
This presentation includes certain forward-looking statements about our businesses and our prospects, new products, sales, expenses, revenues, costs, taxes, profit levels, investments and operating and capital requirements. Such statements are based on current expectations of our future performance and are subject to certain risks and uncertainties that could cause actual results to differ materially. In addition to the “Safe Harbor” statement, our businesses and our prospects, new products, sales, expenses, revenues, costs, taxes, profit levels, investments and operating and capital requirements are subject to a number of other 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, corporate issuance, residential and commercial mortgage-backed securities and CDO’s backed by residential mortgages, related asset classes and other sovereign and non-sovereign issuers; the implementation of an engineered de-leveraging strategy; the financial condition and performance of Standard & Poor’s and the economy in general; the regulatory environment affecting Standard & Poor’s; the level of merger and acquisition activity in the U.S. and abroad; the strength of the capital markets and the ability of the company to attract and retain key employees; the strength of the U.S. and international advertising markets; the strength and the performance of the U.S. and international automotive markets; the volatility of the energy marketplace; the contract value of public works, manufacturing and single-family unit construction; the level of political advertising, 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 on 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, corporate issuance, residential and commercial mortgage-backed securities and CDO’s backed by residential mortgages, related asset classes and other sovereign and non-sovereign issuers; the implementation of an engineered de-leveraging strategy; the financial condition and performance of Standard & Poor’s and the economy in general; the regulatory environment affecting Standard & Poor’s; the level of merger and acquisition activity in the U.S. and abroad; the strength of the capital markets and the ability of the company to attract and retain key employees; the strength and the performance of the U.S. and international advertising markets; the strength and the performance of the U.S. and international automotive markets; the volatility of the energy marketplace; the contract value of public works, manufacturing and single-family unit construction; the level of political advertising, 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.

Focusing on three key issues

- Regulations of ratings
- Legal outlook
- The digital transformation in education

Preparing to operate in the new regulatory environment

- Not waiting for “ink to dry”
  - Continue to work closely with regulators, policymakers and market participants to implement significant changes at S&P Credit Market Services
  - Exploring new steps to evaluate data and the quality of the information sources used in the ratings process
  - Evaluating whether or not to rate some issues, issuers, or transactions that don’t have a track record
    - May result in rating fewer emerging companies, potentially limiting access to funding in public markets for growth and innovation
How S&P has strengthened its ratings process
• S&P has taken important steps to:
  – Improve rating stability
  – Add value through more analysis and features
  – Increase comparability of ratings
  – Add more checks and balances to the ratings process
  – Educate the market about ratings and the ratings scale

How S&P is adding value to ratings
• To increase transparency, S&P now regularly provides more information about:
  – The assumptions in its models
  – The use of “what if” scenarios
  – Stress tests that illustrate the level of stress an instrument might withstand without defaulting

How S&P is adding value to ratings
• S&P has invested heavily in people, systems and technology to expand its compliance efforts
  – 2009: Spent about $60 million
  – 2010: May spend around $75 million
• Costs may be impacted by final regulations
• Strengthening analytics, increasing transparency and reinforcing the integrity of the ratings process will enable S&P to enhance its value to investors
  – We feel investors will continue to require a common and transparent language for evaluating and comparing creditworthiness across sectors and geographies

The regulatory outlook: Contradictory language
• U.S. Senate financial reform bill promises a level playing field for all participants, but at the same time proposes to lower pleading standards only for credit rating agencies
• To impose lower pleading standards on rating agencies is unprecedented and discriminatory
  – Goal should be a single pleading standard for all

Fundamental contradictions in the regulatory outlook

Supporting regulatory soundness and safety
• There is a move to remove ratings from statutes and regulations to discourage the thought that our rating opinions have the government’s seal of approval
• We support this proposal and any others that increase transparency, accountability and restore confidence to financial markets
Latest from the litigation front

- 12 cases completely dismissed; 11 this year
  - Eight different judges have ruled on the 12 dismissals
- Five cases have been dropped by plaintiffs
- Three motions to dismiss have been denied in whole or part, pending discovery
- Dismissals fall into three major categories:
  1. Underwriter lawsuits
  2. “Stock drop” suits
  3. Suits involving state law claims

Latest from the litigation front

- Clear and unambiguous takeaways from recent court decisions:
  - Rating agencies are not underwriters or sellers of securities under securities laws
  - Ratings are opinions, not statements of fact
  - After-the-fact criticisms of rating agencies do not support the inference that rating agencies didn’t believe the appropriateness of their ratings at time of issuance

