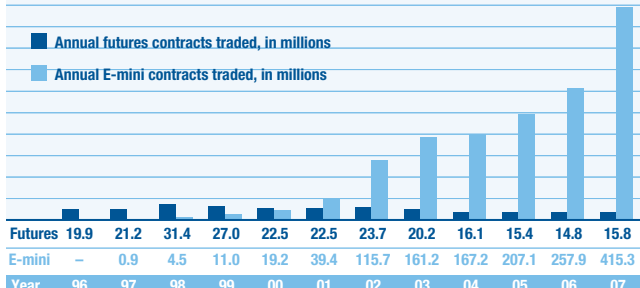


Source: American Stock Exchange

* Select Sector SPDRs started trading December 22, 1998

S&P 500 Futures and "E-mini 500"* Contracts Traded on the CME

(contracts in millions)

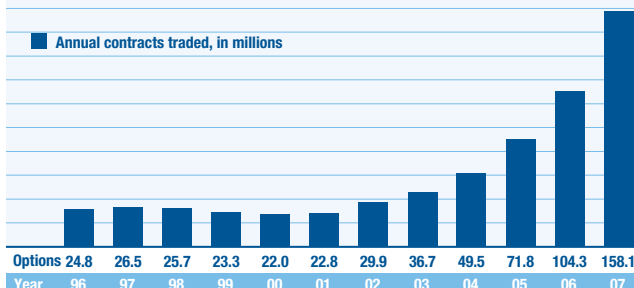


Source: Chicago Mercantile Exchange

* E-mini 500 contracts started trading on September 9, 1997

S&P 500 Option Contracts Traded on the CBOE

(contracts in millions)



Source: Chicago Board Options Exchange

(a) 1996-2005 represents assets under management from SPDRs, iShares, iUnits, S-tracks ASX, Rydex and Lyxor (MIB). 2006 and 2007 includes all "other" S&P-based ETF assets (\$6.1 billion and \$18.1 billion,

respectively). Examples of "other" include: VXF (Vanguard Extended Market ETF), SDS (UltraShort S&P 500 ProShares), and IPRV (LN iShares S&P Listed Private Equity)

Standard & Poor's Investment Services

A WORLD-LEADING PROVIDER OF INDEPENDENT EQUITY RESEARCH

Standard & Poor's is a world-leading provider of independent equity research, offering a wide spectrum of investment opinions, analysis, and commentary that is purchased by financial advisors, investors, and institutions. Standard & Poor's was among the leaders in equity research providers with nine awards and a top four ranking in the 2008 edition of *The Wall Street Journal's* "Best on the Street" annual analyst survey.

S&P's equity research serves a full range of financial advisors, from traditional broker to registered investment advisor, from wirehouse to independent advisor, and from financial planner to wealth manager. Standard & Poor's provides its research in a number of ways including strategy-driven portfolios, top-down, trend-driven and sector research tied to specific recommendations, individual reports on equities, and a new series of services facilitating the relationship between advisors and their clients.

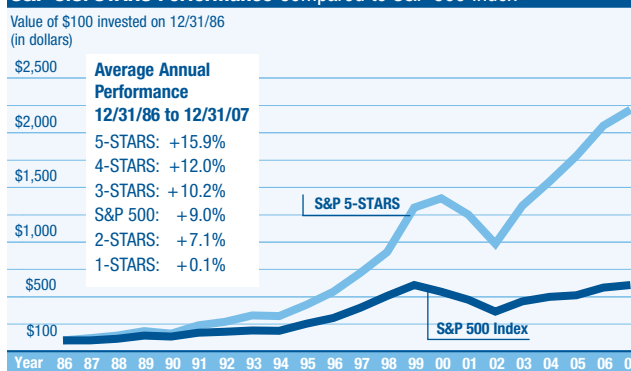
LEADING THE WAY IN THOUGHT LEADERSHIP AND ANALYTICAL EXCELLENCE

QUALITATIVE RESEARCH

Standard & Poor's provides a single authoritative source of unbiased equity analysis and opinion on stocks around the world. S&P's global team of equity analysts provides investment recommendations using a proprietary measure called the Stock Appreciation Ranking System, or STARS, a ranking of the potential for future performance over the coming 12-month period. Under this system, Standard & Poor's offers qualitative coverage on almost 2,000 stocks, including over 1,500 publicly-traded companies in the United States.

