



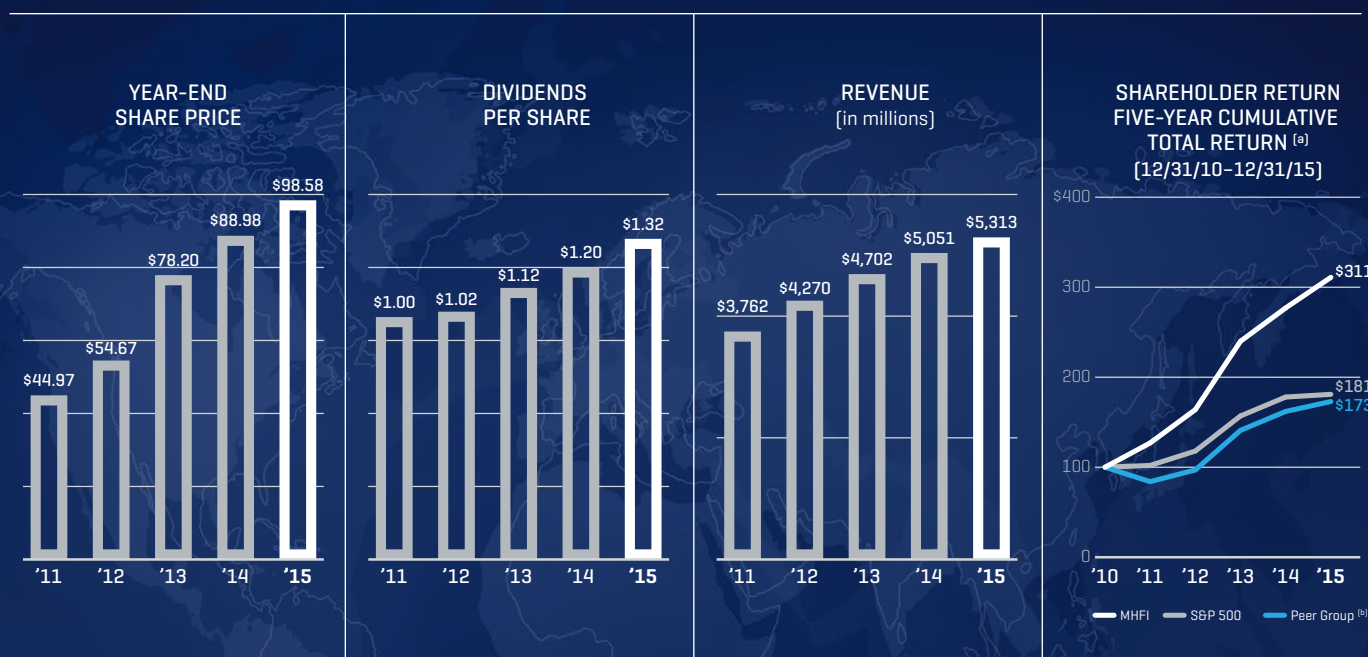
EVOLVING. GROWING.

ESSENTIAL
INTELLIGENCE

McGraw Hill Financial 2015 Annual Report

McGraw Hill Financial

McGraw Hill Financial [NYSE: MHFI] is a leading financial intelligence company providing the global capital and commodity markets with independent benchmarks, credit ratings, portfolio and enterprise risk solutions, and analytics. The Company's iconic brands include Standard & Poor's Ratings Services, S&P Global Market Intelligence, S&P Dow Jones Indices, Platts and CRISIL.



Financial Highlights

	Years ended December 31		
	2015	2014	% Change
<i>(in millions, except per share data)</i>			
Revenue	\$5,313	\$5,051	5
Adjusted income from continuing operations (attributable to the Company's common shareholders)*	1,244 (c)	1,073 (d)	16
Adjusted diluted earnings per common share from continuing operations*	\$ 4.53 (c)	\$ 3.88 (d)	17
Dividends per common share (e)	\$ 1.32	\$ 1.20	10
Total assets	\$8,183	\$6,773	21
Capital expenditures (f)	139	92	51
Total debt	3,611	795	N/M
Equity (including redeemable noncontrolling interest)	1,163	1,349	(14)

N/M—not meaningful

*Refer to "Reconciliation of Non-GAAP Financial Information" on page 11 of this report for a discussion of the Company's non-GAAP financial measures.

(a) Assumes \$100 invested on December 31, 2010 and total return includes reinvestment of dividends through December 31, 2015.

(b) The current peer group consists of the following companies: Thomson Reuters Corporation, Moody's Corporation, CME Group Inc., MSCI Inc., FactSet Research Systems Inc. and IHS Inc. Beginning in fiscal 2014, the Company selected a new peer group to more accurately reflect the Company's peers in terms of industry after the portfolio rationalization of certain businesses. The previous peer group consisted of the following companies: Thomson Reuters Corporation, Thomson Reuters PLC (through September of 2009), Reed Elsevier NV, Reed Elsevier PLC, Pearson PLC, Moody's Corporation and Wolters Kluwer.

(c) Excludes the impact of the following items: costs related to identified operating efficiencies primarily related to restructuring of \$56 million, legal settlement charges partially offset by insurance recoveries of \$54 million, acquisition-related costs of \$37 million, and a gain of \$11 million on the sale of our interest in a legacy McGraw Hill Construction investment.

(d) Excludes the impact of the following items: \$1.6 billion of legal and regulatory settlements, restructuring charges of \$86 million, and \$4 million of professional fees largely related to corporate development activities.

(e) Dividends paid were \$0.33 per quarter in 2015 and \$0.30 per quarter in 2014.

(f) Includes purchases of property and equipment and additions to technology projects.



Dear Fellow Shareholders:

EVOLVING.
GROWING.



ON BEHALF OF THE BOARD OF DIRECTORS, I THANK YOU FOR YOUR INTEREST AND SUPPORT OF MCGRAW HILL FINANCIAL. I WILL SOON COMPLETE MY FIRST YEAR AS NON-EXECUTIVE CHAIRMAN AND I FEEL PRIVILEGED TO HAVE THE OPPORTUNITY TO SERVE THE COMPANY IN THIS ROLE.

Our Company has undergone profound, positive change in recent years. The management team has dramatically sharpened the Company's strategic focus and invested in fast-growing, high-margin businesses serving the global capital and commodities markets.

The evolution of McGraw Hill Financial continued in 2015. Doug and his team made excellent progress strengthening the portfolio of businesses—including the decision to evaluate strategic alternatives for J.D. Power—putting significant legal matters behind the Company and reshaping the senior leadership team.

The exciting transformation of McGraw Hill Financial is ongoing. The team has proposed rebranding the Company S&P Global* to better reflect our core businesses and capitalize on one of the most recognizable brands in financial markets. **The Board unanimously endorses this move** and we ask shareholders to support the name change at our Annual Meeting on April 27. I encourage you to read Doug's letter

in which he explains why the Company is moving in this direction.

In the midst of all of this change, McGraw Hill Financial continues to produce excellent financial results and create value for shareholders.

As a former investment manager, I value the return of capital to shareholders. In this regard, McGraw Hill Financial has a strong record. Last year, the Company returned \$1.3 billion to shareholders through dividends and share repurchases. Since the start of 2011, McGraw Hill Financial has returned more than \$6 billion in the form of dividends and share buybacks. Additionally, the Company's total shareholder return of 12.3% significantly outperformed the 1.4% gain in the S&P 500 in 2015. To demonstrate the Company's ongoing commitment to maximizing shareowner value, the Board approved in January a 9% increase in the quarterly cash dividend to an annualized rate of \$1.44.

The Board takes its fiduciary responsibilities seriously and holds management to a very high standard. I am pleased that Doug has taken a hands-on approach to enhancing the Company's already strong risk management and compliance culture as he aligns relevant functions across the enterprise and within each business.

Our Company is entering a new era with a fresh but well-known and trusted brand identity. It is well positioned to continue to provide strong shareholder returns. And I know that Doug and the leadership team are energized to drive profitable growth with an eye on managing and mitigating risk. I look to the future with great optimism.

Sincerely,

CHARLES E. "ED" HALDEMAN, JR.
Chairman of the Board

*The name S&P Global is subject to shareholders' approval.



Letter from the President and Chief Executive Officer:

McGraw Hill Financial produced another year of strong growth and performance in 2015 in the face of dramatic volatility in the fixed-income and equity markets. Last year, revenue increased 5%, adjusted operating profit was up 13%, adjusted diluted earnings per share grew 17% and we generated more than \$1.2 billion in free cash flow, excluding legal and regulatory settlements and insurance recoveries.

Steady growth has been a hallmark for us. In fact, over the last five years our Company has generated double-digit compound annual growth rates [CAGR] in adjusted operating profit and adjusted EPS while increasing revenue at a CAGR of 9%.

I extend my gratitude to our employees for their dedication to achieve these results and for their ongoing commitment to operating with integrity in everything they do.

I am proud of our recent performance. This letter affords me the opportunity to summarize our progress. But I also want to tell you about our long-term future. As we look ahead to the rest of this year and beyond, we are even more excited by what's in store. We are guided by a growth and performance plan built on a focused set of strategic initiatives.

One of the pillars of our plan is to take the next step in the evolution of this Company by changing its name. A key strength of our business stems from trusted, iconic brands. Markets all around the globe depend on the credit ratings, research, data and deep

analytics behind the name Standard & Poor's [S&P].

Although we have a diverse portfolio of businesses, they are all united around a central thread: we provide the intelligence that is essential to how participants of the capital and commodity markets make decisions with confidence. Every decision is only as good as the intelligence used to make it. As we grow into the future, it will be by finding ways to strengthen and enrich this essential intelligence.

The S&P franchise has built enormous brand equity through more than 150 years in business. To harness this power, we announced in February that we are proposing to change the Company's name to S&P Global*. The S&P name leverages the rich heritage of Standard & Poor's and Global communicates our wide geographic footprint, the broad range of industries we cover and the full suite of services we have to offer.

Over the years the S&P name has stood for transparency and trusted financial information, which enables our clients to make informed business choices. This remains the core of our business.

\$1.3B
RETURNED TO
SHAREHOLDERS IN 2015

THE BRAND OF OUR FUTURE

S&P
GLOBAL

THE COMPANY ANNOUNCED IN
FEBRUARY 2016 IT HAS PROPOSED
CHANGING ITS NAME, PENDING
SHAREHOLDER APPROVAL

*The name S&P Global is subject to shareholders' approval.



EVOLVING.
GROWING.

Simply put, S&P Global is the brand of our future. This brand connects our employees, unifies them around a common mission of providing essential intelligence, aligns with our long-term business strategy and offers a familiar master brand to the marketplace.

The enthusiasm we share with our Board for our new name is matched by the many significant opportunities we see ahead to drive more growth and higher levels of performance.

ADDING COMPLEMENTARY CAPABILITIES

For starters, we have been investing in our future growth by adding complementary capabilities to the Company.

As you know, in 2015, we acquired SNL Financial LC, a standout data and analytics business with excellent leadership. Since closing the transaction in the fall we have made great progress integrating this business. SNL is a “must have” product for countless global customers and we believe we can unlock tremendous revenue opportunities and cost synergies. The combination of the two companies, now called S&P Global Market Intelligence, should enable us to generate approximately \$100 million of EBITDA synergies by 2019.

We are constantly on the lookout for new opportunities to diversify and expand Platts’ coverage. Last year we added Petromedia, a specialist provider of news, daily prices and analysis for the global shipping and oil industries. This purchase helps extend Platts’ coverage beyond traditional marine fuels and market fundamentals, and offers clients the ability to help manage counterparty risk and monitor marine fuel quality.

ORGANIC GROWTH

Our growth is not dependent solely on transactions. Our first priority when determining how to allocate capital is to invest in organic growth. On this front, we are increasing the breadth and depth of our product offerings. Last year we launched the market’s first-ever index that tracks the debt of the companies in the S&P 500. We’ve received a tremendous response from the marketplace with the index to be used as the basis for several soon to be launched exchange traded funds [ETFs].

In addition, we created China Oil Analytics. This uniquely comprehensive analytical product enables clients to consider the myriad factors affecting China’s oil balance. Combining Platts’ local and global market analysis with news, data and an intuitive analytical tool, this new offering helps traders, producers and analysts make the decisions they need to do their jobs.

+9%

**INCREASE IN 2016
ANNUAL CASH DIVIDEND**

~\$100M

**OF POTENTIAL
SYNERGIES
BY COMBINING
S&P CAPITAL IQ
AND SNL FINANCIAL
BY 2019**



EVALUATING STRATEGIC ALTERNATIVES

While adding to our capabilities has been a priority, so too has been an effort to become a more focused and highly interrelated global portfolio of businesses. To this end we initiated an active program to sell J.D. Power and we have received considerable interest from third parties. J.D. Power is a phenomenal brand with sales projected to approach \$350 million.

INVESTING IN PEOPLE

As a business that relies on the intellectual capital of its people, we are continually investing in our employees. This year we are devoting more resources to onboarding, training and development programs.

We have excellent leaders throughout the organization. In 2015, we appointed a number of people to new positions on the Executive Committee, including:

- Ashu Suyash who joined us as the CEO of CRISIL, India's leading credit ratings agency and a global analytics firm. Ashu previously was CEO of L&T Investment Management Ltd. and has worked for Fidelity and Citigroup in India.
- Martina Cheung who was leading corporate strategy is now heading Global Risk Services, a response to clients' continuing need for credit solutions from S&P. This is a new team that brings together this Company's formidable assets into a single

business focused on monetizing research, data, methodologies and solutions.

- Mike Chinn who we quickly decided should serve as President of S&P Global Market Intelligence, the new name for the combined S&P Capital IQ and SNL franchise, after he did an excellent job running SNL.
- John Berisford, who is a trusted partner, is now the President of S&P Ratings Services. John is doing an outstanding job in aligning the organization to focus on quality analytics within an environment that promotes a culture of risk and compliance consciousness.
- France Gingras who was promoted to Executive Vice President, Human Resources after leading our total rewards program.
- Imogen Dillon Hatcher who has taken on the role of leading Platts after a successful term as President of S&P Capital IQ. I commend Imogen and her team for managing Platts through volatile market conditions.
- David Goldenberg who is our acting General Counsel. He previously was Chief Legal Officer for S&P Capital IQ.
- And Courtney Geduldig who has taken on the broader responsibility of leading our public affairs organization after successfully running our government affairs and public policy team.



+9%
MHFI
REVENUE CAGR
2011-2015



\$1.2^B
ADJUSTED FREE CASH
FLOW IN 2015*

*Excluding after-tax payments associated with legal and regulatory settlements and insurance recoveries



EVOLVING.
GROWING.



They all are doing great work, and I am grateful for all of the contributions from the entire team both at the office and in their communities.

MANAGING FOR THE FUTURE

Before I conclude I want to touch on some important themes that are important contributors to creating long-term growth and value for the global economy and for our Company.

These issues present opportunities for the private sector to demonstrate leadership, especially by seeking out public-private partnerships in ways that will enable economies, communities and companies to grow and people to prosper over the long term.

For example, the significantly underfunded infrastructure needs of governments in the U.S. and around the globe present both a significant challenge and large opportunity. The Bipartisan Policy Center has estimated a \$1 trillion gap between the current pace of infrastructure funding and our country's needs. Working closely with our government partners, the private sector can identify critical regulatory barriers to investment and find pragmatic solutions to overcome them. And we can promote the use of more standard and transparent data and allow long-term investors to more carefully assess project risks. With my fellow Trustees of the World Economic Forum's Global Challenge

Initiative on Long-Term Investing, Infrastructure and Development, I support more public-private collaboration as a key to advancing this important issue.

Environmental, Social and Governance (ESG) criteria are also receiving increasing attention from long-term investors. By balancing good corporate governance, environmental risk and strategic corporate citizenship all companies can derive sustainable long-term benefit without sacrificing corporate performance in the short term.

In terms of our own Company, there are three points to make:

First, ESG performance is critical to how we operate. We have an enduring commitment to minimizing our environmental impact, enhancing the diversity of our workforce and a particular focus on facilitating access to capital for female entrepreneurs.

Second, I want to emphasize that we are committed to a balanced decision-making process that is driven by long-term, sustainable objectives *and* financial quality through measurable near-term performance.

Third, the essential intelligence we provide our clients and the capital markets is at the very heart of the balanced decision-making necessary to support the needs of long-term investors. For example, in early 2016, we launched the S&P Long-Term Value Creation Global

Index, designed to measure companies that have the potential to create long-term value based on sustainability criteria and financial quality. We are proud of this initiative and the interest it has received.

Throughout the global economy and the private sector, short-term thinking is holding back investment. We all have a role to play to encourage public policies and corporate decisions designed to achieve long-term value creation.

CONCLUSION

To sum up, 2015 was an excellent year with growth for our Company, our employees and our shareholders. We expect more profitable growth and higher levels of performance under the banner of S&P Global in 2016. I am fortunate to work with a Board of Directors that understands the need for making the investments and commitments necessary for sustainable, long-term growth and performance. I look forward to working with our Board, employees and partners to accomplish our goals, and continuing to speak with customers, policy makers and shareholders about the evolution and growth of S&P Global.

Best regards,

DOUGLAS L. PETERSON
President and Chief Executive Officer



2015: ANOTHER YEAR
OF GROWTH

A GLOBAL COMPANY

\$5.31^B

REVENUE

[+5% Increase from 2014]

20,400 IN 31

EMPLOYEES

COUNTRIES

38.7%

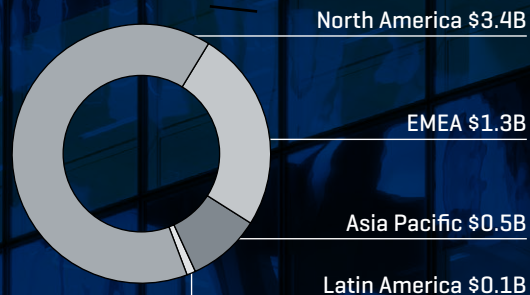
ADJUSTED
OPERATING
PROFIT MARGIN*

[+280 BPS from 2014]

~40%

REVENUE
GENERATED
OUTSIDE THE U.S.

REVENUE BREAKDOWN
BY GEOGRAPHIC REGION



\$4.53

ADJUSTED
DILUTED EARNINGS
PER SHARE*

[+17% Increase from 2014]

*Excluding deal-related amortization of \$67 million
[\$44 million after tax], adjusted operating profit
margin and adjusted diluted EPS were 39.9% and
\$4.69, respectively.

A COMMITMENT TO GOOD
CORPORATE CITIZENSHIP:
COMMUNITY IMPACT MONTH

5,000
EMPLOYEES

Volunteered to
Build Thriving
Communities in

17
COUNTRIES

Covering

5
CONTINENTS

Supporting

70
NON-PROFIT
PARTNERS



Mike Chinn
President of
S&P Global Market Intelligence



EVOLVING.
GROWING.

S&P Capital IQ + SNL Financial = S&P Global Market Intelligence

THE ACQUISITION OF SNL FINANCIAL IN 2015 AND ITS INTEGRATION WITH S&P CAPITAL IQ HAS CREATED ONE OF THE MOST POWERFUL RESEARCH, DATA AND ANALYTICS PLATFORMS SERVING THE CAPITAL AND CORPORATE MARKETS.

As SNL and S&P Capital IQ unite, it is important that the combined business conveys not only that it provides intelligence about the markets, but that it also provides real insights that enable its clients to make smarter, faster investment decisions. That is why this division has been rebranded S&P Global Market Intelligence in 2016.

OUTLOOK

S&P Global Market Intelligence is pursuing significant opportunities to grow and support clients through three key initiatives:

- **Introducing new products and diversifying its client base**

The S&P brand has a rich history of credit analysis, and the combined team is very well positioned to help clients deal with the growing need to address counterparty credit risk and compliance issues created by volatile and rapidly changing markets and regulatory regimes. President Mike Chinn sees opportunities to introduce new products to support all parts of the credit world. Helping companies evaluate risk in their supply chains is but one example where S&P Global Market Intelligence could play a larger role.

It wasn't that long ago that SNL's customer base was concentrated in the investment bank and investment management sectors. Now the business has a robust and fast-growing presence in the corporate markets, serving commercial banks and insurers but also companies that operate in the power and gas, real estate, mining, media, and communications sectors.

- **Pursuing global growth opportunities**

Nearly all of SNL's revenue has been generated in the Americas. With the creation of one team that can leverage S&P Capital IQ's presence in Europe, Latin America and Asia, increasing SNL's global reach is a clear and immediate opportunity.

- **Integrating technology platforms**

Both S&P Capital IQ and SNL possess strong and sophisticated content delivery platforms, and the combined team is now determining how to most effectively consolidate into one best-in-breed product platform. As an initial step, the team will deliver SNL content through S&P Capital IQ's direct feeds product. Looking ahead, the goal is to introduce an integrated technology approach with one distribution platform.

Committed to Serving ESG Investors

As part of McGraw Hill Financial's broad commitment to promoting inclusive, sustainable communities and financial markets, the Company provides a range of capabilities to clients whose focus is on Environmental, Social and Governance (ESG) investing. The market for sustainable investments is increasing rapidly—rising by 76% to \$6.6 trillion in the U.S. from 2012 to 2014 and by 33% to €9.9 trillion in Europe.

The Company's products and services support more sustainable markets and help pave the way for policy makers and businesses to adopt effective risk management strategies.

Snapshot of MHFI's Offerings:

- Standard & Poor's RatingsDirect Climate Risk Reports
- Dow Jones Sustainability Index
- S&P Global Market Intelligence Small and Medium-sized Enterprises (SME) Scorecard

Standard & Poor's Ratings Services

When companies need to finance a growing business or governments need to build a highway, they often turn to the debt markets. To facilitate the flow of capital, Standard & Poor's Ratings Services brings transparency and comparability to debt markets worldwide by helping investors and others measure and manage credit risk through independent ratings, research and analytics.

OUTLOOK

Two trends indicate that S&P is poised for continued long-term growth. First, over the next few years, there is a substantial potential need for funding as companies look to meet debt refinancing needs. S&P estimates that about \$9.5 trillion in global rated corporate debt is scheduled to mature from 2016 through the end of 2020. The second and potentially more significant trend is the expansion of debt capital markets in emerging economies. According to one study, by 2030, 36% of global corporate bonds will be issued by companies in emerging markets, compared to the 14% issued in 2014, representing a \$47 trillion increase.*

*Credit Suisse Research Institute, *Emerging capital markets: The road to 2030*

\$46.3
TRILLION OF RATED
GLOBAL DEBT OUTSTANDING

1.14
MILLION RATINGS
OUTSTANDING

27
COUNTRIES WITH
S&P RATINGS OFFICES



S&P Dow Jones Indices

S&P Dow Jones Indices is the world's leading provider of financial market indices, and the leading resource for index-based innovation data and research. The flagships S&P 500 and Dow Jones Industrial Average garner the headlines. Less well known is that this business calculates and publishes more than 1 million indices every day, spanning asset classes, geographies, and investment strategies.

OUTLOOK

The steady rise of passive investments as cash shifts from actively managed funds is a powerful movement benefiting S&P Dow Jones Indices. Underscoring this trend, assets under management in exchange traded funds globally is expected to reach \$5 trillion in 2020, up from \$2.6 trillion in 2014, which represents a 10% annual growth rate, according to research from PwC. [S&P Dow Jones Indices earns licensing fees on assets invested in products linked to its indices.]

454

**NEW INDICES LAUNCHED
IN 2015**

\$597M

2015 REVENUE
[+8% Increase from 2014]

\$815B

**AUM IN ETFs BASED ON
S&P DOW JONES INDICES IN 2015**



Platts

Platts enables global commodities markets to perform with greater transparency and efficiency. It is a leader in energy, petrochemicals, metals, and agriculture information, and is a premier source of benchmark price assessments and analytics for those markets. The business has a strong and expanding international footprint, serving approximately 10,000 customers in more than 180 countries. In fact, Platts is McGraw Hill Financial's most global business. Platts delivered strong revenue growth in 2015, demonstrating resiliency despite low commodity prices and a steep slide in the price of oil. In fact, in volatile markets, the need for the sort of trusted, independent information Platts provides is as critical as ever.

OUTLOOK

The continuing globalization and increasing sophistication and interconnectedness of the commodities markets positions Platts for continued growth. As emerging countries open their markets, there will be an even greater demand for price discovery. For example, in early 2016, Mexico's federal government entered into an exclusive agreement with Platts to utilize its oil and natural gas price data in the nation's pricing formulas as part of its energy reform policy. In addition to Latin America, Platts sees growth opportunities in emerging economies throughout the Middle East and Asia. Diversification beyond the petroleum markets is another key growth driver for this business.

CUSTOMERS IN

180

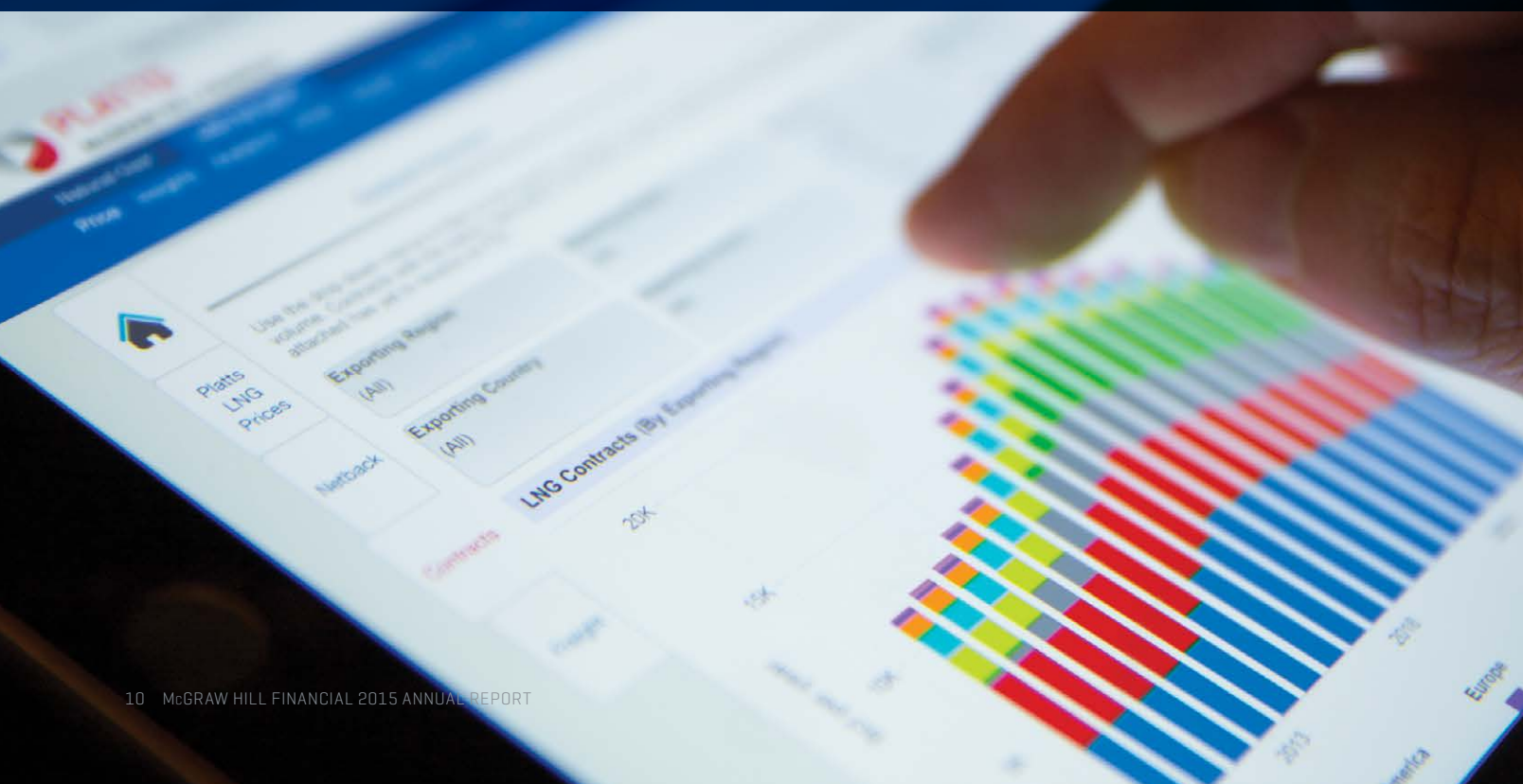
COUNTRIES

60+%

OF PLATTS REVENUE
COMES FROM OUTSIDE
THE U.S.

90%

OF PLATTS REVENUE IS
SUBSCRIPTION BASED



Reconciliation of Non-GAAP Financial Information

The following is provided to supplement certain non-GAAP financial measures discussed in the letter to shareholders and the financial highlights section of this report (pages IFC-5) both as reported (on a GAAP basis) and as adjusted by excluding certain items (non-GAAP) as explained below. This information is provided in order to allow 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 Company management. These non-GAAP measures may be different than similar measures used by other companies.

Operating Results by Segment — Reported vs. Performance

Years ended December 31, 2015 and 2014

	2015			2014			% Change	
<i>(dollars in millions, except per share data)</i> <i>(unaudited)</i>	Non-GAAP			Non-GAAP			Reported	Performance
	Reported	Adjustments	Performance	Reported	Adjustments	Performance		
S&P Ratings Services	\$1,078	\$ 68 ^a	\$1,146	\$ [583]	\$1,657 ^e	\$1,074	N/M	7%
S&P Capital IQ and SNL	228	69 ^b	297	228	9 ^c	237	—%	25%
S&P Dow Jones Indices	392	—	392	347	4 ^f	351	13%	12%
Commodities & Commercial Markets	357	1 ^c	358	290	16 ^c	306	23%	17%
Segment operating profit	2,055	138	2,192	282	1,686	1,968	N/M	11%
Unallocated expense	[138]	[2] ^d	[139]	[169]	16 ^c	[152]	[18]%	[9]%
Operating profit	1,917	136	2,053	113	1,702	1,815	N/M	13%
Interest expense, net	102	—	102	59	—	59	73%	73%
Income before taxes on income	1,815	136	1,951	54	1,702	1,756	N/M	11%
Provision for taxes on income	547	48	595	245	336	581	N/M	2%
Income [loss] from continuing operations	1,268	88	1,356	[191]	1,366	1,175	N/M	15%
Income from discontinued operations	—	—	—	178	[178]	—	N/M	N/M
Net income [loss]	1,268	88	1,356	[13]	1,188	1,175	N/M	15%
Less: NCI net income — continuing	[112]	—	[112]	[102]	—	[102]	9%	9%
Net income [loss] — continuing	1,156	88	1,244	[293]	1,366	1,073	N/M	16%
Net income — discontinued	—	—	—	178	[178]	—	N/M	N/M
Net income [loss] attributable to MHFI	\$1,156	\$ 88	\$1,244	\$ [115]	\$1,188	\$1,073	N/M	16%
Diluted EPS — continuing	\$ 4.21	\$0.32	\$ 4.53	\$ [1.08]	\$ 4.96	\$ 3.88 ^g	N/M	17%
Diluted EPS — total	\$ 4.21	\$0.32	\$ 4.53	\$ [0.42]	\$ 4.30	\$ 3.88 ^g	N/M	17%

N/M — not meaningful

Note — Totals presented may not sum across due to rounding.

