Commodities & Commercial Markets
Data, Analytics & Industry Insights

High-Value Information that Addresses Key Sectors of the Global Economy

McGraw Hill Financial’s Commodities & Commercial Markets consists of two business-to-business companies—Platts and J.D. Power—that provide customers across a variety of industries and markets with access to high-value information, data, analytic services and pricing, and quality benchmarks. The Commodities & Commercial Markets business delivers premier content consisting of timely, comprehensive, and reliable business information that is deeply embedded in customer workflows and decision-making processes.

Creating Growth:
- Strengthening core products and services
- Extending capabilities to existing customers
- Meeting new customer needs through innovative solutions

How Commodities & Commercial Markets Generates Revenue

Real-time news, market data and price assessments, along with other print and digital information products, primarily serving the energy market and the automotive industry (subscription revenue)

Syndicated and proprietary research studies, advertising, consulting engagements, and events (non-subscription revenue)

In 2014, subscription revenue for Commodities & Commercial Markets increased 9% and international revenue grew 10% compared to 2013

Notes: Aviation Week was sold in 2013. Segment results include Aviation Week through August 1, 2013. Platts’ 2014 results reflect the acquisition of Eclipse Energy Group. McGraw Hill Construction was sold in 2014 and was reclassified as a discontinued operation. It is excluded from results for 2010–2014.
Commodities & Commercial Markets’ data, analytics, and related research are embedded in the decision-making process for customers and companies in key sectors of the global economy. This group is expanding its business model to include additional benchmarks and workflow tools that allow its customers to further improve and grow their businesses.

Platts provides essential price data, analytics, and industry insight that enable commodities markets to perform with greater transparency and efficiency.

J.D. Power provides essential consumer intelligence to help businesses measure, understand, and improve the key performance metrics that drive growth and profitability.

Platts and J.D. Power provide essential data and benchmark information to the energy markets and the automotive industry.
Platts
Commodity Pricing, Analytics & Industry Insight

Enabling Commodity Markets to Perform with Greater Transparency and Efficiency

Platts is a leading independent provider of energy, petrochemicals, metals, and agriculture information and a premier source of benchmark price assessments for those commodity markets. With more than a century of business experience, Platts provides market reports and analysis, analytical tools, real-time news and price information, and end-of-day market data to almost 10,000 private- and public-sector customers across more than 180 countries.

Platts has benefited from strong fundamental growth and globalization of commodity markets. Physical commodity market drivers include:
- **Price volatility**: Reinforces the need for price discovery
- **A growing futures market**: Platts benefits as more futures contracts are written that use its pricing information
- **Increasing global energy market**: Long-term growth trends as energy consumption increases the overall market
- **Trading in physical commodities**: As trade flows grow, so does the need for more transparency and pricing information

How Platts Generates Revenue

**Subscriptions** for proprietary market information, market reports, real-time services, and analytics (subscription revenue)

**Licensing fees** from exchanges and clearing houses for the utilization of Platts’ data and brand name in trading operations for derivative contracts (subscription and non-subscription revenue)

**Conferences and events** across all commodity markets served by Platts (non-subscription revenue)

Platts’ subscription products have a renewal rate of more than 90%

Platts is McGraw Hill Financial’s most global business with approximately 60% of its revenue coming from outside the U.S.

www.platts.com

Recent Acquisitions Advance Platts’ Position in Established and Emerging Commodity Markets

From its beginnings in petroleum, Platts has successively expanded its coverage to include petrochemicals, metals, shipping, and other commodity markets.

**North American Natural Gas Markets**

Bentek (2011)

Bentek Energy offers fundamental data and proprietary analytical products to North America’s natural gas, liquefied natural gas (LNG), oil, and natural gas liquid (NGL) sectors. This acquisition expanded Platts’ expertise in fundamental market analysis.

**Steel, Iron Ore & Metals**

Steel Business Briefing Group (2011)

The acquisition of the Steel Business Briefing Group and its pricing unit, The Steel Index, established Platts’ leadership in metals. Platts now publishes more than 850 price points for steel and related raw materials.

Minerals Value Service (2015)

Minerals Value Service provides “Value-in-Use” analytics for specific iron ore buying and selling scenarios.

**Sugar & Biofuels Markets**

Kingsman (2012)

Kingsman is a global brand for sugar market data and analytics. The acquisition deepened Platts’ capabilities in biofuels and provided a foothold for additional growth opportunities in the global agricultural markets.

