

**The McGraw-Hill Companies
3rd Quarter 2007 Earnings Conference Call**

Prepared Remarks
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Donald Rubin

Senior Vice President, Investor Relations
The McGraw-Hill Companies

Thank you and good morning. And thank you everyone for joining us this morning for The McGraw-Hill Companies' third quarter 2007 earnings conference call. I am Donald Rubin, Senior Vice President of Investor Relations at The McGraw-Hill Companies.

With me today are Harold McGraw III, Chairman, President and CEO, and Robert Bahash, Executive Vice President and Chief Financial Officer.

This morning we issued a news release with our third quarter 2007 results. We trust you have all had a chance to review the release. If you need a copy of it and the financial schedules, they can be downloaded at www.mcgraw-hill.com/investor_relations.

Before we begin this morning, I need to provide certain cautionary remarks about forward-looking statements. Except for historical information, the matters discussed in the teleconference may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including projections, estimates, and descriptions of future events. Any such statements are based on current expectations and current economic conditions and are subject to risks and uncertainties that may cause actual results to differ materially from results anticipated in these forward-looking statements. In this regard, we direct listeners to the cautionary statements contained in our Form 10-Ks, 10-Qs, and other periodic reports filed with the U.S. Securities and Exchange Commission.

We're aware that we do have some media representatives with us on the call; however this call is for investors and we would ask that questions from the media be directed to Mr. Steve Weiss in our New York office at (212) 512-2247 subsequent to this call. Today's update will last approximately an hour. After the presentations, we will open the meeting to questions and answers.

Now it is my pleasure to introduce the Chairman, President and CEO of The McGraw-Hill Companies, Terry McGraw.

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Harold McGraw III

Chairman, President and CEO

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Good morning and welcome to our review of The McGraw-Hill Companies' third quarter earnings.

With me for this morning's call is Robert J. Bahash, Executive Vice President and Chief Financial Officer. I will start today's session with a review of operations and some comments on our prospects. Bob will then discuss key financial information. After our presentations, we will be pleased to answer any questions you may have about The McGraw-Hill Companies.

The third quarter is critically important to a successful year for The McGraw-Hill Companies because of the seasonality of our business. In Education, we produce virtually all of the operating profits for the year in the third quarter. In 2007, we faced an additional challenge because of difficult conditions in the credit markets. So I am especially pleased this morning with the results we have just announced for the third quarter.

Let me briefly recap some of the highlights. For the third quarter:

- Diluted earnings per share increased 26.4% to \$1.34 versus \$1.06 last year.
 - Diluted earnings per share in the third quarter of 2006 included a \$0.03 charge for restructuring.
- Net income grew by 18.2%
- Revenue increased 9.8% to \$2.2 billion

I will start this morning by reviewing how we achieved these results and then spend some time on the outlook for The McGraw-Hill Companies and our guidance for 2007.

McGraw-Hill Education

Because education is such an important contributor to the third quarter, I will start the segment review with McGraw-Hill Education.

Double-digit growth in the elementary-high school market and margin expansion for McGraw-Hill Education in the most important quarter of the year are key take aways for this segment.

In the third quarter:

- Revenue increased 9.9%,
- Operating profit grew by 16.1%. That included a pre-tax gain of \$4.1 million on the divestiture of a product line for parochial schools. In 2006, there was a pre-tax restructuring charge of \$5.6 million, and
- Operating margin improved to 35.0%, up from 33.1% for the same period last year.

Revenue for the McGraw-Hill School Education Group grew by 11.2%. Revenue for the McGraw-Hill Higher Education, Professional and International Group increased by 8.1%.

2007 is the first of four robust years in the state new adoption market. To improve our competitive position at the start of this cycle, we reorganized our basal operations a little over a year ago. We wanted to strengthen sales, marketing, and product development. We also stepped up our new product introductions to take advantage of the new opportunities in an expanding market. Those decisions are

starting to pay off. You can see it in our performance in this year's state new adoption market, which is growing faster than our original forecast for the market.

Some numbers will illustrate my point:

- In 2006, our School Education Group participated in about 80% of the state new adoption market worth about \$685 million. We took a 20% share.
- In 2007, our reorganized School Education Group competed in virtually the entire state new adoption market, which is growing 14% to 20% and will be worth \$780 to \$820 million this year. Our earlier forecast called for 10% to 15% growth and a \$750 - \$800 million range.

