

The McGraw-Hill Companies
1st Quarter 2011 Earnings Conference Call

Prepared Remarks
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Thank you and good day to our worldwide audience. We thank everyone for joining us this morning at The McGraw-Hill Companies' first quarter 2011 earnings call. I am 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, the company issued a news release with first quarter earnings results. We trust you have all had a chance to review the release. If you need a copy of the release and the financial schedules, they can be downloaded at www.mcgraw-hill.com.

In today's earnings release and during the conference call, we are providing adjusted revenue, free cash flow, and net cash 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 also 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 Mr. 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 is now my pleasure to introduce the Chairman, President and CEO of The McGraw-Hill Companies, Terry McGraw.

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Harold McGraw III

Chairman, President and CEO

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Thank you, Don. Good morning everybody and welcome to our conference call. As Don said, with me today is Jack Callahan, our chief financial officer. We're going to review the first quarter results and the outlook for The McGraw-Hill Companies for the rest of 2011.

Following our presentations, Jack will discuss the key financials and then we'll go to any questions or comments that anyone has.

As we reported earlier this morning in our news release on first quarter results, a promising year is off to a good start.

- Earnings per share grew by 18.2% to 39 cents;
- Revenue grew by 7.7% to \$1.3 billion; and
- Our new segment, McGraw-Hill Financial, is unlocking new value.

So let's start today's call by reviewing its performance and prospects and begin with McGraw-Hill Financial.

McGraw-Hill Financial

McGraw-Hill Financial is off to a strong start, adding subscribers—74% of the revenue comes from subscriptions—and growing in both international and domestic markets.

In the first quarter:

- Revenue, with the addition of The Markets.com, increased by 16.2%, and 11.9% without the acquisition;
- Operating profit grew by 35.3%;
- The operating margin expanded to 29.7%.

McGraw-Hill Financial is focused on integrating and evolving its capabilities into one scaled operation offering global financial professionals our high-value content across all asset classes. We continue to make progress in leveraging our intellectual property across the new organization while growing individual businesses.

This activity involves developing innovative and integrated solutions for clients to manage investment and trading strategies. Case in point: a new leveraged loan index for our Benchmark group that was created in collaboration between two McGraw-Hill Financial businesses—S&P indices and S&P Leveraged Commentary and Data. Designed to expand S&P's family of fixed income indices, the index became the basis of the first bank loan exchange-traded fund to hit the market. Assets under management in the new Invesco Powershares leveraged loan ETF hit \$70 million in the first month.

This is just one of 32 new exchange-traded funds based on S&P indices that were introduced in the first quarter of 2011. 18 of the new ETFs were launched outside the U.S. We now have 333 exchange-traded funds linked to S&P indices with \$323 billion in assets under management. By the way, that's a 27% year-over-year increase.

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As this table illustrates, we maintain an active ETF pipeline to drive revenue growth. Besides driving revenue growth, these new ETFs have also diversified our product offering. In 2006, 62% of assets under management in exchange-traded funds were tied to our largest ETF, the SPDR S&P 500. At the end of 2010, the percentage had dropped to 43%, reflecting the diversification of our ETF revenue across different asset classes and geographies. Expect more collaboration and diversification.

In the Integrated Desktop Solutions Group, subscriber demand for Capital IQ data, ratings content from the Global Credit Portal, and the addition of TheMarkets.com got the year off to a very strong start. The integration of TheMarkets.com is proceeding smoothly. You can now access TheMarkets.com product via the Capital IQ Platform. In the first quarter, Capital IQ grew its client base to more than 3,600, and that's 23% year-over-year increase.

The Enterprise Solutions Group was formed to integrate multiple cross-asset data sets and streamline the delivery of McGraw-Hill Financial, S&P, and third-party data into one platform. That means, for example, introducing new integrated technologies such as application program interfaces, or API, to enable clients to more easily incorporate data directly into their systems and workflows.