Since its inception in 1986, Standard & Poor's STARS methodology has delivered consistently favorable performance relative to broad market measures. During the past 18 years, Standard & Poor's 5 STARS (strong buy) recommendations have outperformed the U.S. stock market.

S&P U.S. STARS Performance Compared to S&P 500 Index



Source: Standard & Poor's

QUANTITATIVE RESEARCH

Standard & Poor's provides quantitative evaluations for more than 6,000 equities including models that use artificial intelligence and incorporate historical numbers and growth projections.

- **Quality Ranking (Earnings & Dividend Ranking) System:** Created nearly 50 years ago, S&P's Quality Rankings now evaluate more than 4,000 common stocks, assisting both individual and professional investors in identifying securities that consistently outperform market indices on a risk-adjusted basis.

- **Fair Value Rank:** A quantitative model that incorporates profitability, relative value, and changes in future earnings estimates. This ranking is based on relational analyses of consensus earnings and growth forecasts.
- **Investability Quotient (IQ):** The IQ indicates a stock's potential for medium- to long-term returns on a scale of 0 to 250 based on three proprietary performance measures: STARS, Quality Rankings, and Credit Ratings. The IQ calculation also draws from a proprietary statistical model that looks at valuation, profitability, risk and momentum factors, relative strength, liquidity, and volatility.

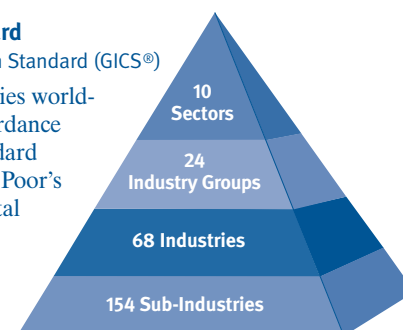
STANDARD & POOR'S QUALITY RANKING SYSTEM

The Standard & Poor's Quality Ranking System (also known as the Earnings & Dividend Ranking System) ranks a broad universe of U.S. common stocks based on each company's 10-year history of earnings and dividend activity. It is relied on by professional investors to assist in identifying securities that are appropriate for inclusion in equity portfolios. Standard & Poor's also produces a number of in-depth S&P Quality Ranking reports and creates products which apply this popular, time-tested evaluator in innovative ways, including a growing number of S&P model portfolios and structured investment ideas.

Creating a Global Standard

Global Industry Classification Standard (GICS®)

More than 35,000 companies worldwide are classified in accordance with GICS®, a global standard developed by Standard & Poor's and Morgan Stanley Capital International Inc. Each company is classified at the sub-industry level.



TIMELY, CONCISE, ACTIONABLE INVESTMENT OPINIONS AND MARKET ANALYSES

MarketScope® Advisor

Standard & Poor's MarketScope Advisor is a premier online application that gives financial advisors an opportunity to interact with clients in a whole new way by providing timely, concise, actionable investment opinions and in-depth market analyses in an easy-to-use software package. MarketScope Advisor enables advisors to use S&P's highly-respected independent investment research and advanced market insight to inspire ongoing client discussions and develop more productive investor relationships.

MarketView: Updates on market-moving stocks, Standard & Poor's STARS upgrades/downgrades, activity on the Street, merger talk, stock splits, asset allocations, and Standard & Poor's global outlook

Calendars: Track potential market moving events, including economic, Fed, IPO calendars

Favorites: A custom virtual library for favorite stories, events, news, reports, and analysis



TrendScope: Search lifestyle, globalization, political, energy, healthcare, technology, and real estate trends by ticker, company name or keyword

MarketScan: Access to updated market indices, hot topics and breaking news

Rankings: Information on STARS buy-hold-sell stock opinions; details on 10 sectors including sector market weighting and year-to-date performance

Portfolios: Over 14 Standard & Poor's model portfolios to create customized client portfolios

INSIGHT INTO THE WORLD'S LEADING INVESTMENT FUNDS

Fund Management Ratings

Since 1990, Standard & Poor's Fund Management Ratings have provided insight into many of the world's leading investment funds by examining what fund managers have achieved, and how they achieved it. In a rigorous process of qualitative research and analysis, fund managers are assessed on a variety of factors, including the quality of their people and processes.