This year we are taking an industry-leading 32% share of an expanded market. We're very pleased with these results. To achieve these results, the School Education Group led all competitors in California and South Carolina for K-8 science and 6-8 math in Texas. We placed first in all six states adopting music for the elementary grades. *Treasures*, our K-5 balanced basal reading program, led the market in Indiana and competed very well in Oregon and Tennessee.

It is also worth noting that we had 30% plus capture rates in both the K-5 and 6-12 state new adoption markets — another important indicator of improved across-the-board performance achieved through a reorganized and better-led team.

The breadth of our product offering is another key to our success this year. In an education market that is not wedded to a single instructional approach, we offer a spectrum of products. So in addition to our success in Texas math with core basal programs, we took share with *Everyday Mathematics*, a reform-based program. *Everyday Mathematics* took the leading share in New Mexico's K-5 math adoption and sold very well in the open territory, winning business in both urban and suburban markets.

Offering a spectrum of products also means we compete in non-academic subjects. In 2007, we captured significant business in small but very profitable markets such as health, business education, technical and vocational education, as well as family and consumer science.

Even as we saw greater strength this year in the state new adoption market, we have seen slower than expected growth in the open territory. We have some anecdotal evidence for the slow down. Basically it appears that non-discretionary costs in many districts are rising more rapidly than funding. For example, schools are seeing a substantial increase in fuel costs for transportation and heating and cooling. We are examining the trends in the open territory in more depth to gain greater understanding into changes that may be taking place there. But we do expect to see some improvement here. According to industry statistics, the open territory market is down 1.4% after eight months. Orders in the fourth quarter — and there are some possibilities here — could produce an uptick this year.

The supplemental market has been soft all year. There is less demand for traditional, stand-alone supplemental products, especially those that are not clearly correlated with state standards, because the new core curriculum programs in science, social studies, math, and reading are far more robust than ever before. These new basal programs are all standards-based, and they now provide extensive ancillary materials for practice, differentiated instruction, and other classroom needs formerly met with supplemental titles.

However, there is a steadily growing demand for well-designed supplemental intervention programs — that is, programs for students performing below grade-level. The schools are most interested in intervention programs that can demonstrate their efficacy with research data. That's why we are having

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good success with our *Kaleidoscope* literacy and *Number Worlds* math programs. This is a promising development that will help us gain more traction in the supplemental market.

Strength in the state new adoption market will help offset some of the softness in the non-adoption states, which had been expected to grow about 4% in 2007. Because of the softness in the open territory, it now appears that the total el-hi market will grow 3% to 5% this year instead of the 5% to 7% originally forecasted.

Our School Education Group is outpacing the competition in both the state new adoption market and in the open territory and expects to outperform the market for the full year.

In testing, the performance in both custom and off-the-shelf markets has improved. We're seeing some encouraging developments in this market. In Indiana we recently won a one-year extension of our current summative, high-stakes testing contract plus a new two-year contract beginning in 2008 and renewable for another two years. We also won a five-year renewal in West Virginia. We are seeing some promising gains in the formative, or low-stakes, market for our new *Acuity* product. This program recently won a five-year contract valued at \$80 million from New York City.

Earlier I pointed out that the state new adoption market looks robust for the rest of the decade. Here is our latest forecast for the state new adoption market through 2010:

- 2007: \$780 to \$820 million
- 2008: \$900 to \$950 million
- 2009: \$850 to \$900 million
- 2010: \$900 to \$950 million

The state new adoption market is very strong for the next four years and we expect to do very, very well with that.

Our Higher Education, Professional and International Group continues to make progress.

In international markets, we benefited from strong school sales in Canada and Spain and a solid higher education selling season in Europe, Asia, and India.

In the U.S. college and university market, our business and economics imprint set the pace in the third quarter with solid gains in four key disciplines: Accounting, Economics, Introduction to Business, and Management.

We now think the U.S. college and university market will grow between 5% and 6% in 2007, and we expect to keep pace with the industry. Originally, we thought the market would grow about 4% in 2007, and it's a little bit stronger than we had expected.