Easier access to more information is obviously good for business and allows for greater insight and transparency into the markets our customers serve. We continue to see demand for our data in both pre and post trade markets. For example, Global Data Solutions continues to grow the number of clients who are buying multiple services instead of one-off data sets, especially in global markets.

We are also pleased to report that in *The Wall Street Journal's* new annual survey of "Best Analysts on the Street," Standard & Poor's Equity Research leads the list of 86 firms with 10 winning analysts. The "Best on the Street" survey identifies the top five analysts in 44 sectors based only on stock-picking skills. To be eligible, analysts generally had to follow at least five stocks in an industry group during the year. Nearly 7,000 analysts and more than 500 firms were surveyed. *The Wall Street Journal* online announced the winners last week. The newspaper will publish the formal list on May 10.

S&P's equity research is an important resource for MarketScope Advisor, an online service for more than 80,000 financial advisors. Going forward, S&P equity research will be available on Enterprise Solutions and through our Integrated Desktop Solutions Group.

Clearly, McGraw-Hill Financial is off to a very good start and is finding new ways to unlock value. Let's sum up for McGraw-Hill Financial:

- We expect double-digit revenue and operating profit growth this year—a combination of strong organic growth and the acquisition of TheMarkets.com.

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

Standard & Poor's

Powerful trends and record issuance in global bond markets were evident in Standard & Poor's first quarter top-line performance:

- Revenue grew by 10.4%,
- But operating profits increased by 0.8% primarily because of timing issues, difficult expense comparisons, and a decline in structured finance,
- The operating margin was 43.0%.

With year-over-year cost comparisons easing in subsequent quarters and favorable market trends expected to continue, we now anticipate that Standard & Poor's operating profit will accelerate for the balance of the year. That implies about 10% growth over the balance of the year to meet our current forecast of high single-digit operating profit growth for the full year.

Let's start by reviewing the difference between the top and bottom line growth in the first quarter.

First, foreign exchange negatively impacted profits in Q1. While foreign exchange rates increased S&P revenue by \$1.9 million, it reduced operating profit by \$6.1 million. Excluding foreign exchange, revenue grew by 9.9% and operating profit increased by 4.1%. Second, the first quarter represented S&P's most difficult expense comparison. Q1 2010 margins were 47%, the highest of the year, versus a full year 2010 adjusted margin of 44.5%. That record was achieved despite the fact that Q1 2010 was S&P's lowest revenue quarter of the year and lower than the first quarter of 2011 by \$42 million. Third, expense comparisons will become easier as the year progresses.

S&P has made significant investment in technology platforms and staff to deal with the new regulations of credit rating agencies. That's the QCCR program you have heard us talk about. QCCR stands for Quality, Criteria, Compliance and Risk, which are managed independently of the ratings businesses. In 2010, we incurred incremental QCCR costs of \$17 million with efforts focusing on the implementation of European Union and Japanese requirements which were effective towards the end of the year. As a result, this increase was almost entirely realized in the second half of 2010, making first half comparisons particularly challenging. For 2011 we anticipate an incremental increase of \$12 million to \$15 million and expect the increase to be more evenly spread. In subsequent years, we expect QCCR costs to increase at a lower rate, level off, and possibly decline as new regulatory requirements subside. Staffing increases, mostly at CRISIL in India, include the acquisition of Pipal Research late in 2010.

The factors that helped produce a strong close in the fourth quarter last year underpin our solid top-line growth in the first quarter of 2011 and our prospects for the remainder of this year. Transaction revenue at Standard & Poor's grew by 17.2% in the first quarter as worldwide high-yield corporate bond issuance of \$124.4 billion eclipsed the previous record of \$121.1 billion set in the fourth quarter of 2010. A key contributor to this performance was European high-yield issuance, which grew by 95% to \$36.3 billion in the first quarter. That's a new record too.