Individual funds are assessed through a detailed and systematic process that includes in-depth interviews with lead portfolio managers. Standard & Poor's offers qualitative assessment on more than 1,400 non-U.S. managed funds utilizing a team of over 40 professional fund analysts. Many of the funds assessed are domiciled in international jurisdictions enabling the funds to be distributed on a global (ex-U.S.) basis. Funds analyzed include conventional equity funds, fixed income funds, balanced funds, as well as more complex funds using derivatives, long/short strategies, and fund-of-hedge-funds.

www.funds.standardandpoors.com

S&P rating

Analyst opinion

Quantitative data including risk/return analysis

Background on fund company and management team

Investment philosophy, management style, and an explanation of the performance and portfolio review are also covered in the report.



Sample Fund Management Ratings Report

Energy & Metals

MEETING THE GROWING GLOBAL DEMAND OF THE PHYSICAL AND FINANCIAL ENERGY MARKETS

Platts is a leading provider of global energy information to thousands of customers in over 160 countries. For nearly a century, Platts has enabled global energy markets to operate with greater transparency and efficiency. Traders, risk managers, analysts, and industry leaders depend upon Platts' real-time news, prices, market commentary, conferences and analysis to help them make better trading and investment decisions.

Global energy markets have entered a sustained period of volatility driven by concerns over supply disruptions, the growth of electronic global markets, and the growing presence of investors in energy markets. Commodities have grown as an investment asset class and energy M&A continues to proliferate. To capitalize on the growth potential, Platts is partnering with exchanges, extending its risk management products, and moving into new commodities sectors.

Platts' has seen significant growth across all its markets, especially in Europe and Asia. Platts is extending its editorial expertise in emerging energy markets and is developing new market coverage in Russia and China with benchmarks and local-language publications. In 2007, Platts expanded its coverage of metals – the world's third largest commodity market – with the launch of *Steel Markets Daily*. Platts has also increased news and pricing coverage in the emerging emissions, biofuels, renewables, and liquefied natural gas markets.

Industry Coverage

Oil
Natural Gas
Electricity
Coal
Nuclear
Petrochemicals
Metals
Freight
Renewables
Emissions

EMBEDDED IN THE INDUSTRY'S WORKFLOW

Platts is a partner to the global energy industry, shaping markets and embedded in its workflows. Platts produces nearly 8,500 unique price assessments daily across a host of commodities which are used as the settlement basis for billions of dollars of physical and financial contracts. Major energy exchanges including the New York Mercantile Exchange (NYMEX), the Intercontinental Exchange (ICE), the Singapore Exchange, and the Russian Stock Exchange (RTS) use Platts' prices to clear OTC trades. In recent years, Platts has extended its benchmarks status by rolling out the innovative Market-on-Close price assessment process to facilitate transparent, accurate price discovery.

Trading Workflow

Develop Trading Strategy
Find Trading Partners
Execute Trades
Settle Trades
Manage Risk

Capital Investment Workflow

Develop Investment Strategy
Find Deals and Partners
Value the Transactions
Due Diligence
Deal Execution
Manage Risk

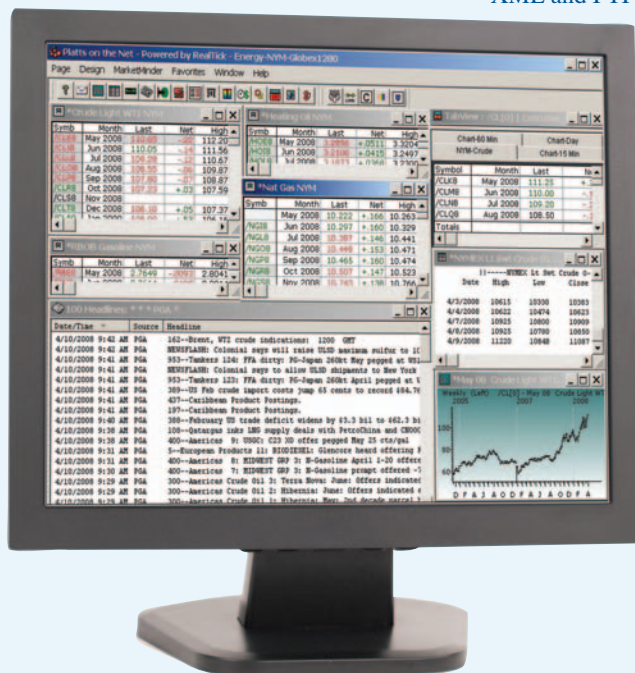
Platts supports end-to-end trading and capital investment workflows, enabling customers to identify opportunities to profit from market movements, make strategic infrastructure decisions, and better manage risk.