Digital products are contributing to growth across all our college and university imprints and in professional markets. We expect more growth in the digital world with the debut this fall of CourseSmart. This is a new college publisher cooperative e-book and e-commerce website. Instructors logging onto CourseSmart will be able to evaluate textbooks and related material in one convenient location. For students, CourseSmart offers a lower cost alternative and all the functionality of a Web application. Our Higher Ed group is starting with 148 e-books. Over time, thousands of e-textbooks will be available on this common platform.

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Our online product offerings for professionals continue to grow both here and abroad. Two new subscription-based specialty sites introduced this year — *Access Emergency Medicine* in January and *Access Pharmacy* in April — are off to very good starts with growing institutional sales.

Our professional books are also making best-seller lists. In September, *Rules for Renegades*, a new title, made it onto four best-seller lists:

- No. 1 on the *USA Today* business list
- No. 2 on *The Wall Street Journal's* business list
- No. 14 on *The Wall Street Journal's* non-fiction list
- No. 4 on *The New York Times* hardcover advice list

So summing up for McGraw-Hill Education:

- A solid third-quarter performance and market share gains in the elementary-high school market — we're very pleased with that performance.
- Good growth in higher education here and abroad.
- Digital products continue to gain traction in higher education and professional markets.
- Now expect the el-hi market to grow 3% to 5% this year and a 5% to 6% increase in the U.S. college and university market.
- Operating margin for the segment will improve for the full year.

Financial Services

Now, let's review Financial Services.

The third quarter started strongly and softened in September, but we still met our guidance for this period by a comfortable margin. In the third quarter:

- Revenue grew by 12.5%,
- Operating profit increased by 17.3%, and
- The operating margin expanded to 45.6%, up from 43.8% last year.

All this was accomplished even though there was a decline in the U.S. structured finance market in the third quarter. Credit quality issues and the re-pricing and re-evaluation of risk, due in part to concerns regarding the performance of subprime mortgages, all contributed to the decline.

What kept Standard & Poor's growing in the third quarter was its resilient portfolio. The strong performers included:

- International credit ratings, which grew at a double-digit rate and represented 41.6% of ratings revenue in the third quarter.
- Non-traditional ratings and services, which also grew at a double-digit rate and now account for 25.7% of ratings revenue.
- Corporate and government ratings had solid performances.
- Financial information products and services also had strong performances.

In short, the results underscore the successful actions we've taken over the last several years to strengthen Standard & Poor's diversification and resilience.

Although new issue volume is an imperfect measure of our performance in any one period, recent issuance does illustrate the trajectory of business in the third quarter. As the chart indicates, after a slow start in July, there was strong acceleration in new dollar volume issuance in the U.S. industrial market in August and September and, obviously, for the third quarter. There also was modest improvement in the

public finance sector, which was encouraging. But we saw a sharp decline in new issue dollar volume in U.S. structured finance markets as the third quarter progressed.

The following charts illustrate the pattern I have just described. You can see year-over-year volume plunging in September for U.S. residential mortgage-backed securities, U.S. commercial mortgage-backed securities, and U.S. collateralized debt obligations. The activity we are seeing in U.S. structured finance so far in October is tracking the level of issuance we saw in September.

We've already pointed out that year-to-year comparisons are challenging in the fourth quarter for structured finance. It is a large quarter seasonally for that business and the revenue model is heavily transaction oriented. We now expect new issue dollar volume in the U.S. residential mortgage-backed securities market to decline by 70% to 75% in the fourth quarter versus last year, which obviously was robust. Declines of 85% to 90% are possible in the new issuance of U.S. collateralized debt obligations in the fourth quarter versus last year.

As these next charts illustrate, new issue dollar volume in the fourth quarter of 2006 actually surged in December for U.S. residential mortgage-backed securities and collateralized debt obligations. The comparisons may not be quite as challenging for asset-backed securities and possibly U.S. commercial mortgage-backed securities.

Despite market turbulence, S&P is encouraged about prospects in the asset-backed market:

- Credit card issuance continues to show strength.
- Scheduled refinancing and increased credit card utilization by consumers are reasons for optimism.
- Solid issuance of auto loans for the remainder of the year is also a possibility as banks redeploy capital to fixed-rate, short-term auto loans instead of mortgage products.

A pick up in commercial mortgage-backed securities is a little bit more problematic at this time. Commercial real estate fundamentals remain strong, but activity has been chilled by the subprime problems in the residential market. Widening spreads have kept many investors on the sideline resulting in a reduction in the demand for new issuance. In the commercial mortgage-backed market, we really believe this is temporary situation because it has been quite strong and we expect that to continue.