(a) The twelve months ended December 31, 2015 include legal settlement charges partially offset by a benefit related to insurance recoveries of \$54 million and restructuring charges of \$13 million.

(b) The twelve months ended December 31, 2015 include costs of \$32 million related to identified operating efficiencies primarily related to restructuring and acquisition-related costs of \$37 million.

(c) The twelve months ended December 31, 2015 and 2014 include restructuring charges.

(d) The twelve months ended December 31, 2015 include restructuring charges and a gain of \$11 million on the sale of our interest in a legacy McGraw Hill Construction investment.

(e) The twelve months ended December 31, 2014 includes restructuring charges and legal and regulatory settlements of \$1.6 billion.

(f) The twelve months ended December 31, 2014 include professional fees largely related to corporate development activities.

(g) Diluted weighted-average shares outstanding of 276.2 million were used to calculate adjusted diluted EPS for the twelve months ended December 31, 2014. This amount includes securities that had an antidilutive effect to reported diluted EPS due to a loss from continuing operations.

Computation of Free Cash Flow and Free Cash Flow Excluding Certain Items

Years ended December 31, 2015

<i>(dollars in millions)</i> <i>(unaudited)</i>	2015
Cash provided by operating activities from continuing operations	\$ 195
Capital expenditures	[139]
Dividends and other payments paid to noncontrolling interests	[104]
Free cash flow	\$ [48]
Payment of legal and regulatory settlements	1,624
Legal settlement insurance recoveries	[101]
Tax benefit from legal settlements	[250]
Free Cash Flow Excluding Above Items	\$1,225

14 Management's Discussion and Analysis

44 Consolidated Statements of Income

45 Consolidated Statements of Comprehensive Income

46 Consolidated Balance Sheets

47 Consolidated Statements of Cash Flows

48 Consolidated Statements of Equity

49 Notes to the Consolidated Financial Statements

88 Five Year Financial Review

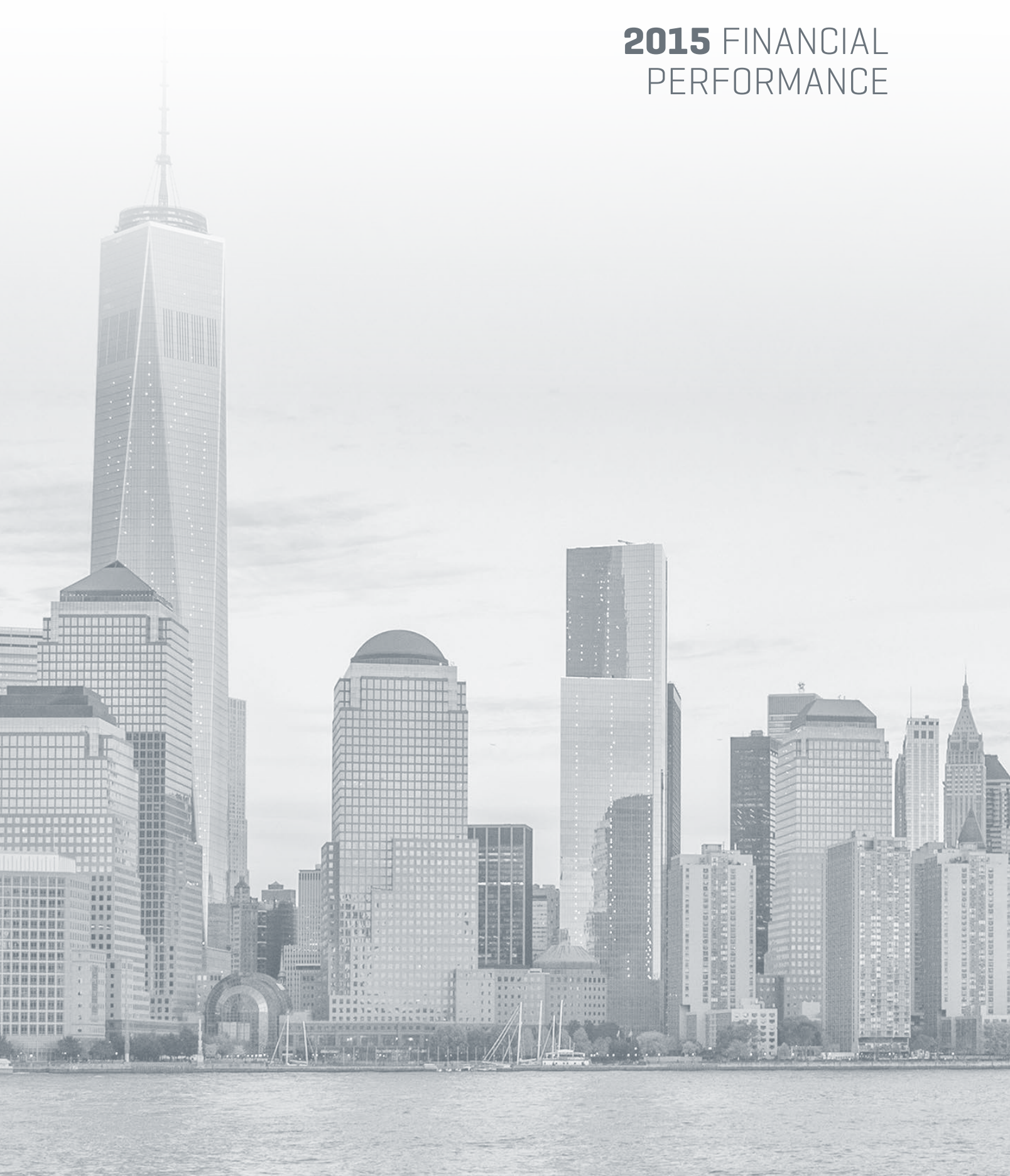
89 Report of Management

90 Report of Independent Registered Public Accounting Firm

92 Shareholder Information

IBC Directors and Principal Executives

2015 FINANCIAL PERFORMANCE



Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management Discussion and Analysis ("MD&A") provides a narrative of the results of operations and financial condition of McGraw Hill Financial, Inc. (together with its consolidated subsidiaries, the "Company," "we," "us" or "our") for the years ended December 31, 2015 and 2014, respectively. The MD&A should be read in conjunction with the consolidated financial statements and accompanying notes included in our Form 10-K for the year ended December 31, 2015, which have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP").

The MD&A includes the following sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Reconciliation of Non-GAAP Financial Information
- Critical Accounting Estimates
- Recently Issued or Adopted Accounting Standards

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, any projections of future results of operations and cash flows are subject to substantial uncertainty. See Forward-Looking Statements on page 42 of this report.

Overview

We are a leading benchmarks and ratings, analytics, data and research provider serving the global capital, commodities and commercial markets. The capital markets include asset managers, investment banks, commercial banks, insurance companies, exchanges, and issuers; the commodities markets include producers, traders and intermediaries within energy, metals, petrochemicals and agriculture; and the commercial markets include professionals and corporate executives within automotive, financial services, insurance and marketing / research information services.

Our operations consist of four reportable segments: Standard & Poor's Ratings Services ("S&P Ratings"), S&P Capital IQ and SNL, S&P Dow Jones Indices ("S&P DJ Indices") and Commodities & Commercial ("C&C").

- S&P Ratings is an independent provider of credit ratings, research and analytics, offering investors and market participants information, ratings and benchmarks.
- S&P Capital IQ and SNL is a global provider of multi-asset-class data, research and analytical capabilities, which integrate cross-asset analytics and desktop services.
- S&P DJ Indices is a global index provider that maintains a wide variety of valuation and index benchmarks for investment advisors, wealth managers and institutional investors.
- C&C consists of business-to-business companies specializing in commercial and commodities markets that deliver their customers access to high-value information, data, analytic services and pricing and quality benchmarks. As of August 1, 2013, we completed the sale of Aviation Week and the results have been included in C&C's results through that date.

In the fourth quarter of 2015, we began exploring strategic alternatives for J.D. Power, included in our C&C segment. We committed to and initiated an active program to sell J.D. Power in its current state that we believe is probable in the next year. As a result, we have classified the assets and liabilities of J.D. Power as held for sale in our consolidated balance sheet as of December 31, 2015. The anticipated disposal does not represent a strategic shift that will have a major effect on operations and financial results, therefore, it is not classified as a discontinued operation.

On November 3, 2014, we completed the sale of McGraw Hill Construction, which has historically been part of our C&C segment, to Symphony Technology Group for \$320 million in cash. We recorded an after-tax gain on the sale of \$160 million, which is included in discontinued operations, net in the consolidated statement of income for the year ended December 31, 2014. We

used the after-tax proceeds from the sale to make selective acquisitions, investments, share repurchases and for general corporate purposes.

On March 22, 2013, we completed the sale of McGraw-Hill Education (“MHE”) to investment funds affiliated with Apollo Global Management, LLC for a purchase price of \$2.4 billion in cash. We recorded an after-tax gain on the sale of \$589 million, which is included in discontinued operations, net in the consolidated statement of income for the year ended December 31, 2013. We used the after-tax proceeds from the sale to pay down short-term debt for the special dividend paid in 2012, to make selective acquisitions, investments, share repurchases and for general corporate purposes.

In 2015, we continued to focus on investments in targeted financial assets, divesting selected non-core assets, reducing in our real estate portfolio and increasing shareholder return.

Investments in Targeted Financial Assets /

Divest Selected Non-Core Assets

During 2015, we continued to create a portfolio focused on scalable, industry leading, interrelated businesses in the capital and commodity markets.

- S&P Capital IQ and SNL — we acquired SNL Financial LC (“SNL”), a leading provider of news, data, and analytics to five sectors in the global economy: financial institutions, real estate, energy, media & communications, and metals & mining;
- **Commodities & Commercial:**
 - we acquired the entire issued share capital of Petromedia Ltd and its operating subsidiaries, an independent provider of data, intelligence, news and tools to the global fuels market that offers a suite of products providing clients with actionable data and intelligence that enables informed decisions, minimizes risk and increases efficiency;
 - we acquired National Automobile Dealers Association’s Used Car Guide, a leading provider of U.S. retail, trade-in and auction used-vehicle valuation products, services and information.

In 2015, we further reduced our real estate footprint by completing the consolidation of our corporate headquarters with our operations in New York City.

During 2014, we continued to execute our strategy of investing for growth in markets that have size and scale while exiting non-core assets.

- **Commodities & Commercial** — we acquired Eclipse Energy Group AS which complements our North American natural gas capabilities, which we obtained from our Bentek Energy LLC acquisition in 2011;
- **S&P Ratings** — we acquired BRC Investor Services S.A., a Colombia-based ratings firm providing risk classifications of banks, financial services providers, insurance companies, corporate bonds and structured issues that will expand our presence in the Latin American credit markets.

In 2014, in addition to the divestiture of McGraw Hill Construction discussed above, we streamlined our infrastructure by reducing our real estate footprint through selling our data facility, initiating the consolidation of our corporate headquarters with our operations in New York City, as well as disposing of our corporate aircraft.

During 2013, we acquired an incremental 11 million equity shares representing 15.07% of CRISIL’s total outstanding equity shares for \$214 million, concurrently increasing our ownership percentage in CRISIL to 67.84% from 52.77%.

In 2013, we also completed certain dispositions of our non-core assets that allow us to apply greater focus on our high-growth, high-margin benchmark businesses.

- **Commodities & Commercial** — we completed the sale of Aviation Week to Penton, a privately held business information company;
- **S&P Capital IQ and SNL** — we completed the sale of Financial Communications as well as the closure of several non-core businesses.

Increased Shareholder Return

During the three years ended December 31, 2015, we have returned \$3.3 billion to our shareholders through a combination of share repurchases and our quarterly dividends: we completed share repurchases of \$2.3 billion and distributed regular quarterly dividends totaling approximately \$997 million. Also, on January 27, 2016, the Board of Directors approved an increase in the quarterly common stock dividend from \$0.33 per share to \$0.36 per share.

KEY RESULTS

[in millions]	Years ended December 31,			% Change ¹	
	2015	2014	2013	'15 vs '14	'14 vs '13
Revenue	\$5,313	\$5,051	\$4,702	5%	7%
Operating profit ²	\$1,917	\$ 113	\$1,358	N/M	[92]%
% Operating margin	36%	2%	29%		
Diluted earnings [loss] per share from continuing operations	\$ 4.21	\$ [1.08]	\$ 2.80	N/M	N/M

N/M — not meaningful

1 % changes in the tables throughout the MD&A are calculated off of the actual number, not the rounded number presented.

2 2015 includes legal settlements, partially offset by a benefit related to insurance recoveries of \$54 million. 2014 includes legal and regulatory settlements of \$1.6 billion and 2013 include legal settlements of \$77 million.

2015

Revenue increased 5% driven by increases at S&P Capital IQ and SNL, C&C and S&P DJ Indices, partially offset by a decrease at S&P Ratings. Revenue growth at S&P Capital IQ and SNL was due to the acquisition of SNL in September of 2015 and growth of the legacy S&P Capital IQ products driven by increases in average contract values for each product. The revenue increase at C&C was primarily driven by continued demand for Platts' proprietary content as annualized contract values increased. Increases at J.D. Power primarily due to an increase in auto consulting engagements in the U.S. and the acquisition of National Automobile Dealers Association's Used Car Guide ["UCG"] in July of 2015 driving the data and analytics revenue growth at C&C. Revenue growth at S&P DJ Indices was due to higher average levels of assets under management for ETFs and mutual funds and higher volumes for exchange-traded derivatives. The revenue decrease at S&P Ratings was driven by the unfavorable impact of foreign exchange rates. The unfavorable impact of foreign exchange rates reduced revenue by 2 percentage points which was offset by the favorable impact from acquisitions of 2 percentage points.

The increase in operating profit was primarily due to the impact of \$1.6 billion in legal and regulatory settlements in 2014 compared to net legal settlement expenses of \$54 million in 2015. In addition, 2015 includes costs related to identified operating efficiencies primarily related to restructuring of \$56 million in 2015 compared to \$86 million in 2014. 2015 also includes acquisition-related costs related to the acquisition of SNL of \$37 million and an \$11 million gain on the sale of our interest in a legacy McGraw Hill Construction investment. 2014 includes \$4 million of professional fees largely related to corporate development activities. Excluding these items, operating profit increased 13%. This increase was driven by revenue growth at S&P Capital IQ and SNL, C&C, and S&P DJ Indices and cost containment efforts at S&P Ratings during 2015.

2014

Revenue increased 7% driven by increases at all of our segments. The increase at S&P Ratings was primarily driven by growth in both corporate and financial services bond ratings revenue, increases in bank loan ratings and higher annual fees. Revenue growth at S&P Capital IQ and SNL was driven by increases in average contract values for each product driven by new customer relationships and increases in existing accounts. Revenue growth at S&P DJ Indices was due to higher levels of assets under management for ETFs and mutual funds and higher volumes for exchange-traded derivatives. The revenue increase at C&C was primarily driven by continued demand for Platts' proprietary content as annualized contract values increased and increases at J.D. Power driven by strong demand for auto consulting engagements in the U.S. and Singapore. The unfavorable impact of foreign exchange rates reduced revenue by less than 1 percentage point.

Operating profit decreased 92% driven by the unfavorable impact of \$1.6 billion of legal and regulatory settlement charges in 2014 compared to legal settlement charges of \$77 million in 2013 and higher costs recorded in 2014 related to identified operating efficiencies primarily related to restructuring, partially offset by revenue growth at all of our segments. Excluding the unfavorable impact of legal and regulatory settlement charges of 111 percentage points, higher costs recorded in 2014 related to identified operating efficiencies primarily related to restructuring of 3 percentage points, partially offset by the favorable impact of costs necessary to enable the separation of MHE and reduce our cost structure recorded in 2013 of 5 percentage points and a net loss related to the sale of a data center, an equity investment at CRISIL, Aviation Week and Financial Communications in 2013 of 1 percentage point, operating profit increased 17%.

OUTLOOK

Our vision is to be the leading provider of transparent and independent benchmarks and ratings, analytics, data and research in the global capital, commodities and corporate markets. Our mission is to promote sustainable growth in these markets by providing customers with essential intelligence and superior service. We seek to accomplish our mission and vision within the framework of our core values of fairness, integrity and transparency. We intend to deliver our products and services through customer-centric distribution channels that enable mission-critical decisions in our core customer sets of investment management, investment banking, commercial banking, insurance, specialty financial institutions and corporates.

We are aligning our efforts against two key strategic priorities: creating growth and driving performance.

Creating Growth

- We will strive to drive global growth by focusing on executing our strategic initiatives, strengthening core capabilities and collaborating across businesses.

Driving Performance

- We will strive to deliver operational excellence, manage and mitigate risk and enhance leadership and accountability.

There can be no assurance that we will achieve success in implementing any one or more of these strategies as a variety of factors could unfavorably impact operating results, including prolonged difficulties in the global credit markets and a change in the regulatory environment affecting our businesses. See Item 1a, *Risk Factors*, in our Annual Report on Form 10-K.

Further projections and discussion on our 2016 outlook for our segments can be found within “— Results of Operations”.

Results of Operations

CONSOLIDATED REVIEW

[in millions]	Years ended December 31,			% Change	
	2015	2014	2013	'15 vs '14	'14 vs '13
Revenue	\$5,313	\$5,051	\$4,702	5%	7%
Expenses:					
Operating-related expenses	1,672	1,627	1,564	3%	4%
Selling and general expenses	1,578	3,168	1,631	(50)%	94%
Depreciation and amortization	157	134	137	17%	(2)%
Total expenses	3,407	4,929	3,332	(31)%	48%
Other (income) loss	(11)	9	12	N/M	(25)%
Operating profit	1,917	113	1,358	N/M	(92)%
Interest expense, net	102	59	59	73%	(1)%
Provision for taxes on income	547	245	425	N/M	(42)%
Income [loss] from continuing operations	1,268	(191)	874	N/M	N/M
Discontinued operations, net	—	178	592	N/M	(70)%
Less: net income from continuing operations attributable to noncontrolling interests	(112)	(102)	(91)	9%	12%
Less: net loss from discontinuing operations attributable to noncontrolling interests	—	—	1	N/M	N/M
Net income [loss] attributable to McGraw Hill Financial, Inc.	\$1,156	\$ [115]	\$1,376	N/M	N/M

N/M — not meaningful

REVENUE

[in millions]	Years ended December 31,			% Change	
	2015	2014	2013	'15 vs '14	'14 vs '13
Subscription / Non-transaction revenue	\$3,264	\$3,045	\$2,849	7%	7%
Non-subscription / Transaction revenue	\$2,049	\$2,006	\$1,853	2%	8%
Domestic revenue	\$3,202	\$2,911	\$2,723	10%	7%
International revenue	\$2,111	\$2,140	\$1,979	[1]%	8%
% of total revenue:					
Subscription / Non-transaction revenue	61%	60%	61%		
Non-subscription / Transaction revenue	39%	40%	39%		
Domestic revenue	60%	58%	58%		
International revenue	40%	42%	42%		

2015

Revenue increased 5% as compared to 2014. Subscription / non-transaction revenue increased primarily due to growth at S&P Capital IQ and SNL due to an increase in the average contract values as well as continued demand for Platts' proprietary content. Non-subscription / transaction revenue increased primarily due to growth at S&P DJ Indices due to higher assets under management for ETFs and mutual funds and higher volumes for exchange-traded derivatives, partially offset by a decrease at S&P Ratings which includes the unfavorable impact of foreign exchange rates. See "— Segment Review" below for further information.

The unfavorable impact of foreign exchange rates reduced revenue by 2 percentage points. This impact refers to constant currency comparisons estimated by recalculating current year results of foreign operations using the average exchange rate from the prior year. The unfavorable impact of foreign exchange rates on revenue primarily related to S&P Ratings and was driven by the weakening of the Euro to the U.S. dollar.

2014

Revenue increased 7% as compared to 2013. Subscription / non-transaction revenue increased primarily due to growth at S&P Capital IQ and SNL due to an increase in the average contract values, growth in non-issuance related revenue for corporate ratings primarily related to higher annual fees, and continued demand for Platts' proprietary content. Non-subscription / transaction revenue increased primarily due to strong growth in corporate bond ratings revenue, an increase in bank loan ratings and higher assets under management for ETFs and mutual funds at S&P DJ Indices, partially offset by lower structured finance revenues. See "— Segment Review" below for further information.

The unfavorable impact of foreign exchange rates reduced revenue by less than 1 percentage point.

TOTAL EXPENSES

The following tables provide an analysis by segment of our operating-related expenses and selling and general expenses for the years ended December 31, 2015 and 2014:

	2015		2014		% Change	
	Operating- related expenses	Selling and general expenses	Operating- related expenses	Selling and general expenses	Operating- related expenses	Selling and general expenses
<i>(in millions)</i>						
S&P Ratings ¹	\$ 725	\$ 583	\$ 777	\$2,219	(7)%	(74)%
S&P Capital IQ and SNL ²	614	495	549	411	12%	20%
S&P DJ Indices ³	105	92	97	101	8%	(8)%
C&C ⁴	316	269	289	289	9%	(7)%
Intersegment eliminations ⁵	(88)	—	(86)	—	(3)%	N/M
Total segments	1,672	1,439	1,626	3,020	3%	(52)%
Corporate ⁶	—	139	1	148	(100)%	(6)%
	\$1,672	\$1,578	\$1,627	\$3,168	3%	(50)%

N/M — not meaningful

1 In 2015, selling and general expenses include legal settlements partially offset by a benefit related to legal insurance recoveries of \$54 million and restructuring costs of \$13 million. In 2014, selling and general expenses include \$1.6 billion for legal and regulatory settlements and restructuring charges of \$45 million.

2 In 2015, selling and general expenses include acquisition-related costs related to the acquisition of SNL of \$37 million and costs identified operating efficiencies primarily related to restructuring of \$32 million. In 2014, selling and general expenses include \$9 million of restructuring charges.

3 In 2014, selling and general expenses include the impact of professional fees largely related to corporate development activities of \$4 million.

4 In 2015 and 2014, selling and general expenses include restructuring charges of \$1 million and \$16 million, respectively.

5 Intersegment eliminations relates to a royalty charged to S&P Capital IQ and SNL for the rights to use and distribute content and data developed by S&P Ratings.

6 In 2015 and 2014, selling and general expenses include costs related to identified operating efficiencies primarily related to restructuring of \$10 million and \$16 million, respectively.

Operating-Related Expenses

Operating-related expenses increased \$44 million or 3% as compared to 2014. Increases at S&P Capital IQ and SNL primarily driven by higher data processing costs and the acquisition of SNL in September of 2015 and increases at C&C due to higher incentive costs were partially offset by declines at S&P Ratings driven by our compensation cost containment efforts resulting from 2014 restructuring actions.

Selling and General Expenses

Selling and general expenses decreased 50%. Excluding the favorable net impact of legal settlement and regulatory settlement charges and insurance recoveries of 48 percentage points, higher costs recorded in 2014 related to identified operating efficiencies primarily related to restructuring of 1 percentage

point, partially offset by the unfavorable impact of acquisition-related costs related to the acquisition of SNL of 1 percentage point, selling and general expenses decreased 2%. The decline was due to a decrease at S&P Ratings driven by lower incentive and legal costs, partially offset by increased costs related to the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act and an increase at S&P Capital IQ and SNL driven by the acquisition of SNL in September of 2015.

Depreciation and Amortization

Depreciation and amortization increased \$23 million or 17% as compared to 2014 primarily due to higher intangible asset amortization in 2015 due to the acquisition of SNL in September of 2015 and the acquisition of UCG in July of 2015.

The following tables provide an analysis by segment of our operating-related expenses and selling and general expenses for the years ended December 31, 2014 and 2013:

	2014		2013		% Change	
	Operating-related expenses	Selling and general expenses	Operating-related expenses	Selling and general expenses	Operating-related expenses	Selling and general expenses
<i>[in millions]</i>						
S&P Ratings ¹	\$ 777	\$2,219	\$ 741	\$ 624	5%	N/M
S&P Capital IQ and SNL ²	549	411	538	390	2%	5%
S&P DJ Indices ³	97	101	92	126	5%	(20)%
C&C ⁴	289	289	271	278	7%	4%
Intersegment eliminations ⁵	(86)	—	(76)	—	(13)%	N/M
Total segments	1,626	3,020	1,566	1,418	4%	N/M
Corporate ⁶	1	148	(2)	213	N/M	(30)%
	\$1,627	\$3,168	\$1,564	\$1,631	4%	94%

N/M — not meaningful

1 In 2014, selling and general expenses include \$1.6 billion for legal and regulatory settlements and restructuring charges of \$45 million. In 2013, selling and general expenses include \$77 million for legal settlements, restructuring charges of \$10 million, and the gain on sale of an equity investment held at CRISIL of \$16 million.

2 In 2014, selling and general expenses include \$9 million of restructuring charges. In 2013, selling and general expenses include restructuring charges of \$9 million and a loss related to the sale of Financial Communications of \$3 million.

3 In 2014, selling and general expenses include the impact of professional fees largely related to corporate development activities of \$4 million.

4 In 2014, selling and general expenses include restructuring charges of \$16 million. In 2013, selling and general expenses include a pre-tax gain on the sale of Aviation Week of \$11 million and restructuring charges of \$9 million.

5 Intersegment eliminations relates to a royalty charged to S&P Capital IQ and SNL for the rights to use and distribute content and data developed by S&P Ratings.

6 In 2014, selling and general expenses include restructuring charges of \$16 million. In 2013, selling and general expenses primarily include \$64 million necessary to enable the separation of MHE and reduce our cost structure, restructuring charges and charges related to our reduction in our real estate portfolio.

Operating-Related Expenses

Operating-related expenses increased \$64 million or 4% as compared to 2013, primarily driven by increased costs at S&P Ratings, C&C and S&P Capital IQ and SNL. These increases were primarily attributable to an increase in compensation costs and higher technology costs.

Selling and General Expenses

Selling and general expenses increased 94%. Excluding the unfavorable impact of legal settlement charges of 94 percentage points and higher costs recorded in 2014 related to identified operating efficiencies primarily related to restructuring of 3 percentage points, partially offset by the favorable impact of costs necessary to enable the separation of MHE and reduce our cost structure recorded in 2013 of 4 percentage points, selling and general expenses increased 1%. The increase was primarily driven by increased legal costs at S&P Ratings, increased commissions and incentives at S&P Capital IQ and SNL, partially offset by a decrease at S&P DJ Indices primarily related to a \$26 million non-cash impairment charge recorded in 2013 associated with an intangible asset acquired with the formation of the S&P Dow Jones Indices LLC joint venture.

Depreciation and Amortization

Depreciation and amortization decreased \$3 million or 2% as compared to 2013, primarily due to an intangible asset that became fully amortized in 2013.

OTHER (INCOME) LOSS

During 2015, we completed the sale of our interest in a legacy McGraw Hill Construction investment that resulted in a pre-tax gain of \$11 million within other (income) loss in the consolidated statement of income.

During 2014, we completed the following transactions that resulted in a pre-tax loss of \$9 million within other (income) loss in the consolidated statement of income:

- On July 31, 2014, we completed the sale of the Company's aircraft to Harold W. McGraw III, then Chairman of the Company's Board of Directors and former President and CEO of the Company ("Mr. McGraw") for a purchase price of \$20 million, which is modestly higher than the independent appraisal obtained. During the second quarter of 2014, we recorded a non-cash impairment charge of \$6 million within other (income) loss in our consolidated statement of income

as a result of the pending sale. See Note 13 — *Related Party Transactions* to our consolidated financial statements for further discussion.

- On June 30, 2014, we completed the sale of our data center to Quality Technology Services, LLC (“QTS”) which owns, operates, and manages data centers. Net proceeds from the sale of \$58 million were received in July of 2014. The sale includes all of the facilities and equipment on the south campus of our East Windsor, New Jersey location, inclusive of the rights and obligations associated with an adjoining solar power field. The sale resulted in an expense of \$3 million recorded within other [income] loss in our consolidated statement of income, which is in addition to the non-cash impairment charge we recorded in the fourth quarter of 2013.

During 2013, we recorded a net pre-tax loss of \$12 million within other [income] loss in the consolidated statement of income:

- During the fourth quarter of 2013, we recognized a non-cash impairment charge of \$36 million related to the pending sale of our data center.
- On September 30, 2013, we completed the sale of Financial Communications, which was part of our S&P Capital IQ and SNL segment.

- On August 27, 2013, CRISIL sold its 49% equity interest in India Index Services & Products Ltd. This investment was held within our S&P Ratings segment.
- On August 1, 2013, we completed the sale of Aviation Week within our C&C segment to Penton, a privately held business information company.

OPERATING PROFIT

We consider operating profit to be an important measure for evaluating our operating performance and we evaluate operating profit for each of the reportable business segments in which we operate.

We internally manage our operations by reference to “segment operating profit” with economic resources allocated primarily based on segment operating profit. Segment operating profit is defined as operating profit before unallocated expense. Segment operating profit is one of the key metrics we use to evaluate operating performance. Segment operating profit is not, however, a measure of financial performance under U.S. GAAP, and may not be defined and calculated by other companies in the same manner.

The table below reconciles segment operating profit to total operating profit:

	Years ended December 31,			% Change	
<i>[in millions]</i>	2015	2014	2013	'15 vs '14	'14 vs '13
S&P Ratings ¹	\$1,078	\$[583]	\$ 882	N/M	N/M
S&P Capital IQ and SNL ²	228	228	189	—%	21%
S&P DJ Indices ³	392	347	266	13%	30%
C&C ⁴	357	290	280	23%	3%
Total segment operating profit	2,055	282	1,617	N/M	[83]%
Unallocated expense ⁵	[138]	[169]	[259]	[18]%	[35]%
Total operating profit	\$1,917	\$ 113	\$1,358	N/M	[92]%

N/M — not meaningful

1 2015 includes legal settlements, partially offset by a benefit related to insurance recoveries of \$54 million, and restructuring charges of \$13 million. 2014 includes legal and regulatory settlements of \$1.6 billion and restructuring charges of \$45 million. 2013 includes legal settlements of \$77 million, restructuring charges of \$10 million, and the gain on sale of an equity investment held at CRISIL of \$16 million.

2 2015 includes acquisition-related costs related to the acquisition of SNL of \$37 million and costs identified operating efficiencies primarily related to restructuring of \$32 million. 2014 includes \$9 million of restructuring charges. 2013 includes restructuring charges of \$9 million and a loss related to the sale of Financial Communications of \$3 million.