FLEXIBLE DIGITAL DELIVERY OPTIONS FOR PLATTS' NEWS AND PRICING INFORMATION

Platts' news, pricing, and analytical information is delivered to customers through real-time delivery options:

- Platts' multiple alert services, including its flagship *Global Alert*
- Multiple third-party market data service vendors such as Reuters and Bloomberg®
- Platts' proprietary platform, *Platts on the Net*
- Mobile devices
- End-of-day prices can be fed directly into customers' risk management and accounting systems through XML and FTP (file transfer protocol)

Platts serves
80% of the top
financial institutions
in the world



Platts Alert Services

These services provide traders with real-time information to help develop trading strategies, trade and view activity in the Platts Market-on-Close assessment window, and receive end-of-day prices to value their positions.

- 8,500 price assessments
- Over 200 forward curves
- Intra-day, end-of-day, daily, weekly, bi-weekly, monthly pricing coverage
- Over 4,000 unique data sources
- Global coverage provided by 250 Platts reporters

platts

Platts on the Net is a proprietary platform which provides access to a vast array of energy market data including real-time news, market prices and market commentary, combined with sophisticated analytical tools.

CONNECTING PRODUCTS, PROJECTS AND PEOPLE WORLDWIDE

A trusted source for more than a century, McGraw-Hill Construction's industry-leading brands – Dodge, Sweets, *Architectural Record*, *Engineering News-Record*, *GreenSource*, and 11 regional publications – provide construction project and building product information, news, market trends, analysis, and forecasts to more than one million professionals in the \$4.6 trillion global construction industry.

KEY TRENDS CHANGING THE GLOBAL CONSTRUCTION MARKETPLACE**Digital Design and Construction (Interoperability)**

Currently, the lack of industry standards around digital design and construction (interoperability) is costing the industry \$15.8 billion each year. McGraw-Hill Construction continues to research, lead, and create new standards in digital design and construction to help the industry innovate and connect in new ways.

Green Building (Sustainability)

Based on McGraw-Hill Construction research, the sustainable design and construction market will reach nearly \$60 billion by 2010. McGraw-Hill Construction provides research and education on sustainability through its *SmartMarket Report* series, *GreenSource* magazine and website, industry presentations, and green building products available at www.sweets.com.

**EMBEDDING INNOVATIVE SERVICES INTO CUSTOMER AND USER WORKFLOWS**

McGraw-Hill Construction is partnering with leading technology system integrators to embed its content into document and project management systems, as well as architect workflow tools.

Dodge Project Network for Contractors, Building Product Manufacturers

www.construction.com/network

The Dodge database contains over 90% of all construction projects in the U.S. and Canada with construction values of \$500,000 or more, including coverage in the planning, bid, and post-bid stages of construction.

Sweets Network for Architects and Designers

www.sweets.com

Architects can quickly access detailed information on more than 80,000 building products and download product catalogs, CAD details, 3D models, and 3-part specifications – saving time, helping them make better decisions about products, and ensuring accuracy.

Network Express provides construction firms with a daily feed of building project leads from the McGraw-Hill Construction Network® directly and seamlessly into any customer relationship management (CRM) or sales force automation system. This integration enables smoother workflow, more leads, and increased sales. Subscribers can:

- Quickly identify and prioritize people, companies, and projects of interest
- Seamlessly access plans and specifications of interest
- Track a project throughout the entire sales cycle

Project Document Manager provides the architecture, engineering and construction (AEC) community with the ability to digitally manage all of their project documents over the entire lifecycle of a project on a single, secure platform. This service is:

- Integrated with MHC's Project Network and Dodge project news, plans, and specs
- Compatible with leading project management software
- Seamlessly connected to a national network of local on-demand printing and digital providers



Project News from McGraw-Hill Construction Network

2008 NEAL AWARDS – National Business Journalism Awards**Best News Coverage**

“Broken Promises: The Collapse of the I-35W Bridge”

Engineering News-Record

**Best Web Site**

GreenSourceMag.com

GreenSource: The Magazine of Sustainable Design

Best Online Article or Series

“Form or Function?: The Frank Stella Interview”