The weaker U.S. structured finance will be at least partially offset by continuing strength in:

- Investment-grade corporates,
- International markets,
- Non-traditional ratings and services,
- Annual contracts and surveillance fees,
- Financial information products and services, and
- Vigorous expense management.

There is reason for optimism in the corporate market. Investment-grade corporate issuance really has not faltered. In fact, it has set new records. Industrial issuance will continue to be driven by a favorable financing environment, M&A activity, and investments in capital expenditures. Financial services issuance will be driven by many of the same factors, including balance sheet restructuring activity. Spreads also remain historically tight and rates remain low. In addition, we expect a 10% to 11% increase next year in potential refundings. S&P anticipates \$47.9 billion of U.S. corporate debt to mature or be called in the fourth quarter this year. Another \$250.7 billion is potentially refundable in

2008. That is about an 11% increase over 2007 levels. The new issuance calendar also looks quite strong for the coming months.

As I pointed out earlier, our diversification efforts continue to contribute to growth and make our business more resilient. So, we continue to expand our financial information and index services. In the third quarter, trading started for six new exchange-traded funds based on S&P indices, including our first in the fixed income space. It's the S&P National Municipal Bond Index sponsored by Barclays Global Investors. Today, there are 133 exchange-traded funds worldwide based on S&P indices. More are in the pipeline.

We are making good progress licensing some noteworthy clients for the S&P GSCI index, our new commodities index acquired from Goldman Sachs.

Data and information products are growing rapidly. The Capital IQ product is adding new clients and expanding its base with existing customers. New modules, including portfolio management tools, are increasing demand for the Capital IQ product. Expect more innovation here and more expansion in international markets.

Given all the uncertainty in the credit markets at this time, it is too soon to start making projections for 2008. Some observers feel a calm is returning to global credit markets and a fragile stability is starting to set in. Going forward, there will be more, not less, focus on credit quality. Liquidity worldwide remains plentiful. We know that from surpluses from OPEC, Japan, China, Canada, Russia. The benefits of securitization — liquidity, economic capital reduction, tradeability — will remain strong after the current turbulence has dissipated.

There are also questions about the timing of the next interest rate cut by the Federal Reserve. The chances of a rate cut later this month seem to have faded somewhat with third quarter growth now appearing to be stronger than expected. David Wyss, S&P's chief economist, now thinks we could see a Fed rate cut in December, or, more likely, in January 2008.

The housing recession still has a way to go. David Wyss predicts housing prices will fall nationally by 11% peak to trough, with another 6% to 8% still to come. The difficult news is that no rebound is expected until the end of 2008, so we have a little bit more to go with the housing recession.

Areas that experienced the greatest speculative run-up in prices such as California, Florida, Nevada, and Arizona and states where the economy has been hardest hit by increasing unemployment, such as Michigan, Indiana and Ohio, could experience price declines of 15% or more.

On September 24th, the Securities and Exchange Commission granted the registration of Standard & Poor's as an NRSRO under the U.S. Credit Rating Agency Reform Act of 2006. September is also the month the SEC commenced an examination of S&P and other rating agencies' policies and procedures under the Act. Of course S&P is cooperating with the SEC in connection with this examination.

We will continue to work with the SEC, regulators in Europe and Asia, and the U.S. Congress to answer any questions about our policies and procedures. Transparency and increasing transparency is always good. Based on current information, we don't believe any pending legal, governmental, or self-regulatory proceeding will result in a material adverse effect on our financial condition or our operations.

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This is a challenging period for Financial Services, but we believe the issues are being addressed. Equally important, the favorable long-term trends are clearly intact and will continue to drive our business for some time to come.

So, let's sum up for Financial Services:

- A solid performance in the third quarter despite a tough market environment.
- Worsening conditions for structured finance in the U.S. in the fourth quarter, but the rest of the business remains strong.
- A double-digit top- and bottom-line performance for the full year and we have, once again, margin expansion for the full year.

Information & Media

Now, let's review Information & Media.

For the third quarter:

- Revenue increased 2.1%,
- Operating profit grew by 35.8%,
 - In the third quarter last year there was a pre-tax restructuring charge of \$5.8 million
- The operating margin was 7.4%, up from 5.5% last year.

