



"Safe Harbor" Statement Under The Private Securities Litigation Reform Act of 1995

This presentation includes certain forward-looking statements about the Company's businesses and our prospects, 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; the duration and depth of the current recession; Educational Publishing's level of success in 2009 adoptions and in open territories and enrollment and demographic trends; the level of educational funding; the strength of School Education including the testing market, Higher Education, Professional and International publishing markets and the impact of technology on them; the level of interest rates and the strength of the economy, profit levels and the capital markets in the U.S. and abroad; the level of success of new product development and global expansion and strength of domestic and international markets; the demand and market for debt ratings, including collateralized debt obligations ("CDO"), residential and commercial mortgage and asset-backed securities and related asset classes; the continued difficulties in the credit markets and their impact on 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 domestic and international advertising markets; the strength and the performance of the domestic 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; and the level of future cash flow, debt levels, manufacturing expenses, distribution expenses, prepublication, amortization and depreciation expense, income tax rates, capital, technology, restructuring charges and other expenditures and prepublication cost investment.

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Setting the record straight on Federal District Court judge's recent decision

- **September 2 decision in our motion to dismiss breaks no new legal ground**
 - No change in First Amendment protection already afforded rating agencies
- **Fundamentally, a favorable litigation development for S&P**
 - Another reason we continue to believe our legal risk is low

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The regulatory outlook

- **U.S. administration, Congress, and SEC are looking for new ways to bring regulation, oversight, and greater transparency to financial markets**
- **S&P has worked hard to be part of the solution**
 - Taken many steps to strengthen S&P's governance and analytics

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Pace of recovery in bond market

- **Encouraged by new issuance in the bond market**

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Outlook for education market

- **New generation of digital products creates new growth opportunities**

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Financial Services

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The legal situation: Setting the record straight

- **Court's ruling broke no new legal ground**
 - District Court expressly reaffirmed that rating agencies are generally afforded legal protection under the First Amendment
 - First Amendment provides no protection from potential liability for opinions not honestly held when issued
 - Could always be sued for purported fraud if a complaint contains sufficient allegations

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The legal situation: Setting the record straight

- **Approximately three dozen lawsuits from plaintiffs and counsel who think they have stated causes of action against S&P**
- **We continue to see extraordinary level of confusion and false speculation in public commentary about our legal situation**

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Evaluating Judge Scheindlin's decision

- **Critical but little noted fact:**
In ruling on a motion to dismiss, Court is legally required to accept as true all facts alleged by plaintiffs
 - *“All facts are drawn from the First Amended Complaint and are presumed to be true for the purpose of these motions.”*
- **10 of 11 claims were dismissed, including negligence-based allegations**
- **Decision on remaining claim is not a definitive ruling; simply allows claim to move to pre-trial phase**

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Confusion about fraud claim and a First Amendment defense

- **Court's ruling is procedural and preliminary; it has to accept all allegations as true**
 - Plaintiffs alleged that ratings were intentionally misleading and not broadly disseminated
 - First Amendment protections not available based on specific allegations
 - Fraud requires a very high level of proof
- **We will have an opportunity to ask Court to dismiss case by summary judgment**
 - Court will consider actual facts and applicable law, not just plaintiffs' allegations

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The legal calendar: Can't predict when courts will make decisions

- **Prepared for a marathon and not a sprint**
- **Rulings will require a knowledgeable and thoughtful assessment in order to avoid misunderstanding we have seen recently**

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Lawsuits fall into three broad categories

- 1. Underwriter claims based on Securities Act of 1933**
 - S&P is not an underwriter or seller of any securities
- 2. Shareholder claims, including class action under Section 10(b) of Securities Exchange Act**
- 3. State law claims**

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The regulatory outlook now

- **We continue to work for globally consistent oversight**
 - Preserving analytical independence
 - Maintaining a level playing field
- **Coordinating with CESR, the European Commission, IOSCO, and others to prepare for regulation by mid-2010**

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The regulatory outlook now

- **U.S.: Sharing our views on proposed legislation with SEC, Treasury, and Congress**
 - New bill may emerge in the next month
 - Legislation could slip to 2010

