

**The McGraw-Hill Companies**  
**2<sup>nd</sup> Quarter 2011 Earnings Conference Call**

Prepared Remarks  
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**Donald Rubin**

Senior Vice President, Investor Relations  
The McGraw-Hill Companies

Thank you and good day to our worldwide audience. We thank everyone for joining us this morning at The McGraw-Hill Companies' second quarter 2011 earnings call. I'm 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 Jack Callahan, Executive Vice President and Chief Financial Officer

This morning we issued a news release with our results. We trust you have all had a chance to review the release. If you need a copy of the release and financial schedules, they can be downloaded at [www.mcgraw-hill.com](http://www.mcgraw-hill.com).

In today's earnings release and during the conference call, we are providing adjusted revenue and free cash flow information. This information is provided to enable investors to make meaningful comparisons of the Company's operating performance between periods and to view the Company's business from the same perspective as management's. The earnings release contains exhibits that reconcile the differences between the non-GAAP measures and comparable financial measures calculated in accordance with U.S. GAAP.

Before we begin, 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 Jason Feuchtwanger in our New York office at (212) 512-3151 subsequent to this call. Today's update will last approximately an hour. After our presentation, we will open the meeting to questions and answers.

It's now my pleasure to introduce the chairman, president and CEO of The McGraw-Hill Companies, Harold McGraw III.

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### **Harold McGraw III**

Chairman, President and CEO

The McGraw-Hill Companies

Thank you very much, Don. Good morning everyone and welcome to today's conference call. Besides Don, with me this morning is Jack Callahan, our chief financial officer. He will be providing a little bit more color to our financials in just a moment.

We have two objectives for today's call:

- First, we want to review our encouraging second quarter results and share our perspective on the positive outlook for the second half of this year.
- Second, we want to update you on our important strategic portfolio review, which is intended to accelerate global growth and unlock shareholder value.

As always, after our presentations, we will be pleased to address any of your comments, questions, or go in any direction you'd like. I trust you all have had an opportunity to review our second quarter earnings release.

If you recall, on our first quarter call in April we said a promising year was off to a good start. Our second quarter results bear that out.

Overall, our business is performing well. Earnings per share in the second quarter grew approximately 12% to \$0.68 per share. Revenue grew more than 7% to \$1.6 billion dollars. We're very pleased with that. Our revenue growth for the first half is the best since 2007. First half revenue increased by 7.4% to \$2.9 billion dollars. Earnings per share grew by 14.4% to \$1.07. Based on our solid start this year and a promising outlook for the second half, we now expect to achieve the top end of our 2011 diluted earnings per share guidance of \$2.79 to \$2.89.

While we are encouraged by our first half results and prospects for the year, we are intent on growing faster and on unlocking shareholder value by allocating our resources to support the best opportunities in growing global markets.

That process is already well along. The most recent review of our businesses began with the decision to create McGraw-Hill Financial as a new segment in 2011. We reorganized and refocused this business and put it under separate leadership to leverage our intellectual property for new value creation. By integrating previously separate but strong and successful business lines into one scaled operation, McGraw-Hill Financial is delivering a growing array of innovative solutions and high-value content across all asset classes to financial professionals around the world.

Our S&P indices business and the new Integrated Desktop Solutions Group, which includes Capital IQ, continue to grow rapidly, driving year-over-year increases of 13.5% in revenue and 17.3% in operating profit in the second quarter. McGraw-Hill Financial is now actively reviewing opportunities for creating more value through organic growth, strategic partnerships, and acquisitions.

But that's not the whole story. And so last month we informed the market that a strategic review of the entire portfolio is underway. The goal, quite simply, is to increase shareholder value by building on the high-growth, global brands at the core of our franchise.

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Many of you have asked what this review entails and what is our timeline. What we can tell you today is this:

- That we have multiple work streams underway,
- That everything is being scrutinized, and
- That we expect to continue this process with a number of significant actions in the second half of the year.

As an important corollary to this process, we are also evaluating our organization's structure and design, and our G&A costs across the Corporation to ensure that we are both nimble and responding to an ever more dynamic marketplace while improving overall efficiency.

Excellent examples of effective capital allocation are the recent investments to expand our high-growth Platts business. An underappreciated gem, Platts is our most global brand with clients in more than 150 countries subscribing to our real-time news, data, and price discovery services for energy, petrochemicals, metals, and other important commodities. Platts is also one of our fastest growing businesses and this year alone we have enhanced its organic growth with two significant additions to the platform.