3 2014 includes the impact of professional fees largely related to corporate development activities of \$4 million.

4 2015 and 2014 include restructuring charges of \$1 million and \$16 million, respectively. 2013 includes a pre-tax gain on the sale of Aviation Week of \$11 million and restructuring charges of \$9 million.

5 2015 and 2014 include costs related to identified operating efficiencies primarily related to restructuring of \$10 million and \$16 million, respectively. 2013 includes depreciation expense and costs necessary to enable the separation of MHE and reduce our cost structure, including restructuring costs and other related non-recurring costs. 2013 also includes a non-cash impairment charge related to the pending sale of our data center and charges related to a reduction in our real estate portfolio.

2015

SEGMENT OPERATING PROFIT — Increased \$1.8 billion, or 629% as compared to 2014. 2015 includes legal settlement charges partially offset by a benefit related to insurance recoveries of \$54 million compared to legal and regulatory settlement charges of \$1.6 billion in 2014. Excluding the favorable net impact of lower legal and regulatory settlement charges and insurance recoveries of 621 percentage points, higher costs recorded in 2014 related to identified operating efficiencies primarily related to restructuring of 9 percentage points and the impact of professional fees largely related to corporate development activities recorded in 2014 of 2 percentage points, partially offset by the unfavorable impact of acquisition-related costs related to the acquisition of SNL of 15 percentage points, segment operating profit increased 11%. Revenue growth at S&P Capital IQ and SNL, C&C and S&P DJ Indices, and cost containment efforts at S&P Ratings during 2015 were the primary drivers for the increase. See “— Segment Review” below for further information.

UNALLOCATED EXPENSE — Decreased by \$31 million or 18% as compared to 2014. These expenses, included in selling and general expenses, mainly include costs for corporate center functions, select initiatives, unoccupied office space and corporate overhead costs allocable to discontinued operations. Excluding the favorable impact of the sale of our interest in a legacy McGraw Hill Construction investment of 6 percentage points and higher costs recorded in 2014 related to identified operating efficiencies primarily related to restructuring of 4 percentage points, unallocated expense decreased by 9 percentage points as compared to 2014. This decrease was primarily driven by the impact of a \$9 million loss recorded in the second quarter of 2014 related to the sale of the Company’s aircraft and the sale of our data center.

Foreign currency exchange rates had a negligible impact on operating profit. The foreign exchange rate impact refers to constant currency comparisons and the remeasurement of monetary assets and liabilities. Constant currency impacts are estimated by recalculating current year results of foreign operations using the average exchange rate from the prior year. Remeasurement impacts are based on the variance between current-year and prior-year foreign exchange rate fluctuations on monetary assets and liabilities denominated in currencies other than the individual business’ functional currency.

2014

SEGMENT OPERATING PROFIT — Decreased \$1.3 billion, or 83% as compared to 2013. Excluding the unfavorable impact of legal and regulatory settlement charges of 94 percentage points, higher restructuring charges recorded in 2014 of 3 percentage points, and a net gain related to the sale of an equity investment at CRISIL, Aviation Week and Financial Communications in 2013 of 2 percentage points, operating profit increased 16%. This increase was primarily due to strong revenue growth at S&P Ratings, S&P Capital IQ and SNL, S&P DJ Indices and C&C. See “— Segment Review” below for further information.

UNALLOCATED EXPENSE — Decreased by \$90 million or 35% as compared to 2013. Excluding the favorable impact of costs necessary to enable the separation of MHE and reduce our cost structure recorded in 2013 of 27 percentage points, a loss related to the sale of a data center in 2013 of 15 percentage points, and charges related to a reduction in our real estate portfolio in 2013 of 5 percentage points, partially offset by the unfavorable impact of higher restructuring charges recorded in 2014 of 5 percentage points, unallocated expense increased 7%. This increase was primarily driven by the impact of a \$9 million loss recorded in the second quarter of 2014 related to the sale of the Company’s aircraft and the sale of our data center, and an increase in unoccupied office space.

Foreign exchange rates had a favorable impact on operating profit of 2 percentage points. The favorable impact on 2014 was driven by the devaluation of the Argentinian peso as well as early strength of the British pound.

INTEREST EXPENSE, NET

Net interest expense for 2015 increased 73% as compared to 2014, primarily as a result of higher interest expense related to the \$700 million of senior notes issued in the second quarter of 2015 and the \$2.0 billion of senior notes issued in the third quarter of 2015. Net interest expense for 2014 remained relatively flat as compared to 2013, decreasing 1%.

PROVISION FOR INCOME TAXES

Our effective tax rate from continuing operations was 30.1%, 453.7% and 32.7% for 2015, 2014 and 2013, respectively. The decrease in the 2015 effective tax rate was primarily due to the reduction in charges for legal settlements, improved profitability in several lower tax jurisdictions outside of the United

States, and continuing resolution of prior year tax audits. The increase in the 2014 effective tax rate from the prior year period was primarily due to the expected tax treatment of charges for legal settlements in 2014.

DISCONTINUED OPERATIONS, NET

Income from discontinued operations was \$178 million in 2014 as compared to \$592 million in 2013, primarily as a result of the after-tax gains of \$160 million and \$589 million recorded on the sale of McGraw Hill Construction in 2014 and the sale of MHE in 2013, respectively.

Segment Review

STANDARD & POOR'S RATINGS SERVICES

Credit ratings are one of several tools that investors can use when making decisions about purchasing bonds and other fixed income investments. They are opinions about credit risk and our ratings express our opinion about the ability and willingness of an issuer, such as a corporation or state or city government, to meet its financial obligations in full and on time. Our credit ratings can also relate to the credit quality of an individual debt issue, such as a corporate or municipal bond, and the relative likelihood that the issuer may default.

S&P Ratings differentiates its revenue between transaction and non-transaction. Transaction revenue primarily includes fees associated with:

- ratings related to new issuance of corporate and government debt instruments, and structured finance debt instruments;
- bank loan ratings; and
- corporate credit estimates, which are intended, based on an abbreviated analysis, to provide an indication of our opinion regarding creditworthiness of a company which does not currently have an S&P Ratings credit rating.

Non-transaction revenue primarily includes fees for surveillance of a credit rating, annual fees for customer relationship-based pricing programs, fees for entity credit ratings and global research and analytics. Non-transaction revenue also includes an intersegment royalty charged to S&P Capital IQ and SNL for the rights to use and distribute content and data developed by S&P Ratings. Royalty revenue for 2015, 2014 and 2013 was \$83 million, \$77 million and \$72 million, respectively.

	Years ended December 31,			% Change	
<i>[in millions]</i>	2015	2014	2013	'15 vs '14	'14 vs '13
Revenue:					
Transaction	\$1,109	\$1,129	\$1,035	(2)%	9%
Non-transaction	1,319	1,326	1,239	—%	7%
Total revenue	\$2,428	\$2,455	\$2,274	(1)%	8%
% of total revenue:					
Transaction	46%	46%	46%		
Non-transaction	54%	54%	54%		
Domestic revenue	\$1,390	\$1,305	\$1,214	7%	8%
International revenue	\$1,038	\$1,150	\$1,060	(10)%	8%
% of total revenue:					
Domestic revenue	57%	53%	53%		
International revenue	43%	47%	47%		
Operating profit (loss) ¹	\$1,078	\$ (583)	\$ 882	N/M	N/M
% Operating margin	44%	(24)%	39%		

N/M — not meaningful

¹ 2015 includes legal settlements, partially offset by a benefit related to insurance recoveries of \$54 million and restructuring charges of approximately \$13 million. 2014 includes \$1.6 billion of legal and regulatory settlements and restructuring charges of approximately \$45 million. 2013 includes \$77 million of legal settlements, restructuring charges of approximately \$10 million, and a \$16 million gain on the sale of an equity investment held by CRISIL.

2015

Revenue decreased 1%, which includes the unfavorable impact of foreign exchange rates that reduced revenue by 4 percentage points. Excluding the unfavorable impact of foreign exchange rates, transaction revenue increased primarily due to an increase in U.S. Public Finance issuance, partially offset by a decline in structured finance revenue driven by reduced global market issuance. Excluding the unfavorable impact of foreign exchange rates, non-transaction revenue also increased due to growth in surveillance revenues and additional Ratings Evaluation Service activity, partially offset by lower revenue associated with new client relationships.

Operating profit increased 285%. Excluding the favorable net impact of legal and regulatory settlement charges and insurance recoveries of 273 percentage points and net higher restructuring costs recorded in 2014 of 6 percentage points, operating profit increased 7%. Foreign currency exchange rates had an unfavorable impact of 1 percentage point on the operating profit growth of 7%. This increase was driven by decreased compensation costs primarily driven by lower incentive costs and cost containment resulting from 2014 restructuring actions and reduced legal fees following the resolution of a number of significant legal matters, partially offset by increased costs related to the implementation of the Dodd-Frank Wall Street Reform of the Consumer Protection Act and the decrease in revenue discussed above.

2014

Revenue increased 8% driven by growth in both transaction and non-transaction revenue. Transaction revenue increased in 2014 primarily driven by growth in both corporate and financial services bond ratings revenue with strong growth in all regions and an increase in bank loan ratings revenue, partially offset by a decline in structured finance revenues. Non-transaction revenue increased primarily due to an increase in annual fees, increases in global research and analytics services and increased RES activity.

Operating profit decreased 166%. Excluding the unfavorable impact of legal and regulatory settlements of 173 percentage points, the unfavorable impact of higher restructuring charges recorded in 2014 of 4 percentage points, and the unfavorable impact of the gain on sale of an equity investment held at CRISIL in 2013 of 2 percentage points, operating profit increased 13%. This increase was driven by the increase in revenue and the favorable impact of foreign exchange rates of 2 percentage points, partially offset by higher legal defense costs primarily

driven by increased litigation activity including the Department of Justice case.

Issuance Volumes

We monitor issuance volumes as an indicator of trends in transaction revenue streams within S&P Ratings. Issuance volumes noted within the discussion that follows are based on the domicile of the issuer. Issuance volumes can be reported in two ways: by "domicile", which is based on where an issuer is located or where the assets associated with an issue are located, or based on "marketplace", which is where the bonds are sold. The following tables depict changes in issuance levels as compared to the prior year, based on Thomson Financial, Harrison Scott Publications, Dealogic and S&P Rating's internal estimates.

	2015 Compared to 2014	
Corporate Bond Issuance	U.S.	Europe
High-Yield Issuance	[13]%	[30]%
Investment Grade	20%	[21]%
Total New Issue Dollars — Corporate Issuance	12%	[22]%

- Although the number of issuances were down, par value of corporate issuance in the U.S. was up in 2015 driven by an increase in investment-grade debt issuance reflecting high par value deals, as the number of deals was lower in the first nine months of the year. Strong M&A activity was a major driver of large financing transactions that resulted in increased issuance in the first nine months of the year. Investment-grade debt issuance was negatively impacted in the fourth quarter of 2015 as market volatility increased. The increase in U.S. investment-grade debt issuance was partially offset by weakness in U.S. high-yield debt issuance.
- Corporate issuance in Europe for both investment-grade and high-yield decreased in 2015 as a result of economic and political uncertainty in the European markets.

	2015 Compared to 2014	
Structured Finance	U.S.	Europe
Asset-Backed Securities ["ABS"]	[10]%	[22]%
Collateralized Debt Obligations ["CDO"]	[22]%	[15]%
Commercial Mortgage-Backed Securities ["CMBS"]	7%	14%
Residential Mortgage-Backed Securities ["RMBS"]	45%	25%
Covered Bonds	*	28%
Total New Issue Dollars — Structured Finance	[6]%	13%

*Represents no activity in 2015 and 2014.

- ABS issuance in the U.S. was down, primarily driven by a decline in credit cards as banks continued to use deposit funding rather than securitization for alternative funding. ABS issuance in Europe was also down, driven by declines across several sub-asset classes.
- Issuance was down in the U.S. and European Structured Credit markets driven by lower availability of leveraged loans and overall market volatility.
- CMBS issuance in the U.S. was up reflecting favorable market conditions and investor demand during the first half of the year, partially offset by a decline in the second half of the year with the mix reflecting a lower proportion of single borrower transactions. European CMBS issuance was also up, although from a low 2014 base.
- RMBS volume in the U.S. was up driven by a mix of deal types, including servicing advance transactions. The increase in European RMBS volume was predominantly driven by an increase in the average issuance size.
- Covered bond issuance [which are debt securities backed by mortgages or other high-quality assets that remain on the issuer's balance sheet] in Europe was up due to historically low yields. The European Central Bank's purchase program is also adding to the demand side, with banks and financial institutions taking advantage of attractive lower rates.

Industry Highlights and Outlook

Revenue declined in 2015 primarily due to the unfavorable impact of foreign exchange rates of 4 percentage points and reduced market issuance internationally primarily impacting corporate bond ratings revenue and structured finance revenues. These decreases were partially offset by an increase in U.S. Public Finance issuance in the first nine months of the year as issuers took advantage of the low interest rate environment. However, issuance slowed in the fourth quarter of 2015 due to market volatility. Corporate bond ratings revenue in the U.S. was favorably impacted by the low interest rate environment and M&A activity throughout the first nine months of the year. However, issuance declined in the fourth quarter of 2015 as market volatility increased and M&A activity slowed. Debt issuance is expected to continue to be volatile in 2016. M&A activity is expected to continue across the ratings spectrum. International economic and political uncertainties are likely to continue to cause market volatility in 2016.

Legal and Regulatory Environment

General

S&P Ratings and many of the securities that it rates are subject to extensive regulation in both the U.S. and in other countries, and therefore existing and proposed laws and regulations can impact the Company's operations and the markets in which it operates. Additional laws and regulations have been adopted but not yet implemented or have been proposed or are being considered. In addition, in certain countries, governments may provide financial or other support to locally-based rating agencies. For example, governments may from time to time establish official rating agencies or credit ratings criteria or procedures for evaluating local issuers. We have reviewed the new laws, regulations and rules which have been adopted and we have implemented, or are planning to implement, changes as required. We do not believe that such new laws, regulations or rules will have a material adverse effect on our financial condition or results of operations. Other laws, regulations and rules relating to credit rating agencies are being considered by local, national, foreign and multinational bodies and are likely to continue to be considered in the future, including provisions seeking to reduce regulatory and investor reliance on credit ratings, rotation of credit rating agencies and liability standards applicable to credit rating agencies. The impact on us of the adoption of any such laws, regulations or rules remains uncertain, but could increase the costs and legal risks relating to S&P Ratings' rating activities, or adversely affect our ability to compete, or result in changes in the demand for credit ratings.

In the normal course of business both in the U.S. and abroad, S&P Ratings [or the legal entities comprising S&P Ratings] are defendants in numerous legal proceedings and are often the subject of government and regulatory proceedings, investigations and inquiries. Many of these proceedings, investigations and inquiries relate to the ratings activity of S&P Ratings brought by purchasers of rated securities. In addition, various government and self-regulatory agencies frequently make inquiries and conduct investigations into S&P Ratings' compliance with applicable laws and regulations. Any of these proceedings, investigations or inquiries could ultimately result in adverse judgments, damages, fines, penalties or activity restrictions, which could adversely impact our consolidated financial condition, cash flows, business or competitive position.

U.S.

The businesses conducted by our S&P Ratings segment are, in certain cases, regulated under the Credit Rating Agency Reform Act of 2006 (the “Reform Act”), the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd Frank Act”), the Securities Exchange Act of 1934 (the “Exchange Act”) and / or the laws of the states or other jurisdictions in which they conduct business. The financial services industry is subject to the potential for increased regulation in the U.S.

S&P Ratings is a credit rating agency that is registered with the SEC as a Nationally Recognized Statistical Rating Organization (“NRSRO”). The SEC first began informally designating NRSROs in 1975 for use of their credit ratings in the determination of capital charges for registered brokers and dealers under the SEC’s Net Capital Rule. The Reform Act created a new SEC registration system for rating agencies that choose to register as NRSROs. Under the Reform Act, the SEC is given authority and oversight of NRSROs and can censure NRSROs, revoke their registration or limit or suspend their registration in certain cases. The rules implemented by the SEC pursuant to the Reform Act, the Dodd Frank Act and the Exchange Act address, among other things, prevention or misuse of material non-public information, conflicts of interest, documentation and assessment of internal controls, and improving transparency of ratings performance and methodologies. The public portions of the current version of S&P Ratings’ Form NRSRO are available on S&P Ratings’ Web site.

European Union

In the European Union, the credit rating industry is registered and supervised through a pan-European regulatory framework which is a compilation of three sets of legislative actions. In 2009, the European Parliament passed a regulation (“CRA1”) that established an oversight regime for the credit rating industry in the European Union, which became effective in 2010. CRA1 requires the registration, formal regulation and periodic inspection of credit rating agencies operating in the European Union. S&P Ratings was granted registration in October of 2011. In January of 2011, the European Union established the European Securities and Markets Authority (“ESMA”), which, among other things, has direct supervisory responsibility for the registered credit rating industry throughout the European Union.

Additional rules augmenting the supervisory framework for credit rating agencies went into effect in 2013. Commonly referred to as CRA3, these rules, among other things:

- impose various additional procedural requirements with respect to ratings of sovereign issuers;
- require member states to adopt laws imposing liability on credit rating agencies for an intentional or grossly negligent failure to abide by the applicable regulations;
- impose mandatory rotation requirements on credit rating agencies hired by issuers of securities for ratings of re-securitizations, which may limit the number of years a credit rating agency can issue ratings for such securities of a particular issuer;
- impose restrictions on credit rating agencies or their shareholders if certain ownership thresholds are crossed; and
- impose additional procedural and substantive requirements on the pricing of services.

The financial services industry is subject to the potential for increased regulation in the European Union.

Other Jurisdictions

Outside of the U.S. and the European Union, regulators and government officials have also been implementing formal oversight of credit rating agencies. S&P Ratings is subject to regulations in several foreign jurisdictions in which it operates and continues to work closely with regulators globally to promote the global consistency of regulatory requirements. S&P Ratings expects regulators in additional countries to introduce new regulations in the future.

For a further discussion of competitive and other risks inherent in our S&P Ratings business, see Item 1a, *Risk Factors*, in our Annual Report on Form 10-K. For a further discussion of the legal and regulatory environment in our S&P Ratings business, see Note 12 — *Commitments and Contingencies* to the consolidated financial statements under Item 8, *Consolidated Financial Statements and Supplementary Data*, in our Annual Report on Form 10-K.

S&P CAPITAL IQ AND SNL

S&P Capital IQ and SNL's portfolio of capabilities are designed to help the financial community track performance, generate better investment returns [alpha], identify new trading and investment ideas, perform risk analysis, and develop mitigation strategies.

S&P Capital IQ and SNL includes the following business lines:

- S&P Capital IQ Desktop & Enterprise Solutions — a product suite that provides data, analytics and third-party research for global finance professionals, which includes the S&P Capital IQ Desktop and integrated bulk data feeds that can be customized, which include QuantHouse, S&P Securities Evaluations, CUSIP and Compustat;
- Global Risk Services — commercial arm that sells Standard & Poor's Ratings Services' credit ratings and related data, analytics and research, which includes subscription-based offerings, RatingsDirect® and RatingsXpress®;
- S&P Capital IQ Markets Intelligence — a comprehensive source of market research for financial professionals, which includes Global Markets Intelligence, Leveraged Commentary & Data and Equity Research Services; and
- SNL — a product suite that includes standardized and as-reported financials, sector-specific templates, asset-level data, mapping and regulatory data accessible through SNL Unlimited that provides in-depth coverage of industry-specific financial market data from over 6,500 public companies and over 50,000 private companies across the globe, comprehensive market data on a variety of assets, and M&A and Capital Market activities.

[in millions]	Years ended December 31,			% Change	
	2015	2014	2013	'15 vs '14	'14 vs '13
Revenue	\$1,405	\$1,237	\$1,170	14%	6%
Subscription revenue	\$1,270	\$1,118	\$1,056	14%	6%
Non-subscription revenue	\$ 135	\$ 119	\$ 114	13%	4%
% of total revenue:					
Subscription revenue	90%	90%	90%		
Non-subscription revenue	10%	10%	10%		
Domestic revenue	\$ 933	\$ 809	\$ 767	15%	5%
International revenue	\$ 472	\$ 428	\$ 403	10%	6%
% of total revenue:					
Domestic revenue	66%	65%	66%		
International revenue	34%	35%	34%		
Operating profit ¹	\$ 228	\$ 228	\$ 189	—%	21%
% Operating margin	16%	18%	16%		

1 2015 includes acquisition costs of \$37 million related to the acquisition of SNL and costs of \$32 million related to identified operating efficiencies primarily related to restructuring. 2014 includes restructuring charges of \$9 million. 2013 includes restructuring charges of approximately \$9 million and a loss related to the sale of Financial Communications of \$3 million.

2015

Revenue increased 14% primarily due to 7 percentage points of growth in the S&P Capital IQ Desktop, RatingsXpress® and RatingsDirect® and 7 percentage points from the acquisition of SNL. Revenue growth of the legacy S&P Capital IQ products was primarily driven by increases in average contract values for each product from new customer relationships and increases from existing accounts. These increases were partially offset by declines in the equity research business, the unfavorable impact of foreign exchange rates which reduced revenue by 1 percentage point and the unfavorable impact related to the closure of a non-core business. The number of users on the S&P Capital IQ Desktop and the number of customers at RatingsXpress® continued to grow in 2015. RatingsXpress® continued to benefit

from increased compliance requirements which have created a greater need for alternative risk tools. International revenue grew 10% over 2014, primarily driven by sales growth of the S&P Capital IQ Desktop and RatingsXpress® in Europe and Asia.

Operating profit remained flat. Excluding the unfavorable impact of acquisition-related costs related to the acquisition of SNL of 16 percentage points and higher costs recorded in 2015 related to identified operating efficiencies primarily related to restructuring of 10 percentage points, operating profit increased 25%. This increase is due to revenue growth and the favorable impact of foreign exchange rates of 7 percentage points, partially offset by higher technology costs, increased compensation costs and higher intangible asset amortization in 2015 related to the acquisition of SNL.

2014

Revenue increased 6% primarily due to growth from the S&P Capital IQ Desktop, RatingsXpress® and RatingsDirect®, driven by increases in average contract values for each product from new customer relationships and increases from existing accounts. This was partially offset by an unfavorable impact related to the closure of several non-core businesses. The number of users on the S&P Capital IQ Desktop and the number of customers at RatingsXpress® increased in 2014 as compared to 2013. Increases for existing accounts were driven by bundled solution offerings integrated within the S&P Capital IQ Desktop, new datasets and expanded coverage of existing datasets combined with improved functionality of the S&P Capital IQ Desktop. RatingsXpress® benefited from improvements made to the speed and timeliness through delivery on the Xpressfeed platform. Additionally, RatingsXpress® benefited from increased compliance requirements which have created a greater need for alternative risk tools. RatingsDirect® also had revenue growth in 2014 as increased contract values were driven by the sale of bundled packages including the S&P Capital IQ Desktop. Additionally, S&P Capital IQ Desktop, RatingsXpress® and RatingsDirect® benefited in 2014 from a higher customer retention rate compared to 2013. International revenue grew 6% over 2013, primarily driven by sales growth of the S&P Capital IQ Desktop in Europe, Asia and Canada.

Operating profit increased 21%. Excluding the favorable impact of a loss related to the sale of Financial Communications of 3 percentage points, operating profit increased 18%. This increase is due to revenue growth, expense savings from the closure of several non-core businesses and a favorable impact from foreign exchange rates of 4 percentage points. Partially offsetting the increases to operating profit were increased compensation costs, primarily due to improved sales performance and additional headcount in developing regions, and higher technology costs.

Industry Highlights and Outlook

In 2015, S&P Capital IQ and SNL added scale to data, technology and commercial capabilities and created synergies with the existing legacy S&P Capital IQ portfolio through the acquisition of SNL.

In 2016, S&P Capital IQ and SNL will continue to focus on meeting or exceeding targeted revenue and costs synergies as a result of the acquisition of SNL. The segment will seek to develop new products, further penetrate core customer segments and geographies, as well as enhance core capabilities in data, technology and market approach.

Legal and Regulatory Environment

The financial services industry is subject to the potential for increased regulation in the U.S. and abroad. The businesses conducted by S&P Capital IQ and SNL are in certain cases regulated under the U.S. Investment Advisers Act of 1940 (the “Investment Advisers Act”) and / or the laws of the states or other jurisdictions in which they conduct business.

Certain businesses of S&P Capital IQ and SNL are authorized and regulated in the United Kingdom by the Financial Conduct Authority (the “FCA”). As such, these businesses are authorized to arrange and advise on investments, and are entitled to exercise a passport right to provide specified cross border services into other European Economic Area (“EEA”) States, under and subject to the conditions in the E.U. Markets in Financial Instruments Directive (“MiFID”).

The markets for financial research, investment and advisory services are very competitive. S&P Capital IQ and SNL competes domestically and internationally on the basis of a number of factors, including the quality of its research and advisory services, client service, reputation, price, geographic scope, range of products and services, and technological innovation. For a further discussion of competitive and other risks inherent in our S&P Capital IQ and SNL business, see Item 1a, *Risk Factors*, in our Annual Report on Form 10-K.

S&P DJ INDICES

S&P DJ Indices is a global index provider that maintains a wide variety of indices to meet an array of investor needs. S&P DJ Indices' mission is to provide transparent benchmarks to help with decision making, collaborate with the financial community to create innovative products and provide investors with tools to monitor world markets.

S&P DJ Indices generates subscription revenue but primarily derives revenue from non-subscription products based on the S&P and Dow Jones Indices. Specifically, S&P DJ Indices generate revenue from the following sources:

- Investment vehicles — such as ETFs, which are based on the S&P Dow Jones Indices' benchmarks and generate revenue through fees based on assets and underlying funds;
- Exchange traded derivatives — which generate royalties based on trading volumes of derivatives contracts listed on various exchanges;
- Index-related licensing fees — which are either fixed or variable annual and per-issue fees for over-the-counter derivatives and retail-structured products; and
- Data and customized index subscription fees — which support index fund management, portfolio analytics and research.

	Years ended December 31,			% Change	
	2015	2014	2013	'15 vs '14	'14 vs '13
<i>[in millions]</i>					
Revenue	\$597	\$552	\$493	8%	12%
Subscription revenue	\$122	\$111	\$103	10%	8%
Non-subscription revenue	\$475	\$441	\$390	8%	13%
% of total revenue:					
Subscription revenue	21%	20%	21%		
Non-subscription revenue	79%	80%	79%		
Domestic revenue	\$488	\$440	\$385	11%	14%
International revenue	\$109	\$112	\$108	[2]%	4%
% of total revenue:					
Domestic revenue	82%	80%	78%		
International revenue	18%	20%	22%		
Operating profit ¹	\$392	\$347	\$266	13%	30%
Less: net income attributable to noncontrolling interests	\$101	\$ 92	\$ 73	10%	25%
Net operating profit	\$291	\$255	\$193	14%	32%
% Operating margin	66%	63%	54%		
% Net operating margin	49%	46%	39%		

1. 2014 includes \$4 million of professional fees largely related to corporate development activities.

2015

Revenue at S&P DJ Indices increased 8%, primarily driven by higher average levels of assets under management ("AUM") for ETFs and mutual funds. Volumes for exchange-traded derivatives continued to increase for certain products which also contributed to revenue growth. Additionally, the year-over-year revenue increase was slightly unfavorably impacted by the refinement of our process for estimating revenue for certain products that favorably impacted 2014 which caused a one-time revenue increase in the prior-year period. Ending AUM for ETFs decreased 2% to \$815 billion in 2015 from \$832 billion

in 2014, primarily due to the flow of investment funds to the developed international equity markets and the impact of lower equity prices. The unfavorable impact of foreign exchange rates reduced revenue by 1 percentage point.

Operating profit grew 13%. Excluding the favorable impact of professional fees largely related to corporate development activities recorded in 2014 of 1 percentage point, operating profit increased 12%. This increase was primarily due to revenue growth as expenses remained relatively flat as a result of cost containment measures.

2014

Revenue at S&P DJ Indices increased 12%, primarily driven by higher average levels of AUM for ETFs and mutual funds. Higher volumes for exchange-traded derivatives also contributed to revenue growth. These increases were partially offset by the unfavorable impact of lower over-the-counter derivative trading volumes in 2014 driven by the expiration of a licensing arrangement for commodities indices in June of 2014. AUM for ETFs rose 25% to \$832 billion in 2014 from \$668 billion in 2013. The unfavorable impact of foreign exchange rates reduced revenue by less than 1 percentage point.

Operating profit grew 30%. Excluding the impact of professional fees largely related to corporate development activities recorded in 2014 of 2 percentage points, operating profit increased 32%. This increase was primarily due revenue growth and the favorable impact of a \$26 million non-cash impairment charge recorded in 2013 associated with an intangible asset acquired with the formation of the S&P Dow Jones Indices LLC joint venture and a reduction of royalty expenses. The reduction of royalty expenses was the result of purchases of intellectual property rights to certain commodities indices developed by Goldman Sachs, and Broad Market Indices (“BMI”) from Citigroup Global Markets Inc. as well as the expiration of a licensing arrangement for commodities indices in June of 2014. These expense reductions were partially offset by an increase in compensation costs related to additional headcount and higher incentive costs. The unfavorable impact of foreign exchange rates reduced operating profit by 1 percentage point.

Industry Highlights and Outlook

S&P DJ Indices continues to be the leading index provider for the ETF market space. In 2015, higher average levels of AUM for ETFs contributed to revenue growth, however, ending AUM for ETFs decreased 2% to \$815 billion in 2015 from \$832 billion in 2014. S&P DJ Indices will also seek to diversify their portfolio of index offerings through asset class expansion, new geographies, and investment strategies. This group will seek to expand its fixed income offering and grow its local presence in emerging markets.

Legal and Regulatory Environment

The financial benchmarks industry is subject to the new pending benchmark regulation in the European Union (the “E.U. Benchmark Regulation”) as well as potential increased regulation in other jurisdictions.

The proposed E.U. Benchmark Regulation has been released for final approval and is expected to be published later this year. The E.U. Benchmark Regulation will likely require S&P DJ Indices in due course to obtain registration or authorization in connection with its benchmark activities in Europe. This legislation will likely cause additional operating obligations but they are not expected to be material at this time and until the regulation is finalized the exact impact is not certain.

In addition, the European Union has recently finalized a package of legislative measures known as MiFID II, which revise and update the existing E.U. Markets in Financial Instruments Directive framework. MiFID II will apply in full in all E.U. Member States from January 3, 2017. MiFID II includes provisions that, among other things: (i) impose new conditions and requirements on the licensing of benchmarks and provide for non-discriminatory access to exchanges and clearing houses; (ii) modify the categorization and treatment of certain classes of derivatives; (iii) expand the categories of trading venue that are subject to regulation; and (iv) provide for the mandatory trading of certain derivatives on exchanges (complementing the mandatory derivative clearing requirements in the E.U. Market Infrastructure Regulation of 2011). Although the MiFID II package is “framework” legislation (meaning that much of the detail of the rules will be set out in subordinate measures to be agreed upon in the period before 2017), it is possible that the introduction of these laws and rules could affect S&P DJ Indices’ ability both to administer and license its indices.