**European Natural Gas Markets**

Eclipse Energy Group (2014)

To advance its strategy of linking price information and market fundamentals, Platts acquired the Eclipse Energy Group, a London-based provider of data and analysis on the European gas, power, and global LNG markets.
Platts: Comprehensive Coverage Across Commodity Markets

How Markets Use Platts’ Price Assessments
Platts’ price assessments are the basis for billions of dollars of transactions annually in the physical and futures markets:

- **Buyers, sellers, and traders** use price assessments as a basis for pricing spot transactions and term contracts
- **Risk managers** use them to settle contracts and to place a market value on the product(s) they hold
- **Analysts** use them to identify trends and patterns in supply and demand
- **Governments** reference them to formulate royalty payments and retail prices
- **Exchanges and investors** use them to price derivatives contracts

Platts Serves Every Link in the Supply and Demand Chain

**Commodity Markets:** Platts’ Expanding Coverage
- Large and complex markets
  - Crude Oil/Refined Products
  - Natural Gas
  - Electricity/Power
  - Coal
  - Shipping
  - Petrochemicals
- New areas of focus
  - Agriculture (sugar/ethanol/biofuel)
  - Liquefied Natural Gas
  - Metals/Steel/Iron Ore
  - Dry Bulk Freight

**Customers:** Who Uses Platts
- Customers who have high exposure to commodities prices or need to procure and/or sell physical commodities
- Trading Companies
- Producers (energy, miners, farmers)
- Processors (refineries, mills, utilities)
- Storage & Transportation Companies
- Distributors (industrial suppliers, steel fabricators, food wholesalers)
- End users (manufacturers, airlines)
- Financial Institutions
- Exchanges
- Brokers
- Governments
- Law and Consulting Firms

**Functions:** Workflows Platts Supports
- Trading workflow functions
- Procurement
- Supply
- Trading
- Risk Management
- Settlement/Accounting
- Business decisions
- Strategic Planning
- Business Development
- Exploration & Production Operations
- Regulatory/Policy
- Legal
- Mergers & Acquisitions

The strength of Platts’ market information enables customers to identify opportunities, capitalize from market movements, and better manage risk.
Platts: Expanding Coverage & Offerings for Commodity Markets
Linking Price, Fundamentals & Analytics for Deeper Insights

Platts provides comprehensive coverage across a growing range of commodity markets. Platts market analysis, forecasting, and analytical tools help market participants understand the impact of events and the drivers of price, make more informed business decisions, and better manage risk.

Real-Time News & Market Alerts
- News, market commentary, and price assessments offer up-to-the-minute market insight

Analytical Tools
- A range of analytical tools and comprehensive market analysis helps put data in context and identify trends

Price Assessments & Indices
- Platts’ market data packages include thousands of daily prices, forward curves, and third-party data

Market Reports
- More than 50 publications cover the energy, petrochemicals, metals, and agriculture markets

Maps & Geospatial
- Proprietary global energy infrastructure maps help customers visualize and evaluate capital investment opportunities

Global Conferences
- More than 50 conferences help industry executives connect and discuss market trends and industry issues

Price Assessments & Indices

Platts Market-On-Close (MOC) is the process in which Platts’ editors use to assess prices for crude oil, petroleum products, and related swaps. The MOC is a highly transparent process in which bids, offers, and transactions are submitted by participants to Platts’ editors and published in real time throughout the day until the market close. Following the close, Platts’ editors examine the data gathered through the day, conduct their analysis, and develop price assessments that reflect an end-of-day value.

New Analytical Tools

Platts eWindow is an online communication tool that allows MOC participants to instantly communicate bids, offers, and other deal information to Platts’ editors and others in the market. It shows market activity in real time, providing a clear view of both buying and selling.

Platts cFlow: Intelligence Tool for the Freight Markets

Providing current and historical information on approximately 60,000 vessels in more than 800 ports worldwide, Platts cFlow is a critical tool for delivering key data, reports, price assessments, vessel details, and real-time position information to global freight market traders, analysts, charterers, schedulers, and risk professionals. Platts cFlow helps connect trading and operational functions within organizations and enables trading teams to react faster and make more informed and insightful business decisions.

Platts cFlow enables greater insight by visualizing and analyzing past trends, real-time diversions, and future flows.

Covers crude, LNG, LPG, chemicals, products, and dry bulk tanks and integrates Platts’ industry-standard bunker pricing, freight rates, and fixture reports.

Distribution Partners
- Thomson Reuters
- SunGard
- GlobalView
- Bloomberg
- Morningstar
- and others

www.platts.com/products/cflow
Platts’ Price Assessments
Growing Market Use of Reference & Benchmark Prices and Cash-Settled Futures

Essential Intelligence:
From Price Reference to Price “Benchmark” Status
Platts publishes thousands of daily price assessments and is a key source of pricing intelligence. As the world’s diverse energy markets continue to evolve, Platts’ innovations in price discovery and information delivery have provided solutions to pricing challenges and helped build Platts’ reputation as a leading provider of energy price information. Market participants generally utilize one or two benchmarks, with futures settled against one. Platts places an emphasis on supporting its “benchmarks.”