Architectural Record

Best Web Site (Finalist)

www.ENR.com

Engineering News-Record

Aerospace & Defense

PROVIDING INFORMATION SOLUTIONS TO THE GLOBAL AEROSPACE AND DEFENSE INDUSTRY

Serving over 1.2 million professionals in 185 countries, AVIATION WEEK is the largest information and services provider to the global commercial, defense, maintenance/repair/overhaul (MRO), space, and business aviation communities and plays a critical role in connecting industry professionals worldwide. Anchored by its flagship *Aviation Week & Space Technology*, AVIATION WEEK continues to grow and evolve its portfolio to meet the needs of the industry. With the development of higher value analytical tools – Aviation Week Intelligence Network (AWIN) and MRO Prospector – markets and customers are empowered with the essential data they need. Enhancements to AviationWeek.com, along with the growth of the events series, enable communities of buyers and sellers to connect more frequently, while marketers gain new media opportunities. AVIATION WEEK continues to expand in the defense sector as well as in emerging markets including India, the Middle East and Asia/Pacific.

Publications

Aviation Week & Space Technology
Business & Commercial Aviation
Business Intelligence Newsletters
Defense Technology International
Overhaul & Maintenance
ShowNews

Online Analytical Tools and Services

AviationWeek.com
 AWIN (Aviation Week Intelligence Network)
 World Aerospace Database
 MRO Prospector

Events

MRO Conference series
 Management Forums (including Green and supply chain)
 Aerospace & Defense Programs
 Aerospace & Defense Finance

INFORMING AND CONNECTING GLOBAL AVIATION, AEROSPACE, AND DEFENSE PROFESSIONALS

AviationWeek.com

With nearly 950,000 page views per month, AviationWeek.com keeps executives, government and military officials, engineers and other aviation and defense professionals informed and connected throughout the day

- Web 2.0 community features allow users to read blogs written by AVIATION WEEK's editors and reporters, comment on them, create profiles, establish professional and social networks, participate in industry-focused forums, and submit and assign ratings to photos and other content



Interactive Community Features



Aviation Week Intelligence Network (AWIN) is a subscription service that provides integrated access to industry news, data, analytics, and business information across key industry sectors for transparency, efficiency and greater strategic business advantages. AWIN features:

- Developments on major commercial, military, space and business aviation programs
- Specifications data for more than 3,100 aircraft and systems
- Fleet data for more than 120,000 global commercial/military/business aviation aircraft
- Access to more than 250,000 articles and 25,000 photos from AVIATION WEEK's publications
- Comprehensive information on 21,000 companies and contacts for 69,000 industry professionals

Events

- AVIATION WEEK's editors and reporters cover more than 40 industry conferences and exhibitions each year, including international trade fairs where new developments and orders are announced
- AVIATION WEEK's event offerings continue to expand to meet the need for conducting business face-to-face, most notably through the MRO event series, which attracts more than 8,000 MRO professionals and 700 exhibitors/sponsors each year

LISTENING TO THE VOICE OF THE CUSTOMER

Companies in 60 countries turn to J.D. Power and Associates' quality and customer satisfaction research for the insight and information they need in a rapidly changing world. Each year, more than 20 million survey-related communications capture the opinions, perceptions, and expectations of consumers and business customers. J.D. Power industry performance benchmarks and analytical research are woven into the operations of leading companies around the world to measure customer satisfaction and drive improved business practices.

- 30% of J.D. Power's business comes from non-automotive industries
- More than 20% of J.D. Power's business comes from outside the U.S.
- China is one of J.D. Power's fastest growing markets

Industry Coverage

| | |
|----------------------|--------------------|
| Automotive | Healthcare |
| Boats | Homebuilders |
| Consumer Electronics | Insurance |
| Financial Services | Telecommunications |
| | Travel and Hotels |
| | Utilities |

TURNING INFORMATION INTO ACTION

Product Quality and Customer Satisfaction Studies

Self-funded by J.D. Power, these studies establish independent industry-wide performance benchmarks for companies. Those earning the highest ranking often license the rights to advertise that achievement.

Custom Studies

Proprietary, company-specific research includes continuous performance monitoring on a weekly, monthly, or quarterly basis, as well as customer satisfaction, quality, sales/service, and retailer tracking.

