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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.

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### Key questions about MHP's outlook

- **Financial Services**
  - What is the severity of the current downturn in credit markets?
  - What is its duration?
  - What are the legal risks?
  - What are the regulatory risks?
  - What has S&P learned from the current situation?

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### Key questions about MHP's outlook

- **Education**
  - What is the outlook for el-hi and higher education markets?
  - What is the opportunity for more global growth?
  - What is the impact of technology?
- **Information & Media**
  - Progress segment is making in harnessing Internet to create new opportunities in the B2B markets?

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### Key questions about MHP's outlook

- **Financial**
  - How will we manage costs in a more challenging environment?
  - Appetite for stock buybacks?
  - Outlook for debt, interest expense and leveraging balance sheet?

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## Outlook for U.S. economy and housing market

- **S&P's chief economist David Wyss expects a "soft stretch"**
  - Real GDP increased 4.9% in 3Q 2007
  - Wyss expects 4Q 2007 and first half 2008 GDP growth will slow from 3Q 2007

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## Outlook for U.S. economy and housing market

- **Degree of GDP softening hinges on:**
  - Consumer spending in face of higher energy costs and home mortgage payments
  - If current housing downturn extends into other sectors, like commercial construction
  - Strength of U.S. exports
- **Mitigating factors:**
  - U.S. payrolls are continuing to rise
  - Unemployment rate remains low

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## Outlook for U.S. economy and housing market

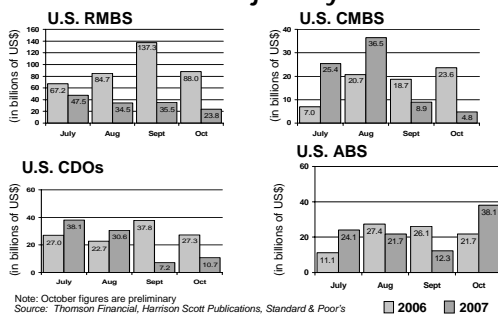
- **Wyss currently forecasting U.S. GDP growth of 1.9% for 2008, after 2.1% in 2007**
- **Could see interest rate cut by Federal Reserve as soon as December 11 in response to weak economy**

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## Financial Services

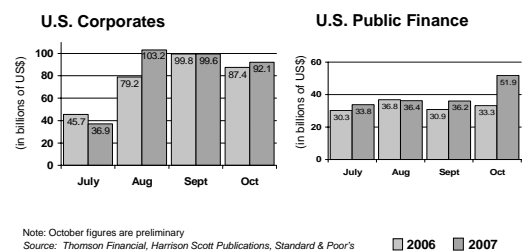
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## New issuance illustrates trajectory of business



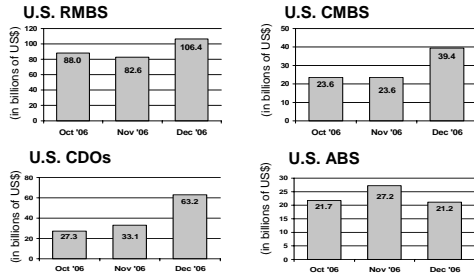
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## New issuance illustrates trajectory of business



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## Challenging 4Q comparisons for structured finance



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

## What we expect for structured finance now

- **Visibility on structured market remains limited**
  - Difficult to predict timing of any rebound in mortgage-backed securitization and CDOs
  - Extent of current retrenchment still not clear

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## What we expect for structured finance in 2008

- **A reduced appetite for complex structured products**
- **Tightening of credit standards by originators who remain in marketplace**
- **More issuance by higher quality issuers**

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## What we expect for structured finance in Europe

- **Fundamentals of structured finance remain positive despite current weakness**
- **May see European issuance levels recover in second half of 2008 as spreads return to competitive levels**

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## International revenue to grow

- **Will become larger proportion of S&P's revenue in 2008**
  - Reflects growth overseas in many asset classes
  - Some softness in U.S.
- **Overseas expansion will continue in 2008**
  - Opening new offices in Dubai and Johannesburg

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## Building S&P's presence overseas

- **Creates three revenue opportunities**
  - Local markets
  - Regional markets
  - Cross-border opportunities