In January, Platts expanded its energy information platform by acquiring BENTEK Energy, which is widely recognized as the leading provider of fundamental data and analytics to the natural gas market in North America. And, on July 1st, we acquired the Steel Business Briefing Group, a leading provider of news, pricing, and analytics to the global steel market. With world steel consumption projected to increase by approximately 60 percent during the next decade, this acquisition creates excellent new opportunities for Platts. With these new additions, Platts is now even better positioned as a leading provider of critical news, pricing, and analytical services.

There are other early milestones to report in our portfolio review. On June 14, we announced that we are pursuing the sale of our Broadcasting Group. This business consists of ABC affiliates in the attractive Denver, San Diego, Indianapolis and Bakersfield, California markets, as well as five Azteca America affiliates in California and Colorado. There has been a very strong response to our announcement from financial and non-financial buyers. Based on the level of interest and the quality of the firms we are now engaging with, we are very optimistic about the outcome of the process.

Our decision to sell the Broadcasting Group is a window into our review process. Broadcasting has been an important part of the company for 40 years. We have nurtured this business and it has made a solid contribution to our bottom line. But as we examined our enterprise and assessed the future, we determined that the Broadcasting Group does not have the characteristics we define as core. It lacks scale. It is cyclical. It is advertising-based and the growth prospects seem somewhat limited. As a result, it became a candidate for divestiture. We also believe this action is better for our associates in the broadcasting business as they hopefully will be a part of an organization with greater capability in this space.

Before reviewing our business segments, I want to touch on two additional topics:

- First is our commitment to use our strong cash flow and balance sheet to return capital to shareholders, and
- The other is the vastly improving legal and regulatory environment in which we are now operating.

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We remain committed to returning capital to shareholders. From 1996 through the first half of 2011, we have returned \$10.4 billion dollars to shareholders through a combination of share repurchases and dividends.

When it comes to paying dividends, The McGraw-Hill Companies is exceptional. We are one of only 25 corporations in the S&P 500 that has increased dividends annually for each of the past 38 years. Our current annualized rate of \$1.00 dollar per share represents an average compound annual dividend rate of 9.8% since 1974.

As for stock buybacks, I am sure you are aware that on June 29, our Board of Directors approved a new repurchase authorization of up to 50 million shares—that's 17% of the total shares outstanding. In the first half of this year, we repurchased 7.7 million shares for \$300 million dollars at an average price of \$38.96.

As some have recently observed, legal and regulatory concerns facing the rating agencies are continuing to abate. I am pleased to report that our latest count shows 21 lawsuits have now been dismissed in their entirety and another nine have been voluntarily withdrawn. Five dismissals by lower courts have now been affirmed by higher courts.

The recent ruling by the U.S. Court of Appeals for the Second Circuit is a significant victory for S&P in subprime litigation since this category has attracted the most lawsuits. In affirming the dismissal of three underwriter cases filed against Standard & Poor's and other rating agencies, the panel of judges' unanimous decision is unambiguous in concluding that credit rating agencies cannot be sued as underwriters. In view of this favorable ruling, our attorneys believe it will be very difficult for any future plaintiff to bring a new underwriter claim against S&P.

We have also received earlier this month a significant ruling on the Parmalat case, which has been in the Italian courts since 2005. The Court in Milan rejected in its entirety Parmalat's principal claims for damages of more than \$4 billion Euros. The Court also ruled that S&P breached its ratings agreement and will have to return rating fees and pay some attorney and expert fees—a total of about \$1 million dollars—even though Parmalat repeatedly provided false and misleading information to S&P in the entire period that it was under contract and that massive and systematic fraud resulted in criminal convictions of several of the company's former executives.

This ruling comes at a time when there has been criticism in Europe of S&P's sovereign ratings and calls by some politicians to place new limits on the rating agencies. While the issue is not confined to S&P, it is important to note that these suggestions are being sharply criticized.

We believe these criticisms are misguided and we think the *Financial Times'* influential Lex column said it best when it noted, and I quote, "Eurozone politicians and the European Central Bank should thank S&P for telling the truth." More recently, a special report by a committee of the House of Lords on the Euro Debt Crisis called suggestions to suspend ratings for countries in international financial assistance programs "wholly impractical and smacks of censorship."