Brand Licensing

Extensive media coverage has helped to build the J.D. Power brand without requiring significant advertising or marketing expenditures. In 2007, more than 350,000 television commercials and 7 billion print ad impressions referenced J.D. Power awards.

Consulting and Performance Improvement

J.D. Power provides tools and insights that integrate the "voice of the customer" into business clients' strategic planning and ongoing operations. Benchmarking, training, analysis and four decades of experience across multiple industries provide consistent client value.

REAL-TIME MARKET INTELLIGENCE FROM BLOGS AND SOCIAL NETWORKS

Umbria

In April, 2008, J.D. Power acquired Umbria, a pioneer in deriving market intelligence from the rapidly growing world of online communities, including blogs, message boards, and social networks. Using leading-edge technology and algorithms, Umbria transforms the unstructured data of the online community into actionable insights by identifying important themes and topics of interest by demographic profile, complementing J.D. Power's core research capabilities across multiple industries.

REAL-TIME TOOLS FOR TODAY'S BUSINESSES

Power Information Network (PIN)

PIN collects real-time information from more than 10,000 participating automotive dealerships in markets representing more than 70% of U.S. new-vehicle sales. PIN's powerful business analysis tools help OEMs (original equipment manufacturers), retailers, and financial institutions make decisions that improve their bottom lines by improving their understanding of advertising effectiveness, incentive planning, and sales trends.



www.jdpower.com

2007 J.D. POWER AWARDS



Here is a sampling of awards J.D. Power presents to companies ranking highest in Quality and Customer Satisfaction:

U.S. Awards

Credit Cards: American Express
Automotive Dealer Service: Jaguar
Homeowner's Insurance: Amica
Mass Merchandiser Pharmacies: Target
Full Service Investment Firm: Edward Jones

International Awards

Japan: Hotels: ¥35,000 or More per Night Segment: Ritz Carlton
China: Initial Quality, Compact Car Segment: Tianjin Xiali
India: Performance, Execution and Layout, Midsize Car Segment: Maruti SX4
UK: Retail Banking: Nationwide
Spain: Broadband Internet Providers: Orange

BusinessWeek

BUSINESSWEEK

BusinessWeek is a global media brand delivering the highest quality business information and insight through integrated print, online, and television offerings, as well as events.

Key initiatives in 2007 included the redesign and re-launch of BusinessWeek's global magazine, the debut of *BW Chicago*, and the continued build-out and success of BusinessWeek.com, including the new Companies and Managing channels. BusinessWeek also partnered with Standard & Poor's to launch the S&P/BusinessWeek Global Innovation Index which tracks the performance of the world's most innovative public companies.

GLOBAL EDITION



BusinessWeek relaunched in October 2007 with a new editorial approach highlighted by a new design, including:

- **Aggregation and Integration:** *BusinessWeek* offers other perspectives from around the world alongside stories developed by its own editorial staff. International stories are integrated into the news and "What's Next" pages.
- **Added features:** *The BusinessWeek*, a news digest aggregating information from *BusinessWeek* and other outside sources; What's Next which covers emerging business methods, ideas, technologies and trends; and a revamped Personal Business section.

***BusinessWeek's* print audience is 4.9 million – the largest since 1998**

Source: 2007 Fall MRI Study

BRAND EXTENSIONS

**BusinessWeek SmallBiz**

Award-winning magazine and companion website devoted to the needs of small business professionals. Launched in 2004, the magazine has a controlled circulation of 675,000 and is published six times a year.

**BW Chicago**

Debuting as a monthly publication in November 2007, *BW Chicago* provides news, insight, and analysis for the Chicago business marketplace. The magazine identifies trends that matter most to Chicago-area executives and offers realistic solutions and best practices that benefit their bottom line. It has a controlled circulation of 60,000.

**Local-Language Editions**

Nine local-language editions in Asia, Eastern Europe, and the Middle East with circulation totaling 378,500.

BWTV

A nationally-syndicated, weekly 30-minute TV program launched in 2001 that covers personal finance and lifestyle topics. BWTV has a weekly viewership of more than 600,000. It is available in 158 markets and cleared in 86% of the U.S.

**International Forums**

These events feature keynote addresses from prominent foreign ministers and attract CEOs from both regional and global companies with large investments in the regions. Annual events include the *Asian Leadership Forum* (15th year), *Asian CEO Forum* (11th year), and the *European Leadership Forum* (7th year).