In July of 2013, the International Organization of Securities Commissions (“IOSCO”) issued Financial Benchmark Principles, which are intended to promote the reliability of benchmark determinations, and address governance, benchmark quality and accountability mechanisms, including with regard to the indices published by S&P DJ Indices. Even though the Financial Benchmark Principles are not binding law, S&P DJ Indices has taken steps to align its governance regime and operations with the Financial Benchmark Principles and engaged an independent auditor to perform a reasonable assurance review of such alignment.

The markets for index providers are very competitive. S&P DJ Indices competes domestically and internationally on the basis of a number of factors, including the quality of its benchmark indices, client service, reputation, price, range of products and services (including geographic coverage) and technological innovation. For a further discussion of competitive and other risks inherent in our S&P DJ Indices business, see Item 1a, *Risk Factors*, in our Annual Report on Form 10-K.

COMMODITIES & COMMERCIAL

C&C consists of business-to-business companies specializing in the commodities and commercial markets that deliver their customers access to high-value information, data, analytic services and pricing and quality benchmarks. C&C includes the following brands:

- Platts — provides essential price data, analytics, and industry insight that enable commodities markets to perform with greater transparency and efficiency; and
- J.D. Power — provides essential consumer intelligence to help businesses measure, understand, and improve the key performance metrics that drive growth and profitability.

In the fourth quarter of 2015, we began exploring strategic alternatives for J.D. Power, included in our C&C segment. We committed to and initiated an active program to sell J.D. Power in its current state that we believe is probable in the next year. As a result, we have classified the assets and liabilities of

J.D. Power as held for sale in our consolidated balance sheet as of December 31, 2015. The anticipated disposal does not represent a strategic shift that will have a major effect on operations and financial results, therefore, it is not classified as a discontinued operation.

On November 3, 2014, we completed the sale of McGraw Hill Construction, which has historically been part of our C&C segment, to Symphony Technology Group for \$320 million in cash. Accordingly, the results of operations for the year ended December 31, 2014 and all prior periods presented have been reclassified to reflect the business as a discontinued operation. See Note 2 — *Acquisitions and Divestitures* for further discussion.

The C&C business is driven by the need for high-value information and transparency in a variety of industries. C&C seeks to deliver premier content that is deeply embedded in customer workflows and decision making processes.

C&C's revenue is generated primarily through the following sources:

- Subscription revenue — subscriptions to our real-time news, market data and price assessments, along with other information products, primarily serving the energy and automotive industry; and
- Non-subscription revenue — primarily from licensing of our proprietary market price data and price assessments to commodity exchanges, syndicated and proprietary research studies, commercial-oriented data and analytics, conference sponsorship, consulting engagements, and events.

As of August 1, 2013, we completed the sale of Aviation Week and results have been included in C&C's results through that date. See Note 2 — *Acquisitions and Divestitures* to our consolidated financial statements for further discussion.

	Years ended December 31,			% Change	
	2015	2014	2013	'15 vs '14	'14 vs '13
<i>[in millions]</i>					
Total revenue	\$971	\$893	\$841	9%	6%
Subscription revenue	\$641	\$576	\$527	11%	9%
Non-subscription revenue	\$330	\$317	\$314	4%	1%
% of total revenue:					
Subscription revenue	66%	64%	63%		
Non-subscription revenue	34%	36%	37%		
Domestic revenue	\$435	\$401	\$394	9%	2%
International revenue	\$536	\$492	\$447	9%	10%
% of total revenue:					
Domestic revenue	45%	45%	47%		
International revenue	55%	55%	53%		
Operating profit ¹	\$357	\$290	\$280	23%	3%
% Operating margin	37%	32%	33%		

1 2015 includes \$1 million of restructuring charges. 2014 includes \$16 million of restructuring charges. 2013 includes \$9 million of restructuring charges and a pre-tax gain of \$11 million on the sale of Aviation Week.

2015

Revenue grew 9% driven by strength in Platts' proprietary content as Platts' revenue grew across all regions. This growth was mainly due to continued demand for Platts' market data and price assessment products across all commodity sectors, led by petroleum. While petroleum is still the biggest driver, the revenue mix continues to become more diversified as other sectors showed positive annualized contract value growth including natural gas, petrochemicals, metals and agriculture. Additionally, growth has been driven by the continued licensing of our proprietary market price data and price assessments to various commodity exchanges. Platts' revenue for 2015 was also favorably impacted by the acquisitions of Eclipse Energy Group AS and its operating subsidiaries ("Eclipse") in July of 2014 and Petromedia Ltd and its operating subsidiaries ("Petromedia") in July of 2015. J.D. Power also contributed to the revenue increase driven by an increase in auto consulting engagements in the U.S., growth in the U.S. Power Information Network® ("PIN") business and the acquisition of National Automobile Dealers Association's Used Car Guide ("UCG") in July of 2015. The acquisitions of Eclipse, Petromedia and UCG had a favorable impact on revenue of 3 percentage points. See Note 2 — *Acquisitions and Divestitures* for further discussion. The unfavorable impact of foreign exchange rates reduced revenue by 1 percentage point.

Operating profit increased 23%. Excluding the favorable impact of higher restructuring charges recorded in 2014 of 6 percentage points, operating profit increased 17%. This increase is due to the increase in revenue and the favorable impact of foreign exchange rates of 4 percentage points, partially offset by higher incentive costs and outside consulting fees at Platts and higher compensation costs related to additional headcount at J.D. Power due to the acquisition of UCG.

2014

Revenue increased 6% due to continued demand for Platts' proprietary content as Platts' revenue grew across all regions. This growth was mainly driven by strength in Platts' market data and price assessment products across all commodity sectors, led by petroleum. While petroleum is still the biggest driver, the revenue mix continues to become more diversified as other sectors continued to show positive annualized contract value growth including petrochemicals, natural gas, coal, metals and agriculture. Platts' revenue in 2014 was also favorably impacted by the acquisition of Eclipse in July of 2014. The acquisition of Eclipse had a favorable impact on revenue of less than 1 percentage point. See Note 2 — *Acquisitions and Divestitures* for further

discussion. Additionally, growth at J.D. Power also contributed to the revenue increase driven by strong demand for auto consulting engagements in the U.S. and Singapore and growth in the U.S. PIN business. The increases in revenue were partially offset by the unfavorable impact of 3 percentage points related to the sale of Aviation Week on August 1, 2013 as the results have been included in C&C's results through that date.

Operating profit increased 3%. Excluding the unfavorable impact of the pre-tax gain on the sale of Aviation Week recorded in 2013 of 4 percentage points and higher restructuring charges recorded in 2014 as compared to 2013 of 3 percentage points, operating profit increased 10%. This increase is due to the increase in revenue, partially offset by the unfavorable impact of foreign exchange rates of 1 percentage point, increased costs at Platts and J.D. Power related to additional headcount, merit increases, and other operating costs to support business growth.

Industry Highlights and Outlook

C&C expects to continue to invest in digital capabilities that will enable our brands to become more integrated in our customers' workflows, compete more effectively in the marketplace, and create a foundation for the development of new products and revenue streams. The segment expects to further expand its presence in selected markets and geographies to help drive growth.

High growth in supply and an uncertain pace of demand growth causes volatility in energy prices, which will drive market participant demand for Platts' proprietary content, including news, price assessments and analytics. However, if commodity prices remain at levels that are lower than in recent years, this is likely to have an adverse impact on the rate of growth for subscription and conference revenue in some of Platts' customer segments. The International Energy Agency ("IEA"), in its first monthly forecast of 2016, predicted that world oil consumption will rise to 95.7 million barrels per day in 2016, a gain of 1.2 million barrels per day compared to 2015. The IEA expected non-OPEC total liquids supply to contract by nearly 600,000 barrels per day in 2016, following growth of 1.4 million barrels per day in 2015. In 2016, Platts will continue to invest in technology and customer engagement activities to seek to drive additional revenue growth across all commodity sectors. They will also seek to continue to leverage the capabilities and content from recent acquisitions and expand into adjacent markets. Similar to 2015, they expect to continue to introduce a number of new products and price assessments within all commodity sectors. Platts

completed its first annual assurance review confirming adherence to the IOSCO Principles for Oil Price Reporting Agencies (PRAs) for its oil benchmarks in 2013 and, as of December 2015, had completed its fourth assurance review confirming its alignment with the PRA Principles for both its oil and non-oil commodity benchmarks. On September 17, 2015, IOSCO announced that the PRAs have made the IOSCO PRA Principles an “integral part” of their price assessment practices and that IOSCO saw no need to continue its annual review of the Principles’ implementation. Platts remains committed to ensuring its price assessment processes continue to fully align with the PRA Principles across all commodities and will continue to retain an independent accountancy firm to conduct voluntary reasonable assurance reviews of its alignment to the PRA Principles.

Demand for our automotive studies is driven by the performance of the automotive industry. In 2015, global and U.S. light vehicle sales increased approximately 1% and 6%, respectively, compared to 2014, with growth across most primary markets partially offset by decreases from Russia, Brazil and Japan. For 2016, J.D. Power projects growth for global and U.S. light vehicles sales of 4% and 2%, respectively. In 2016, J.D. Power will strive to grow the core business by strengthening their benchmark studies, leveraging new initiatives to drive operational efficiencies and enhance customer delivery and increasing the distribution of their syndicated studies. International growth will continue to be a key focus in 2016 as they will look to extend product offerings to increase penetration in the Asia-Pacific region and exploring growth opportunities in target growth markets (China, Brazil and Mexico).

Legal and Regulatory Environment

Platts’ commodities price assessment and information business is subject to increasing regulatory scrutiny in the U.S. and abroad. As discussed above under the heading “S&P DJ Indices—Legal and Regulatory Environment”, the financial benchmarks industry is subject to the new pending benchmark regulation in the European Union (the “E.U. Benchmark Regulation”) as well as potential increased regulation in other jurisdictions. As a result of these measures, as well as measures that could be taken in other jurisdictions outside of Europe, Platts will likely be required in due course to obtain registration or authorization in connection with its benchmark and price assessment activities in Europe and potentially elsewhere.

Also as discussed above under the heading “S&P DJ Indices—Legal and Regulatory Environment”, the European Union has recently finalized a package of legislative measures known as MiFID II, which may also impact Platts’ business. Although the MiFID II package is “framework” legislation, it is possible that the introduction of these laws and rules could affect Platts’ ability both to administer and license its price assessments.

In October of 2012, IOSCO issued its PRA Principles which set out principles, which are intended to enhance the reliability of oil price assessments referenced in derivative contracts subject to regulation by IOSCO members. Platts has taken steps to align its operations with the PRA Principles and as recommended by IOSCO in its final report on the PRA Principles, has aligned to the PRA Principles for other commodities for which it publishes benchmarks.

The markets for commodities price assessments and information are very competitive. Platts competes domestically and internationally on the basis of a number of factors, including the quality of its assessments and other information it provides to the commodities and related markets, client service, reputation, price, range of products and services (including geographic coverage) and technological innovation. Furthermore, sustained downward pressure on oil and other commodities prices and trading activity in those markets could have a material adverse impact on the rate of growth of Platts’ revenue. For a further discussion of competitive and other risks inherent in our Platts business, see Item 1a, *Risk Factors*, in our Annual Report on Form 10-K.

Liquidity and Capital Resources

We continue to maintain a strong financial position. Our primary source of funds for operations is cash from our businesses and our core businesses have been strong cash generators. In 2016, cash on hand, cash flows from operations and availability under our existing credit facility are expected to be sufficient to meet any additional operating and recurring cash needs into the foreseeable future. We use our cash for a variety of needs, including among others: ongoing investments in our businesses, strategic acquisitions, share repurchases, dividends, repayment of debt, capital expenditures and investment in our infrastructure.

CASH FLOW OVERVIEW

Cash and cash equivalents were \$1.5 billion as of December 31, 2015, a decrease of \$1.0 billion as compared to December 31, 2014, and consisted of approximately 10% of domestic cash and 90% of cash held abroad. Typically, cash held outside the U.S. is anticipated to be utilized to fund international operations or to be reinvested outside of the U.S., as a significant portion of our opportunities for growth in the coming years is expected to be abroad. In the event funds from international operations are needed to fund operations in the U.S., we would be required to accrue for and pay taxes in the U.S. to repatriate these funds.

[in millions]	Years ended December 31,		
	2015	2014	2013
Net cash provided by (used for):			
Operating activities from continuing operations	\$ 195	\$ 1,209	\$ 782
Investing activities from continuing operations	[2,525]	[65]	[130]
Financing activities from continuing operations	1,510	[462]	[1,743]

In 2015, free cash flow decreased to \$(48.0) million compared to \$1.0 billion in 2014. The decrease is primarily due to the decrease in cash provided from operating activities as discussed below. Free cash flow is a non-GAAP financial measure and reflects our cash flow provided by operating activities less capital expenditures and dividends and other payments paid to noncontrolling interests. Capital expenditures include purchases of property and equipment and additions to technology projects. See "MDA — Reconciliation of Non-GAAP Financial Information" below for a reconciliation of cash flow provided by operating activities, the most directly comparable U.S. GAAP financial measure, to free cash flow.

Operating Activities

Cash provided by operating activities decreased \$1.0 billion to \$195 million in 2015. The decrease is mainly due to the payment of legal and regulatory settlements in 2015 of \$1.6 billion.

Cash provided by operating activities increased \$427 million to \$1.2 billion in 2014. The increase is mainly due to a tax refund received in the first quarter of 2014 related to an overpayment in 2013 and the timing of our estimated tax payment which was made in the first quarter of 2013 as compared to the fourth quarter of 2012. Additionally, improved collections in 2014 impacting accounts receivable also contributed to the increase. These increases were partially offset by higher incentive payments in 2014 compared to 2013.

Investing Activities

Our cash outflows from investing activities are primarily for acquisitions and capital expenditures, while cash inflows are primarily proceeds from dispositions.

Cash used for investing activities increased to \$2.5 billion for 2015 from \$65 million in 2014, primarily due to the acquisition of SNL in September of 2015.

Cash used for investing activities decreased to \$65 million for 2014 from \$130 million in 2013. This was primarily due to higher proceeds from dispositions in 2014 related to the sale of our data center to QTS and proceeds from the sale of the Company's aircraft. Additionally, lower capital expenditures in 2014 compared to 2013 contributed to the decrease. These decreases were partially offset by a higher amount of cash paid for acquisitions in 2014 compared to 2013.

Refer to Note 2 — *Acquisitions and Divestitures* to our consolidated financial statements for further information.

Financing Activities

Our cash outflows from financing activities consist primarily of share repurchases, dividends and repayment of debt, while cash inflows are primarily inflows from long-term and short-term debt borrowings and proceeds from the exercise of stock options.

Cash provided by financing activities was \$1.5 billion in 2015 compared to cash used for financing activities of \$462 million in 2014, driven by proceeds from the issuance of senior notes in 2015, partially offset by an increase in cash used for the repurchase of treasury shares.

Cash used for financing activities decreased \$1.3 billion to \$462 million in 2014. This decrease is primarily attributable to a decrease in cash used for share repurchases and the repayment of short-term debt that occurred in the first quarter of 2013.

During 2015, we used cash to repurchase 9.8 million shares for \$974 million at an average price paid per share of \$98.98, excluding commissions. An additional 0.3 million shares were repurchased in the fourth quarter of 2015 for approximately \$26 million, which settled in January of 2016. Including these additional shares, we utilized cash to repurchase shares at an average price of \$99.00, excluding commissions.

During 2014, we used cash to repurchase 4.6 million shares for \$362 million at an average price paid per share of \$79.02, excluding commissions. Included in the repurchase were 0.5 million shares of the Company's common stock from the personal holdings of Harold W. McGraw III, then Chairman of the

Company's Board of Directors and former President and CEO of the Company ["Mr. McGraw"]. The shares were purchased at a discount of 0.35% from the June 24, 2014 New York Stock Exchange closing price pursuant to a private transaction with Mr. McGraw. We repurchased these shares with cash for \$41 million at an average price of \$82.66 per share. This transaction was approved by the Nominating and Corporate Governance Committee of the Company's Board of Directors after consultation with members of the Financial Policy Committee.

During 2013, we used cash to repurchase 16.8 million shares for \$978 million, including commissions. The average price per share, excluding commissions, was \$58.36. An additional 0.1 million shares were repurchased in the fourth quarter of 2013 for approximately \$10 million, which settled in January of 2014. Including these additional shares, we utilized cash to repurchase shares at an average price of \$58.52, excluding commissions.

On December 4, 2013, the Board of Directors approved a new stock repurchase program authorizing the purchase of up to 50 million shares [the "2013 Repurchase Program"], which was approximately 18% of the total shares of our outstanding common stock at that time. The 2013 Repurchase Program has no expiration date and purchases under this program may be made from time to time on the open market and in private transactions, depending on market conditions. As of December 31, 2015, 35.5 million shares remained available under the 2013 Repurchase Program.

Discontinued Operations

Cash flows from discontinued operations reflects the classification of McGraw Hill Construction and MHE as discontinued operations.

Cash used for operating activities from discontinued operations of \$129 million in 2015 relates to the tax payment on the gain on sale of McGraw Hill Construction. Cash provided by operating activities from discontinued operations of \$18 million in 2014 relates to McGraw Hill Construction and cash used for operating activities of \$231 million in 2013 relates both to MHE and McGraw Hill Construction.

Cash provided by investing activities from discontinued operations decreased to \$320 million in 2014 compared to \$2.1 billion in 2013 due to lower proceeds received from the sale of McGraw Hill Construction compared to the proceeds received from MHE.

Cash used for financing activities decreased \$25 million in 2014 as there was no impact related to McGraw Hill Construction.

ADDITIONAL FINANCING

We have the ability to borrow a total of \$1.2 billion through our commercial paper program, which is supported by our credit facility described below. Commercial paper borrowings outstanding as of December 31, 2015 totaled \$143 million with an average interest rate and term of 0.95% and 17 days. As of December 31, 2015, we can borrow approximately \$1.1 billion in additional funds through the commercial paper program. There were no commercial paper borrowings outstanding under our credit facility as of December 31, 2014.

On June 30, 2015, we entered into a revolving \$1.2 billion five-year credit agreement [our "credit facility"] that will terminate on June 30, 2020. This credit facility replaced our \$1.0 billion four-year credit facility that was scheduled to terminate on June 19, 2017. The previous credit facility was canceled immediately after the new credit facility became effective. There were no outstanding borrowings under the previous credit facility when it was replaced.

We pay a commitment fee of 10 to 20 basis points for our credit facility, depending on our indebtedness to cash flow ratio, whether or not amounts have been borrowed and currently pay a commitment fee of 15 basis points. The interest rate on borrowings under our credit facility is, at our option, calculated using rates that are primarily based on either the prevailing London Inter-Bank Offered Rate, the prime rate determined by the administrative agent or the Federal Funds Rate. For certain borrowings under this credit facility, there is also a spread based on our indebtedness to cash flow ratio added to the applicable rate.

Our credit facility contains certain covenants. The only financial covenant requires that our indebtedness to cash flow ratio, as defined in our credit facility, is not greater than 4 to 1, and this covenant level has never been exceeded.

On July 24, 2015, in connection with the acquisition of SNL, we entered into a commitment letter. Upon receipt of the proceeds from the issuance of \$2.0 billion of senior notes on August 18, 2015, we terminated this commitment letter. See Note 5 — *Debt* for further information.

On January 22, 2015, Fitch Ratings revised its ratings outlook from negative to stable and affirmed our BBB+ long-term debt rating and F2 short-term / commercial debt rating. On August 7, 2015, Moody's Investor Service assigned a Baa1 long-term debt rating and P-2 commercial paper rating.

DIVIDENDS

On January 27, 2016, the Board of Directors approved an increase in the quarterly common stock dividend from \$0.33 per share to \$0.36 per share.

CONTRACTUAL OBLIGATIONS

We typically have various contractual obligations, which are recorded as liabilities in our consolidated balance sheets, while other items, such as certain purchase commitments and other executory contracts, are not recognized, but are disclosed herein. For example, we are contractually committed to contracts

for information-technology outsourcing, certain enterprise-wide information-technology software licensing and maintenance and make certain minimum lease payments for the use of property under operating lease agreements.

We believe that the amount of cash and cash equivalents on hand, cash flow expected from operations and availability under our credit facility will be adequate for us to execute our business strategy and meet anticipated requirements for lease obligations, capital expenditures, working capital and debt service for 2016.

The following table summarizes our significant contractual obligations and commercial commitments as of December 31, 2015, over the next several years that relate to our continuing operations. Additional details regarding these obligations are provided in the notes to our consolidated financial statements, as referenced in the footnotes to the table:

[in millions]	Less than			More than	
	1 Year	1-3 Years	3-5 Years	5 Years	Total
Debt: ¹					
Principal payments	\$143	\$ 797	\$ 695	\$1,976	\$3,611
Interest payments	150	274	225	771	1,420
Operating leases ²	136	229	150	162	677
Purchase obligations and other ³	83	90	6	—	179
Total contractual cash obligations	\$512	\$1,390	\$1,076	\$2,909	\$5,887

1 Our debt obligations are described in Note 5 — *Debt* to our consolidated financial statements.

2 Amounts shown include taxes and escalation payments, see Note 12 — *Commitments and Contingencies* to our consolidated financial statements for further discussion on our operating lease obligations.

3 Other consists primarily of commitments for unconditional purchase obligations in contracts for information-technology outsourcing and certain enterprise-wide information-technology software licensing and maintenance.

As of December 31, 2015, we had \$120 million of liabilities for unrecognized tax benefits. We have excluded the liabilities for unrecognized tax benefits from our contractual obligations table because reasonable estimates of the timing of cash settlements with the respective taxing authorities are not practicable.

As of December 31, 2015, we have recorded \$920 million for our redeemable noncontrolling interest in our S&P Dow Jones Indices LLC partnership discussed in Note 8 — *Equity* to our consolidated financial statements. Specifically, this amount relates to the put option under the terms of the operating agreement of S&P Dow Jones Indices LLC, whereby, after December 31, 2017, CME Group and CME Group Index Services LLC ["CGIS"] will have the right at any time to sell, and we are obligated to buy, at least 20% of their share in S&P Dow Jones Indices LLC. We have excluded this amount from our contractual obligations table because we are uncertain as to the timing and the ultimate amount of the potential payment we may be required to make.

We make contributions to our pension and postretirement plans in order to satisfy minimum funding requirements as well as additional contributions that we consider appropriate to improve the funded status of our plans. During 2015, we contributed \$15 million and \$8 million to our domestic and international retirement and postretirement plans, respectively. Expected employer contributions in 2016 are \$7 million and \$9 million for our domestic and international retirement and postretirement plans, respectively. In 2016, we may elect to make additional non-required contributions depending on investment performance and the pension plan status. See Note 6 — *Employee Benefits* to our consolidated financial statements for further discussion.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2015 and 2014, we did not have any relationships with unconsolidated entities, such as entities often referred to as specific purpose or variable interest entities

where we are the primary beneficiary, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such we are not exposed to any financial liquidity, market or credit risk that could arise if we had engaged in such relationships.

Reconciliation of Non-GAAP Financial Information

Free cash flow is a non-GAAP financial measure and reflects our cash flow provided by operating activities less capital expenditures and dividends and other payments paid to noncontrolling interests. Capital expenditures include purchases of property and equipment and additions to technology projects. Our cash flow provided by operating activities is the most directly

comparable U.S. GAAP financial measure to free cash flow. Additionally, we have considered certain items in evaluating free cash flow, which are included in the table below.

We believe the presentation of free cash flow and free cash flow excluding certain items allows our investors to evaluate the cash generated from our underlying operations in a manner similar to the method used by management. We use free cash flow to conduct and evaluate our business because we believe it typically presents a more conservative measure of cash flows since capital expenditures and dividends and other payments paid to noncontrolling interests are considered a necessary component of ongoing operations. Free cash flow is useful for management and investors because it allows management and investors to evaluate the cash available to us to service debt, make strategic acquisitions and investments, repurchase stock and fund ongoing operation and working capital needs.

The presentation of free cash flow and free cash flow excluding certain items are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. Free cash flow, as we calculate it, may not be comparable to similarly titled measures employed by other companies. The following table presents a reconciliation of our cash flow provided by operating activities to free cash flow excluding the impact of the items below:

	Years ended December 31,			% Change	
	2015	2014	2013	2015	2014
<i>(in millions)</i>					
Cash provided by operating activities	\$ 195	\$1,209	\$ 782	(84)%	55%
Capital expenditures	(139)	(92)	(117)		
Dividends and other payments paid to noncontrolling interests	(104)	(84)	(75)		
Free cash flow	\$ [48]	\$1,033	\$ 590	N/M	75%
Payment of legal and regulatory settlements	1,624	35	—		
Legal settlement insurance recoveries	(101)	—	—		
Tax benefit from legal settlements	(250)	—	—		
Free cash flow excluding above items	\$1,225	\$1,068	\$ 590	15%	81%

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Unless otherwise indicated, all discussion and analysis of our financial condition and results of operations relate to our continuing operations.

On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, allowance for doubtful accounts, valuation of long-lived assets, goodwill and other intangible assets, pension plans, incentive compensation and stock-based compensation, income taxes, contingencies and redeemable noncontrolling interests. We base our estimates on historical experience, current developments and on various other assumptions that we believe to be reasonable under these circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that cannot readily be determined from other sources. There can be no assurance that actual results will not differ from those estimates.

Management considers an accounting estimate to be critical if it required assumptions to be made that were uncertain at the time the estimate was made and changes in the estimate or different estimates could have a material effect on our results of operations. Management has discussed the development and selection of our critical accounting estimates with the Audit Committee of our Board of Directors. The Audit Committee has reviewed our disclosure relating to them in this MD&A.

We believe the following critical accounting policies require us to make significant judgments and estimates in the preparation of our consolidated financial statements:

REVENUE RECOGNITION

Revenue is recognized as it is earned when services are rendered. We consider amounts to be earned once evidence of an arrangement has been obtained, services are performed, fees are fixed or determinable and collectability is reasonably assured. Revenue relating to products that provide for more than one deliverable is recognized based upon the relative fair value to the customer of each deliverable as each deliverable is provided. Revenue relating to agreements that provide for more than one service is recognized based upon the relative fair value to the customer of each service component as each component is earned. If the fair value to the customer for each service is not objectively determinable, we make our best estimate of the services' stand alone selling price and recognize revenue as earned as the services are delivered. The allocation of consideration received from multiple element arrangements that involve initial assignment of ratings and the future surveillance of ratings is determined through an analysis that considers cash consideration that would be received for instances when the service components are sold separately. In such cases, we defer portions of rating fees that we estimate will be attributed to future surveillance and recognize the deferred revenue ratably over the estimated surveillance periods. Advertising revenue is recognized when the page is run. Subscription income is recognized over the related subscription period.

For the years ended December 31, 2015, 2014 and 2013, no significant changes have been made to the underlying assumptions related to estimates of revenue or the methodologies applied. Based on our current outlook these assumptions are not expected to significantly change in 2016.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts reserve methodology is based on historical analysis, a review of outstanding balances and current conditions. In determining these reserves, we consider, amongst other factors, the financial condition and risk profile of our customers, areas of specific or concentrated risk as well as applicable industry trends or market indicators. The impact on operating profit for a one percentage point change in the allowance for doubtful accounts is approximately \$10 million.

For the years ended December 31, 2015, 2014 and 2013, we made no material changes in our assumptions regarding the determination of the allowance for doubtful accounts. Based on our current outlook these assumptions are not expected to significantly change in 2016.

ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS (INCLUDING OTHER INTANGIBLE ASSETS)

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to current forecasts of undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized equal to the amount by which the carrying amount of the asset exceeds the fair value of the asset. For long-lived assets held for sale, assets are written down to fair value, less cost to sell. Fair value is determined based on market evidence, discounted cash flows, appraised values or management's estimates, depending upon the nature of the assets.

On July 31, 2014, we completed the sale of the Company's aircraft to Harold W. McGraw III, then Chairman of the Company's Board of Directors and former President and CEO of the Company for a purchase price of \$20 million. During the second quarter of 2014, we recorded a non-cash impairment charge of \$6 million within other (income) loss in our consolidated statement of income as a result of the pending sale. See Note 13 — *Related Party Transactions* to our consolidated financial statements for further information.

On June 30, 2014, we completed the sale of our data center to Quality Technology Services, LLC ("QTS") which owns, operates, and manages data centers. Net proceeds from the sale of \$58 million were received in July of 2014. The sale includes all of the facilities and equipment on the south campus of our East Windsor, New Jersey location, inclusive of the rights and obligations associated with an adjoining solar power field. The sale resulted in an expense of \$3 million recorded within other (income) loss in our consolidated statement of income, which is in addition to the non-cash impairment charge of \$36 million we recorded in the fourth quarter of 2013 to adjust the value facilities and associated infrastructure classified as held for sale to their fair value.

During the fourth quarter of 2013, we also incurred a \$26 million non-cash impairment charge associated with an intangible asset acquired through the formation of our S&P Dow Jones Indices LLC joint venture.

GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. As of December 31, 2015 and 2014, the carrying value of goodwill and other indefinite-lived intangible assets was \$3.6 billion and \$2.1 billion, respectively. The increase was primarily due to the acquisition of SNL in September of 2015. See Note 2 — *Acquisitions and Divestitures* to our consolidated financial statements for further information. Goodwill and other intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually during the fourth quarter each year or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Goodwill

As part of our annual impairment test of our four reporting units, we initially perform a qualitative analysis evaluating whether any events and circumstances occurred that provide evidence that it is more likely than not that the fair value of any of our reporting units is less than its carrying amount. Our qualitative assessment included, but was not limited to, consideration of macroeconomic conditions, industry and market conditions, cost factors, cash flows, changes in key Company personnel and our share price. If, based on our evaluation of the events and circumstances that occurred during the year we do not believe that it is more likely than not that the fair value of any of our

reporting units is less than its carrying amount, no quantitative impairment test is performed. Conversely, if the results of our qualitative assessment determine that it is more likely than not that the fair value of any of our reporting units is less than its respective carrying amount we perform a two-step quantitative impairment test. For 2015, based on our qualitative assessments, we determined that it is more likely than not that our reporting units' fair value was greater than their respective carrying amounts.

If the fair value of the reporting unit is less than the carrying value, a second step is performed which compares the implied fair value of the reporting unit's goodwill to the carrying value of the goodwill. The implied fair value of the goodwill is determined based on the difference between the fair value of the reporting unit and the net fair value of the identifiable assets and liabilities of the reporting unit. If the implied fair value of the goodwill is less than the carrying value, the difference is recognized as an impairment charge.