This segment is in transition as we work to overcome softness in advertising with increased sales of higher-value information products and services delivered to customers online.

A weak advertising market was certainly a factor in the third quarter.

Revenue in the Broadcasting Group for the third quarter declined by 7.8%.

Revenue for the Business-to-Business Group was up 3.2% even though *BusinessWeek's* ad pages were off 24.6% in the third quarter. The Business-to-Business Group's growth came from information products and services:

- Pricing and news for oil, natural gas, and power from Platts;
- Expansion of international research and proprietary studies under the J.D. Power and Associates brand;
- Products and services delivered online to the construction industry, which is virtually a 24/7 online network now.

I also urge you to take a look at the newly-redesigned *BusinessWeek* starting with the October 22 issue. The relaunch of *BusinessWeek* is the product of 18 months of research among readers and non-readers to gain a better understanding of today's business information consumers.

Editor-in-chief Steve Adler has reconceived the publication and in the spirit of the new Internet age, will direct his editorial team to sort, clarify, and illuminate the important developments for an audience of more than 4.8 million readers each week. That means offering other smart perspectives from around the world along side stories developed by *BusinessWeek* in a multi-channel endeavor.

The goal is to solidify *BusinessWeek's* leadership as a multi-platform global business media organization and build on healthy circulation statistics. Newsstand sales, a key indicator of editorial vitality, are up 25% in the first half. The average price per subscriber is up 1%. Overall, circulation is steady.

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So, summing up for Information & Media:

- A segment in transition.
- Advertising remains soft, but growth in online information products will continue to be the focus and the push.

That completes our review of operations. Now let's review our guidance. I want to spend a few minutes updating our guidance for the full year as well as for the fourth quarter.

We are still on course to produce double-digit earnings per share growth in 2007. For the full year, we expect improved operating margins at McGraw-Hill Education and Financial Services. No change there. Our guidance excludes the following items:

- \$0.04 charge for the elimination of the restoration stock option program in the first quarter of 2006
- \$0.06 charge for restructuring in the second half of 2006
- \$0.03 gain from the divestiture of a mutual fund data business at Financial Services in the first quarter of 2007

On that basis, after nine months of solid achievement, we have already earned nearly as much as we did for all of 2006. On a GAAP basis, inclusive of these items, the 2007 earnings growth would be even stronger. But I believe the non-GAAP financial measures provide more useful information to investors due to the unusual nature of those excluded items.

Now, let's review the outlook for the fourth quarter:

- In the fourth quarter, Financial Services faces the toughest comparisons of the year. Last year, revenue for this segment grew by 22.1% in the fourth quarter. For the fourth quarter of this year, we expect a high single-digit decline in revenue and some margin contraction because of challenging conditions in the U.S. structured finance market.
- For McGraw-Hill Education, in the seasonally very small fourth quarter, we expect a decline in operating profit and some margin compression.
- As a consequence, the Corporation's revenues and earnings in the fourth quarter will not match last year's results.

So summing up for the Corporation:

- Double-digit earnings growth for the full year even though revenue and earnings will be reduced in the fourth quarter versus last year.
- Margin expansion for the year in Financial Services and McGraw-Hill Education.

Now, let's hear from Bob Bahash.

Robert J. Bahash

Executive Vice President and Chief Financial Officer
The McGraw-Hill Companies

Thank you Terry.

I will begin this morning with an update on our share repurchase program. We planned to repurchase up to 30 million shares this year. We achieved that goal in the third quarter by buying back 10.5 million shares for \$616 million. The Company has spent \$1.9 billion this year for the 30 million shares. That averages \$63.00 per share.

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Since 1996, the Corporation has returned \$8.0 billion in cash to shareholders through share repurchases and dividends, including more than \$2.1 billion in the first nine months of 2007.

There are 35 million shares remaining in the 2007 repurchase program authorized by the Board of Directors last January.

As a result of share repurchase activity, the diluted weighted average shares outstanding declined in the third quarter to 337.7 million shares. This reflects a 12.6 million share decrease compared to the second quarter of 2007 and a 23.2 million share decrease compared to the same period last year.

We have ramped up our borrowings to fund the additional share repurchases. At the end of September we had a net debt position of \$878.8 million, up from net debt of \$636.4 million at the end of the second quarter. As of September 30, on a gross basis, our debt is approximately \$1.3 billion offset by \$453 million in cash, primarily in foreign holdings. The current debt reflects a mix of short-term borrowings, primarily in commercial paper, with the balance in extendible commercial notes and money market loans.