Reference prices: Market participants use Platts’ price assessments to negotiate contracts and analyze price trends

Benchmark prices: Today, many of Platts’ price assessments are considered “benchmarks” and are used to settle contracts. Market participants use Platts’ price assessments in bilateral contracts that use floating prices linked to a benchmark index. This enables buyers and sellers to manage risk of temporary price movements.

Cash-settled futures: Exchanges use Platts’ prices to settle futures contracts in lieu of physical deliveries. Cash settlement reduces transaction costs incurred in the physical delivery of a commodity.

Exchange Partners
Platts’ data has been licensed to exchanges and other entities for listing, trading, and clearing purposes, including:

- CME Group
- IntercontinentalExchange
- LCH.Clearnet
- NASDAQ OMX
- Singapore Exchange
- Tokyo Commodity Exchange

Oil Benchmarks: Platts Dubai and Platts Dated Brent
Platts Dubai price assessment is a leading benchmark for Middle Eastern crude sold in Asia. Platts Dated Brent price assessment is estimated to be used as a benchmark to price more than 60% of the world’s total crude oil.

Growing Adoption of Price Assessments in the Iron Ore Market
99% of the world’s cash-settled iron ore derivatives use The Steel Index (TSI) benchmark price.

Iron Ore Trading Volumes based on Platts’ The Steel Index 62% Fe Iron Ore Fines
(Cleared volume in metric tons; in millions)

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<thead>
<tr>
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<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<td>Total contracts</td>
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<td>127</td>
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Note: Trading volumes cleared on SGX, CME, LCH.Clearnet, and NASDAQ OMX

(1) Futures began trading in April 2013

Sources: Singapore Exchange, CME Group, LCH.Clearnet, NASDAQ OMX

New Assessments and Benchmarks in Freight and Agriculture

Freight: Platts recently launched more than 65 daily dry freight price assessments for metals, agricultural, and other commodities

Agriculture: Kingsman sugar indices are the de facto benchmark of the world’s sugar spot market

CME Group and IntercontinentalExchange (ICE) list more than 700 Platts-based oil, gas, coal, metals, and freight contracts*

* Data as of 5/31/2015
J.D. Power captures the opinions and perceptions of millions of consumers annually. Its industry benchmarks, data, and insights are used by companies worldwide to improve quality, satisfaction, and business performance, while its ratings aid consumers in making more informed purchase decisions. Through an unrivaled 360-degree view of the customer, J.D. Power identifies the key drivers of the customer experience, measures their importance, and prioritizes recommendations that clients integrate into their future product planning processes.

In markets such as China, Brazil, and India, J.D. Power’s product and service offerings support the growth of both global and regional clients. In fact, J.D. Power has emerged as McGraw Hill Financial’s single largest business operation in China. J.D. Power has a solid brand reputation and its research findings generate high visibility in the media. Clients around the world that rank highest in J.D. Power’s independent, industry-wide syndicated studies often leverage the J.D. Power brand in their marketing and advertising programs. This widespread exposure benefits both J.D. Power’s clients and J.D. Power by creating new business opportunities.
PIN Navigator: Changing the Way Automotive Finance Companies Approach Managing Their Portfolio and Monitoring the Competition

PIN Navigator® is a customized, Web-based tool built specifically for the automotive finance industry by the Power Information Network® (PIN) from J.D. Power. This tool is designed to support the needs of the sales, marketing, pricing, risk and insurance departments of automotive finance lenders. PIN Navigator provides lenders with 24/7 access to the most timely data available in the market and includes more than 70 contract, dealer, and lender variables that are updated weekly. There is no other source of such detailed transaction-level real-time data available today.

The Power Information Network’s approach:

Collection and analysis of daily new- and used-vehicle transaction data from thousands of automotive franchises

Provides real-time automotive information and decision support systems that focus on what products are selling, at what price, who is buying, and how they are paying

Helps customers understand:
- Market share and competitive analysis
- Incentive spending and planning
- Automotive finance lending
- Vehicle aging
- Buyer conquest and loyalty
- Performance improvement measures

In addition to full access to PIN Navigator, J.D. Power now offers a monthly subscription file that reveals valuable, high-level automotive finance trends.

J.D. Power’s acquisition of NADA Used Car Guide will complement PIN’s expertise in new- and used-vehicle retail and pricing services

[Transaction closed on 7/1/2015]