Indefinite-Lived Intangible Assets

We evaluate the recoverability of indefinite-lived intangible assets by first performing a qualitative analysis evaluating whether any events and circumstances occurred that provide evidence that it is more likely than not that the indefinite-lived asset is impaired. If, based on our evaluation of the events and circumstances that occurred during the year we do not believe that it is more likely than not that the indefinite-lived asset is impaired, no quantitative impairment test is performed. Conversely, if the results of our qualitative assessment determine that it is more likely than not that the indefinite-lived asset is impaired a quantitative impairment test is performed. If necessary, the impairment test is performed by comparing the estimated fair value of the intangible asset to its carrying value. If the indefinite-lived intangible asset carrying value exceeds its fair value, an impairment analysis is performed using the income approach. The fair value of loss is recognized in an amount equal to that excess. Significant judgments inherent in these analyses include estimating the amount and timing of future cash flows and the selection of appropriate discount rates, royalty rates and long-term growth rate assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for this indefinite-lived intangible asset and could result in an impairment charge, which could be material to our financial position and results of operations.

We performed our impairment assessment of goodwill and indefinite-lived intangible assets at our S&P Ratings, S&P Capital IQ and SNL, S&P DJ Indices and C&C operating segments and concluded that no impairment existed for the years ended December 31, 2015, 2014, and 2013.

RETIREMENT PLANS AND POSTRETIREMENT HEALTHCARE AND OTHER BENEFITS

Our employee pension and other postretirement benefit costs and obligations are dependent on assumptions concerning the outcome of future events and circumstances, including compensation increases, long-term return on pension plan assets, healthcare cost trends, discount rates and other factors. In determining such assumptions, we consult with outside actuaries and other advisors where deemed appropriate. In accordance with relevant accounting standards, if actual results differ from our assumptions, such differences are deferred

and amortized over the estimated remaining lifetime of the plan participants. While we believe that the assumptions used in these calculations are reasonable, differences in actual experience or changes in assumptions could affect the expense and liabilities related to our pension and other postretirement benefits.

The following is a discussion of some significant assumptions that we make in determining costs and obligations for pension and other postretirement benefits:

- Discount rate assumptions are based on current yields on high-grade corporate long-term bonds.
- Healthcare cost trend assumptions are based on historical market data, the near-term outlook and an assessment of likely long-term trends.
- The expected return on assets assumption is calculated based on the plan's asset allocation strategy and projected market returns over the long-term.

Our discount rate and return on asset assumptions used to determine the net periodic pension and postretirement benefit cost on our U.S. retirement plans are as follows:

	Retirement Plans			Postretirement Plans		
January 1	2016	2015	2014	2016	2015	2014
Discount rate ¹	4.47%	4.15%	5.00%	3.90%	3.60%	4.20%
Return on assets	6.25%	6.25%	7.125%			
Weighted-average healthcare cost rate				7.00%	7.00%	7.00%

1 At the end of 2015, we changed our approach used to measure service and interest costs on all of our retirement plans. For 2015 and prior periods presented, we measured service and interest costs utilizing the single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. For 2016, we elected to measure service and interest costs by applying the specific spot rates along that yield curve to the plans' liability cash flows. We believe this new approach provides a more precise measurement of service and interest costs by aligning the timing of the plans' liability cash flows to the corresponding spot rates on the yield curve. This change does not affect the measurement of our benefit obligation. We have accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle and, accordingly, have accounted for it on a prospective basis. We expect pension and postretirement medical costs to decrease by approximately \$13 million in 2016 as a result of this change.

In addition to the assumptions in the above table, assumed mortality is also a key assumption in determining benefit obligations. Effective December 31, 2014, the Company updated the assumed mortality rates to reflect life expectancy improvements.

STOCK-BASED COMPENSATION

Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized over the requisite service period, which typically is the vesting period. Stock-based compensation is classified as both operating-related expense and selling and general expense in our consolidated statements of income.

We use a lattice-based option-pricing model to estimate the fair value of options granted. The following assumptions were used in valuing the options granted:

	Years ended December 31,		
	2015	2014	2013
Risk-free average interest rate	0.2–1.9%	0.1–2.9%	0.1–2.9%
Dividend yield	1.4%	1.4–1.8%	2.07–2.09%
Volatility	21–39%	18–41%	29–45%
Expected life (years)	6.3	6.21–6.25	6.1–6.2
Weighted-average grant-date fair value per option	\$27.57	\$23.41	\$14.46

Because lattice-based option-pricing models incorporate ranges of assumptions, those ranges are disclosed. These assumptions are based on multiple factors, including historical exercise patterns, post-vesting termination rates, expected future exercise patterns and the expected volatility of our stock price. The risk-free interest rate is the imputed forward rate based on the U.S. Treasury yield at the date of grant. We use the historical volatility of our stock price over the expected term of the options to estimate the expected volatility. The expected term of options granted is derived from the output of the lattice model and represents the period of time that options granted are expected to be outstanding.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. We recognize liabilities for uncertain tax positions taken or expected to be taken in income tax returns. Accrued interest and penalties related to unrecognized tax benefits are recognized in interest expense and operating expense, respectively.

Judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and unrecognized tax benefits. In determining the need for a valuation allowance, the historical and projected financial performance of the operation that is recording a net deferred tax asset is considered along with any other pertinent information.

We file income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions, and we are routinely under audit by many different tax authorities. We believe that our accrual for tax liabilities is adequate for all open audit years based on our assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. It is possible that examinations will be settled prior to December 31, 2016. If any of these tax audit settlements do occur within that period we would make any necessary adjustments to the accrual for unrecognized tax benefits. Until formal resolutions are reached between us and

the tax authorities, the determination of a possible audit settlement range with respect to the impact on unrecognized tax benefits is not practicable. On the basis of present information, it is our opinion that any assessments resulting from the current audits will not have a material effect on our consolidated financial statements.

We have determined that the undistributed earnings of our foreign subsidiaries are permanently reinvested within those foreign operations. Accordingly, we have not provided deferred income taxes on these indefinitely reinvested earnings. A future distribution by the foreign subsidiaries of these earnings could result in additional tax liability, which may be material to our future reported results, financial position and cash flows.

For the years ended December 31, 2015, 2014 and 2013, we made no material changes in our assumptions regarding the determination of the provision for income taxes. However, certain events could occur that would materially affect our estimates and assumptions regarding deferred taxes. Changes in current tax laws and applicable enacted tax rates could affect the valuation of deferred tax assets and liabilities, thereby impacting our income tax provision.

CONTINGENCIES

We are subject to a number of lawsuits and claims that arise in the ordinary course of business. We recognize a liability for such contingencies when both (a) information available prior to issuance of the financial statements indicates that it is probable that a liability had been incurred at the date of the financial statements and (b) the amount of loss can reasonably be estimated. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential amounts or ranges of probable losses, and recognize a liability, if any, for these contingencies based on an analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Because many of these matters are resolved over long periods of time, our estimate of liabilities may change due to new developments, changes in assumptions or changes in our strategy related to the matter. When we accrue for loss contingencies and the reasonable estimate of the loss is within a range, we record its best estimate within the range. We disclose an estimated possible loss or a range of loss when it is at least reasonably possible that a loss may have been incurred.

REDEEMABLE NONCONTROLLING INTEREST

The fair value component of the redeemable noncontrolling interest in S&P DJ Indices business is based on a combination of an income and market valuation approach. Our income and market valuation approaches may incorporate Level 3 measures for instances when observable inputs are not available, including assumptions related to expected future net cash flows, long-term growth rates, the timing and nature of tax attributes, and the redemption features.

Recent Accounting Standards

See Note 1 — *Accounting Policies*, to the consolidated financial statements for a detailed description of recent accounting standards. We do not expect these recent accounting standards to have a material impact on our results of operations, financial condition, or liquidity in future periods.

Forward-Looking Statements

Our Annual Report on Form 10-K contains “forward-looking statements,” as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management’s current views concerning future events, trends, contingencies or results, appear at various places in this report and use words like “anticipate,” “assume,” “believe,” “continue,” “estimate,” “expect,” “forecast,” “future,” “intend,” “plan,” “potential,” “predict,” “project,” “strategy,” “target” and similar terms, and future or conditional tense verbs like “could,” “may,” “might,” “should,” “will” and “would.” For example, management may use forward-looking statements when addressing topics such as: the outcome of contingencies; future actions by regulators; changes in the Company’s business strategies and methods of generating revenue; the development and performance of the Company’s services and products; the expected impact of acquisitions and dispositions; the Company’s effective tax rates; and the Company’s cost structure, dividend policy, cash flows or liquidity.

Forward-looking statements are subject to inherent risks and uncertainties. Factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements include, among other things:

- the Company’s ability to make acquisitions and dispositions and to integrate, and realize expected synergies, savings or benefits from the businesses it acquires, including the impact of the acquisition of SNL on the Company’s results of operations, any failure to successfully integrate SNL into the Company’s operations and generate anticipated synergies and other cost savings, any failure to attract and retain key employees to execute the combined company’s growth strategy, any failure to realize the intended tax benefits of the acquisition, and the risk of litigation, competitive responses, or unexpected costs, charges or expenses resulting from or relating to the SNL acquisition;
- the rapidly evolving regulatory environment, in the United States, Europe and elsewhere, affecting Standard & Poor’s Ratings Services, Platts, S&P Dow Jones Indices, S&P Capital IQ and SNL and the Company’s other businesses, including new and amended regulations and the Company’s compliance therewith;
- the outcome of litigation, government and regulatory proceedings, investigations and inquiries;
- worldwide economic, financial, political and regulatory conditions;
- 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 domestic and global credit and capital markets in the United States and abroad;
- the demand and market for credit ratings in and across the sectors and geographies where the Company operates;
- concerns in the marketplace affecting the Company’s credibility or otherwise affecting market perceptions of the integrity or utility of independent credit ratings;

- the Company's ability to maintain adequate physical, technical and administrative safeguards to protect the security of confidential information and data, and the potential of a system or network disruption that results in regulatory penalties, remedial costs or improper disclosure of confidential information or data;
- the effect of competitive products and pricing;
- consolidation in the Company's end-customer markets;
- the impact of cost-cutting pressures across the financial services industry;
- a decline in the demand for credit risk management tools by financial institutions;
- the level of success of new product developments and global expansion;
- the level of merger and acquisition activity in the United States and abroad;
- the volatility of the energy marketplace;
- the health of the commodities markets;
- the impact of cost-cutting pressures and reduced trading in oil and other commodities markets;
- the level of the Company's future cash flows;
- the level of the Company's capital investments;
- the level of restructuring charges the Company incurs;
- the strength and performance of the domestic and international automotive markets;
- the Company's ability to successfully recover should it experience a disaster or other business continuity problem from a hurricane, flood, earthquake, terrorist attack, pandemic, security breach, cyber-attack, power loss, telecommunications failure or other natural or man-made event;
- changes in applicable tax or accounting requirements;
- the impact on the Company's net income caused by fluctuations in foreign currency exchange rates; and
- the Company's exposure to potential criminal sanctions or civil penalties if it fails to comply with foreign and U.S. laws and regulations that are applicable in the domestic and international jurisdictions in which it operates, including trade sanctions laws, anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010, anti-bribery laws, anti-money laundering laws, and other financial crimes laws.

The factors noted above are not exhaustive. The Company and its subsidiaries operate in a dynamic business environment in which new risks emerge frequently. Accordingly, the Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances arising after the date on which it is made, except as required by applicable law. Further information about the Company's businesses, including information about factors that could materially affect its results of operations and financial condition, is contained in the Company's filings with the SEC, including Item 1a, *Risk Factors*, in our Annual Report on Form 10-K.

Consolidated Statements of Income

	Year Ended December 31,		
<i>[in millions, except per share data]</i>	2015	2014	2013
Revenue	\$5,313	\$5,051	\$4,702
Expenses:			
Operating-related expenses	1,672	1,627	1,564
Selling and general expenses	1,578	3,168	1,631
Depreciation	90	86	86
Amortization of intangibles	67	48	51
Total expenses	3,407	4,929	3,332
Other (income) loss	(11)	9	12
Operating profit	1,917	113	1,358
Interest expense, net	102	59	59
Income from continuing operations before taxes on income	1,815	54	1,299
Provision for taxes on income	547	245	425
Income (loss) from continuing operations	1,268	(191)	874
Discontinued operations, net of tax:			
Income from discontinued operations	—	18	3
Gain on sale of discontinued operations (includes \$(75) accumulated other comprehensive income reclassifications in 2013 for foreign currency translation adjustment)	—	160	589
Discontinued operations, net	—	178	592
Net income (loss)	1,268	(13)	1,466
Less: net income from continuing operations attributable to noncontrolling interests	(112)	(102)	(91)
Less: net loss from discontinued operations attributable to noncontrolling interests	—	—	1
Net income (loss) attributable to McGraw Hill Financial, Inc.	\$1,156	\$ [115]	\$1,376
Amounts attributable to McGraw Hill Financial, Inc. common shareholders:			
Income (loss) from continuing operations	\$1,156	\$ [293]	\$ 783
Income from discontinued operations	—	178	593
Net income (loss)	\$1,156	\$ [115]	\$1,376
Earnings (loss) per share attributable to McGraw Hill Financial, Inc. common shareholders:			
Income (loss) from continuing operations:			
Basic	\$ 4.26	\$ [1.08]	\$ 2.85
Diluted	\$ 4.21	\$ [1.08]	\$ 2.80
Income from discontinued operations:			
Basic	\$ —	\$ 0.66	\$ 2.16
Diluted	\$ —	\$ 0.66	\$ 2.12
Net income (loss):			
Basic	\$ 4.26	\$ [0.42]	\$ 5.01
Diluted	\$ 4.21	\$ [0.42]	\$ 4.91
Weighted-average number of common shares outstanding:			
Basic	271.6	271.5	274.5
Diluted	274.6	271.5	279.8
Actual shares outstanding at year end	265.2	272.0	270.4
Dividend declared per common share	\$ 1.32	\$ 1.20	\$ 1.12

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
<i>[in millions]</i>	2015	2014	2013
Net income [loss]	\$1,268	\$ [13]	\$1,466
Other comprehensive income [loss]:			
Foreign currency translation adjustment	(111)	(108)	93
Income tax effect	1	2	(2)
	(110)	(106)	91
Pension and other postretirement benefit plans	34	(357)	385
Income tax effect	(9)	142	(154)
	25	(215)	231
Unrealized [loss] gain on investment and forward exchange contract	(1)	4	2
Income tax effect	—	(1)	(2)
	(1)	3	—
Comprehensive income [loss]	1,182	(331)	1,788
Less: comprehensive income attributable to nonredeemable noncontrolling interests	(11)	(10)	(18)
Less: comprehensive income attributable to redeemable noncontrolling interests	(101)	(92)	(73)
Comprehensive income [loss] attributable to McGraw Hill Financial, Inc.	\$1,070	\$ (433)	\$1,697

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

	December 31,	
[in millions]	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,481	\$ 2,497
Short-term investments	6	3
Accounts receivable, net of allowance for doubtful accounts: 2015 — \$37; 2014 — \$38	991	932
Deferred income taxes	109	360
Prepaid and other current assets	206	170
Assets of a business held for sale	503	—
Total current assets	3,296	3,962
Property and equipment:		
Buildings and leasehold improvements	352	287
Equipment and furniture	503	482
Total property and equipment	855	769
Less: accumulated depreciation	(585)	(563)
Property and equipment, net	270	206
Goodwill	2,882	1,387
Other intangible assets, net	1,522	1,004
Asset for pension benefits	36	28
Other non-current assets	177	186
Total assets	\$ 8,183	\$ 6,773
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 206	\$ 191
Accrued compensation and contributions to retirement plans	383	410
Short-term debt	143	—
Income taxes currently payable	56	54
Unearned revenue	1,421	1,254
Accrued legal and regulatory settlements	121	1,609
Other current liabilities	372	402
Liabilities of a business held for sale	206	—
Total current liabilities	2,908	3,920
Long-term debt	3,468	795
Pension and other postretirement benefits	276	333
Deferred income taxes	23	40
Other non-current liabilities	345	336
Total liabilities	7,020	5,424
Redeemable noncontrolling interest	920	810
Commitments and contingencies [Note 12]		
Equity:		
Common stock, \$1 par value: authorized — 600 million shares; issued — 412 million shares in 2015 and 2014	412	412
Additional paid-in capital	475	493
Retained income	7,636	6,946
Accumulated other comprehensive loss	(600)	(514)
Less: common stock in treasury — at cost: 2015 — 146 million shares; 2014 — 140 million shares	(7,729)	(6,849)
Total equity — controlling interests	194	488
Total equity — noncontrolling interests	49	51
Total equity	243	539
Total liabilities and equity	\$ 8,183	\$ 6,773

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

[in millions]	Year Ended December 31,		
	2015	2014	2013
Operating Activities:			
Net income [loss]	\$ 1,268	\$ [13]	\$1,466
Less: income from discontinued operations	—	178	592
Net income [loss] from continuing operations	1,268	[191]	874
Adjustments to reconcile income [loss] from continuing operations to cash provided by operating activities from continuing operations:			
Depreciation	90	86	86
Amortization of intangibles	67	48	51
Provision for losses on accounts receivable	8	11	22
Deferred income taxes	280	[245]	43
Stock-based compensation	78	100	96
Accrued legal and regulatory settlements	119	1,587	—
Other	46	80	96
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:			
Accounts receivable	[118]	[9]	[35]
Prepaid and other current assets	[4]	[7]	[29]
Accounts payable and accrued expenses	[92]	[130]	[94]
Unearned revenue	129	78	109
Accrued legal and regulatory settlement	[1,624]	[35]	—
Other current liabilities	[78]	[16]	[89]
Net change in prepaid / accrued income taxes	61	[93]	[238]
Net change in other assets and liabilities	[35]	[55]	[110]
Cash provided by operating activities from continuing operations	195	1,209	782
Investing Activities:			
Capital expenditures	[139]	[92]	[117]
Acquisitions, including contingent payments, net of cash acquired	[2,396]	[71]	[47]
Proceeds from dispositions	14	83	51
Changes in short-term investments	[4]	15	[17]
Cash used for investing activities from continuing operations	[2,525]	[65]	[130]
Financing Activities:			
Additions to / [payments on] short-term debt, net	143	—	[457]
Proceeds from issuance of senior notes, net	2,674	—	—
Dividends paid to shareholders	[363]	[326]	[308]
Dividends and other payments paid to noncontrolling interests	[104]	[84]	[75]
Repurchase of treasury shares	[974]	[362]	[978]
Exercise of stock options	86	193	258
Contingent consideration payment	[5]	[11]	[12]
Purchase of additional CRISIL shares	[16]	—	[214]
Excess tax benefits from share-based payments	69	128	43
Cash provided by [used for] financing activities from continuing operations	1,510	[462]	[1,743]
Effect of exchange rate changes on cash from continuing operations	[67]	[65]	[1]
Cash [used for] provided by continuing operations	[887]	617	[1,092]
Discontinued Operations:			
Cash [used for] provided by operating activities	[129]	18	[231]
Cash provided by investing activities	—	320	2,129
Cash used for financing activities	—	—	[25]
Effect of exchange rate changes on cash	—	—	1
Cash [used for] provided by discontinued operations	[129]	338	1,874
Net change in cash and cash equivalents	[1,016]	955	782
Cash and cash equivalents at beginning of year	2,497	1,542	760
Cash and cash equivalents at end of year	\$ 1,481	\$2,497	\$1,542
Cash paid during the year for:			
Interest [including discontinued operations]	\$ 65	\$ 50	\$ 50
Income taxes [including discontinued operations]	\$ 260	\$ 419	\$ 787

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Equity

<i>(in millions)</i>	Common Stock \$1 par	Additional Paid-in Capital	Retained Income	Accumulated Other Comprehensive Loss	Less: Treasury Stock	Total MHFI Equity	Noncontrolling Interests	Total Equity
Balance as of December 31, 2012	\$412	\$492	\$6,525	\$(517)	\$6,145	\$ 767	\$ 73	\$ 840
Comprehensive income ¹			1,376	321		1,697	18	1,715
Dividends			(315)			(315)	(10)	(325)
Noncontrolling interest adjustments related to discontinued operations						—	(22)	(22)
Share repurchases					989	(989)		(989)
Employee stock plans, net of tax benefit		(45)			(388)	343		343
Change in redemption value of redeemable noncontrolling interest			11			11		11
Increase in CRISIL ownership			(216)			(216)	(17)	(233)
Other			3			3	1	4
Balance as of December 31, 2013	\$412	\$447	\$7,384	\$(196)	\$6,746	\$ 1,301	\$ 43	\$ 1,344
Comprehensive loss ¹			(115)	(318)		(433)	10	(423)
Dividends			(324)			(324)	(8)	(332)
Share repurchases					352	(352)	6	(346)
Employee stock plans, net of tax benefit		46			(249)	295		295
Change in redemption value of redeemable noncontrolling interest			(1)			(1)		(1)
Other			2			2		2
Balance as of December 31, 2014	\$412	\$493	\$6,946	\$(514)	\$6,849	\$ 488	\$ 51	\$ 539
Comprehensive income ¹			1,156	(86)		1,070	11	1,081
Dividends			(359)			(359)	(9)	(368)
Share repurchases					1,000	(1,000)	(2)	(1,002)
Employee stock plans, net of tax benefit		(18)			(120)	102		102
Change in redemption value of redeemable noncontrolling interest			(107)			(107)		(107)
Other						—	(2)	(2)
Balance as of December 31, 2015	\$412	\$475	\$7,636	\$(600)	\$7,729	\$ 194	\$ 49	\$ 243

¹ Excludes \$101 million, \$92 million and \$73 million in 2015, 2014 and 2013, respectively, attributable to redeemable noncontrolling interest.

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Accounting Policies

NATURE OF OPERATIONS McGraw Hill Financial, Inc. (together with its consolidated subsidiaries, the “Company,” the “Registrant,” “we,” “us” or “our”) is a leading benchmarks and ratings, analytics, data and research provider serving the global capital, commodities and commercial markets. The capital markets include asset managers, investment banks, commercial banks, insurance companies, exchanges, and issuers; the commodities markets include producers, traders and intermediaries within energy, metals, petrochemicals and agriculture; and the commercial markets include professionals and corporate executives within automotive, financial services, insurance and marketing / research information services.

Our operations consist of four reportable segments: Standard & Poor’s Ratings Services [“S&P Ratings”], S&P Capital IQ and SNL, S&P Dow Jones Indices [“S&P DJ Indices”] and Commodities & Commercial [“C&C”].

- S&P Ratings is an independent provider of credit ratings, research and analytics to investors, issuers and market participants.
- S&P Capital IQ and SNL is a global provider of multi-asset-class data, research and analytical capabilities, which integrate cross-asset analytics and desktop services.
- S&P DJ Indices is a global leading index provider that maintains a wide variety of valuation and index benchmarks for investment advisors, wealth managers and institutional investors.
- C&C consists of business-to-business companies specializing in commercial and commodities markets that deliver their customers access to high-value information, data, analytic services and pricing and quality benchmarks. As of August 1, 2013, we completed the sale of Aviation Week and the results have been included in C&C’s results through that date.

See Note 11 — *Segment and Geographic Information* for further discussion on our operating segments, which are also our reportable segments.

In the fourth quarter of 2015, we began exploring strategic alternatives for J.D. Power, included in our C&C segment. We committed to and initiated an active program to sell J.D. Power in its current state that we believe is probable in the next year.

As a result, we have classified the assets and liabilities of J.D. Power as held for sale in our consolidated balance sheet as of December 31, 2015. The anticipated disposal does not represent a strategic shift that will have a major effect on operations and financial results, therefore, it is not classified as a discontinued operation.

On November 3, 2014, we completed the sale of McGraw Hill Construction, which has historically been part of our C&C segment, to Symphony Technology Group for \$320 million in cash. Accordingly, the results of operations for the years ended December 31, 2014 and December 31, 2013 have been reclassified to reflect the business as a discontinued operation.

We completed the sale of our McGraw-Hill Education business [“MHE”] on March 22, 2013 and, accordingly, the results of operations of MHE have been reclassified to reflect the business as a discontinued operation for the year ended December 31, 2013.

See Note 2 — *Acquisitions and Divestitures* for further discussion on discontinued operations.

Assets and Liabilities Held for Sale and Discontinued Operations

ASSETS AND LIABILITIES HELD FOR SALE We classify a disposal group to be sold as held for sale in the period in which all of the following criteria are met: management, having the authority to approve the action, commits to a plan to sell the disposal group; the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal group; an active program to locate a buyer and other actions required to complete the plan to sell the disposal group have been initiated; the sale of the disposal group is probable, and transfer of the disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond our control extend the period of time required to sell the disposal group beyond one year; the disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

An entity that is classified as held for sale is initially measured at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a disposal group until the date of sale.

The fair value of a disposal group less any costs to sell is assessed each reporting period it remains classified as held for sale and any subsequent changes are reported as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the carrying value of the disposal group at the time it was initially classified as held for sale. Upon determining that a disposal group meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group as held for sale in the current period in our consolidated balance sheets.

DISCONTINUED OPERATIONS Beginning on January 1, 2015, we adopted revised guidance for discontinued operations that raises the threshold for a disposal to qualify as a discontinued operation. In determining whether a disposal of a component of an entity or a group of components of an entity is required to be presented as a discontinued operation, we make a determination whether the disposal represents a strategic shift that had, or will have, a major effect on our operations and financial results. A component of an entity comprises operations and cash flows that can be clearly distinguished both operationally and for financial reporting purposes. If we conclude that the disposal represents a strategic shift, then the results of operations of the group of assets being disposed of (as well as any gain or loss on the disposal transaction) are aggregated for separate presentation apart from our continuing operating results in the consolidated financial statements.

For the years ended December 31, 2014 and 2013, we applied the previous guidance for discontinued operations in determining whether a group of assets disposed or to be disposed of should be presented as a discontinued operation. We determined whether the group of assets being disposed of comprised a component of the entity. We also determined whether the cash flows associated with the group of assets had been or would have been eliminated from our ongoing operations as a result of the disposal transaction and whether we would have had significant continuing involvement in the operations of the group of assets after the disposal transaction. If we concluded that the cash flows had been eliminated and we had no significant continuing involvement, then the results of operations of the group of assets being disposed of (as well as any gain or loss on the disposal transaction) were aggregated for separate

presentation apart from our continuing operating results in the consolidated financial statements.

See Note 2 — *Acquisitions and Divestitures* for a summary of discontinued operations. Unless otherwise indicated, all disclosures and amounts in the notes to our consolidated financial statements relate to our continuing operations.

PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of all subsidiaries and our share of earnings or losses of joint ventures and affiliated companies under the equity method of accounting. All significant intercompany accounts and transactions have been eliminated.

USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS Cash and cash equivalents include ordinary bank deposits and highly liquid investments with original maturities of three months or less that consist primarily of money market funds with unrestricted daily liquidity and fixed term time deposits. Such investments and bank deposits are stated at cost, which approximates market value, and were \$1.5 billion and \$2.5 billion as of December 31, 2015 and 2014, respectively. These investments are not subject to significant market risk.

SHORT-TERM INVESTMENTS Short-term investments are securities with original maturities greater than 90 days that are available for use in our operations in the next twelve months. The short-term investments, primarily consisting of certificates of deposit, are classified as held-to-maturity and therefore are carried at cost. Interest and dividends are recorded into income when earned.

ACCOUNTS RECEIVABLE Credit is extended to customers based upon an evaluation of the customer's financial condition. Accounts receivable, which include billings consistent with terms of contractual arrangements, are recorded at net realizable value.

ALLOWANCE FOR DOUBTFUL ACCOUNTS The allowance for doubtful accounts reserve methodology is based on historical analysis, a review of outstanding balances and current conditions. In determining these reserves, we consider, amongst other factors, the financial condition and risk profile of our customers, areas of specific or concentrated risk as well as applicable industry trends or market indicators.

DEFERRED TECHNOLOGY COSTS We capitalize certain software development and website implementation costs. Capitalized costs only include incremental, direct costs of materials and services incurred to develop the software after the preliminary project stage is completed, funding has been committed and it is probable that the project will be completed and used to perform the function intended. Incremental costs are expenditures that are out-of-pocket to us and are not part of an allocation or existing expense base. Software development and website implementation costs are expensed as incurred during the preliminary project stage. Capitalized costs are amortized from the year the software is ready for its intended use over its estimated useful life, three to seven years, using the straight-line method. Periodically, we evaluate the amortization methods, remaining lives and recoverability of such costs. Capitalized software development and website implementation costs are included in other non-current assets and are presented net of accumulated amortization. Gross deferred technology costs were \$128 million and \$123 million as of December 31, 2015 and 2014, respectively. Accumulated amortization of deferred technology costs was \$72 million and \$55 million as of December 31, 2015 and 2014, respectively.

FAIR VALUE Certain assets and liabilities are required to be recorded at fair value and classified within a fair value hierarchy based on inputs used when measuring fair value. We have an immaterial amount of forward exchange contracts that are adjusted to fair value on a recurring basis.

Other financial instruments, including cash and cash equivalents and short-term investments, are recorded at cost, which approximates fair value because of the short-term maturity and highly liquid nature of these instruments. The fair value of our long-term debt borrowings were \$3.6 billion and \$0.9 billion as of December 31, 2015 and 2014, respectively, and was estimated based on quoted market prices.

ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS (INCLUDING OTHER INTANGIBLE ASSETS) We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to current forecasts of undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized equal to the amount by which the carrying amount of the asset exceeds the fair value of the asset. For long-lived assets held for sale, assets are written down to fair value, less cost to sell. Fair value is

determined based on market evidence, discounted cash flows, appraised values or management's estimates, depending upon the nature of the assets.

On July 31, 2014, we completed the sale of the Company's aircraft to Harold W. McGraw III, then Chairman of the Company's Board of Directors and former President and CEO of the Company for a purchase price of \$20 million. During the second quarter of 2014, we recorded a non-cash impairment charge of \$6 million within other (income) loss in our consolidated statement of income as a result of the pending sale. See Note 13 — *Related Party Transactions* for further discussion.

On June 30, 2014, we completed the sale of our data center to Quality Technology Services, LLC ("QTS") which owns, operates, and manages data centers. Net proceeds from the sale of \$58 million were received in July of 2014. The sale includes all of the facilities and equipment on the south campus of our East Windsor, New Jersey location, inclusive of the rights and obligations associated with an adjoining solar power field. The sale resulted in an expense of \$3 million recorded within other loss (income) in our consolidated statement of income, which is in addition to the non-cash impairment charge of \$36 million we recorded in the fourth quarter of 2013 to adjust the value facilities and associated infrastructure classified as held for sale to their fair value.