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The regulatory outlook now

- **Open meeting with SEC on September 17 will discuss:**
 - New rules on disclosure and conflict of interest requirements for NRSROs
 - Elimination of references to NRSROs in some rules and forms
 - Proposals to address credit rating shopping
 - Future of SEC rule 436(g)
 - Permits issuers to disclose ratings in registration statements without obtaining prior consent of rating agencies

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The regulatory outlook now

- **Public hearing with National Association of Insurance Commissioners on September 24**
 - Role of credit rating agencies in the insurance regulatory system

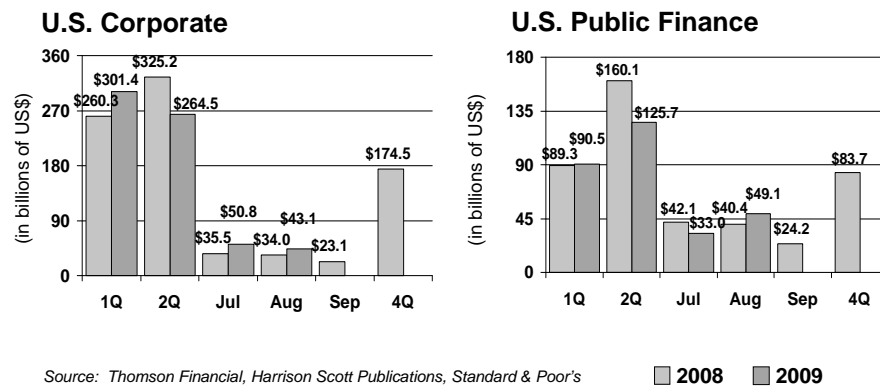
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Tracking the pace of recovery in the bond market

- Signs of thaw in credit markets
- Still expect a double-digit increase in transaction revenue at S&P Credit Market Services in second half

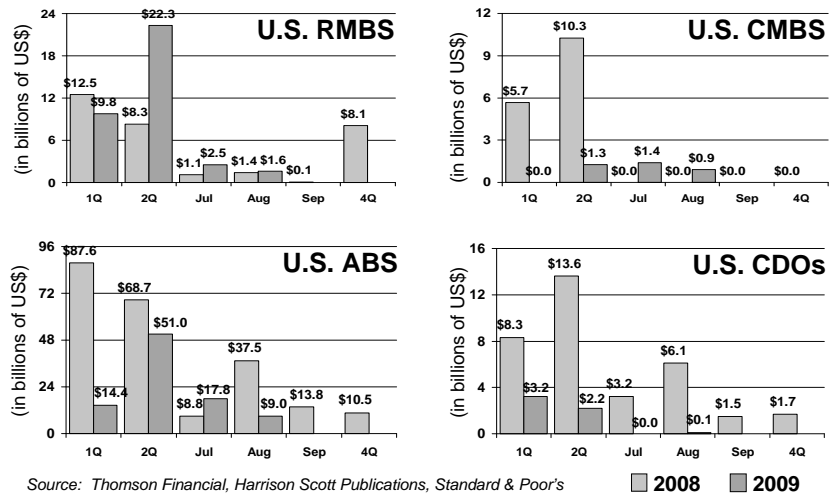
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Tracking the pace of recovery in the bond market



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Tracking the pace of recovery in the bond market



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

Tracking the pace of recovery in the bond market

- Tone of business is continuing to improve
- Important reason why we expect year-over-year increase in second half

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McGraw-Hill Education

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Prospects for education in 2009

- **Bright spots:**
 - Growth in college and university market
 - Growing demand for digital products and services
- **Elementary-high school market probably won't show improvement until 2010**
- **College market to grow 5% to 7% this year**

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Why we like our long-term prospects in education market

- **Confluence of content, technology and distribution improves our ability to develop new sources of revenue**
- **El-hi market: We offer multimedia packages, not just a textbook**
 - Mix of components vary by grade and subject
 - Interactive, online student editions are here
 - Teachers enthusiastic about digital resources we provide