We are encouraged that transparency and the importance of objective, third-party opinions for investors are highly valued. That's evident in the U.S., where the Dodd-Frank Act is just over one year old. At yesterday's hearings before the U.S. House of Representatives Committee on Financial Services' Subcommittee on Oversight and Investigations, S&P pointed out the significant actions and investments

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it has taken in recent years to improve the transparency, quality and timeliness of its ratings and to comply with Dodd-Frank. Real progress is being made.

With that said, let me turn now to the operating results and let's begin with McGraw-Hill Financial.

### **McGraw-Hill Financial**

We have already touched on the key measures of this segment's second quarter performance—13.5% revenue growth and a 17.3% increase in operating profit. Clearly, our new segment is on the right track with first half revenue growth of 14.8% and a 29.5% operating margin.

- Subscriptions produced 74% of the segment revenue and grew by 15.8% in the first half;
- We are making very good progress in integrating our businesses;
- We are building scale in core franchises; and
- We are leveraging our market position for further expansion with new enhancements and products.

For example, through an integration of S&P Indices' unique methodologies with Compustat and Capital IQ fundamental data we launched a new data package that offers more than 100 index level statistics focused on income statements, balance sheets, and trading data. The S&P Fundamental Data Package represents but one example of a series of planned offerings based on the collaboration and integration of capabilities and assets across McGraw-Hill Financial. Our deep fundamental information on S&P 500 constituents makes it easier for clients to benchmark, back-test, and execute investment strategies.

We are also enhancing our Capital IQ Consensus offering to include the industry's first aggregate estimates tied directly to share counts for S&P 500 companies, as well as reporting daily during earnings season on trends and outliers.

As we evolve and introduce new and innovative data and analytic offerings, we will also continue to improve our broad portfolio of existing products and services by leveraging the scale and strength of the new McGraw-Hill Financial.

So, to sum up, expansion continues and we expect a solid first half from McGraw-Hill Financial to be followed by a solid second half performance.

Let's move over to Standard & Poor's.

### **Standard & Poor's**

Surging new issue volume, a booming bank loan market, low interest rates, investor demand for yield, and strong refinancing activity combined for an outstanding second quarter at Standard & Poor's, despite a decline in public finance markets and softness in structured finance.

In the second quarter:

- Revenue increased by 18.6%
- Operating profit increased by 17.3%
- The operating margin of 44.3% compares to 44.8% for the same period last year.

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Some of the challenging expense comparisons that were evident in the first quarter—increasing compensation and regulatory costs—were still a factor in the second quarter.

First half comparisons were particularly difficult this year because of the timing of incremental costs for compliance. Most of the increase in 2010 occurred in the second half. In 2011, expenses, which will increase from \$12 million to \$15 million dollars, will be more evenly spread, which will help second half comparisons.

Investment in resources to support strong growth in our Corporate and Governments group as well CRISIL businesses are primary drivers of expense growth along with investment in infrastructure and new resources to support compliance with regulatory requirements. Foreign exchange also contributed to the growth in expenses as well.

We continue to watch events in the market relating to the sovereign debt situation and the debate on the U.S. debt ceiling. While there are uncertainties and an expectation of month to month volatility, at this time our view is that with easier cost comparisons and the continuation of favorable market conditions, we see the potential for a solid second half performance from Standard & Poor's.

Let's review some reasons for our confidence in the second half outlook for S&P:

- Corporations continue to borrow for expansion even as earnings remain strong and cash builds on the balance sheet;
- Low default rate expectations and low yields on less risky debt should keep investors interested in the high-yield and leveraged loan markets for the balance of this year;
- M&A activity, a key driver of new bond issuance, is picking up;
- Public markets will continue to benefit from bank disintermediation in Europe, and
- Refinancing activity remains strong.

According to S&P's Leveraged Commentary and Data Group, 56% of the proceeds from high-yield bonds were used for refinancing in the second quarter.

The amount of maturing debt increases significantly through 2015, according to a new study issued by Standard & Poor's earlier this month. S&P estimates that \$8 trillion dollars of debt will mature from the second quarter of 2011 through the end of 2015.

- About \$1.4 trillion dollars comes due in 2011, and
- Next year, more than \$2 trillion dollars of corporate debt will mature.