During the fourth quarter of 2013, we also incurred a \$26 million non-cash impairment charge associated with an intangible asset acquired through the formation of our S&P Dow Jones Indices LLC joint venture.

GOODWILL AND OTHER INDEFINITE-LIVED INTANGIBLE ASSETS

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. Goodwill and other intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually during the fourth quarter each year, or more frequently if events or changes in circumstances indicate that the asset might be impaired. We have four reporting units with goodwill that are evaluated for impairment.

We initially perform a qualitative analysis evaluating whether any events and circumstances occurred or exist that provide evidence that it is more likely than not that the fair value of any of our reporting units is less than its carrying amount. If, based on our evaluation we do not believe that it is more likely than not that the fair value of any of our reporting units is less than its carrying amount, no quantitative impairment test is performed. Conversely, if the results of our qualitative assessment

determine that it is more likely than not that the fair value of any of our reporting units is less than their respective carrying amounts we perform a two-step quantitative impairment test.

When conducting the first step of our two step impairment test to evaluate the recoverability of goodwill at the reporting unit level, the estimated fair value of the reporting unit is compared to its carrying value including goodwill. Fair value of the reporting units are estimated using the income approach, which incorporates the use of a discounted free cash flow ("DCF") analyses and are corroborated using the market approach, which incorporates the use of revenue and earnings multiples based on market data. The DCF analyses are based on the current operating budgets and estimated long-term growth projections for each reporting unit. Future cash flows are discounted based on a market comparable weighted average cost of capital rate for each reporting unit, adjusted for market and other risks where appropriate. In addition, we analyze any difference between the sum of the fair values of the reporting units and our total market capitalization for reasonableness, taking into account certain factors including control premiums.

If the fair value of the reporting unit is less than the carrying value, a second step is performed which compares the implied fair value of the reporting unit's goodwill to the carrying value of the goodwill. The fair value of the goodwill is determined based on the difference between the fair value of the reporting unit and the net fair value of the identifiable assets and liabilities of the reporting unit. If the implied fair value of the goodwill is less than the carrying value, the difference is recognized as an impairment charge.

We evaluate the recoverability of indefinite-lived intangible assets by first performing a qualitative analysis evaluating whether any events and circumstances occurred that provide evidence that it is more likely than not that the indefinite-lived asset is impaired. If, based on our evaluation of the events and circumstances that occurred during the year we do not believe that it is more likely than not that the indefinite-lived asset is impaired, no quantitative impairment test is performed. Conversely, if the results of our qualitative assessment determine that it is more likely than not that the indefinite-lived asset is impaired a quantitative impairment test is performed. If necessary, the impairment test is performed by comparing the estimated fair value of the intangible asset to its carrying value. If the indefinite-lived intangible asset carrying value exceeds its fair value, an impairment analysis is performed using the income approach. The fair value of loss is recognized in an amount equal to that excess.

Significant judgments inherent in these analyses include estimating the amount and timing of future cash flows and the selection of appropriate discount rates, royalty rates and long-term growth rate assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit and indefinite-lived intangible asset and could result in an impairment charge, which could be material to our financial position and results of operations.

We performed our impairment assessment of goodwill and indefinite-lived intangible assets and concluded that no impairment existed for the years ended December 31, 2015, 2014 and 2013.

FOREIGN CURRENCY TRANSLATION We have operations in many foreign countries. For most international operations, the local currency is the functional currency. For international operations that are determined to be extensions of the parent company, the United States ("U.S.") dollar is the functional currency. For local currency operations, assets and liabilities are translated into U.S. dollars using end of period exchange rates, and revenue and expenses are translated into U.S. dollars using weighted-average exchange rates. Foreign currency translation adjustments are accumulated in a separate component of equity.

REVENUE RECOGNITION Revenue is recognized as it is earned when services are rendered. We consider amounts to be earned once evidence of an arrangement has been obtained, services are performed, fees are fixed or determinable and collectability is reasonably assured. Revenue relating to products that provide for more than one deliverable is recognized based upon the relative fair value to the customer of each deliverable as each deliverable is provided. Revenue relating to agreements that provide for more than one service is recognized based upon the relative fair value to the customer of each service component as each component is earned. If the fair value to the customer for each service is not objectively determinable, management makes its best estimate of the services' stand-alone selling price and records revenue as it is earned over the service period. For arrangements that include multiple services, fair value of the service components are determined using an analysis that considers cash consideration that would be received for instances when the service components are sold separately. Advertising revenue is recognized when the page is run. Subscription income is recognized over the related subscription period.

DEPRECIATION The costs of property and equipment are depreciated using the straight-line method based upon the following estimated useful lives: buildings and improvements from 15 to 40 years and equipment and furniture from 2 to 10 years. The costs of leasehold improvements are amortized over the lesser of the useful lives or the terms of the respective leases.

ADVERTISING EXPENSE The cost of advertising is expensed as incurred. We incurred \$33 million, \$35 million and \$41 million in advertising costs for the years ended December 31, 2015, 2014 and 2013, respectively.

STOCK-BASED COMPENSATION Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized over the requisite service period, which typically is the vesting period. Stock-based compensation is classified as both operating-related expense and selling and general expense in the consolidated statements of income.

INCOME TAXES Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. We recognize liabilities for uncertain tax positions taken or expected to be taken in income tax returns. Accrued interest and penalties related to unrecognized tax benefits are recognized in interest expense and operating expense, respectively.

Judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and unrecognized tax benefits. In determining the need for a valuation allowance, the historical and projected financial performance of the operation that is recording a net deferred tax asset is considered along with any other pertinent information.

We file income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions, and we are routinely under audit by many different tax authorities. We believe that our accrual for tax liabilities is adequate for all open audit years based on our assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. It is possible that examinations will be settled prior to December 31, 2016. If any of these tax audit settlements do occur within that period we would make any necessary adjustments to the accrual for unrecognized tax

benefits. Until formal resolutions are reached between us and the tax authorities, the determination of a possible audit settlement range with respect to the impact on unrecognized tax benefits is not practicable. On the basis of present information, our opinion is that any assessments resulting from the current audits will not have a material effect on our consolidated financial statements.

REDEEMABLE NONCONTROLLING INTEREST The agreement with the minority partners of our S&P Dow Jones Indices LLC joint venture established in June of 2012 contains redemption features whereby interests held by our minority partners are redeemable either (i) at the option of the holder or (ii) upon the occurrence of an event that is not solely within our control. Since redemption of the noncontrolling interest is outside of our control, this interest is presented on our consolidated balance sheets under the caption "Redeemable noncontrolling interest." If the interest were to be redeemed, we would be required to purchase all of such interest at fair value on the date of redemption. We adjust the redeemable noncontrolling interest each reporting period to its estimated redemption value, but never less than its initial fair value, using a combination of an income and market valuation approach. Our income and market valuation approaches may incorporate Level 3 measures for instances when observable inputs are not available, including assumptions related to expected future net cash flows, long-term growth rates, the timing and nature of tax attributes, and the redemption features. Any adjustments to the redemption value will impact retained income. See Note 8 — *Equity*, for further detail.

CONTINGENCIES We accrue for loss contingencies when both (a) information available prior to issuance of the financial statements indicates that it is probable that a liability had been incurred at the date of the financial statements and (b) the amount of loss can reasonably be estimated. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential amounts or ranges of probable losses, and recognize a liability, if any, for these contingencies based on an analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Because many of these matters are resolved over long periods of time, our estimate of liabilities may change due to new developments, changes in assumptions or changes in our strategy related to the matter. When we accrue for loss contingencies and the reasonable estimate of the loss is within a range, we record its best estimate within the range. We disclose an estimated possible loss or a range of loss when it is at least reasonably possible that a loss may have been incurred.

RECENT ACCOUNTING STANDARDS In November of 2015, the Financial Accounting Standards Board ("FASB") issued guidance to simplify the presentation of deferred income taxes. The guidance requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This guidance is effective for reporting periods beginning after December 15, 2016; however, early adoption is permitted. We do not expect the adoption of this guidance to have a significant impact on our consolidated financial statements.

In September of 2015, the FASB issued guidance intended to simplify the accounting for measurement-period adjustments made to provisional amounts recognized in a business combination. The guidance eliminates the requirement to retrospectively account for those adjustments. This guidance is effective for reporting periods beginning after December 15, 2015. We do not expect the adoption of this guidance to have a significant impact on our consolidated financial statements.

In April of 2015, the FASB issued new accounting guidance intended to simplify the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with the presentation for debt discounts. This guidance is effective for reporting periods beginning after December 15, 2015 and must be applied on a retrospective basis with early adoption permitted. We adopted this guidance upon issuance and prior year amounts have been reclassified to conform with current year presentation. As of December 31, 2014, \$4 million of debt issuance costs were reclassified from other non-current assets to long-term debt, less current portion. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

In February of 2015, the FASB issued guidance that requires management to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. This guidance is effective for reporting periods beginning after December 15, 2015; however, early adoption is permitted. We do not expect the adoption of this guidance to have a significant impact on our consolidated financial statements.

In January of 2015, the FASB issued guidance that eliminates the concept of reporting extraordinary items, but retains current presentation and disclosure requirements for an event or transaction that is of an unusual nature or of a type that indicates infrequency of occurrence. Transactions that meet both criteria would now also follow such presentation and

disclosure requirements. This guidance is effective for reporting periods beginning after December 15, 2015; however, early adoption is permitted. We do not expect the adoption of this guidance to have a significant impact on our consolidated financial statements.

In August of 2014, the FASB issued guidance that requires management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued and provide related disclosures. This guidance is effective for reporting periods beginning after December 15, 2016; however, early adoption is permitted. We do not expect the adoption of this guidance to have a significant impact on our consolidated financial statements.

In May of 2014, the FASB and the International Accounting Standards Board ("IASB") issued jointly a converged standard on the recognition of revenue from contracts with customers which is intended to improve the financial reporting of revenue and comparability of the top line in financial statements globally. The core principle of the new standard is for the recognition of revenue to depict the transfer of goods or services to customers in amounts that reflect the payment to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced revenue disclosures, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. In August of 2015, the FASB issued guidance deferring the effective date of the new revenue standard by one year. The new guidance will be effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. While we will continue with our evaluation process, initially, we believe this guidance may have an impact on the accounting for certain proprietary consulting arrangements in our C&C segment as well as the accounting for certain integrated desktop service revenue arrangements offered in our S&P Capital IQ and SNL segment.

In April of 2014, the FASB issued final guidance that raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The guidance is intended to reduce the frequency of disposals reported as discontinued operations by

focusing on strategic shifts that have or will have a major effect on an entity's operations and financial results. In addition, the guidance permits companies to have continuing cash flows and significant continuing involvement with the disposed component. We adopted the amendments to this guidance on January 1, 2015.

RECLASSIFICATION

Certain prior year amounts have been reclassified for comparability purposes.

2. Acquisitions and Divestitures

2015

For the year ended December 31, 2015, we paid cash for acquisitions, net of cash acquired, totaling \$2.4 billion. We used the net proceeds of our \$2.0 billion of senior notes issued in August of 2015 and cash on hand to finance the acquisition of SNL. All other acquisitions were funded with cash flows from operations. Acquisitions completed during the year ended December 31, 2015 by segment included:

S&P Capital IQ and SNL

- On September 1, 2015 (the "Acquisition Date"), we acquired SNL Financial LC ("SNL") for \$2.225 billion in cash, subject to working capital adjustments. SNL's results of operations have been included in our consolidated statements of income subsequent to the Acquisition Date. SNL is a global provider of news, data, and analytical tools to five sectors in the global economy: financial services, real estate, energy, media & communications, and metals & mining. SNL delivers information through its suite of web, mobile and direct data feed platforms that helps clients, including investment and commercial banks, investors, corporations, and regulators make decisions, improve efficiency, and manage risk.

ACQUISITION-RELATED EXPENSES During the year ended December 31, 2015, the Company incurred approximately \$37 million of acquisition-related costs related to the acquisition of SNL. These expenses are included in selling and general expenses in our consolidated statements of income.

PRELIMINARY ALLOCATION OF PURCHASE PRICE Our acquisition of SNL was accounted for using the purchase method. Under the purchase method, the excess of the purchase price over the fair value of the net assets acquired is allocated to goodwill and other intangibles. The goodwill recognized is largely attributable to anticipated operational synergies and growth opportunities as a result of the acquisition. The intangible assets, excluding

goodwill and indefinite-lived intangibles, will be amortized over their anticipated useful lives between 10 and 18 years which will be determined when we finalize our purchase price allocation. The goodwill is expected to be deductible for tax purposes.

The following table presents the preliminary allocation of purchase price to the assets and liabilities of SNL as a result of the acquisition.

<i>(in millions)</i>	
Current assets	\$ 23
Property, plant and equipment	19
Goodwill	1,563
Other intangible assets, net:	
Databases and software	421
Customer relationships	162
Tradenames	185
Other intangibles	4
Other intangible assets, net	772
Other non-current assets	1
Total assets acquired	2,378
Current liabilities	(23)
Unearned revenue	(117)
Other non-current liabilities	(4)
Total liabilities acquired	(144)
Net assets acquired	\$2,234

The Company has performed a preliminary valuation analysis of the fair market value of assets and liabilities of the SNL Financial business. The final purchase price allocation will be determined when the Company has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the preliminary allocation. The final allocation may include (1) changes in fair values of property, plant and equipment, (2) changes in allocations to intangible assets as well as goodwill and (3) other changes to assets and liabilities.

SUPPLEMENTAL PRO FORMA INFORMATION Supplemental information on an unaudited pro forma basis is presented below for the years ended December 31, 2015 and 2014 as if the acquisition of SNL occurred on January 1, 2014. The pro forma financial information is presented for comparative purposes only, based on estimates and assumptions, which the Company believes to be reasonable but not necessarily indicative of the consolidated financial position or results of operations in future periods or the results that actually would have been realized had this acquisition been completed at the beginning of 2015. The unaudited pro forma information includes intangible asset charges and incremental borrowing costs as a result of the acquisition,

net of related tax, estimated using the Company's effective tax rate for continuing operations for the periods presented.

	Year Ended December 31,	
(in millions)	2015	2014
Pro forma revenue	\$5,477	\$5,275
Pro forma net income (loss) from continuing operations	\$1,258	\$ [251]

C&C

- In July of 2015, we acquired the entire issued share capital of Petromedia Ltd and its operating subsidiaries ["Petromedia"], an independent provider of data, intelligence, news and tools to the global fuels market that offers a suite of products that provides clients with actionable data and intelligence that enable informed decisions, minimize risk and increase efficiency. We accounted for the acquisition of Petromedia using the purchase method of accounting. The acquisition of Petromedia is not material to our consolidated financial statements.
- In July of 2015, we acquired National Automobile Dealers Association's Used Car Guide ["UCG"], a leading provider of U.S. retail, trade-in and auction used-vehicle values. The acquisition of UCG expanded our analytical and modeling capabilities while deepening our presence in auto finance and auto insurance, and enriching retail solutions. We accounted for the acquisition of UCG using the purchase method of accounting. The acquisition of UCG is not material to our consolidated financial statements.

Following our acquisition of UCG, we made a contingent purchase price payment in 2015 for \$5 million that has been reflected in the consolidated statement of cash flows as a financing activity.

For acquisitions during 2015 that were accounted for using the purchase method, the excess of the purchase price over the fair value of the net assets acquired is allocated to goodwill and other intangibles. Intangible assets recorded for all transactions are amortized using the straight-line method for periods not exceeding 18 years.

2014

For the year ended December 31, 2014, we paid cash for acquisitions, net of cash acquired, totaling \$82 million. None of our acquisitions were material either individually or in the aggregate, including the pro forma impact on earnings. All acquisitions were funded with cash flows from operations. Acquisitions

completed during the year ended December 31, 2014 by segment included:

S&P Ratings

- In October of 2014, we acquired BRC Investor Services S.A. ["BRC"], a Colombia-based ratings firm providing risk classifications of banks, financial services providers, insurance companies, corporate bonds and structured issues that will expand our presence in the Latin American credit markets. We accounted for the acquisition of BRC using the purchase method of accounting. The acquisition is not material to our consolidated financial statements.
- Following CRISIL's acquisition of Coalition Development Ltd. ["Coalition"] that occurred in July of 2012, we made a contingent purchase price payment in 2014 for \$11 million that has been reflected in the consolidated statement of cash flows as a financing activity.

C&C

- In July of 2014, we acquired Eclipse Energy Group AS and its operating subsidiaries ["Eclipse"], which provides a comprehensive suite of data and analytics products on the European natural gas and liquefied natural gas markets as well as a range of advisory services leveraging Eclipse's knowledge base, data capabilities, and modeling suite of products. This transaction complements our North American natural gas capabilities, which we obtained from our Bentek Energy LLC acquisition in 2011. We accounted for the acquisition of Eclipse using the purchase method of accounting. The acquisition of Eclipse is not material to our consolidated financial statements.

S&P DJ Indices

- In March of 2014, we acquired the intellectual property of a family of Broad Market Indices ["BMI"] from Citigroup Global Markets Inc. The BMI provides a broad measure of the global equities markets which includes approximately 11,000 companies in more than 52 countries covering both developed and emerging markets. We accounted for the acquisition of the intellectual property on a cost basis and it was not material to our consolidated financial statements.

For acquisitions during 2014 that were accounted for using the purchase method, the excess of the purchase price over the fair value of the net assets acquired is allocated to goodwill and other intangibles. Intangible assets recorded for all transactions are amortized using the straight-line method for periods not exceeding 7 years. None of the goodwill acquired from our acquisitions during 2014 will be deductible for tax purposes.

2013

For the year ended December 31, 2013, we paid cash for acquisitions, net of cash acquired, totaling \$273 million. None of our acquisitions were material either individually or in the aggregate, including the pro forma impact on earnings. All acquisitions were funded with cash flows from operations. Acquisitions completed during the year ended December 31, 2013 by segment included:

S&P DJ Indices

- In December of 2013, we purchased the intellectual property rights to a range of commodities indices developed by Goldman Sachs as well as a limited-use license to promote the commodities indices using the Goldman Sachs Commodity Index trademarks. The commodities indices provide us with a leading benchmark that measures general price movements and inflation in the world economy. We accounted for the acquisition of the intellectual property on a cost basis.

S&P Ratings

- In June of 2013, we made a voluntary open offer to purchase up to an additional 22.23% of the total equity shares outstanding in CRISIL Limited ("CRISIL"), our majority owned Indian credit rating agency within our S&P Ratings segment. In August of 2013, at the conclusion of the tender offer period, we acquired approximately 11 million equity shares representing 15.07% of CRISIL's total outstanding equity shares for \$214 million, increasing our ownership percentage in CRISIL to 67.84% from 52.77%.

Following CRISIL's acquisition of Coalition that occurred in July of 2012, we made a contingent purchase price payment in 2013 for \$12 million that has been reflected in the consolidated statement of cash flows as a financing activity.

Intangible assets recorded for all transactions during 2013 are considered intangible assets with indefinite lives which are not amortized, but instead are tested for impairment annually during the fourth quarter each year or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Goodwill consists primarily of intangible assets that do not qualify for separate recognition, including assembled workforce, noncontractual relationships and agreements. The goodwill is not expected to be deductible for tax purposes.

Non-cash investing activities

Liabilities assumed in conjunction with the acquisition of businesses are as follows:

	Years ended December 31,		
<i>(in millions)</i>	2015	2014	2013
Fair value of assets acquired	\$2,576	\$67	\$—
Cash paid [net of cash acquired]	2,401	52	—
Liabilities assumed ¹	\$ 175	\$15	\$—

1 2013 acquisitions did not result in any liabilities assumed.

DIVESTITURES — CONTINUING OPERATIONS

During the year ended December 31, 2015, we recorded a pre-tax gain of \$11 million within other [income] loss in the consolidated statement of income related to the sale of our interest in a legacy McGraw Hill Construction investment.

In the fourth quarter of 2015, we began exploring strategic alternatives for J.D. Power, included in our C&C segment. We committed to and initiated an active program to sell J.D. Power in its current state that we believe is probable in the next year. As a result, we have classified the assets and liabilities of J.D. Power as held for sale in our consolidated balance sheet as of December 31, 2015. The anticipated disposal does not represent a strategic shift that will have a major effect on operations and financial results, therefore, it is not classified as a discontinued operation.

The components of assets and liabilities held for sale related to J.D. Power in the consolidated balance sheet consist of the following:

	December 31,
<i>(in millions)</i>	2015
Accounts receivable, net	\$ 58
Goodwill	75
Other intangible assets, net	335
Other assets	35
Assets of a business held for sale	\$503
Accounts payable and accrued expenses	\$ 42
Unearned revenue	64
Other liabilities	100
Liabilities of a business held for sale	\$206

The operating profit of J.D. Power for the years ending December 31, 2015, 2014 and 2013 is as follows:

	Years ended December 31,		
(in millions)	2015	2014	2013
J.D. Power operating profit	\$53	\$44	\$35

During the year ended December 31, 2014, we completed the following dispositions that resulted in a net pre-tax loss of \$9 million, which was included in other (income) loss in the consolidated statement of income:

- On July 31, 2014, we completed the sale of the Company's aircraft to Harold W. McGraw III, then Chairman of the Company's Board of Directors and former President and CEO of the Company for a purchase price of \$20 million. During the second quarter of 2014, we recorded a non-cash impairment charge of \$6 million within other (income) loss in our consolidated statement of income as a result of the pending sale. See Note 13 — *Related Party Transactions* for further information.
- On June 30, 2014, we completed the sale of our data center to Quality Technology Services, LLC which owns, operates and manages data centers. Net proceeds from the sale of \$58 million were received in July of 2014. The sale included all of the facilities and equipment on the south campus of our East Windsor, New Jersey location, inclusive of the rights and obligations associated with an adjoining solar power field. The sale resulted in an expense of \$3 million recorded within other (income) loss in our consolidated statement of income, which is in addition to the non-cash impairment charge we recorded in the fourth quarter of 2013.

During the year ended December 31, 2013, we completed the following dispositions that resulted in a net pre-tax gain of \$24 million, which was included in other (income) loss in the consolidated statement of income:

- On September 30, 2013, we completed the sale of Financial Communications, which was part of our S&P Capital IQ segment.
- On August 27, 2013, CRISIL sold its 49% equity interest in India Index Services & Products Ltd. This investment was held within our S&P Ratings segment.
- On August 1, 2013, we completed the sale Aviation Week within our C&C segment to Penton, a privately held business information company.

Additionally, S&P Capital IQ closed several of their non-core businesses during 2013.

DISCONTINUED OPERATIONS

On November 3, 2014, we completed the sale of McGraw Hill Construction, which has historically been part of the C&C segment, to Symphony Technology Group for \$320 million in cash. We recorded an after-tax gain on the sale of \$160 million, which is included in discontinued operations, net in the consolidated statement of income for the year ended December 31, 2014. We used the after-tax proceeds from the sale to make selective acquisitions, investments, share repurchases and for general corporate purposes.

On March 22, 2013, we completed the sale of MHE to investment funds affiliated with Apollo Global Management, LLC for a purchase price of \$2.4 billion in cash. We recorded an after-tax gain on the sale of \$589 million, which is included in discontinued operations, net in the consolidated statement of income for the year ended December 31, 2013. We used the after-tax proceeds from the sale to pay down short-term debt for the special dividend paid in 2012, to make selective acquisitions, investments, share repurchases and for general corporate purposes.

The key components of income from discontinued operations for the years ended December 31, 2014 and 2013 consist of the following:

	Years ended December 31,	
(in millions)	2014	2013
Revenue	\$139	\$441
Expenses	110	436
Operating income	29	5
Interest expense, net	—	2
Income before taxes on income	29	3
Provision for taxes on income	11	—
Income from discontinued operations, net of tax	18	3
Pre-tax gain on sale from discontinued operations	289	888
Provision for taxes on gain on sale	129	299
Gain on sale of discontinued operations, net of tax	160	589
Discontinued operations, net	178	592
Less: net loss attributable to noncontrolling interests	—	(1)
Income from discontinued operations attributable to McGraw Hill Financial, Inc. common shareholders	\$178	\$593

Results from discontinued operations for the year ended December 31, 2014 included the after-tax gain on sale of McGraw Hill Construction of \$160 million.

Results from discontinued operations for the year ended December 31, 2013 included the after-tax gain on sale of MHE of \$589 million.

3. Goodwill and Other Intangible Assets

GOODWILL

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired.

The change in the carrying amount of goodwill by segment is shown below:

<i>[in millions]</i>	S&P Ratings	S&P Capital IQ and SNL	S&P DJ Indices	C&C	Total
Balance as of December 31, 2013	\$125	\$ 469	\$376	\$439	\$1,409
Acquisitions	4	—	—	38	42
Dispositions	—	—	—	[32]	[32]
Other (primarily Fx)	[7]	[17]	—	[8]	[32]
Balance as of December 31, 2014	122	452	376	437	1,387
Acquisitions	—	1,563	—	39	1,602
Reclassifications ¹	—	—	—	[75]	[75]
Other (primarily Fx)	[8]	[17]	—	[7]	[32]
Balance as of December 31, 2015	\$114	\$1,998	\$376	\$394	\$2,882

¹ Relates to J.D. Power, which is classified as assets held for sale in our consolidated balance sheet as of December 31, 2015.

Goodwill additions and dispositions in the table above relate to transactions discussed in Note 2 — *Acquisitions and Divestitures*.

OTHER INTANGIBLE ASSETS

Other intangible assets include both indefinite-lived assets not subject to amortization and definite-lived assets subject to amortization. We have indefinite-lived assets with a carrying value of \$713 million and \$693 million as of December 31, 2015 and 2014, respectively.

- 2015 and 2014 both include \$380 million and \$90 million, for Dow Jones Indices intellectual property and the Dow Jones tradename, respectively, that we recorded as part of the transaction to form S&P Dow Jones Indices LLC in 2012.

- 2015 includes \$184 million within our S&P Capital IQ and SNL segment for the SNL tradename.
- 2014 includes \$164 million within our C&C segment for the J.D. Power and Associates tradename.
- 2015 and 2014 include \$59 million within our S&P Dow Jones Indices segment for the Goldman Sachs Commodity Index intellectual property and the Broad Market Indices intellectual property.

The following table summarizes our definite-lived intangible assets:

<i>[in millions]</i>	Databases and software	Content	Customer relationships	Tradenames	Other intangibles	Total
Cost						
Balance as of December 31, 2013	\$115	\$139	\$225	\$45	\$158	\$ 682
Acquisitions	—	—	—	—	13	13
Transfers	—	—	—	—	[44]	[44]
Other (primarily Fx)	[2]	—	3	1	[16]	[14]
Balance as of December 31, 2014	113	139	228	46	111	637
Acquisitions	421	—	—	—	177	598
Reclassifications ¹	[19]	—	[62]	[2]	[8]	[91]
Other (primarily Fx)	[5]	—	2	3	[11]	[11]
Balance as of December 31, 2015	\$510	\$139	\$168	\$47	\$269	\$1,133
Accumulated amortization						
Balance as of December 31, 2013	\$ 83	\$ 45	\$ 67	\$32	\$ 56	\$ 283
Current year amortization	6	14	13	3	12	48
Other (primarily Fx)	[1]	—	—	—	[4]	[5]
Balance as of December 31, 2014	88	59	80	35	64	326
Current year amortization	20	14	9	2	22	67
Reclassifications ¹	[18]	—	[30]	[2]	[14]	[64]
Other (primarily Fx)	[2]	—	1	1	[5]	[5]
Balance as of December 31, 2015	\$ 88	\$ 73	\$ 60	\$36	\$ 67	\$ 324
Net definite-lived intangibles:						
December 31, 2014	\$ 25	\$ 80	\$148	\$11	\$ 47	\$ 311
December 31, 2015	\$422	\$ 66	\$108	\$11	\$202	\$ 809

1 Relates to J.D. Power, which is classified as assets held for sale in our consolidated balance sheet as of December 31, 2015.

Definite-lived intangible assets are being amortized on a straight-line basis over periods of up to 20 years. The weighted-average life of the intangible assets as of December 31, 2015 is approximately 10 years.

Amortization expense for the years ended December 31, 2015, 2014 and 2013 was \$67 million, \$48 million, and \$51 million, respectively. Expected amortization expense for intangible assets over the next five years for the years ended December 31, assuming no further acquisitions or dispositions, is as follows:

<i>[in millions]</i>	2016	2017	2018	2019	2020
Amortization expense ¹	\$98	\$93	\$86	\$81	\$74

1 Amortization expense excludes J.D. Power, which is expected to be sold in the next year.

4. Taxes on Income

Income before taxes on income resulted from domestic and foreign operations is as follows:

	Years ended December 31,		
<i>[in millions]</i>	2015	2014	2013
Domestic operations	\$1,266	\$[423]	\$ 821
Foreign operations	549	477	478
Total continuing income before taxes	\$1,815	\$ 54	\$1,299

The provision for taxes on income consists of the following:

<i>(in millions)</i>	Years ended December 31,		
	2015	2014	2013
Federal:			
Current	\$ 90	\$ 285	\$194
Deferred	276	(213)	51
Total federal	366	72	245
Foreign:			
Current	111	135	152
Deferred	(1)	1	(19)
Total foreign	110	136	133
State and local:			
Current	34	62	37
Deferred	37	(25)	10
Total state and local	71	37	47
Total provision for taxes for continuing operations	547	245	425
Provision for discontinued operations	—	140	299
Total provision for taxes	\$547	\$ 385	\$724

A reconciliation of the U.S. federal statutory income tax rate to our effective income tax rate for financial reporting purposes is as follows:

	Years ended December 31,		
	2015	2014	2013
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%
Legal and regulatory settlements	—	524.1	—
State and local income taxes	2.6	64.2	2.8
Foreign operations	(3.2)	(79.6)	(3.9)
S&P Dow Jones Indices LLC joint venture	(2.0)	(60.2)	(2.0)
Tax credits and incentives	(2.9)	(91.5)	(2.1)
Other, net	0.6	61.7	2.9
Effective income tax rate for continuing operations	30.1%	453.7%	32.7%

The principal temporary differences between the accounting for income and expenses for financial reporting and income tax purposes are as follows:

<i>(in millions)</i>	December 31,	
	2015	2014
Deferred tax assets:		
Legal and regulatory settlements	\$ 45	\$ 305
Employee compensation	91	99
Accrued expenses	72	94
Postretirement benefits	126	146
Unearned revenue	39	27
Allowance for doubtful accounts	12	13
Loss carryforwards	114	37
Other	18	14
Total deferred tax assets	517	735
Deferred tax liabilities:		
Goodwill and intangible assets	(299)	(362)
Fixed assets	(9)	(8)
Other	—	—
Total deferred tax liabilities	(308)	(370)
Net deferred income tax asset (liability) before valuation allowance	209	365
Valuation allowance	(98)	(16)
Net deferred income tax asset (liability)	\$ 111	\$ 349
Reported as:		
Current deferred tax assets	\$ 109	\$ 360
Current deferred tax liabilities	(8)	(2)
Non-current deferred tax assets	33	31
Non-current deferred tax liabilities	(23)	(40)
Net deferred income tax asset (liability)	\$ 111	\$ 349

We record valuation allowances against deferred income tax assets when we determine that it is more likely than not based upon all the available evidence that such deferred income tax assets will not be realized. The valuation allowance is primarily related to operating losses.