A solid increase in investment-grade bonds and robust growth in bank loan ratings also contributed to our growth. As this table shows, refinancing was the key to high-yield volume. According to the S&P Leveraged Commentary and Data group, 64% of the proceeds were used for refinancing in the first quarter. Coincidentally, refinancing activity represented 64% of high-yield bond buy-in last year.

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The rapidly growing leveraged loan market remains centered around what S&P calls the three “R’s” of leveraged lending—repricing, refinancing and recapitalization. There is still unrealized potential in this market. S&P estimates that there are \$5.6 trillion in bond and loan maturities coming due in the U.S. and Europe between 2011 and 2014. And while some of 2011 maturities have already been refinanced, coming into this year, S&P estimated maturities in the range of \$1.2 trillion to \$1.5 trillion per year between 2011 and 2014.

An improving economy, low default rates, and very low yields on less risky debt, should keep investors focused on opportunities in the high-yield and leveraged loan markets all year. In the search for yields, some investors are tuning out concerns about risk. We have seen deals oversubscribed for companies with B-ratings. The increased role of hedge funds in the high-yield market has also opened up a bigger market for CCC rated debt.

The search for yield will persist as interest rates remain low and spreads—the excess interest rate over Treasury bonds—remain tight. As this table shows, the speculative-grade composite spread had tightened to 478 basis points at the end of the first quarter. Both speculative-grade and investment-grade composite spreads at the end of the first quarter were well below the five-year daily moving average.

An increasingly active M&A market should also contribute to growth in new issuance. And with banks less willing or less able to lend, new borrowers will turn to public debt markets.

We continue to move ahead without much help from the public or the structured finance markets. Public finance issuance fell by 52% in the first quarter. The decline is largely attributed to the expiration of the Build America Bond program at the end of 2010. It may take some time for the public finance market to show year-over-year growth.

The structured finance market was mixed—soft in the United States and more active in Europe. But even with a decline in structured finance surveillance due to defaults and maturing deals, non-transaction revenue grew by 6.3% to \$266.6 million and represented 60.2% of S&P’s total revenue in the first quarter.

Non-transaction revenue now includes a royalty of \$15.2 million, which McGraw-Hill Financial pays for the right to use and distribute S&P’s content. Increased revenue from CRISIL, our majority-owned company in India, and non-issue based analytical services also helped offset the decline in structured finance. We confidently expect S&P’s non-transaction revenue to continue growing in 2011.

Earlier, I reviewed the costs of creating our QCCR framework to deal with regulations. We expect more regulations this year. There will be some new rules from the Securities and Exchange Commission to implement requirements mandated by the Dodd-Frank Act. New rules have been passed in Hong Kong and we anticipate new regulations from Canada, and Singapore. Many of them incorporate European Union requirements in an effort to meet EU equivalence requirements for endorsement and compliance with IOSCO’s model code of conduct for rating agencies.

We are also working with regulators and market participants on the implementation of new rules for credit ratings in the European Union relating to endorsement. The bottom line: S&P has implemented a sound and effective control framework to accommodate compliance with additional regulatory requirements.

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We continue to make progress on the legal front. To date, 20 of our motions to dismiss have been granted in their entirety. Eight more lawsuits have been voluntarily withdrawn. It's also worth noting that five of the dismissed cases involved fraud charges. As we have said all along, we continue to believe the legal risk is low.

In the CALPERS' case, a hearing has been set for August 23 on whether the plaintiff can demonstrate it has substantial evidence to support each element of its claim and if there is a probability of success on the merits of its claim. The burden shifted to CALPERS after the court granted our motion that the complaint falls under a California statute protecting speech made in the public interest.

Discovery continues in the Abu Dhabi case. In the Anschutz case, a New York federal court dismissed the plaintiff's claim of negligent misrepresentation in regard to securities issued by Merrill Lynch. But in a California federal court, the same claim involving securities issued by Deutsche Bank survived a motion to dismiss. We have asked the California judge to permit us to seek an appeal of this decision to the United States Court of Appeals for the Ninth Circuit in view of the clear conflict with the New York federal court's dismissal ruling.