We continue to remain optimistic about the potential for the structured finance market:

- The ABS sector is stabilizing;
- There are modest increases in the CMBS and CDO markets;
- Strengthening our criteria to enhance stability, transparency, comparability and become more forward-looking may have led to some decline in share, but positions us well for the future; and
- As issuance picks up in structured finance and the need to invest in our regulatory framework declines, margin improvement should be expected.

So summing up for Standard & Poor's:

- A solid first half performance, and
- Sustained top and bottom line growth in the second half despite market volatility.

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Let's look at McGraw-Hill Education.

### **McGraw-Hill Education**

Normally, there is concern in the second quarter about orders being pulled forward from the third quarter. Not this year. Delays in ordering affected both state new adoption and open territory revenue as potential sales shifted from the second quarter into the third quarter and, possibly, even into the fourth quarter. Second quarter comparisons were also affected by the McGraw-Hill School Education Group's strong results last year in the Texas reading and literature adoptions.

These were important factors in the 10.1% decline in the McGraw-Hill School Education Group's second quarter revenue. For the McGraw-Hill Higher Education, Professional and International Group, revenue increased 1.8%, as digital products and services grew at a double-digit rate in a seasonally slow quarter. As a result, McGraw-Hill Education's revenue declined by 5.0% in the second quarter and operating income was off by 18.3%.

The timing of sales and the growth of digital products are key to our second half prospects this year in the education market, which we think are good.

We have greater clarity in this year's elementary-high school market now that Texas has appropriated \$399 million dollars for new instructional materials programs plus another \$393 million dollars for the purchase of previously adopted materials covered by continuing contracts.

Earlier this year, we said Texas funding was the wildcard in the 2011 state new adoption market. The issue was not settled until the Texas state legislature completed a special session on June 29th. Consequently, there were no orders from Texas in May, June or July. Not until August 8th will the Texas Education Agency begin to process orders from local school districts.

With Texas now on the record, we believe the state new adoption market could equal or surpass last year's \$850 million to \$875 million dollar level. If so, the total elementary-high school market could be flat or up modestly in 2011.

State budgets remain under pressure, but there are some indications that state cuts in education spending will be deeper for higher education than K-12. It is easier politically to cut higher education funding because colleges and universities can raise tuition and make other adjustments more easily than public schools where most of the education budget is devoted to salaries and related pension and healthcare costs. There are also indications that some states may restore K-12 funding if their revenues continue to improve. That has already happened, for example, in Michigan.

The uncertainty over how much funding would be available in Texas, and the possibility that some categories might not be funded at all, led us to focus our participation on about half of the state's extensive adoption call for 2011.

Under the circumstances, making heavy investments to create state-specific products necessary to match the Texas standards and meet district demands was too problematic. For the same economic reasons, we elected not to participate in the Florida K-5 science adoption. We still expect to capture approximately 30% of the state new adoption market in which we are participating this year. Because some

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opportunities did not warrant the investment, we will participate in a little more than 70% of the total markets.

Our investments in digital opportunities are gaining traction. In the school market, our all digital cloud-based K–12 science program—we call this program McGraw-Hill CINCH Learning—was approved by Texas for this year’s special science adoption. Students can access our content on any tablet, computer, or mobile device they choose.

Strong double-digit growth increases in the sales of digital products and services were key to McGraw-Hill Higher Education, Professional and International’s 1.8% revenue growth in the second quarter. The rapid acceptance of digital products is transforming the higher education market. The response to McGraw-Hill Connect, that’s our homework management and study system, has been outstanding because it improves the workflow for both faculty and students.

McGraw-Hill Connect seamlessly integrates into the widely used Blackboard learning management system for quick and easy access. Importantly, McGraw-Hill Connect and our other homework management products represent a new revenue stream for us. Unlike textbooks, which are purchased by students but selected by instructors, these products can be marketed directly to students.

Acquisitions have also added new talent and products that strengthen our capabilities in key markets. For example, we recently acquired Tegrity, an Israeli software firm that is doing ground-breaking work in the education market. The firm has already created a market-leading lecture capture service in higher education. And its talented team played a key role in the development of a new service that will help speed the digital transformation of the higher education market. We call the new service McGraw-Hill Campus. More than 100 higher education institutions will be using it this fall. McGraw-Hill Campus is a first-of-its kind service that enables us to provide universal access to our digital content and tools directly from any campus portal. That means faculty and students will have true single sign-on to all of our course content and digital tools no matter what learning management system is being used on campus.