We have not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. Undistributed earnings that are indefinitely reinvested in foreign operations amounted to \$1,573 million at December 31, 2015. Quantification of the deferred tax liability, if any, associated with indefinitely reinvested earnings is not practicable.

We made net income tax payments for continuing and discontinued operations totaling \$260 million in 2015, \$419 million in 2014, and \$787 million in 2013. As of December 31, 2015, we had net operating loss carryforwards of \$440 million, which will expire over various periods.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Years ended December 31,		
(in millions)	2015	2014	2013
Balance at beginning of year	\$118	\$ 82	\$ 74
Additions based on tax positions related to the current year	22	30	27
Additions for tax positions of prior years	12	33	10
Reduction for tax positions of prior years	(14)	(11)	(9)
Reduction for settlements	(18)	(16)	(20)
Balance at end of year	\$120	\$118	\$ 82

The total amount of federal, state and local, and foreign unrecognized tax benefits as of December 31, 2015, 2014 and 2013 was \$120 million, \$118 million and \$82 million, respectively, exclusive of interest and penalties. The increase of \$20 million in 2015 [excluding settlements] is the amount of unrecognized tax benefits that unfavorably impacted tax expense. The unfavorable impact to the tax provision was partially offset by the resolution of tax audits in multiple jurisdictions.

We recognize accrued interest and penalties related to unrecognized tax benefits in interest expense and operating-related expense, respectively. In addition to the unrecognized tax benefits, as of December 31, 2015 and 2014, we had \$31 million and \$23 million, respectively, of accrued interest and penalties associated with uncertain tax positions.

During 2015, we completed the federal income tax audit for 2013. The U.S. federal income tax audits for 2014 and 2015 are in process. During 2015, we completed various state and foreign tax audits and, with few exceptions, we are no longer subject to federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2007. The impact to tax expense in 2015, 2014 and 2013 was not material.

We file income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions, and we are routinely under audit by many different tax authorities. We believe that our accrual for tax liabilities is adequate for all open audit years based on an assessment of many factors including past experience and interpretations of tax law. This assessment relies on

estimates and assumptions and may involve a series of complex judgments about future events. It is possible that tax examinations will be settled prior to December 31, 2016. If any of these tax audit settlements do occur within that period, we would make any necessary adjustments to the accrual for unrecognized tax benefits. Until formal resolutions are reached between us and the tax authorities, the determination of a possible audit settlement range with respect to the impact on unrecognized tax benefits is not practicable.

Based on the current status of income tax audits, we believe that the total amount of unrecognized tax benefits may significantly decrease in the next twelve months. Although the ultimate resolution of our tax audits is unpredictable, the resulting change in our unrecognized tax benefits could have a material impact on our results of operations and / or cash flows.

5. Debt

A summary of short-term and long-term debt outstanding is as follows:

	December 31,	
(in millions)	2015	2014
5.9% Senior Notes, due 2017 ¹	\$ 399	\$399
2.5% Senior Notes, due 2018 ²	398	—
3.3% Senior Notes, due 2020 ³	695	—
4.0% Senior Notes, due 2025 ⁴	690	—
4.4% Senior Notes, due 2026 ⁵	890	—
6.55% Senior Notes, due 2037 ⁶	396	396
Commercial paper	143	—
Total debt	3,611	795
Less: short-term debt including current maturities	143	—
Long-term debt	\$3,468	\$795

- Interest payments are due semiannually on April 15 and October 15, and as of December 31, 2015, the unamortized debt discount and issuance costs total \$1 million.
- Interest payments are due semiannually on February 15 and August 15, beginning on February 15, 2016, and as of December 31, 2015, the unamortized debt discount and issuance costs total \$2 million.
- Interest payments are due semiannually on February 14 and August 14, beginning on February 14, 2016, and as of December 31, 2015, the unamortized debt discount and issuance costs total \$5 million.
- Interest payments are due semiannually on June 15 and December 15, and as of December 31, 2015, the unamortized debt discount and issuance costs total \$10 million.
- Interest payments are due semiannually on February 15 and August 15, beginning on February 15, 2016, and as of December 31, 2015, the unamortized debt discount and issuance costs total \$10 million.
- Interest payments are due semiannually on May 15 and November 15, and as of December 31, 2015, the unamortized debt discount and issuance costs total \$4 million.

Annual long-term debt maturities are scheduled as follows based on book values as of December 31, 2015: no amounts due in 2016, \$399 million due in 2017, \$398 million due in 2018, no amounts due in 2019, \$695 million due in 2020, and \$2.0 billion due thereafter.

On August 18, 2015, we issued \$2.0 billion of senior notes (the “Notes”), consisting of \$400 million of 2.5% senior notes due in 2018, \$700 million of 3.3% senior notes due in 2020 and \$900 million of 4.4% senior notes due in 2026. The Notes are fully and unconditionally guaranteed by our wholly-owned subsidiary, Standard & Poor’s Financial Services LLC. We used the net proceeds to finance the acquisition of SNL.

On May 26, 2015, we issued \$700 million of 4.0% senior notes due in 2025 and used a portion of the net proceeds for the repayment of short-term debt, including commercial paper. The 4.0% senior notes will mature on June 15, 2025 and are fully and unconditionally guaranteed by our wholly-owned subsidiary, Standard & Poor’s Financial Services LLC.

We have the ability to borrow a total of \$1.2 billion through our commercial paper program, which is supported by our credit facility described below. Commercial paper borrowings outstanding as of December 31, 2015 totaled \$143 million with an average interest rate and term of 0.95% and 17 days. As of December 31, 2015, we can borrow approximately \$1.1 billion in additional funds through the commercial paper program. There were no commercial paper borrowings outstanding under our credit facility as of December 31, 2014.

On June 30, 2015, we entered into a revolving \$1.2 billion five-year credit agreement (our “credit facility”) that will terminate on June 30, 2020. This credit facility replaced our \$1.0 billion four-year credit facility that was scheduled to terminate on June 19, 2017. The previous credit facility was canceled immediately after the new credit facility became effective. There were no outstanding borrowings under the previous credit facility when it was replaced.

We pay a commitment fee of 10 to 20 basis points for our credit facility, depending on our indebtedness to cash flow ratio, whether or not amounts have been borrowed and currently pay a commitment fee of 15 basis points. The interest rate on borrowings under our credit facility is, at our option, calculated using rates that are primarily based on either the prevailing London Inter-Bank Offered Rate, the prime rate determined by the administrative agent or the Federal Funds Rate. For

certain borrowings under this credit facility, there is also a spread based on our indebtedness to cash flow ratio added to the applicable rate.

Our credit facility contains certain covenants. The only financial covenant requires that our indebtedness to cash flow ratio, as defined in our credit facility, is not greater than 4 to 1, and this covenant level has never been exceeded.

6. Employee Benefits

We maintain a number of active defined contribution retirement plans for our employees. The majority of our defined benefit plans are frozen. As a result, no new employees will be permitted to enter these plans and no additional benefits for current participants in the frozen plans will be accrued.

We also have supplemental benefit plans that provide senior management with supplemental retirement, disability and death benefits. Certain supplemental retirement benefits are based on final monthly earnings. In addition, we sponsor voluntary 401(k) plans under which we may match employee contributions up to certain levels of compensation as well as profit-sharing plans under which we contribute a percentage of eligible employees’ compensation to the employees’ accounts.

We also provide certain medical, dental and life insurance benefits for active and retired employees and eligible dependents. The medical and dental plans and supplemental life insurance plan are contributory, while the basic life insurance plan is non-contributory. We currently do not prefund any of these plans.

We recognize the funded status of our retirement and post-retirement plans in the consolidated balance sheets, with a corresponding adjustment to accumulated other comprehensive income, net of taxes. The amounts in accumulated other comprehensive income represent net unrecognized actuarial losses and unrecognized prior service costs. These amounts will be subsequently recognized as net periodic pension cost pursuant to our accounting policy for amortizing such amounts.

As part of the sale of McGraw Hill Construction and MHE, described further in Note 2 — *Acquisitions and Divestitures*, we retained the benefit obligations and plan assets related to McGraw Hill Construction and MHE; however, the benefit cost for periods presented is bifurcated between continuing and discontinued operations.

BENEFIT OBLIGATION

A summary of the benefit obligation and the fair value of plan assets, as well as the funded status for the retirement and postretirement plans as of December 31, is as follows (benefits paid in the table below include only those amounts contributed directly to or paid directly from plan assets):

	Retirement Plans		Postretirement Plans	
<i>[in millions]</i>	2015	2014	2015	2014
Net benefit obligation at beginning of year	\$2,462	\$2,004	\$ 96	\$103
Service cost	6	5	—	1
Interest cost	96	99	3	4
Plan participants' contributions	—	—	4	4
Actuarial (gain) loss	(189)	504	(12)	5
Gross benefits paid	(150)	(125)	(12)	(13)
Foreign currency effect	(26)	(25)	—	—
Other adjustments	—	—	1	(8)
Net benefit obligation at end of year	2,199	2,462	80	96
Fair value of plan assets at beginning of year	2,236	2,088	—	—
Actual return on plan assets	(57)	270	—	—
Employer contributions	15	22	8	9
Plan participants' contributions	—	—	4	4
Gross benefits paid	(150)	(125)	(12)	(13)
Foreign currency effect	(21)	(19)	—	—
Fair value of plan assets at end of year	2,023	2,236	—	—
Funded status	\$ (176)	\$ (226)	\$(80)	\$ (96)
Amounts recognized in consolidated balance sheets:				
Non-current assets	\$ 36	\$ 28	\$ —	\$ —
Current liabilities	(8)	(8)	(8)	(9)
Non-current liabilities	(204)	(246)	(72)	(87)
	\$ (176)	\$ (226)	\$(80)	\$ (96)
Accumulated benefit obligation	\$2,190	\$2,440		
Plans with accumulated benefit obligation in excess of the fair value of plan assets:				
Projected benefit obligation	\$1,810	\$2,046		
Accumulated benefit obligation	\$1,801	\$2,024		
Fair value of plan assets	\$1,598	\$1,792		
Amounts recognized in accumulated other comprehensive loss, net of tax:				
Net actuarial loss (gain)	\$ 433	\$ 452	\$(24)	\$ (8)
Prior service credit	1	1	(5)	(5)
Total recognized	\$ 434	\$ 453	\$(29)	\$ (13)

The actuarial loss included in accumulated other comprehensive loss for our retirement plans and expected to be recognized in net periodic pension cost during the year ending December 31, 2016 is \$16 million. There is no prior service credit included in accumulated other comprehensive loss for our retirement plans expected to be recognized in net periodic benefit cost during the year ending December 31, 2016.

There is an immaterial amount of actuarial loss and prior service credit included in accumulated other comprehensive loss for our postretirement plans expected to be recognized in net periodic benefit cost during the year ending December 31, 2016.

NET PERIODIC COST

For purposes of determining annual pension cost, prior service costs are being amortized straight-line over the average expected remaining lifetime of plan participants expected to receive benefits.

A summary of net periodic benefit cost for our retirement and postretirement plans for the years ended December 31, is as follows:

	Retirement Plans			Postretirement Plans		
<i>[in millions]</i>	2015	2014	2013	2015	2014	2013
Service cost	\$ 6	\$ 5	\$ 10	\$—	\$ 1	\$ 2
Interest cost	96	99	91	3	4	5
Expected return on assets	(127)	(138)	(129)	—	—	—
Amortization of:						
Actuarial loss (gain)	20	11	26	—	(1)	—
Prior service cost (credit)	—	—	5	(1)	—	(1)
Curtailment ¹	—	—	(8)	—	(1)	(12)
Net periodic benefit cost	\$ (5)	\$ (23)	\$ (5)	\$ 2	\$ 3	\$ (6)

1 The curtailment gain for our retirement plans in 2013 relates to a freeze of pension accruals for MHE employees as well as all remaining active employees in the United Kingdom ("U.K."). The curtailment gain for our postretirement plans in 2014 is a result of plan changes effective October 31, 2014 eliminating retiree medical and life insurance benefits for active employees not retiring by July 1, 2016. The curtailment gain for our postretirement plans in 2013 relates to the sale of MHE on March 22, 2013.

Our U.K. retirement plan accounted for a benefit of \$10 million in 2015, \$8 million in 2014, and \$10 million in 2013, including the \$8 million curtailment gain discussed above, of the net periodic benefit cost attributable to the funded plans.

Other changes in plan assets and benefit obligations recognized in other comprehensive income, net of tax for the years ended December 31, are as follows:

	Retirement Plans			Postretirement Plans		
<i>[in millions]</i>	2015	2014	2013	2015	2014	2013
Net actuarial (gain) loss	\$ (6)	\$232	\$(213)	\$(17)	\$ 3	\$(8)
Recognized actuarial (gain) loss	(13)	(7)	(15)	—	1	—
Prior service cost (credit)	—	—	5	1	(5)	—
Total recognized	\$(19)	\$225	\$(223)	\$(16)	\$(1)	\$(8)

The total cost for our retirement plans was \$91 million for 2015, \$81 million for 2014 and \$96 million for 2013. Included in the total retirement plans cost are defined contribution plans cost of \$67 million for 2015, \$74 million for 2014 and \$75 million for 2013.

ASSUMPTIONS

	Retirement Plans			Postretirement Plans		
	2015	2014	2013	2015	2014	2013
Benefit obligation:						
Discount rate	4.47%	4.15%	5.00%	3.90%	3.60%	4.20%
Net periodic cost:						
Weighted-average healthcare cost rate ¹				7.0%	7.0%	7.0%
Discount rate — U.S. plan ²	4.15%	5.0%	4.1%	3.60%	4.125%	3.45%
Discount rate — U.K. plan ²	3.8%	4.5%	4.8%			
Compensation increase factor — U.S. plan	N/A	N/A	N/A			
Compensation increase factor — U.K. plan	N/A	N/A	5.75%			
Return on assets ³	6.25%	7.125%	7.25%			

1 The assumed weighted-average healthcare cost trend rate will decrease ratably from 7% in 2015 to 5% in 2024 and remain at that level thereafter. Assumed healthcare cost trends have an effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend creates the following effects:

(in millions)	1% point increase	1% point decrease
Effect on postretirement obligation	\$4	\$(3)

2 Effective January 1, 2016, we changed our discount rate assumption on our U.S. retirement plans to 4.47% from 4.15% in 2015 and changed our discount rate assumption on our U.K. plan to 3.84% from 3.8% in 2015. At the end of 2015, we changed our approach used to measure service and interest costs on all of our retirement plans. For 2015 and prior periods presented, we measured service and interest costs utilizing and single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. For 2016, we elected to measure service and interest costs by applying the specific spot rates along that yield curve to the plans' liability cash flows. We believe this new approach provides a more precise measurement of service and interest costs by aligning the timing of the plans' liability cash flows to the corresponding spot rates on the yield curve. This change does not affect the measurement of our benefit obligation. We have accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle and, accordingly, have accounted for it on a prospective basis. We expect pension and postretirement medical costs to decrease by approximately \$13 million in 2016 as a result of this change.

3 The expected return on assets assumption is calculated based on the plan's asset allocation strategy and projected market returns over the long-term. Effective January 1, 2016, our return on assets assumption for the U.S. plan and U.K. plan remained unchanged to 6.25%.

In addition to the assumptions in the above table, assumed mortality is also a key assumption in determining benefit obligations. Effective December 31, 2014, the Company updated the assumed mortality rates to reflect life expectancy improvements.

CASH FLOWS

In December of 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was enacted. The Act established a prescription drug benefit under Medicare, known as "Medicare Part D", and a federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Our benefits provided to certain participants are at least actuarially equivalent to Medicare Part D, and, accordingly, we are entitled to a subsidy.

Expected employer contributions in 2016 are \$7 million for our retirement plans and \$9 million for our postretirement plans. In 2016, we may elect to make additional non-required contributions depending on investment performance and the pension plan status. Information about the expected cash flows for our retirement and postretirement plans and the impact of the Medicare subsidy is as follows:

	Postretirement Plans ²				
	Retirement ¹	Gross	Retiree	Medicare	Net
(in millions)	Plans	payments	contributions	subsidy	payments
2016	\$ 91	\$13	\$ [4]	\$(1)	\$ 8
2017	90	13	[4]	(1)	8
2018	93	12	[4]	(1)	7
2019	96	12	[4]	(1)	7
2020	99	11	[4]	(1)	6
2021-2025	539	43	[12]	(3)	28

1 Reflects the total benefits expected to be paid from the plans or from our assets including both our share of the benefit cost and the participants' share of the cost.

2 Reflects the total benefits expected to be paid from our assets.

FAIR VALUE OF PLAN ASSETS

In accordance with authoritative guidance for fair value measurements certain assets and liabilities are required to be recorded at fair value. Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy has been established which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of our defined benefit plans assets as of December 31, 2015 and 2014, by asset class is as follows:

December 31, 2015				
<i>[in millions]</i>	Total	Level 1	Level 2	Level 3
Cash and short-term investments	\$ 188	\$ 8	\$ 180	\$—
Equities:				
U.S. indexes ¹	312	63	249	—
U.S. growth and value	132	92	40	—
U.K.	47	34	13	—
International, excluding U.K.	124	40	84	—
Fixed income:				
Long duration strategy ²	1,072	—	1,072	—
Intermediate duration securities	33	—	33	—
Agency mortgage backed securities	6	—	6	—
Asset backed securities	17	—	17	—
Non-agency mortgage backed securities ³	23	—	23	—
U.K. ⁴	6	—	6	—
International, excluding U.K.	48	—	48	—
Other	15	—	15	—
Total	\$2,023	\$237	\$1,786	\$—

December 31, 2014				
<i>[in millions]</i>	Total	Level 1	Level 2	Level 3
Cash, short-term investments, and other	\$ 176	\$ 17	\$ 159	\$—
Equities:				
U.S. indexes ¹	293	88	205	—
U.S. growth and value	204	147	57	—
U.K.	67	56	11	—
International, excluding U.K.	139	42	97	—
Fixed income:				
Long duration strategy ²	1,165	—	1,165	—
Intermediate duration securities	25	—	25	—
Agency mortgage backed securities	6	—	6	—
Asset backed securities	18	—	18	—
Non-agency mortgage backed securities ³	37	—	37	—
U.K. ⁴	7	—	7	—
International, excluding U.K.	85	—	85	—
Other	14	—	14	—
Total	\$2,236	\$350	\$1,886	\$—

¹ Includes securities that are tracked in the following indexes: S&P 500, S&P MidCap 400, S&P MidCap 400 Growth and S&P Smallcap 600.

² Includes securities that are investment grade obligations of issuers in the U.S.

³ Includes U.S. mortgage-backed securities that are not backed by the U.S. government.

⁴ Includes securities originated by the government of and other issuers from the U.K.

For securities that are quoted in active markets, the trustee / custodian determines fair value by applying securities' prices obtained from its pricing vendors. For commingled funds that are not actively traded, the trustee applies pricing information provided by investment management firms to the unit quantities of such funds. Investment management firms employ their own pricing vendors to value the securities underlying each commingled fund. Underlying securities that are not actively traded derive their prices from investment managers, which in turn, employ vendors that use pricing models [e.g., discounted cash flow, comparables]. The domestic defined benefit plans have no investment in our stock, except through the S&P 500 commingled trust index fund.

PENSION TRUSTS' ASSET ALLOCATIONS

There are two pension trusts, one in the U.S. and one in the U.K.

- The U.S. pension trust had assets of \$1.6 billion and \$1.8 billion as of December 31, 2015 and 2014, respectively, and the target allocations in 2015 include 26% domestic equities, 6% international equities, and 68% debt securities and short-term investments.
- The U.K. pension trust had assets of \$425 million and \$443 million as of December 31, 2015 and 2014, respectively, and the target allocations in 2015 include 20% equities, 40% diversified growth funds and 40% fixed income.

The pension assets are invested with the goal of producing a combination of capital growth, income and a liability hedge. The mix of assets is established after consideration of the long-term performance and risk characteristics of asset classes. Investments are selected based on their potential to enhance returns, preserve capital and reduce overall volatility. Holdings are diversified within each asset class. The portfolios employ a mix of index and actively managed equity strategies by market capitalization, style, geographic regions and economic sectors. The fixed income strategies include U.S. long duration securities, opportunistic fixed income securities and U.K. debt instruments. The short-term portfolio, whose primary goal is capital preservation for liquidity purposes, is composed of government and government-agency securities, uninvested cash, receivables and payables. The portfolios do not employ any financial leverage.

U.S. DEFINED CONTRIBUTION PLANS

Assets of the defined contribution plans in the U.S. consist primarily of investment options which include actively managed equity, indexed equity, actively managed equity / bond funds, target date funds, McGraw Hill Financial common stock, stable value and money market strategies. There is also a self-directed mutual fund investment option. The plans purchased 223,656 shares and sold 247,984 shares of McGraw Hill Financial common stock in 2015 and purchased 301,924 shares and sold 629,086 shares of McGraw Hill Financial common stock in 2014. The plans held approximately 1.8 million shares of McGraw Hill Financial common stock as of December 31, 2015 and 1.9 million shares as of December 31, 2014, with market values of \$179 million and \$165 million, respectively. The plans received dividends on McGraw Hill Financial common stock of \$2 million during the year ended December 31, 2015 and \$3 million during the year ended December 31, 2014.

7. Stock-Based Compensation

We issue stock-based incentive awards to our eligible employees and Directors under the 2002 Employee Stock Incentive Plan and a Director Deferred Stock Ownership Plan.

- **2002 EMPLOYEE STOCK INCENTIVE PLAN (THE "2002 PLAN")** — The 2002 Plan permits the granting of nonqualified stock options, stock appreciation rights, performance stock, restricted stock and other stock-based awards.
- **DIRECTOR DEFERRED STOCK OWNERSHIP PLAN** — Under this plan, common stock reserved may be credited to deferred stock accounts for eligible Directors. In general, the plan requires that 50% of eligible Directors' annual compensation plus dividend equivalents be credited to deferred stock accounts. Each Director may also elect to defer all or a portion of the remaining compensation and have an equivalent number of shares credited to the deferred stock account. Recipients under this plan are not required to provide consideration to us other than rendering service. Shares will be delivered as of the date a recipient ceases to be a member of the Board of Directors or within five years thereafter, if so elected. The plan will remain in effect until terminated by the Board of Directors or until no shares of stock remain available under the plan.

The number of common shares reserved for issuance are as follows:

	December 31,	
<i>(in millions)</i>	2015	2014
Shares available for granting under the 2002 Plan	32.8	31.4
Options outstanding	5.8	8.1
Total shares reserved for issuance ¹	38.6	39.5

1 Shares reserved for issuance under the Director Deferred Stock Ownership Plan are not included in the total, but are approximately 0.1 million.

We issue treasury shares upon exercise of stock options and the issuance of restricted stock and unit awards. To offset the dilutive effect of the exercise of employee stock options, we periodically repurchase shares. See Note 8 — *Equity* for further discussion.

Stock-based compensation expense and the corresponding tax benefit are as follows:

	Years ended December 31,		
<i>(in millions)</i>	2015	2014	2013
Stock option expense	\$14	\$ 21	\$13
Restricted stock and unit awards expense	64	79	83
Total stock-based compensation expense	\$78	\$100	\$96
Tax benefit	\$29	\$ 38	\$37

Stock-based compensation of \$2 million and \$10 million is recorded in discontinued operations for the years ended December 31, 2014 and 2013, respectively, as a result of the sale of MHE and McGraw Hill Construction described further in Note 2 — *Acquisitions and Divestitures*.

STOCK OPTIONS

Stock options may not be granted at a price less than the fair market value of our common stock on the date of grant. Stock options granted vest over a three year service period in equal annual installments and have a maximum term of 10 years. Stock option compensation costs are recognized from the date of grant, utilizing a three-year graded vesting method. Under

this method, one-third of the costs are ratably recognized over the first twelve months, one-third of the costs are ratably recognized over a twenty-four month period starting from the date of grant with the remaining costs ratably recognized over a thirty-six month period starting from the date of grant.

Stock options granted in 2011 and prior years vest over a two year service period in equal annual installments and have a maximum term of 10 years. Stock option compensation costs for 2011 and prior year grants are recognized from the date of grant, utilizing a two-year graded vesting method. Under this method, fifty percent of the costs are ratably recognized over the first twelve months with the remaining costs ratably recognized over a twenty-four month period starting from the date of grant.

We use a lattice-based option-pricing model to estimate the fair value of options granted. The following assumptions were used in valuing the options granted:

	Years ended December 31,		
	2015	2014	2013
Risk-free average interest rate	0.2–1.9%	0.1–2.9%	0.1–2.9%
Dividend yield	1.4%	1.4–1.8%	2.07–2.09%
Volatility	21–39%	18–41%	29–45%
Expected life (years)	6.3	6.21–6.25	6.1–6.2
Weighted-average grant-date fair value per option	\$27.57	\$23.41	\$14.46

Because lattice-based option-pricing models incorporate ranges of assumptions, those ranges are disclosed. These assumptions are based on multiple factors, including historical exercise patterns, post-vesting termination rates, expected future exercise patterns and the expected volatility of our stock price. The risk-free interest rate is the imputed forward rate based on the U.S. Treasury yield at the date of grant. We use the historical volatility of our stock price over the expected term of the options to estimate the expected volatility. The expected term of options granted is derived from the output of the lattice model and represents the period of time that options granted are expected to be outstanding.

Stock option activity is as follows:

<i>[in millions, except per award amounts]</i>	Shares	Weighted average exercise price	Weighted average remaining years of contractual term	Aggregate intrinsic value
Options outstanding as of December 31, 2014	8.1	\$45.18		
Granted ¹	—	\$90.30		
Exercised	[2.2]	\$76.08		
Canceled, forfeited and expired	[0.1]	\$53.28		
Options outstanding as of December 31, 2015	5.8	\$45.61	4.5	\$308
Options exercisable as of December 31, 2015	5.0	\$42.10	4.0	\$283

<i>[in millions, except per award amounts]</i>	Shares	Weighted-average grant-date fair value
Nonvested options outstanding as of December 31, 2014	1.6	\$19.00
Granted ¹	—	\$27.57
Vested	[0.7]	\$18.24
Forfeited	[0.1]	\$17.44
Nonvested options outstanding as of December 31, 2015	0.8	\$19.82
Total unrecognized compensation expense related to nonvested options	\$ 3	
Weighted-average years to be recognized over	1.2	

1 There were a minimal amount of stock options granted in 2015. During 2015, the Company stopped granting stock options.

The total fair value of our stock options that vested during the years ended December 31, 2015, 2014 and 2013 was \$11 million, \$6 million and \$12 million, respectively.

We receive a tax deduction for certain stock option exercises during the period in which the options are exercised, generally for the excess of the quoted market value of the stock at the time of the exercise of the options over the exercise price of the options ["intrinsic value"]. For the years ended December 31, 2015, 2014 and 2013, \$69 million, \$128 million and \$43 million, respectively, of excess tax benefits from stock options exercised are reported in our cash flows used for financing activities.

Information regarding our stock option exercises is as follows:

	Years ended December 31,		
<i>[in millions]</i>	2015	2014	2013
Net cash proceeds from the exercise of stock options	\$86	\$193	\$258
Total intrinsic value of stock option exercises	\$94	\$168	\$158
Income tax benefit realized from stock option exercises	\$49	\$ 73	\$ 61

RESTRICTED STOCK AND UNIT AWARDS

Restricted stock and unit awards (performance and non-performance) have been granted under the 2002 Plan. Restricted stock and unit performance awards will vest only if we achieve certain financial goals over the performance period. Restricted stock non-performance awards have various vesting periods (generally three years), with vesting beginning on the first anniversary of the awards. Recipients of restricted stock and unit awards are not required to provide consideration to us other than rendering service.

The stock-based compensation expense for restricted stock and unit awards is determined based on the market price of our stock at the grant date of the award applied to the total number of awards that are anticipated to fully vest. For restricted stock and unit performance awards, adjustments are made to expense dependent upon financial goals achieved.

Restricted stock and unit activity for performance and non-performance awards is as follows:

<i>[in millions, except per award amounts]</i>	Weighted-average grant-date fair value	
	Shares	
Nonvested shares as of December 31, 2014	1.7	\$61.56
Granted	1.3	\$77.06
Vested	[1.6]	\$96.00
Forfeited	[0.2]	\$81.70
Nonvested shares as of December 31, 2015	1.2	\$92.39
Total unrecognized compensation expense related to nonvested awards	\$ 60	
Weighted-average years to be recognized over	1.6	

	Years ended December 31,		
	2015	2014	2013
Weighted-average grant-date fair value per award	\$ 77.06	\$77.74	\$44.22
Total fair value of restricted stock and unit awards vested	\$ 155	\$ 88	\$ 119
Tax benefit relating to restricted stock activity	\$ 24	\$ 30	\$ 33

8. Equity

CAPITAL STOCK

Two million shares of preferred stock, par value \$1 per share, are authorized; none have been issued.

On January 27, 2016, the Board of Directors approved an increase in the dividends for 2016 to a quarterly rate of \$0.36 per common share.

	Years ended December 31,		
	2015	2014	2013
Quarterly dividend rate	\$0.33	\$0.30	\$0.28
Annualized dividend rate	\$1.32	\$1.20	\$1.12
Dividends paid [in millions]	\$ 363	\$ 326	\$ 308

STOCK REPURCHASES

On December 4, 2013, the Board of Directors approved a stock repurchase program authorizing the purchase of 50 million shares [the "2013 Repurchase Program"], which was approximately 18% of the total shares of our outstanding common stock at that time. In 2011, the Board of Directors approved a

stock repurchase program authorizing the purchase of up to 50 million shares [the "2011 Repurchase Program"], which was approximately 17% of the total shares of our outstanding common stock at that time.

Share repurchases were as follows:

<i>[in millions, except average price]</i>	Years ended December 31,		
	2015	2014	2013
Total number of shares purchased —			
2013 Repurchase Program	10.1	4.4	—
Total number of shares purchased —			
2011 Repurchase Program ¹	—	—	16.9
Average price paid per share ^{2, 3}	\$99.00	\$79.06	\$58.52
Total cash utilized ²	\$1,000	\$ 352	\$ 989

¹ 2013 includes shares received as part of our accelerated share repurchase agreements as described in more detail below.