Overseas, we have submitted our final brief in the Parmalat case and now wait for a ruling. And last week a German court dismissed another lawsuit, relating to S&P's Lehman ratings, recognizing that ratings disseminated globally from our U.S. ratings business should not subject S&P to lawsuits in Germany without some specific connection to that nation.

So, let's sum up for Standard & Poor's:

- Legal risk remains low;
- Regulatory issues are manageable;
- High single-digit revenue growth for 2011; and
- Operating profit will accelerate for the balance of the year and grow in the high single-digits for the full year.

With that, let's go on to McGraw-Hill Education.

McGraw-Hill Education

In the first quarter:

- Revenue decreased by 4.6%; and
- The operating loss increased by 22.2%, reflecting the revenue decline and ramped up investment for digital infrastructure that will position us for future growth.

Given the seasonality of the education market, we recognize that first quarter results are a small fraction of the year and certainly are not indicative of what's ahead for 2011.

In the elementary-high school market, first quarter sales are mainly orders for replacement copies. In higher education, the sales mainly reflect last year's adoptions. In both markets, the first quarter through mid-May is the major selling season for this summer's orders. Our sales force is in the field and working hard to ensure success in the seasonally important third quarter.

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But there is something different about the first quarter this year. It is simply this: the robust double-digit growth of digital products, particularly in higher education and professional markets. Digital products and services are the harbinger of change that is coming in the education market. No one can be sure when the tipping point will occur, but we cannot sit back and wait for it to arrive.

Our investment in digital capabilities and capacity builds on McGraw-Hill Education's continued success in the marketplace.

- It positions us to meet the growing demand for our digitally delivered products that is already evident in testing, in K-12, in higher education, and in professional markets.
- And it will support the launch of a broad array of new digital products that are now in our pipeline.

The heightened investment in digital products reflects the opportunity created by our markets' increasing capacity to utilize wholly digital products delivered online, whether through the numerous sites that McGraw-Hill operates, sites maintained by educational entities ranging from individual public schools in the U.S. to major colleges and universities around the world, or sites operated by third-party providers such as Amazon.

For two decades, McGraw-Hill Education has been able to supply significant content in digital form owing to ongoing investments in the transformation of our internal publishing processes. That transformation is now complete, enabling us to pour content into a variety of formats—print or digital—as indicated by market demands.

These investments are already enhancing our opportunities for 2011 and beyond. New and forthcoming digital products from McGraw-Hill Education represent a new generation of digital resources. A far cry from the static PDF versions of print books, they feature the interactivity and audio/visual capabilities of digital media that a critical mass of customers now have the bandwidth to access and fully utilize.

Our new products are designed to differentiate us from others and genuinely enhance the teaching and learning experience.

In the el-hi market, there are the recent releases of CINCH Math and CINCH Science, full curriculum basal instructional materials delivered online. We are the only publisher to offer comprehensive all-digital programs in these subjects.

In the testing market, the shift to online testing and all digital reporting is a growing trend. With Acuity, our leading product in the formative assessment market, students can be tested online, using paper and pencil, or with handheld response devices. Increasingly, schools are choosing the online option.

In higher education, we have McGraw-Hill Connect, the industry's most advanced homework management platform for students, and Create, a digital publishing system that allows instructors to build customized e-books for their courses. We have the highly sophisticated computer-adaptive tutoring programs LearnSmart and ALEKS. And for several years now, all of our front-list higher education titles have been available for purchase as e-books from a wide variety of vendors and for a wide range of e-reading devices.

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In professional markets, we are seeing steady increases in the number of subscribers—domestic and international—for our digital resource sites in medicine, engineering, and business. More than 6,000 of our professional titles are currently available as e-books, and we are introducing a line of enhanced e-books featuring embedded audio and video content. Our product line of downloadable applications for mobile devices is also going strong in the professional market. We offer more than 150 apps for business, medical, technical, and educational test preparation, and another 75 apps will be added this year.