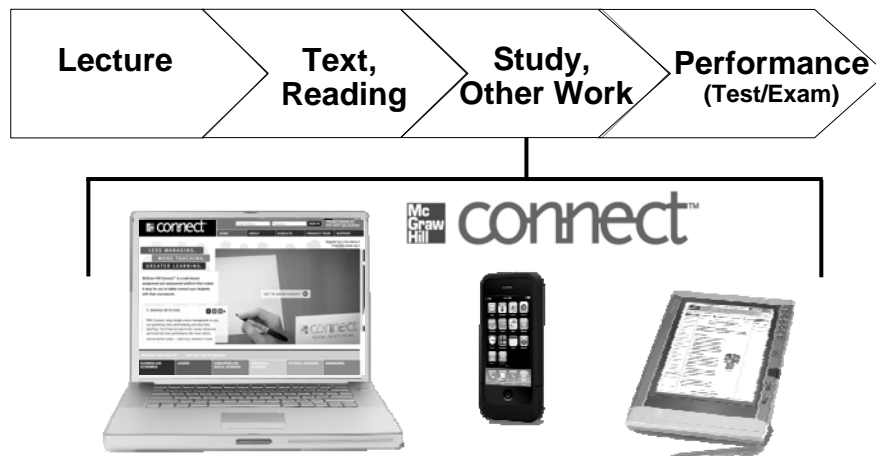
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Why we like our long-term prospects in education market

- **College market: More than 95% of textbooks can be downloaded as eBooks through CourseSmart.com**

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The college students' workflow



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New ways to "connect" college students and instructors

- **Research-based interactive assignment and assessment platform**
- **Incorporates cognitive science to customize learning process**
- **Offered in 18 disciplines for 2009**
 - Will soon expand to 30 disciplines



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New ways to "connect" college students and instructors

- **Online assignments with immediate, automatic feedback**

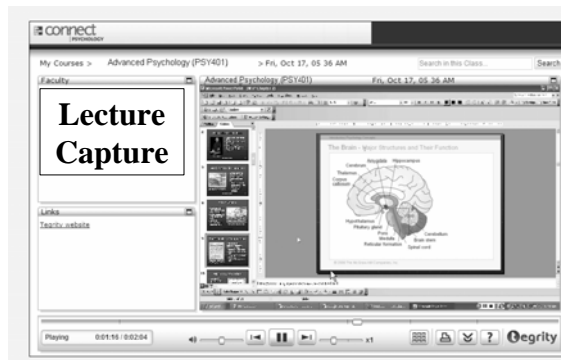


Online Assignments

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New ways to "connect" college students and instructors

- **Recorded class lectures are searchable**
 - Students can replay specific portions of any lecture by searching on a key word or phrase



Lecture Capture

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New ways to “connect” college students and instructors

- **Smart software diagnoses what a student has, or has not mastered, for success in the course**

Question #2 of 30:
“Complete the following learning activity to test your mastery of the endocrine system”



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The advantages of McGraw-Hill Connect

- **McGraw-Hill Connect is the most advanced and flexible all-digital teaching and learning platform in the college market**
- **Subscription-based model represents an opportunity to diversify revenue stream**

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Experimenting with textbook rentals in the college market

- **New pilot program with Chegg, an online college textbook rental service**
 - McGraw-Hill supplies approximately 25 titles
 - In return, we receive a portion of the rental revenue
- **Exploring relationships with other college textbook suppliers**
- **Access rental revenue for first time**

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Experimenting with textbook rentals in the college market

- **Rental model not so different from traditional purchase and re-sale model**
 - Students want information in a textbook for a defined period and sell back when course is over
 - Purchase price minus resale value is close to rental price or fee
- **eBooks represent similar opportunity**
 - eBooks are about half the price of the print version
 - Recognizes economics of rental market and the fact that there is no used book market for eBooks

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Technology creates new ways to reclaim market lost to used books

- **Used books are one-third of college market**

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The goal for new McGraw-Hill Center for Digital Innovation

- **Bringing same digital environment to the classroom that today's students have embraced outside school**