Our strong lineup of digital products is an important reason why we expect growth this year in the higher education market. The industry will also benefit from a modest increase in enrollments, probably in the 1% to 2% range. Growth will occur largely in the community colleges and public universities. Enrollments in the for-profit schools are expected to stabilize and build toward the end of the year.

The impact of rentals in this year’s higher education market is still difficult to gauge. Not all college bookstores are aggressively promoting rentals and not all titles can be rented. We currently estimate that rentals will account for about 5% of the new and used book market this year.

We continue to expect that the U.S. college and university market will grow 4% to 6% this year, although the lower end of the range now appears to be probably more likely.

Let’s sum up for McGraw-Hill Education. In the third quarter:

- The elementary-high school market will benefit from delayed orders in the second quarter, particularly from Texas;
- Higher education and professional markets will see wide-spread adoptions of digital products and services, which will continue to grow at double-digit rates.; and
- We are in an excellent position to benefit from both these trends.

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### **McGraw-Hill Information & Media**

Double-digit growth of our Business-to-Business Group was key to Information & Media's second quarter and first half performance. The B-to-B Group's 11.7% increase in the revenue offset a 6.0% decline at Broadcasting. As a result in the second quarter:

- Revenue for the segment was up 9.7%,
- Operating income was up 5.9%, and
- The operating margin was 20.5%.

Earlier this year, we said that 2010 improvement in this segment's operating margin was sustainable. With a solid first-half performance now in the books, we are demonstrating the improvement is not a one year phenomenon.

Our Business-to-Business Group is now primarily a subscription business delivered digitally. More than 70% of the Group's revenue is digital, the result of investment in capabilities that create the foundation for developing new products and revenue streams. More than 60% of the Group's revenue comes from subscriptions.

In the second quarter, strong demand for Platts' proprietary content and growth in syndicated studies and consulting services at J.D. Power in automotive and non-automotive sectors were key drivers.

A decrease in political advertising in a non-election year was a major factor in Broadcasting's second quarter performance.

So summing up:

- Sustainable margin improvement, and
- An encouraging second half outlook.

So wrapping up my review of operations, and summing up for The McGraw-Hill Companies:

- Overall, our businesses are performing well, and
- Based on a solid start to the year and a promising outlook for the second half, we now expect to achieve the top end of our 2011 diluted earnings per share guidance of \$2.79 to \$2.89.

With that, let me turn it over to Jack Callahan. As Chief Financial Officer, he will walk through the numbers.

### **Jack Callahan**

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

Thank you Terry.

It is a pleasure to review with you a very strong quarter and a strong first half for 2011. Let's start by providing additional detail on several items.

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Our solid organic revenue growth also benefited from acquisitions as well as foreign exchange. In the second quarter, acquisitions completed over the past 12 months accelerated revenue growth by approximately 140 basis points while the profit impact was modestly dilutive. Foreign exchange also positively impacted consolidated revenue results by approximately 160 basis points. Impact on the bottom line was minimal.

Information & Media's Q2 segment expenses were impacted by a number of nonrecurring items consisting of a write-off of deferred costs recorded in prior periods largely offset by a gain on the sale of our interest in the LinkedIn Corporation.

Corporate expense was \$44 million in the quarter and increased by \$6.6 million from the prior year. For the first half, corporate expense was \$78.4 million, an increase of 6.9%. These increases were driven by a step up in incentive compensation due to the timing of accruals as well as improved operating results. For the full year, we continue to expect corporate expense to increase in the mid single-digit range versus 2010 adjusted corporate expense of \$164 million. As a reminder, the 2010 expense excludes the one-time charge of \$15.6 million related to subleasing excess space in the Company's New York facilities.

Net interest expense was \$20 million in Q2, a modest decline of \$1 million versus prior year. We still expect full-year interest to be comparable to 2010, which was \$82 million.

Our effective tax rate was 36.4% in the second quarter, flat versus 2010. We expect our full-year effective tax rate to remain in that range.

Net income attributable to noncontrolling interests was \$4.7 million, largely driven by CRISIL.