The growth of digital products clearly requires technology systems—robust platforms that guarantee product performance. That's the second factor in our increased investments. As the delivery of digital content has shifted away from CD-ROMs and local servers to the Internet, it is imperative for online providers to ensure reliable accessibility and functionality 24/7.

That's why we recently made a substantial investment in the creation of a state-of-the-art digital hosting and support center, which is paying off in increased product reliability. But with the higher usage we are experiencing for current products and with many new projects in the pipeline, including the expansion of online testing, we will be making incremental investments in infrastructure and utilizing the cloud to ensure our capacity as well as our ability to provide the necessary levels of expert customer support.

We expect our digital products and services to produce another solid year of growth in 2011. As the second quarter selling season progresses, we are monitoring district adoption activity levels, state funding developments and buying patterns across our markets.

We think the e-hi market is stabilizing. The state new adoption market could still meet or exceed 2010 levels. But that depends to a great extent on the Texas legislature and how it funds instructional materials. We probably won't know much about which programs will be funded and for how much until sometime in May, maybe towards the end of May. We are also very carefully watching North Carolina. A reading and literature adoption was recently called for purchase this year, but here again the funding has not been approved and we're waiting for that.

There are signs of pent-up demand in the open territory, which is very pleasing, but it is still early days in this market and too soon to make a forecast. In the U.S. college and university market, we still believe the market will grow between 4% and 6%. Enrollments are expected to show modest growth after the surge in the last two years.

In 2011, we will begin to see the benefits of our Blackboard connection. It's hard to overstate the value of offering students and instructors a single point of access for course content and study tools through Blackboard's learning management system. Earlier this month, we expanded what began as a domestic arrangement with Blackboard to international markets as well.

Let's sum up:

Our expectations for the education market:

- Flat to minimal growth in the elementary-high school market, and
- 4% to 6% growth in the U.S. higher education market.

And for McGraw-Hill Education in 2011:

- Revenue growth in the low single-digits;

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- A decline in operating profit driven by investments, especially for digital developments. The decrease could range from mid single-digits to high single-digits.

And finally, let's review McGraw-Hill Information & Media.

McGraw-Hill Information & Media

In 2010, this segment substantially improved its operating margin. At that time, we said the improvement was not a one-year phenomenon. We said the new level was sustainable.

In the first quarter, Information & Media started delivering on that promise of sustainability. With revenue growing by 10.3%, the operating margin improved to 16.4%, up from 13.5% for the same period last year.

We are benefiting from the growth in key markets. But what is less well recognized is that our Business-to-Business Group is now primarily a subscription business delivered digitally. Currently, more than 70% of the B-to-B Group's revenue is digital. Revenue for the B-to-B Group increased by 10.3% in the first quarter fueled by growth at Platts, J.D. Power, and the acquisition of BENTEK Energy in January.

Platts has a strong position in the data, price discovery and market news across many commodities including oil, natural gas, coal, metals, petrochemicals, nuclear and electricity. Acquiring BENTEK Energy is Platts' latest step to expand its capabilities in core markets. As this graph illustrates, BENTEK with its expertise in natural gas, adds to Platts' capabilities in three key areas along its value chain. The goal is to embed our news and prices in the traders' workflow and provide new analytical capabilities.

The growing demand for oil and the uncertainty of supply creates energy price volatility and new clients for the entire range of Platts' products and services. That was evident again in Platts' first quarter performance.

J.D. Power also grew globally, benefitting from the recovery in domestic and international auto markets. But the growth was not limited to the automotive market. J.D. Power also showed gains in healthcare, financial services, and insurance markets. J.D. Power expects continued recovery in the worldwide automotive markets. J.D. Power now forecasts 7% growth this year in global light vehicle sales and 20% growth in the U.S.