Global Advertising Pages

| 2005-2007 | Pages |
|-----------|----------|
| 2007 | 2,243.71 |
| 2006 | 2,741.77 |
| 2005 | 2,759.45 |

Note: 2005 North America only

Source: Publishers Information Bureau (PIB)

Advertising Rates, 2008

| | Global Edition ¹ | % change vs. 2007 | SmallBiz ² | % change vs. 2007 |
|-------------------|-----------------------------|-------------------|-----------------------|-------------------|
| Rate Base | 900,000 | 0.0% | 675,000 | 0.0% |
| 4-Color Page Rate | \$108,400 | 3.9% | \$74,300 | 3.9% |
| B/W Page Rate | \$73,500 | 4.0% | \$50,200 | 3.9% |

¹ Published 50x a year

² Published 6x a year

Print Circulation and Subscription Rates

| | Average Paid Circulation (12/31/2007) | % of total | Print Subscription Rates, 2008 |
|-----------------------------|---------------------------------------|-------------|--------------------------------|
| Global Edition ¹ | | | |
| Single Copy | 37,397 | 4.0% | \$4.99/6.99* |
| Annual Subscription | 896,169 | 96.0% | \$59.97 |
| Total | 933,566 | 100% | – |

* Double Issues

ONLINE: BUSINESSWEEK.COM

BusinessWeek.com is a leading provider of decision-making business news, information, and services and delivers exclusive content via eleven channels featuring blogs, podcasts, newsletters, slideshows, and a rich video library.

New enhancements to the site include two new channels – Companies and Managing. Additional content includes the twice daily Executive Summary, a roundup of the most important business stories from BusinessWeek and other business sources on the Web. In 2008, *BusinessWeek* won a National Magazine Award – the highest honor in magazine publishing – for BusinessWeek.com's business schools channel. 2008 marked the second year in a row the B-schools channel got the top prize (the "Ellie") for Personal Service Online.



Companies Channel

A joint effort between BusinessWeek and Standard & Poor's Capital IQ, the Companies channel provides:

- A wealth of information on public and private companies
- Customizable charts
- Market data from more than 50 of the world's largest stock exchanges
- A focus on company executives and members of boards of directors

Managing Channel

- Launched with four sub-channels on managing: Your Career, Your Team, Your Company, and Your Board
- More than 2,000 videos embedded within text
- Tools and features include:
 - Interactive Case Studies
 - Multimedia Classroom
 - The Welch Way
 - New Partnerships
 - Community Building Area
 - New Online Franchise
 - Over 20 Columnists



Rate Base for Local-Language Editions

| | 2006 | 2007 | 2008 |
|---------------------|---------|---------|---------|
| Al-Arabiya (Arabic) | 25,000 | 30,000 | 30,000 |
| Bulgaria | 10,000 | 16,500 | 16,500 |
| China | 120,000 | 140,000 | 160,000 |
| Indonesia | 25,000 | 27,000 | 27,000 |
| Romania | 10,000 | 15,000 | 20,000 |

| | 2006 | 2007 | 2008 |
|------------------|----------------|----------------|----------------|
| Russia | 40,000 | 75,000 | 75,000 |
| Türkiye (Turkey) | 10,000 | 20,000 | 25,000 |
| Israel | – | 20,000 | 30,000 |
| Thailand | – | 15,000 | 15,000 |
| Total | 240,000 | 358,500 | 378,500 |

Source: BusinessWeek's internal data

BusinessWeek.com

Monthly Page Views and Unique Visitors

| (2007 average, in thousands) | Page Views | Unique Users |
|------------------------------|---------------|--------------|
| United States | 33,498 | 5,322 |
| Europe, Middle East, Africa | 3,718 | 796 |
| Asia Pacific | 3,454 | 583 |
| Other * | 2,162 | 393 |
| Total | 42,833 | 7,094 |

* Includes North America (non-U.S.), South America, Central America, and the Caribbean

Source: Omniture

Notes

“SAFE HARBOR” STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This document includes certain forward-looking statements about the Company’s businesses, 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 future 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 mortgage and asset-backed securities and related asset classes; 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 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 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, computer and aviation industries; the successful marketing of new products, and the effect of competitive products and pricing.

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