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## Building a diverse, resilient revenue stream for Financial Services

- **Expect continued growth from non-traditional products and services**
  - Represents about 25% of ratings revenue
  - Should help mitigate risks to transaction revenue
- **Non-traditional products and services include:**
  - Rating Evaluation Services
  - Financial Strength Ratings
  - Advanced analytics for insurance sector and counterparty ratings

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## Building a diverse, resilient revenue stream for Financial Services

- **Fee structure reduces S&P's dependency on transactions**
  - Represented 48% of ratings revenue in first nine months of 2007
- **Contributors to MHP's unearned revenue:**
  - Growth of frequent issuer and surveillance programs
  - MHP reported more than \$1 billion in unearned revenue at end of 3Q 2007
  - About 75% can be attributed to S&P

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## Outlook for corporates and public finance

- **Corporates and public finance are key markets**
  - Continue to grow in 4Q 2007
  - Expect more growth in U.S. and overseas in 2008
- **Growth in corporates driven by:**
  - Ongoing refinancing
  - More strategic debt-financed M&A deals
  - Increased cross-border activity

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## Outlook for 2008

- **Public finance: Positive trends**
  - Increasing demand for new-money issuance to fund general infrastructure needs

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## Why S&P benefits from diversification

- **Non-ratings accounts for 25% of Financial Services' revenue**
  - Data and information
  - Index services
  - Equity research
- **Expect solid growth from:**
  - *Capital IQ*
  - *Ratings Direct*
  - *RatingsXpress*
  - *Compustat*

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## Expanding our Index Services

- **52 new indices introduced in 2007 with more in the pipeline**
- **Focused on building revenue from primary markets using S&P indices**
  - Traded derivatives
  - Exchange-traded funds
  - OTC products, including commodities and real estate
  - Benchmark data and custom indices
- **Goal: Provide an index for every investment**

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## Fundamental growth drivers still intact

- Globalization of financial markets
- Securitization
- Disintermediation
- Privatization

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## The regulatory outlook

- SEC officially registered Standard & Poor's as NRSRO under U.S. Credit Rating Agency Reform Act of 2006
  - SEC is using new authority to examine S&P's policies and procedures
  - We are cooperating fully

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## The regulatory outlook

- S&P will continue to work with various entities to answer questions about policies and procedures
  - U.S. Congress
  - Regulators in Europe
  - State attorney generals
  - Other governmental agencies and representatives
- Litigations in California and Washington, DC
  - Two lawsuits have been filed with federal courts, but MHP has not been served with a complaint

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## Subprime commentary

- Default of subprime loans confused with defaults on AAA-rated U.S. RMBS securities
- No AAA-rated U.S. RMBS security has defaulted
  - Through Nov 27, of 2,938 rated between 1Q 2005 and 3Q 2007, only 1.12% have been downgraded, and none below BBB

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## How S&P's U.S. RMBS ratings are performing

- S&P's AAA ratings continue to perform better than lower ratings
- Majority of issues whose initial rating indicated higher level of risk were downgraded
- S&P's ratings models are publicly available online for transparency

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## Observations from the market

*"I find it odd that apparently sophisticated investors in non-prime mortgage-backed securities now claim surprise that many non-prime adjustable-rate mortgage borrowers are facing payment shock because of the increase in short-term interest rates."*

William Poole, president, Federal Reserve Bank, St. Louis

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## Observations from the market

***“What ratings do is provide an estimate of the probability of default at some future date. Ratings do not say anything about the market liquidity of an instrument. Nor do ratings say anything about the price volatility of an instrument.”***

Thomas Huertas, acting managing director of wholesale and institutional markets, U.K. Financial Services Authority

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## Observations from the market

***“Rating agencies have largely been seen as scapegoats...The technique of scapegoating has something medieval about it, like sort of an exorcism by which you give a simple answer to a complex problem.”***

Michel Prada, French securities regulator

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## Legal precedence and ratings

- **Five federal courts have ruled that the First Amendment protects credit rating agencies from liability claims**
- **S&P's ratings are opinions about the future likelihood of default**

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## What S&P has learned from criticism of rating agencies