A pick up in automotive time sales and increased retransmission revenue contributed to McGraw-Hill Broadcasting's 10.2% increase in first quarter revenue.

And, therefore, summing up for Information and Media:

- Revenue growth in the mid-single digits; and
- Adjusted operating profit growth in the mid-single digits

Wrapping up then for The McGraw-Hill Companies overall:

- We are pleased with the solid start to the year, but the first quarter is seasonally small.
- We continue to maintain our guidance of diluted earnings per share of \$2.79 to \$2.89.

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With that and our four segments, let me turn it over now to Jack Callahan, our chief financial officer, for some added financial guidance.

Jack Callahan

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

Thank you Terry. Good morning to everyone on the call this morning. It is a pleasure to review with you a strong start to 2011. Today I will focus on:

- Our robust cash outlook and strong financial position;
- Capital allocation; and
- A couple of corporate items.

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. We expect to generate this strong free cash flow despite increased capital investments.

For 2011, we continue to expect prepublication investment of roughly \$200 million to \$225 million, or approximately a \$50 million to \$75 million increase versus 2010, which was an unusually low year.

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

We are extremely well capitalized; with net cash and short-term investments at quarter-end of approximately \$100 million. Cash and short-term investments at the end of the quarter totaled \$1.3 billion, while gross debt was comprised of approximately \$1.2 billion in long-term unsecured senior notes. No commercial paper is outstanding.

Turning to capital allocation, we spent \$250 million on acquisitions and shares repurchases in the first quarter, which were the primary drivers of the \$250 million decline in cash and short-term investments from year-end.

We spent \$126 million on acquisitions, the most notable being the BENTEK Energy acquisition, which as Terry discussed, is now part of Platts in the Information & Media segment. In Q1, recent acquisitions accelerated revenue growth by approximately 150 basis points while the profit impact was modestly dilutive.

We also actively repurchased shares in the quarter. We repurchased 3.3 million shares for approximately \$124 million, averaging \$37.44 per share. A step up in share repurchases this year versus our initial guidance is under consideration given our cash position and a reduced cash commitment for acquisitions now that the previously announced OPIS transaction has been withdrawn. As a reminder, there are 5.1 million shares remaining in the current 2007 program. To further increase buybacks, a new program would need consideration and formal authorization by the Board of Directors.

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Going forward, our robust free cash flow and strong balance sheet enable us to look to selectively add attractive, strategically relevant businesses like BENTEK to the McGraw-Hill portfolio while continuing to return cash to shareholders via share repurchases, subject to market conditions.

Now, finally, let me address some corporate items. Corporate expense was \$34 million in the quarter and decreased by 4% or \$1.5 million from the prior year. 2011 expense benefited from a decline in real estate costs as well as tight cost control. For the full year, we expect corporate expense to increase in the mid single-digit range versus 2010 adjusted corporate expense of \$164 million. 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 \$19 million in the first quarter, a modest decline of \$3 million versus prior year. We still expect full-year interest to be largely comparable to 2010, which was \$82 million. Our effective tax rate was 36.4% in the first quarter, flat versus last year. Net income attributable to non-controlling interests was \$4.2 million, largely driven by CRISIL.

Our diluted weighted average shares outstanding for the quarter was 309.6 million, a 6.7 million decrease from prior year and a 0.7 million decrease from the fourth quarter 2010. The decline is due primarily to share repurchases, which more than offset equity related awards.

In closing, I appreciate all the hard work from our associates across The McGraw-Hill Companies to deliver a solid start to 2011, and we appear to be on track for a good year.

To access the accompanying slides online, go to:

<http://investor.mcgraw-hill.com/phoenix.zhtml?c=96562&p=irol-EventDetails&EventId=3955085>

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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 collateralized debt obligations (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



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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; School Education Group's level of success in adoptions and open territories; enrollment and demographic trends; the strength of School Education Group's testing market, Higher Education, Professional and International Group'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.