As a result of increased borrowings, interest expense was \$15.4 million in the third quarter, which is more than double the \$7.5 million in the same period last year. For the full year, we now expect interest expense in the range of \$39-\$41 million, which is slightly lower than our previous estimate of \$40-\$42 million.

Let's now look at our corporate expenses. Corporate expenses decreased \$9.5 million, or 20.1%, in the third quarter as compared to a year ago. Corporate expenses in the third quarter of 2006 included a \$4.1 million charge for restructuring. Excluding this charge, corporate expenses decreased \$5.4 million in the third quarter compared to a year ago. The decrease in the third quarter is primarily driven by lower incentive compensation accruals versus the prior year, and a one-time gain from the sale of an equity investment.

Regarding operating segment performance, there are two items that influenced year-over-year comparisons in the third quarter:

- In the third quarter of 2007 we sold a non-strategic product line within our K-12 business, resulting in a pre-tax gain of \$4.1 million.
- In the third quarter of 2006, we incurred pre-tax restructuring charges of \$15.4 million, or \$0.03 per share, that was primarily for employee severance in McGraw-Hill Education, Information & Media, and at Corporate.

The effective tax rate in the third quarter was 37.5% compared to 37.2% in the same period last year.

Let's take a look now at capital expenditures, which include prepublication investments and purchases of property and equipment.

Prepublication investments were \$76.9 million compared to \$64.3 million for the same period last year. For 2007, we continue to project that prepublication investments will be about \$310 million.

Purchases of property and equipment were \$63.0 million in the third quarter compared to only \$24.6 million for the same period last year. The increase is driven by the construction of our new data center — which is underway and expected to be completed in the first half 2008 — along with technology

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investments we are making to digitize our products and services. We continue to project \$250 million for 2007.

Now for the non-cash items.

Amortization of prepublication costs was \$110.5 million in the third quarter compared to \$103.3 million in the same period last year. We now expect it to be about \$250 million in 2007, down slightly from our previous estimate of \$260 million.

Depreciation was \$26.2 million in the third quarter compared to \$26.9 million in the same period last year — virtually flat. We now expect it to be \$120 million in 2007, down slightly from our previous estimate of \$130 million, due to a change in the timing of capital expenditures in 2007.

Amortization of intangibles was \$11.7 million — also flat with last year. For 2007 we continue to expect \$50 million.

Unearned revenue was just over \$1 billion in the third quarter, up from \$883.6 million for the same period last year. This reflects a \$121 million, or 13.7%, year-over-year growth. This revenue will be largely recognized over the next twelve months. As Terry pointed out, with a softer revenue forecast, it's likely that it will impact some of the growth related to unearned revenue for the fourth quarter.

Thank you, and now back to Terry.

Harold McGraw III

Chairman, President and CEO
The McGraw-Hill Companies

Thank you Bob.

That completes our review. Let me just say again, I'm very pleased with the solid results for the third quarter coupled with the very strong results in the first half of this year.

In Education, we delivered in the most seasonally important quarter of the year. I'm very pleased with the McGraw-Hill School Education Group that we reorganized a year ago. And for them to come out with such a strong performance and a 32% share in the new adoption market — we are pleased with that.

In Financial Services, again another very strong performance in a lot of areas, although we are facing some obviously very challenging market conditions in the U.S. structured finance market. We understand the issues here and, trust me, we are riveted on those issues and we will be doing everything we can to bring that back to an acceptable level for us. The long-term trends in the market are so strong and are intact and we're buoyed by that. So, again, we will deal with whatever challenging market conditions and we feel very good about our overall position in the portfolio.

Thank you.

“Safe Harbor” Statement Under the Private Securities Litigation Reform Act of 1995

This presentation 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 2007 adoptions and in open territories and enrollment and demographic trends; the level of educational funding; the strength of School Education, Higher Education, Professional and International publishing markets and the impact of technology on them; the level of interest rates and the strength of the economic recovery, 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, product-related 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 capital and equity markets, including future interest rate changes and concerns regarding the credit quality of subprime mortgages adversely impacting future debt issuances of U.S. residential mortgage backed securities and CDOs backed by subprime 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.