- **We must work harder to educate the market about**
  - What ratings are: Forward-looking opinions
  - What ratings are not: Guarantees of future performance

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## What S&P has learned from criticism of rating agencies

- **Looking for ways to enhance processes and procedures**
- **Studying range of voluntary actions in key areas**
  - Governance
  - Analytics
  - Education
  - Information

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## Summing up for Financial Services

- **4Q 2007: High single-digit decline in revenue and some margin contraction**
- **2008 outlook:**
  - Visibility on structured market remains limited
  - Growth prospects in corporates and public finance
  - Increased contribution from international markets
  - Growth in non-traditional ratings products
  - Solid contribution from non-ratings

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## McGraw-Hill Education

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## We like our prospects in education

- Consolidation and change in industry favor stable companies not heavily burdened by debt
- Economic necessity for creating educated workforce never more urgent
- Recognition of importance contributes to growth of enrollments here and abroad
- Emphasis on reform and accountability continue to create new opportunities

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## We will benefit from convergence of content and technology in education

- **Digital transformation offers**
  - New ways to improve our productivity
  - New opportunities to produce new products for incremental revenue
  - New ways to create a competitive advantage
- **We are making significant investment in technology**

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## State new adoption market looks robust for rest of decade

Est. Mkt. Size	2007 \$780M-\$820M	2008 \$900M-\$950M	2009 \$850M-\$900M	2010 \$900M-\$950M
Major State Calls	California K-8 Science Florida K-12 Health, World Languages, Applied Subjects Georgia K-8 Math Indiana 1-8 Reading/Literature Tennessee K-6 Reading Texas 6-12 Math	California K-8 Math Florida K-12 Reading/Reading Intervention Georgia K-12 Science, 9-12 Math North Carolina K-12 Social Studies Tennessee K-12 Social Studies Texas K-5 Math	California K-8 Reading/Literature Florida 6-12 Literature Georgia K-8 Reading/Language Arts, K-12 Health North Carolina K-12 Math Tennessee K-12 Science/Health	Florida K-12 Math Georgia 9-12 English/Language Arts, K-12 World Languages North Carolina K-12 Science Tennessee K-12 English/Language Arts Texas K-5 Reading

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## Improving position in U.S. elementary-high school market

- **Reorganized school team in 2006**
  - Proved itself in 2007 state new adoption market
    - Captured market-leading 32% of available dollars
  - Will be armed with new programs in math, reading and science for key new adoption opportunities in 2008
- **Wide spectrum of products a key to success**
  - Range of proven instructional materials for academic and non-academic elementary-high school markets

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## Connecting content and instruction through technology

- **Innovative programs leverage convergence of traditional textbook with online digital products**
  - Result: Better ways to measure student performance and more individualized standards-based classroom instruction
- **Everyday Mathematics**
  - Technology is helping maintain competitive position

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- **Everyday Mathematics**  
[video clip]

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## Technology key in the testing and assessment market

- **Marketplace continues to shift from paper-and-pencil to electronic modes**
- **Source of incremental productivity savings**
- **Key differentiator in marketplace as customers seek more complex assessment and reporting solutions**

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## Outlook for testing and assessment market

- **Schools will test science at three different grade levels beginning in 2007-2008 academic year, as mandated by NCLB**
  - Science is in addition to reading and math tests
- **Industry will benefit from formative market**
  - Our *Acuity* program is building strong position
  - Won five-year \$80 million contract with New York City in 2007

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## Outlook for open territory

- **Industry's sales will be flat for two years in a row—unprecedented**
  - Rule of thumb: Open territory sales represent 50% of market and have grown steadily in most years
- **Factors influencing spending in open territory**
  - School's fixed expenses are consuming larger shares of annual budgets, leaving less for discretionary items
  - Instructional materials are discretionary items in the open territory
    - States do not provide separate funding for instructional materials
    - Housing recession may be additional factor in state funding
    - On average, state and local budgets expected to finish this year in balance; some will face deficits in 2008

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## Outlook for reauthorization of No Child Left Behind Act

- **Efforts have ground to a halt**
  - Should resume early next year
- **If Congress fails to reauthorize NCLB in 2008, current law will remain until legislators revisit issue in 2009**
  - Funding could fluctuate

