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This presentation includes certain forward-looking statements about our 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 2010 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 corporate issuance, CDO's, 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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Positive indicators for growth in 2010

- **Recovering markets**
- **We expect growth in 2010**
  - – Good start to year
  - – Financial position is strong
  - – Increased the dividend
  - – Resuming share buybacks this year

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Positive indicators for growth in 2010

- **Advances in technology: Creating new growth opportunities**
  - – For our digital products
  - – In global markets
- **Making progress on the legal front**
- **Regulatory situation remains fluid**

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Signs of strong recovery and expansion in 2010

- **Real GDP increased 3.2% in 1Q 2010**
  - – Has risen for three consecutive quarters
    - Clear sign the recession is over

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2010 outlook for MHP

- **EPS**
  - 4Q 2009: +43.2%
  - 1Q 2010: $0.33, a 65% increase
- **2010 guidance**
  - Expect diluted earnings per share in the $2.55 to $2.65 range
  - Compares to $2.33 in 2009

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Returning cash to shareholders

- **Increased dividend in January**
  - 9.9% compound annual growth rate since 1974
- **We have resumed the share repurchase program**
  - 17.1 million shares remaining in the program
  - Will provide updates at quarterly earnings calls

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Investing for growth in the global economy

- **Since 2000, MHP revenue from foreign sources has grown faster than it has in the U.S.**
- **10-year compound annual growth rate for foreign source revenue through 2009: 8.9%**
  - Versus 2.7% CAGR for domestic revenue
- **Foreign source revenue will represent more than 30% of total by end of 2010**

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Latest from the litigation front

- **Courts are issuing favorable decisions**
  - 12 cases dismissed; 11 this year
  - Three motions to dismiss have been denied, pending discovery
    - We believe these cases are without merit
  - Eight different judges have ruled on the 12 dismissals
- **Dismissals fall into three major categories:**
  1. Underwriter lawsuits
  2. “Stock drop” suits
  3. Suits involving state law claims, including alleged fraud

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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, <u>not</u> 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

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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
- **Legal risk remains low**
  - Our previous statement to investors that we have not received a Wells notice still holds true

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The regulatory outlook: Contradictory language

- **Issues with proposed U.S. Senate financial reform bill**
  - Working to resolve contradictory language
    - Promises 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

The regulatory outlook: Contradictory language

- **We fully support efforts that increase transparency, accountability and restore confidence in markets**
- **But some proposals would set a precedent for more interference in the rating process**
  - Could undermine analytical independence and perceptions that rating opinions are government endorsed
  - No government seal of approval on rating opinions would be a goal shared by all
  - Proposals ignore Senate bill's strong oversight rules and new SEC rules encouraging more competition and requiring NRSROs to manage conflicts of interest

Fundamental contradictions in the regulatory outlook

There is a move to remove ratings from statutes and regulations to discourage any thought that our rating opinions have the government's seal of approval

Proposals in Congress to put the government's thumb on the ratings scale

Fundamental contradictions in the regulatory outlook

- **Senator Dodd opposed Franken and LeMieux amendments**
  - Franken amendment would establish a Board appointed by the SEC to assign a qualified NRSRO to do initial structured finance ratings
  - LeMieux amendment would remove rating requirements and references from existing laws and delete a provision requiring a study on the implications of such a step

Fundamental contradictions in the regulatory outlook

What Senator Dodd said:

- **On the Franken amendment:**
  - "I do not know what the implications are because we have had no real examination of [it]…I am just uneasy about what the implications can be…I just do not know whether it is sound..."
- **On the LeMieux amendment:**
  - "Congress could not simply repeal safety and soundness laws without careful prior study of the impact on the markets."

The regulatory outlook: Looking for safety and soundness

- **Senator Dodd urged colleagues to review his Committee's bill**
  - "Our bill sets out a process by which overreliance on these rating agencies can be reduced without creating risk throughout the financial system. That is my concern. Stripping everything out of safety and soundness in this area does not get you safety and soundness." – Senator Dodd
- **We agree and support proposals to increase transparency, accountability and restore confidence to financial markets**

The regulatory outlook: Looking for safety and soundness

- **We continue to examine new ways to further improve our own processes consistent with regulation—both here and abroad**
- **We are looking at new steps to evaluate data and the quality of the information sources used in the ratings process**
- **And 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 already taken important steps to strengthen analytics, increase transparency and reinforce the integrity of the ratings process**
  - Our ratings today are more transparent, more comparable and more stable
  - To increase transparency, we are providing investors with additional information about underlying assumptions
  - We have revised ratings criteria and strengthened analytics to make ratings more comparable across sectors and time
  - To make ratings more stable, we are better accounting for the impact of periods of severe economic stress
- **Finding new ways to increase the value of its credit ratings for investors is a lesson S&P has learned well**

2010 outlook for Financial Services

- **Summary**
  - Markets are recovering
  - Progress on the litigation front
  - Expect high single-digit revenue growth with improvement at S&P Credit Market Services and S&P Investment Services
  - Operating profit expected to grow
  - Operating margin will decline about 100 basis points
    - Reflects infrastructure investments and compliance with new regulatory requirements

2010 outlook for McGraw-Hill Education

- **Summary**
  - Growth in key education markets in 2010
    - 6% to 7% in the elementary-high school market
    - 5% to 7% in the U.S. college market
  - Segment revenue: 6% to 7% growth
  - Operating margin: Unchanged from 2009

2010 outlook for Information & Media

- **Summary**
  - 2009 sale of *BusinessWeek* will have a positive impact on revenue and operating margin in 2010
  - Revenue: Expect mid single-digit decline
    - 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 guidance for The McGraw-Hill Companies

- **Our guidance for the year calls for diluted earnings per share of $2.55 to $2.65**


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