Planet Turtle
A K-3 social network where students interact with peers in protected environment



Cinch
A collection of web 2.0 tools for collaborative learning projects

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Why we're optimistic about the education market

- **Enrollments will continue to grow**
- **U.S. administration announced multibillion dollar program to boost enrollment in community colleges**
 - Get more students in school and improve graduation rates
- **Federal stimulus funds will make a difference in education, particularly in 2010**

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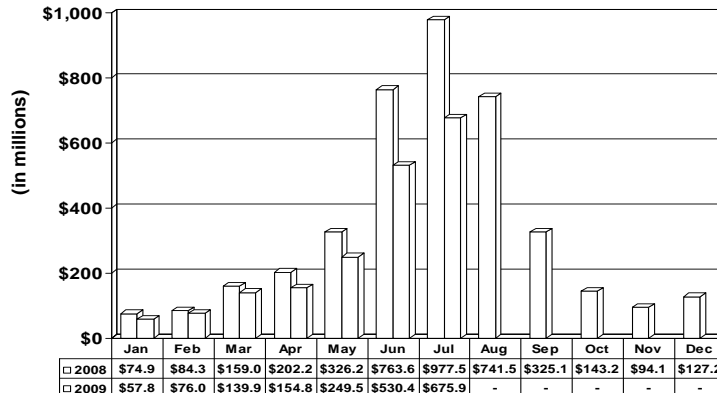
Why we're optimistic about the education market

- **El-hi state new adoption market calendar improves in 2010 to \$950 million to \$1 billion**
 - Up from \$500 million to \$550 million in 2009
 - Texas K-12 reading and literature and Florida K-12 math represent more than 70% of opportunity and funding is solid
- **In 2010 we will realize benefits of the 2009 restructuring of our education business**
- **Comparisons will get easier**

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Challenging comparisons loom in 2009 vs. 2008

Total Basal and Supplemental K-12 Net Sales



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Source: Association of American Publishers

Impact of federal stimulus money on education market

- **Still hope that more than \$100 billion in American Recovery and Reinvestment Act funding will make some difference in 2009**
 - Funds are reaching market slowly
 - Initial distributions being used to plug holes in budgets and save teaching and staff positions

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Impact of federal stimulus money on education market

- **Department of Education accelerated stimulus spending by one month**
 - Nearly \$11.4 billion in funding was made available on September 1 for Title I, IDEA and Vocational Rehabilitation programs
 - Could lead to some ordering of classroom materials later this year
 - More realistic to expect funding to have greater impact in 2010

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Outlook for The McGraw-Hill Companies

- **McGraw-Hill's financial position will remain strong**
- **Protecting a healthy balance sheet and maintain liquidity**
- **Cost control will be stringent**
- **Anticipate minimal growth in costs in second half and low single-digit decline for the year, excluding 2008 and 2009 restructuring charges and loss on sale of Vista Research**

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Outlook for The McGraw-Hill Companies

- Free cash flow after dividends is estimated at \$430 million to \$450 million, although probably at low end of range
- Continued working capital improvements, cost containment and prudent investments will enable us to produce free cash flow about equal to 2008, despite lower profit

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2009 outlook for McGraw-Hill Education

- Revenue to decline 8.5% to 9.5%
- Operating margin will be in 9% to 10% range, excluding 2008 and 2009 restructuring charges

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2009 outlook for Financial Services

- **Revenue to decline slightly**
- **Operating margin at approximately 39%, excluding 2008 and 2009 restructuring charges and loss on sale of Vista Research**

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2009 outlook for Information & Media

- **Revenue to decline 8% to 9% in view of continued weakness in advertising**
- **Operating margin will decline 300 to 400 basis points, excluding 2008 and 2009 restructuring charges**

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2009 outlook for The McGraw-Hill Companies

- Revenue to decline 5.5% to 6.5%
- With continued tight expense controls, we expect earnings per share in the \$2.20 to \$2.25 range, excluding second quarter restructuring charge and divestiture of Vista Research, although it appears we will come in at low end of range

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