Latest from the litigation front

- Clear and unambiguous takeaways from recent court decisions (continued):
  - Rating agencies’ alleged conflicts of interest were widely known by investors
  - Investors were adequately apprised of risks and limitations of using credit ratings
  - Not recommendations to buy, sell or hold securities

Latest from the litigation front

- Dismissals have not been granted in three cases
  - Abu Dhabi and Rhinebridge cases in federal court
  - CalPERS case in state court in California

Latest from the litigation front

- What did courts decide?
  1. In ruling on a motion to dismiss, courts are legally required to accept as true all of the allegations
     - Must also favor the plaintiffs at this preliminary stage
  2. The courts’ decisions are not definitive rulings on the factual or legal merits of the claims against S&P
     - They simply allow the claims to move to discovery, the pre-trial phase of the case

Latest from the litigation front

- Abu Dhabi case
  - During discovery we will show that S&P rating opinions were available globally at no charge and widely disseminated through the wire services
  - 10 of 11 claims have been dismissed, including all of the plaintiff’s negligence-based allegations
- CalPERS
  - Judge already dismissed one of the two claims
  - We will appeal claim that was not dismissed
- We remain confident in getting dismissals and regard the legal risk in these cases as low
Latest from the litigation front

• We have not received a Wells notice from the SEC

Our vision of the digital transformation in education

• The digital transformation of education is not about textbooks or e-books
• The strategy:
  – Creating more effective solutions
  – Linking technology, content and distribution
  – Moving educational content into interactive, adaptive, mass customizable forms
  – Improving the teaching and learning experience

Technology: An opportunity, not a threat

• Here’s what we know as an educational publisher:
  1. All information is not equal in the education marketplace
     – Creating curriculum content that is accurate, authoritative and properly sequenced is challenging
  2. Content counts and correlating it to standards is vital
  3. Digital does not disintermediate content
  4. Digital business model expands the addressable market. Changing the workflow changes the opportunity.
  5. Digital delivery adds functionality and higher value

Our growing digital initiatives

• Digital revenue is increasing at a double-digit rate in our higher education and professional markets
• Accounts for 15% of our revenue in these markets

Growing digital opportunities in higher education

• Using technology to increase the addressable market
  – Majority of our college and university textbooks are now available as e-books
  – Offering self-assessment tools for college students
• Now more than 1.2 million registered users of McGraw-Hill Connect™ and other homework management products

Growing digital opportunities in higher education

• McGraw-Hill Connect™ [video]
More digital content for the el-hi market

- Our elementary-high school products and services are integrating digital components into virtually every program we produce
  - We offer multimedia packages
  - Mix of components varies by grade and subject
- Interactive online student editions are a part of the future that is already here

Positive indicators for growth in 2010

- Increased the dividend for 37th consecutive year
  - Annual dividend has grown at an average compound rate of 9.9% since 1974
- Resumed share buybacks this year
  - 17.1 million shares authorized in the share repurchase program at the end of 2009

Growing digital opportunities in el-hi

- ConnectED and McGraw-Hill Connect illustrate how we use the power of technology to provide solutions

Positive indicators for growth in 2010

- Our markets are recovering
- We expect growth in 2010
- Our year is off to a very good start
- Our financial position is strong

ConnectED [video]

- We offer multimedia packages
- Mix of components varies by grade and subject
- Interactive online student editions are a part of the future that is already here

We are investing in the growing digital and global economy to:
  - Capture growing opportunities
  - Improve the operating leverage across all our businesses
2010 outlook for MHP

• EPS
  – 4Q 2009: +43.2%
  – 1Q 2010: $0.33, a 65% increase

2010 outlook for Financial Services

• Encouraging trends in 1Q continued through April
• Corporate issuance in May has not matched the record levels experienced in April
• Recently, some issuers moving to sidelines because of uncertainty over conditions in Europe, pending U.S. regulations, and widening credit spreads

2010 outlook for McGraw-Hill Education

• Growth in key education markets in 2010
  – 6% to 7% in the elementary-high school market
  – 5% to 7% in the U.S. higher education

2010 outlook for Information & Media

• Revenue: Excluding $99 million from BusinessWeek divestiture, revenue will increase in the mid single-digit range
• Operating margin: Expect to rebound into the mid-teens

2010 outlook for The McGraw-Hill Companies

• 2010 guidance
  – Based on current expectations, we expect diluted earnings per share in the $2.55 to $2.65 range