Let me turn now to capital allocation. We spent \$426 million on acquisitions and share repurchases in the first half:

- \$126 million for acquisitions, and
- \$300 million for share repurchases.

As Terry mentioned, the most notable acquisition was BENTEK Energy, which was acquired in the first quarter. Next, our acquisition of Steel Business Briefing Group closed on July 1<sup>st</sup> and will be included in our Q3 results. Both acquisitions added to Platts' growing platform, adding critical capability in the natural gas and iron ore markets.

We continue to actively repurchase shares. In Q2, we repurchased 4.4 million shares, a step up from Q1 repurchases of 3.3 million shares. For the first half, we repurchased 7.7 million shares for approximately \$300 million, averaging \$38.96 per share.

Our diluted weighted average shares outstanding for the quarter was 309.2 million, a 4.0 million decrease from the prior year. The decline is due primarily to share repurchases, which more than offset equity related awards.

We continue to expect another year of strong cash flow. Before dividends, we expect to generate cash flow greater than \$1 billion. After dividends, free cash flow is projected to be in excess of \$700 million. Going forward, our robust free cash flow and strong balance sheet enable us to selectively add attractive,

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strategically relevant businesses like BENTEK Energy and Steel Business Briefing Group to the McGraw-Hill portfolio while continuing to return cash to shareholders via share repurchases, subject to market conditions.

We are extremely well capitalized with cash and short-term investments at quarter-end of \$1.3 billion. The \$223 million decline in cash and short-term investments from year-end 2010 is primarily due to share repurchases and the acquisitions we mentioned. Gross debt was comprised of approximately \$1.2 billion in long-term unsecured senior notes. No commercial paper is outstanding.

Turning to capital investments, we now expect prepublication investment to be below \$200 million, versus our previous guidance of roughly \$200 million to \$225 million. This decline is largely due to a re-scoping of our new core reading program and some fine-tuning of overall financial requirements.

Prepublication amortization for the full year is expected to be approximately \$210 million, a \$36 million decline from 2010, reflecting the recent reduced level of investment.

Capital expenditures continue to be projected up to \$150 million, driven in part by increased digital and technology investments. This compares to \$115 million in 2010.

In closing, The McGraw-Hill Companies is off to a solid start and we are on track for a very good year. To reiterate several points made by Terry:

- Our revenue growth for the first half is the best since 2007, and
- We now expect to achieve the top end of our 2011 diluted earnings per share guidance of \$2.79 to \$2.89.

Thank you.

### **To access the accompanying slides online, go to:**

<http://investor.mcgraw-hill.com/phoenix.zhtml?c=96562&p=irol-EventDetails&EventId=4151939>

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

This presentation contains forward-looking statements, including without limitation statements relating to our businesses and our prospects, new products, sales, expenses, tax rates, cash flows, prepublication investments and operating and capital requirements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are intended to provide management’s current expectations or plans for our future operating and financial performance and are based on assumptions management believes are reasonable at the time they are made. Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “plan,” “estimate,” “project,” “target,” “anticipate,” “intend,” “may,” “will,” “continue” and other words of similar meaning in connection with a discussion of future operating or financial performance. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual outcomes and results could differ materially from what is expected or forecasted. These risks and uncertainties include, among others: worldwide economic, financial, political and regulatory conditions; currency and foreign exchange volatility; the effect of competitive products and pricing; the level of success of new product development and global expansion; the level of future cash flows; the levels of capital and prepublication investments; income tax rates; restructuring charges; the health of debt and equity markets, including credit quality and spreads, the level of liquidity and future debt issuances; the level of interest rates and the strength of the capital markets in the U.S. and abroad; the demand and market for debt ratings, including CDOs, residential and commercial mortgage and asset-backed securities and related asset classes; the state of the credit markets and their impact on S&P and the economy in general; the regulatory environment affecting S&P; the level of merger and acquisition activity in the U.S. and abroad; the level of funding in the education market; SEG’s level of success in adoptions and open territories; enrollment and demographic trends; the strength of SEG’s testing market, HPI’s publishing markets and the impact of technology on them; continued investment by the construction, automotive, computer and aviation industries; the strength of the domestic and international advertising markets; the level of political advertising; the strength and performance of the domestic and international automotive markets; the volatility of the energy marketplace; and the contract value of public works, manufacturing and single-family unit construction. We caution readers not to place undue reliance on forward-looking statements.