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## Outlook for funding of No Child Left Behind Act

- **Federal funding provides 5% increase for education in 2008**
  - Funding for state testing
    - Unchanged at \$407.5 million for 2007
    - \$411.6 million requested for 2008
  - Funding for *Reading First*
    - Expected to be cut to \$400 million, down from \$1 billion because of concerns over program administration

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### Outlook for el-hi market

- **2007: Expected to grow 3% to 4%**
- **2008: Need to clarify trends in open territory before forecasting market growth**

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### Higher Education, Professional and International Group

- **Encouraged by prospects here and abroad**
- **2008 U.S. college and university market will grow about 4% to 5%**
  - Opportunity to gain market share
- **Growing enrollments in U.S. and abroad**
  - U.S. expected to grow 1% to 2% annually for several years
  - Mexico 3%, South America 5%

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### Integration of print and digital services transforming higher education

- **Digital products and services provide flexibility for students to study anytime, anywhere**
  - Online courses
  - Homework management
  - Assessment solutions

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- **McGraw-Hill Higher Education**  
[video clip]

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### Using technology to reach customers in professional markets

- **Adding new verticals to successful *AccessMedicine* series**
- **Expanding point-of-care tools for physicians**
- **Will introduce new 17<sup>th</sup> Edition of *Harrison's Principles of Internal Medicine***
  - Best-selling medical textbook in the world

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### Summing up for McGraw-Hill Education

- **Convergence of content and technology creates new growth opportunities**
- **Strong state new adoption market in 2008, but concern about growth in open territory**
- **4% to 5% growth for U.S. college and university market in 2008**
- **Solid prospects overseas**
- **Increased investments for technology**

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## Information & Media

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### The transformation of Information & Media

- Expanding digital offerings
- Developing interactive products, communities, and tools
- Redefining value proposition for advertisers

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- **Information & Media**  
[video clip]

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### Outlook for advertising

- **Expect some pickup in 2008**
  - Our television stations do well in presidential election years
  - Three key elections in California
  - Colorado regarded a swing state
- **Online ad revenue will continue to grow**
- **Print advertising will stabilize**

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### Summing up for Information & Media

- A segment in transition
- Growth in premium services
- A pick up in advertising

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### Summing up for MHP

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## Outlook for MHP in 2007

- **Still expect to produce double-digit EPS growth in 2007 with improved operating margins in Education and Financial Services**
  - Guidance excludes:
    - \$0.04 charge for elimination of restoration stock option program in 1Q 2006
    - \$0.06 charge for restructuring in second half of 2006
    - \$0.03 gain from divestiture of mutual fund data business at Financial Services in 1Q 2007
- **On a GAAP basis, inclusive of these items, the 2007 earnings growth would be even stronger**
  - Management believes the non-GAAP financial measures provide more useful information to investors due to the unusual nature of the excluded items

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## Outlook for 4Q 2007

- **4Q 2007: Still expect that the Corporation's revenues and earnings will not match last year's results as the situation continues to deteriorate**
  - Reflects high single-digit decline in revenue and some margin contraction in Financial Services
  - And decline in operating profit and some margin contraction at McGraw-Hill Education

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## Outlook for 2008

- **Currently developing budgets**
- **Examining cost structure more stringently than ever**
  - Will look for new opportunities to streamline operations
- **Improving cost structure including more printing, composition, pre-press, and digital educational products off shore**
  - 25% to 30% cost savings by printing books and ancillary products off shore
  - About \$100 million of prepublication costs can potentially be done off shore at savings of about \$0.50 on the dollar
  - We will step up efforts

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## Update on share repurchase program

- **On October 24<sup>th</sup>, Board of Directors authorized the repurchase of up to 35 million shares remaining in 2007 plan**
  - 4Q 2007: We have been in the market
  - First nine months of 2007: Repurchased 30 million shares

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## Leveraging a strong balance sheet

- **Corporation borrowed \$1.2 billion in unsecured Senior Notes on October 30, 2007**
  - We have been paying down outstanding commercial paper borrowings
  - Stock buybacks remain important strategy

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