² In December of 2015, 0.3 million shares were repurchased for approximately \$26 million, which settled in January of 2016. Excluding these 0.3 million shares, the average price paid per share was \$98.98. In December of 2013, 0.1 million shares were repurchased for approximately \$10 million, which settled in January of 2014. Excluding these 0.1 million shares, the average price paid per share was \$58.36. Cash used for financing activities only reflects those shares which settled during the year ended December 31, 2015 and 2014 resulting in \$974 million and \$362 million of cash used to repurchase shares, respectively.

³ On June 25, 2014, we repurchased 0.5 million shares of the Company's common stock from the personal holdings of Harold W. McGraw III, then Chairman of the Company's Board of Directors and former President and CEO of the Company, at a discount of 0.35% from the June 24, 2014 New York Stock Exchange closing price. We repurchased these shares with cash for \$41 million at an average price of \$82.66 per share. See Note 13 — *Related Party Transactions* for further information.

Our purchased shares may be used for general corporate purposes, including the issuance of shares for stock compensation plans and to offset the dilutive effect of the exercise of employee stock options. As of December 31, 2015, 35.5 million shares remained available under the 2013 Repurchase Program. As of December 31, 2015, there were no remaining shares available under the 2011 Repurchase Program. The 2013 Repurchase Program has no expiration date and purchases under this program may be made from time to time on the open market and in private transactions, depending on market conditions.

ACCELERATED SHARE REPURCHASE PROGRAM

We entered into an accelerated share repurchase ["ASR"] agreement with a financial institution on March 25, 2013 to initiate share repurchases aggregating \$500 million. The ASR agreement was structured as a capped ASR agreement in which we paid \$500 million and received an initial delivery of approximately 7.2 million shares during the three months ended March 31, 2013, with an additional 1.4 million shares received on April 1, 2013, in the aggregate, representing the minimum number of shares of our common stock to be repurchased based on a calculation using a specific capped price per share. The total

number of shares ultimately purchased was determined based on the volume weighted-average share price ("VWAP"), minus a discount, of our common stock from March 25, 2013 through July 22, 2013. On July 25, 2013 we received a final incremental delivery of 0.7 million shares determined using a VWAP of \$53.7995 bringing the total amount of shares received to 9.3 million.

REDEEMABLE NONCONTROLLING INTERESTS

The agreement with the minority partners of our S&P Dow Jones Indices LLC partnership contains redemption features whereby interests held by minority partners are redeemable either (i) at the option of the holder or (ii) upon the occurrence of an event that is not solely within our control. Specifically, under the terms of the operating agreement of S&P Dow Jones Indices LLC, after December 31, 2017, CME Group and CME Group Index Services LLC ("CGIS") will have the right at any time to sell, and we are obligated to buy, at least 20% of their share in S&P Dow Jones Indices LLC. In addition, in the event there is a change of control of the Company, for the 15 days following a change in control, CME Group and CGIS will have the right to put their interest to us at the then fair value of CME Group's and CGIS' minority interest.

If interests were to be redeemed under this agreement, we would generally be required to purchase the interest at fair value on the date of redemption. This interest is presented on the consolidated balance sheets outside of equity under the caption

"Redeemable noncontrolling interest" with an initial value based on fair value for the portion attributable to the net assets we acquired, and based on our historical cost for the portion attributable to our S&P Index business. We adjust the redeemable noncontrolling interest each reporting period to its estimated redemption value, but never less than its initial fair value, considering a combination of an income and market valuation approach. Our income and market valuation approaches may incorporate Level 3 fair value measures for instances when observable inputs are not available, including assumptions related to expected future net cash flows, long-term growth rates, the timing and nature of tax attributes, and the redemption features. Any adjustments to the redemption value will impact retained income.

Noncontrolling interests that do not contain such redemption features are presented in equity.

Changes to redeemable noncontrolling interest during the year ended December 31, 2015 were as follows:

<i>(in millions)</i>	
Balance as of December 31, 2014	\$810
Net income attributable to noncontrolling interest	101
Distributions to noncontrolling interest	[98]
Redemption value adjustment	107
Balance as of December 31, 2015	\$920

ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in the components of accumulated other comprehensive loss for the year ended December 31, 2015:

<i>(in millions)</i>	Foreign Currency Translation Adjustment	Pension and Postretirement Benefit Plans	Unrealized Gain [Loss] on Forward Exchange Contracts	Accumulated Other Comprehensive Loss
Balance as of December 31, 2014	\$ [83]	\$(431)	\$—	\$(514)
Other comprehensive income before reclassifications	[110]	13	[1]	[98]
Reclassifications from accumulated other comprehensive loss to net earnings		12 ¹		12
Net other comprehensive income	[110]	25	[1]	[86]
Balance as of December 31, 2015	\$(193)	\$(406)	\$(1)	\$(600)

1 See Note 6 — *Employee Benefits* for additional details of items reclassified from accumulated other comprehensive loss to net earnings.

The net actuarial loss and prior service cost related to pension and other postretirement benefit plans included in other comprehensive income is net of a tax provision of \$7 million for the year ended December 31, 2015.

9. Earnings (Loss) per Share

Basic earnings (loss) per common share is computed by dividing net income (loss) attributable to the common shareholders of the Company by the weighted-average number of common shares outstanding. Diluted earnings (loss) per share is computed in the same manner as basic earnings (loss) per share, except the number of shares is increased to include additional common shares that would have been outstanding if potential common shares with a dilutive effect had been issued. Potential common shares consist primarily of stock options, restricted stock and restricted stock units calculated using the treasury stock method.

The calculation for basic and diluted earnings (loss) per share is as follows:

	Years ended December 31,		
<i>(in millions, except per share data)</i>	2015	2014	2013
Amount attributable to McGraw Hill Financial, Inc. common shareholders:			
Income (loss) from continuing operations	\$1,156	\$ [293]	\$ 783
Income from discontinued operations	—	178	593
Net income (loss) attributable to the Company	\$1,156	\$ [115]	\$1,376
Basic weighted-average number of common shares outstanding	271.6	271.5	274.5
Effect of stock options and other dilutive securities	3.0	—	5.3
Diluted weighted-average number of common shares outstanding	274.6	271.5	279.8
Income (loss) from continuing operations:			
Basic	\$ 4.26	\$[1.08]	\$ 2.85
Diluted	\$ 4.21	\$[1.08]	\$ 2.80
Income from discontinued operations:			
Basic	\$ —	\$ 0.66	\$ 2.16
Diluted	\$ —	\$ 0.66	\$ 2.12
Net income (loss):			
Basic	\$ 4.26	\$[0.42]	\$ 5.01
Diluted	\$ 4.21	\$[0.42]	\$ 4.91

Each period we have certain stock options and restricted performance shares that are excluded from the computation of diluted earnings (loss) per share. The effect of the potential exercise of stock options is excluded when the average market price of our common stock is lower than the exercise price of the related option during the period or when a loss from continuing operations exists because the effect would have been antidilutive. Additionally, restricted performance shares are excluded because the necessary vesting conditions had not been met or when a loss from continuing operations exists. As

of December 31, 2015, there were no stock options excluded as compared to 2.9 million and 1.2 million stock options excluded for the years ended December 31, 2014 and 2013, respectively. Additionally, restricted performance shares outstanding of 0.9 million, 3.2 million and 0.9 million as of December 31, 2015, 2014 and 2013, respectively, were excluded.

10. Restructuring

During 2015 and 2014, we continued to evaluate our cost structure and further identified cost savings associated with streamlining our management structure and our decision to exit non-strategic businesses. Our 2015 and 2014 restructuring plans consisted of a company-wide workforce reduction of approximately 550 positions and 590 positions, respectively, and are further detailed below. The charges for each restructuring plan are classified as selling and general expenses within the consolidated statements of income and the reserves are included in other current liabilities in the consolidated balance sheets.

In certain circumstances, reserves are no longer needed because of efficiencies in carrying out the plans or because employees previously identified for separation resigned from the Company and did not receive severance or were reassigned due to circumstances not foreseen when the original plans were initiated. In these cases, we reverse reserves through the consolidated statements of income during the period when it is determined they are no longer needed. There was approximately \$7 million of reserves from the 2014 restructuring plan that we have reversed in 2015, which offset the initial charge of \$86 million recorded for the 2014 restructuring plan.

The initial restructuring charge recorded and the ending reserve balance as of December 31, 2015 by segment is as follows:

	2015 Restructuring Plan		2014 Restructuring Plan	
<i>(in millions)</i>	Initial Charge Recorded	Ending Reserve Balance	Initial Charge Recorded	Ending Reserve Balance
S&P Ratings	\$18	\$15	\$45	\$ 6
S&P Capital IQ and SNL	31	23	9	1
C&C ¹	3	2	16	1
Corporate	11	10	16	5
Total	\$63	\$50	\$86	\$13

1. As part of the sale of McGraw Hill Construction, which has historically been part of our C&C segment, to Symphony Technology Group, described further in Note 2 — *Acquisitions and Divestitures*, we retained McGraw Hill Construction's restructuring liabilities and the initial charge associated with the reserve has been bifurcated between continuing and discontinued operations. The 2014 restructuring plan includes an initial charge of \$3 million.

For the year ended December 31, 2015, we have reduced the reserve for the 2015 restructuring plan by \$13 million and for the years ended December 31, 2015 and 2014, we have reduced the reserve for the 2014 restructuring plan by \$64 million and \$9 million, respectively. The reductions primarily related to cash payments for employee severance costs.

11. Segment and Geographic Information

As discussed in Note 1 — *Accounting Policies*, we have four reportable segments: S&P Ratings, S&P Capital IQ and SNL, S&P DJ Indices and C&C.

Our Chief Executive Officer is our chief operating decision-maker and evaluates performance of our segments and allocates resources based primarily on operating profit. Segment operating profit does not include unallocated expense or interest expense, as these are costs that do not affect the operating results of our segments. We use the same accounting policies for our segments as those described in Note 1 — *Accounting Policies*.

Segment information for the years ended December 31 is as follows:

[in millions]	Revenue			Operating Profit [Loss]		
	2015	2014	2013	2015	2014	2013
S&P Ratings	\$2,428	\$2,455	\$2,274	\$1,078	\$(583)	\$ 882
S&P Capital IQ and SNL	1,405	1,237	1,170	228	228	189
S&P DJ Indices	597	552	493	392	347	266
C&C	971	893	841	357	290	280
Intersegment elimination ¹	(88)	(86)	(76)	—	—	—
Total operating segments	5,313	5,051	4,702	2,055	282	1,617
Unallocated expense ²	—	—	—	(138)	(169)	(259)
Total	\$5,313	\$5,051	\$4,702	\$1,917	\$ 113	\$1,358

1 Revenue for S&P Ratings and expenses for S&P Capital IQ and SNL include an intersegment royalty charged to S&P Capital IQ and SNL for the rights to use and distribute content and data developed by S&P Ratings.

2 The year ended December 31, 2015 includes a gain of \$11 million related to the sale of our interest in a legacy McGraw Hill Construction investment and costs related to identified operating efficiencies primarily related to restructuring of \$10 million. The year ended December 31, 2014 includes restructuring charges of \$16 million. The year ended December 31, 2013 includes costs necessary to enable the separation of MHE and reduce our cost structure of \$64 million, a \$36 million non-cash impairment charge related to the sale of a data center and \$13 million related to terminating various leases as we reduce our real estate portfolio.

[in millions]	Depreciation & Amortization			Capital Expenditures		
	2015	2014	2013	2015	2014	2013
S&P Ratings	\$ 43	\$ 43	\$ 45	\$ 48	\$ 33	\$ 40
S&P Capital IQ and SNL	70	50	49	60	38	39
S&P DJ Indices	8	7	10	4	2	4
C&C	29	24	22	18	11	17
Total operating segments	150	124	126	130	84	100
Corporate	7	10	11	9	8	17
Total	\$ 157	\$ 134	\$ 137	\$ 139	\$ 92	\$ 117

Segment information as of December 31 is as follows:

<i>(in millions)</i>	Total Assets	
	2015	2014
S&P Ratings	\$ 620	\$ 624
S&P Capital IQ and SNL	3,405	1,011
S&P DJ Indices	1,181	1,166
C&C	606	918
Total operating segments	5,812	3,719
Corporate ¹	1,868	3,054
Assets of a business held for sale ²	503	—
Total	\$8,183	\$6,773

1 Corporate assets consist principally of cash and cash equivalents, assets for pension benefits, deferred income taxes and leasehold improvements related to subleased areas.

2 Includes J.D. Power as of December 31, 2015.

We have operations with foreign revenue and long-lived assets in approximately 90 countries. We do not have operations in any foreign country that represent more than 8% of our consolidated revenue. Transfers between geographic areas are recorded at agreed upon prices and intercompany revenue and profit are eliminated. No single customer accounted for more than 10% of our consolidated revenue.

The following provides revenue and long-lived assets by geographic region:

<i>(in millions)</i>	Revenue			Long-lived Assets	
	Years ended December 31,			December 31,	
	2015	2014	2013	2015	2014
U.S.	\$3,202	\$2,911	\$2,723	\$4,198	\$2,117
European region	1,265	1,316	1,226	419	430
Asia	566	528	483	63	54
Rest of the world	280	296	270	50	64
Total	\$5,313	\$5,051	\$4,702	\$4,730	\$2,665

	Revenue			Long-lived Assets	
	Years ended December 31,			December 31,	
	2015	2014	2013	2015	2014
U.S.	60%	58%	58%	89%	80%
European region	24	26	26	9	16
Asia	11	10	10	1	2
Rest of the world	5	6	6	1	2
Total	100%	100%	100%	100%	100%

See Note 2 — *Acquisitions and Divestitures* and Note 10 — *Restructuring*, for actions that impacted the segment operating results.

12. Commitments and Contingencies

RENTAL EXPENSE AND LEASE OBLIGATIONS

We are committed under lease arrangements covering property, computer systems and office equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of their economic lives or their lease term. Certain lease arrangements contain escalation clauses covering increased costs for various defined real estate taxes and operating services and the associated fees are recognized on a straight-line basis over the minimum lease period.

Rental expense for property and equipment under all operating lease agreements is as follows:

	Years ended December 31,		
<i>(in millions)</i>	2015	2014	2013
Gross rental expense	\$182	\$199	\$202
Less: sublease revenue	[14]	[16]	[29]
Less: Rock-McGraw rent credit	[4]	[23]	[20]
Net rental expense	\$164	\$160	\$153

In December of 2003, we sold our 45% equity investment in Rock-McGraw, Inc., which owned our then headquarters building in New York City, and remained an anchor tenant by concurrently leasing back space from the buyer through 2020. Proceeds from the disposition were \$382 million and the sale resulted in a pre-tax gain, net of transaction costs, of \$131 million [\$58 million after-tax] upon disposition. As a result of the amount of building space we retained through our leaseback, a pre-tax gain of \$212 million [\$126 million after-tax] was deferred upon the disposition in 2003. In December of 2013, we entered into an arrangement with the buyer to shorten the lease to December of 2015 in exchange for approximately \$60 million which was recorded as a reduction to the unrecognized deferred gain from the sale. The remaining gain was amortized over the remaining lease term as a reduction in rent expense. The amount of gain recognized for the years ended December 31, 2015, 2014 and 2013 was \$4 million, \$21 million and \$15 million, respectively. The lease terminated in December of 2015.

Cash amounts for future minimum rental commitments, including rent payments on the sale-leaseback, under existing non-cancelable leases with a remaining term of more than one year, along with minimum sublease rental income to be received under non-cancelable subleases are shown in the following table.

<i>(in millions)</i>	Rent commitment	Sublease income	Net rent
2016	\$136	\$(14)	\$122
2017	120	[13]	107
2018	109	[13]	96
2019	101	[13]	88
2020	49	[2]	47
2021 and beyond	162	—	162
Total	\$677	\$(55)	\$622

LEGAL & REGULATORY MATTERS

In the normal course of business both in the United States and abroad, the Company, its subsidiary Standard & Poor's Financial Services LLC ("S&P LLC") and some of its other subsidiaries are defendants in numerous legal proceedings and are often the subject of government and regulatory proceedings, investigations and inquiries. Many of these proceedings, investigations and inquiries relate to the ratings activity of S&P Ratings brought by issuers and alleged purchasers of rated securities. In addition, various government and self-regulatory agencies frequently make inquiries and conduct investigations into our compliance with applicable laws and regulations, including those related to ratings activities and antitrust matters. Any of these proceedings, investigations or inquiries could ultimately result in adverse judgments, damages, fines, penalties or activity restrictions, which could adversely impact our consolidated financial condition, cash flows, business or competitive position.

The Company believes that it has meritorious defenses to the pending claims and potential claims in the matters described below and is diligently pursuing these defenses, and in some cases working to reach an acceptable negotiated resolution. However, in view of the uncertainty inherent in litigation and government and regulatory enforcement matters, we cannot predict the eventual outcome of these matters or the timing of their resolution, or in most cases reasonably estimate what the

eventual judgments, damages, fines, penalties or impact of activity restrictions may be. As a result, we cannot provide assurance that the outcome of the matters described below will not have a material adverse effect on our consolidated financial condition, cash flows, business or competitive position. As litigation or the process to resolve pending matters progresses, as the case may be, we will continue to review the latest information available and assess our ability to predict the outcome of such matters and the effects, if any, on our consolidated financial condition, cash flows, business and competitive position, which may require that we record liabilities in the consolidated financial statements in future periods.

S&P RATINGS

Financial Crisis Litigation

The Company and its subsidiaries continue to defend civil cases brought by private and public plaintiffs arising out of ratings activities prior to and during the global financial crisis of 2008–2009. Discovery in these cases is ongoing. We can provide no assurance that we will not be obligated to pay significant amounts in order to resolve these matters on terms deemed acceptable. At this time, however, we are unable to reasonably estimate the range of such additional amounts, if any.

U.S. Securities and Exchange Commission

As a nationally recognized statistical rating organization registered with the SEC under Section 15E of the Securities Exchange Act of 1934, S&P Ratings is in ongoing communication with the staff of the SEC regarding compliance with its extensive obligations under the federal securities laws. Although S&P Ratings seeks to promptly address any compliance issues that it detects or that the staff of the SEC raises, there can be no assurance that the SEC will not seek remedies against S&P Ratings for one or more compliance deficiencies.

Trani Prosecutorial Proceeding

The prosecutor in the Italian city of Trani has obtained criminal indictments against several current and former S&P Ratings managers and ratings analysts for alleged market manipulation, and against Standard & Poor's Credit Market Services Europe under Italy's vicarious liability statute, for having allegedly failed to properly supervise the ratings analysts and prevent them from committing market manipulation. The prosecutor's theories are based on various actions by S&P Ratings taken with respect to Italian sovereign debt between May of 2011 and January of 2012. Trial commenced on February 4, 2015 and is ongoing. Apart from criminal penalties that might be imposed

following a conviction, such conviction could also lead to civil damages claims and other sanctions against Standard & Poor's Credit Market Services Europe or the Company. Such claims and sanctions cannot be quantified at this stage.

Shareholder Derivative Actions

On August 3, 2015, two purported shareholders commenced a putative derivative action on behalf of the Company in New York State Supreme Court titled *Retirement Plan for General Employees of the City of North Miami Beach and Robin Stein v. Harold McGraw III, et al.* The complaint asserts claims for, inter alia, breach of fiduciary duty, waste of corporate assets, and mismanagement against the board of directors, certain former directors of the Company, and three former S&P Ratings employees. Plaintiffs seek recovery from the defendants based on allegations that S&P Ratings' credit ratings practices for certain residential mortgage-backed securities and collateralized debt obligations misrepresented the credit risks of those securities, allegedly resulting in losses to the Company. The Company and the individual defendants filed motions to dismiss the complaint on October 9, 2015. Plaintiffs filed an opposition on December 8, 2015, and the Company and the individual defendants filed their reply on January 8, 2016. The court has scheduled oral argument on the motions to dismiss for April 22, 2016.

On January 28, 2016, a different purported shareholder commenced a separate putative derivative action on behalf of the Company in New York State Supreme Court titled *L.A. Grika v. Harold McGraw III, et al.* The allegations in the complaint are substantially similar to those in the *North Miami Beach* matter described above. The complaint asserts claims for, inter alia, breach of fiduciary duty, aiding and abetting breaches of fiduciary duty, unjust enrichment, contribution and indemnification against Harold McGraw III, Douglas L. Peterson, and nine former S&P Ratings employees. The Company is reviewing the plaintiff's complaint and intends to vigorously defend this matter.

The City of Swan

Australian government municipal councils filed suit against the Company and S&P International LLC in a representative action in April of 2013 in connection with alleged investment losses in eight synthetic collateralized debt obligations ("CDOs") rated by S&P Ratings. These same CDOs were at issue in an earlier lawsuit brought by the plaintiffs against its investment advisor, Lehman Brothers Australia ("LBA"), in which the plaintiffs secured a judgment against LBA, which is now in liquidation. The plaintiffs claim total losses of AUD\$327 million from these investments and are seeking recovery from both LBA and the

Company. The trial in the matter has been re-scheduled from October of 2015 to August of 2016. The Company and the plaintiffs are currently engaged in settlement discussions. The Company has established a reserve for potential settlement in an amount deemed adequate by management based on the facts and circumstances of the case. We can provide no assurance that the Company will not incur amounts in excess of amounts accrued to settle this matter on terms deemed acceptable. At this point, however, we are unable to reasonably estimate the range of such additional amounts, if any.

Commodities & Commercial Markets

McGraw Hill Construction

Under the terms of an asset purchase agreement with Skyline HoldCo LLC (“Skyline”) related to Skyline’s purchase of the McGraw Hill Construction business from the Company in November 2014, the Company agreed to retain liability with respect to the litigation captioned, *Reed Construction Data Inc. v. The McGraw-Hill Companies, Inc. et al.*, 09 Civ. 8578 (JPO), in the United States District Court for the Southern District of New York, and any action instituted at any time by the parties thereto arising from substantially the same set of facts and circumstances.

Reed Construction Data filed this action in the U.S. District Court for the Southern District of New York in October of 2009, asserting a number of claims under various state and federal laws against the Company relating to alleged misappropriation and unfair competition by McGraw Hill Construction and seeking an unspecified amount of damages. In September of 2010, the Court granted the Company’s motion to dismiss some of the claims. In September of 2014, the Court granted summary judgment to the Company on all of Reed’s remaining claims with the exception of the unfair competition claim. In October of 2014, the parties submitted a joint stipulation to the Court agreeing to dismiss both Reed’s unfair competition claim and the Company’s counterclaims without prejudice to reinstatement in the event of a successful appeal of Reed’s dismissed claims. On January 7, 2016, the Second Circuit Court of Appeals affirmed the District Court’s grant of summary judgment.

13. Related Party Transactions

On July 31, 2014, we completed the sale of the Company’s aircraft to Harold W. McGraw III, then Chairman of the Company’s Board of Directors and former President and CEO of the Company (“Mr. McGraw”) for a purchase price of \$20 million, which is modestly higher than the independent appraisal obtained. This transaction was approved by the Nominating and Corporate Governance Committee of the Company’s Board of Directors after consultation with members of the Financial Policy Committee. During the second quarter of 2014, we recorded a non-cash impairment charge of \$6 million within other (income) loss in our consolidated statement of income as a result of the pending sale.

On June 25, 2014, we repurchased 0.5 million shares of the Company’s common stock from the personal holdings of Mr. McGraw. The shares were purchased at a discount of 0.35% from the June 24, 2014 New York Stock Exchange closing price pursuant to a private transaction with Mr. McGraw. We repurchased these shares with cash for \$41 million at an average price of \$82.66 per share. This transaction was approved by the Nominating and Corporate Governance Committee of the Company’s Board of Directors after consultation with members of the Financial Policy Committee.

In June of 2012, we entered into a new license agreement (the “License Agreement”) with the holder of S&P Dow Jones Indices LLC noncontrolling interest, CME Group, which replaced the 2005 license agreement between S&P DJ Indices and CME Group. Under the terms of the License Agreement, S&P Dow Jones Indices LLC receives a share of the profits from the trading and clearing of CME Group’s equity index products. During the years ended December 31, 2015, 2014 and 2013, S&P Dow Jones Indices LLC earned \$63 million, \$52 million and \$46 million of revenue under the terms of the License Agreement, respectively. The entire amount of this revenue is included in our consolidated statement of income and the portion related to the 27% noncontrolling interest is removed in net income attributable to noncontrolling interests.

14. Quarterly Financial Information (Unaudited)

<i>[in millions, except per share data]</i>	First quarter	Second quarter	Third quarter	Fourth quarter	Total year
2015					
Revenue	\$1,273	\$1,342	\$1,324	\$ 1,374	\$5,313
Operating profit	\$ 501	\$ 582	\$ 410	\$ 424	\$1,917
Income from continuing operations	\$ 329	\$ 381	\$ 281	\$ 276	\$1,268
Net income	\$ 329	\$ 381	\$ 281	\$ 276	\$1,268
Net income attributable to McGraw Hill Financial common shareholders:					
Income from continuing operations	\$ 303	\$ 353	\$ 252	\$ 248	\$1,156
Net income	\$ 303	\$ 353	\$ 252	\$ 248	\$1,156
Earnings per share attributable to McGraw Hill Financial, Inc. common shareholders:					
Income from continuing operations:					
Basic	\$ 1.11	\$ 1.29	\$ 0.93	\$ 0.92	\$ 4.26
Diluted	\$ 1.10	\$ 1.28	\$ 0.92	\$ 0.91	\$ 4.21
Net income:					
Basic	\$ 1.11	\$ 1.29	\$ 0.93	\$ 0.92	\$ 4.26
Diluted	\$ 1.10	\$ 1.28	\$ 0.92	\$ 0.91	\$ 4.21
2014					
Revenue	\$1,196	\$1,302	\$1,263	\$ 1,290	\$5,051
Operating profit [loss]	\$ 420	\$ 476	\$ 366	\$[1,148]	\$ 113
Income [loss] from continuing operations	\$ 268	\$ 310	\$ 215	\$ [984]	\$ [191]
Income from discontinued operations	\$ 7	\$ 6	\$ 2	\$ 163	\$ 178
Net income [loss]	\$ 275	\$ 316	\$ 217	\$ [821]	\$ [13]
Net income attributable to McGraw Hill Financial common shareholders:					
Income [loss] from continuing operations	\$ 241	\$ 286	\$ 188	\$[1,009]	\$ [293]
Income from discontinued operations	7	6	2	163	178
Net income [loss]	\$ 248	\$ 292	\$ 190	\$ [846]	\$ [115]
Earnings [loss] per share attributable to McGraw Hill Financial, Inc. common shareholders:					
Income [loss] from continuing operations:					
Basic	\$ 0.89	\$ 1.05	\$ 0.69	\$ [3.71]	\$ [1.08]
Diluted	\$ 0.87	\$ 1.04	\$ 0.68	\$ [3.71]	\$ [1.08]
Income from discontinued operations:					
Basic	\$ 0.02	\$ 0.02	\$ 0.01	\$ 0.60	\$ 0.66
Diluted	\$ 0.02	\$ 0.02	\$ 0.01	\$ 0.60	\$ 0.66
Net income [loss]:					
Basic	\$ 0.91	\$ 1.08	\$ 0.70	\$ [3.11]	\$ [0.42]
Diluted	\$ 0.89	\$ 1.06	\$ 0.69	\$ [3.11]	\$ [0.42]

Note — Totals presented may not sum due to rounding.

15. Condensed Consolidating Financial Statements

On May 26, 2015, we issued \$700 million of 4.0% senior notes due in 2025. On August 18, 2015, we issued \$2.0 billion of senior notes, consisting of \$400 million of 2.5% senior notes due in 2018, \$700 million of 3.3% senior notes due in 2020 and \$900 million of 4.4% senior notes due in 2026.

The senior notes described above are fully and unconditionally guaranteed by Standard & Poor's Financial Services LLC, a 100% owned subsidiary of the Company. The following condensed consolidating financial statements present the results of operations, financial position and cash flows of McGraw Hill Financial, Inc., Standard & Poor's Financial Services LLC, and the Non-Guarantor Subsidiaries of McGraw Hill Financial, Inc. and Standard & Poor's Financial Services LLC, and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

Statement of Income Year ended December 31, 2015					
<i>[in millions]</i>	McGraw Hill Financial, Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	McGraw Hill Financial Inc. Consolidated
Revenue	\$ 624	\$2,141	\$2,663	\$ [115]	\$5,313
Expenses:					
Operating-related expenses	73	522	1,192	[115]	1,672
Selling and general expenses	248	469	861	—	1,578
Depreciation	40	18	32	—	90
Amortization of intangibles	—	—	67	—	67
Total expenses	361	1,009	2,152	[115]	3,407
Other income	—	—	[11]	—	[11]
Operating profit	263	1,132	522	—	1,917
Interest expense [income], net	112	—	[10]	—	102
Non-operating intercompany transactions	282	222	[504]	—	—
[Loss] income from continuing operations before taxes on income	[131]	910	1,036	—	1,815
[Benefit] provision for taxes on income	[107]	358	296	—	547
Equity in net income of subsidiaries	1,473	272	—	[1,745]	—
Net income	\$1,449	\$ 824	\$ 740	\$[1,745]	\$1,268
Less: net income from continuing operations attributable to noncontrolling interests	—	—	—	[112]	[112]
Net income attributable to McGraw Hill Financial, Inc.	\$1,449	\$ 824	\$ 740	\$[1,857]	\$1,156
Comprehensive income	\$1,446	\$ 822	\$ 655	\$[1,741]	\$1,182

Statement of Income
Year ended December 31, 2014

<i>[in millions]</i>	McGraw Hill Financial, Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	McGraw Hill Financial Inc. Consolidated
Revenue	\$ 598	\$2,043	\$2,525	\$(115)	\$5,051
Expenses:					
Operating-related expenses	78	389	1,275	[115]	1,627
Selling and general expenses	296	2,350	522	—	3,168
Depreciation	41	17	28	—	86
Amortization of intangibles	4	—	44	—	48
Total expenses	419	2,756	1,869	[115]	4,929
Other loss	3	—	6	—	9
Operating profit [loss]	176	[713]	650	—	113
Interest expense [income], net	66	—	[7]	—	59
Non-operating intercompany transactions	193	38	[231]	—	—
[Loss] income from continuing operations before taxes on income	[83]	[751]	888	—	54
(Benefit) provision for taxes on income	[22]	16	251	—	245
Equity in net [loss] income of subsidiaries	[443]	248	—	195	—
[Loss] income from continuing operations	[504]	[519]	637	195	[191]
Discontinued operations, net of tax:					
Income from discontinued operations	18	—	—	—	18
Gain on sale of discontinued operations	160	—	—	—	160
Discontinued operations, net	178	—	—	—	178
Net [loss] income	\$(326)	\$ [519]	\$ 637	\$ 195	\$ [13]
Less: net income from continuing operations attributable to noncontrolling interests	—	—	—	[102]	[102]
Net [loss] income attributable to McGraw Hill Financial, Inc.	\$(326)	\$ [519]	\$ 637	\$ 93	\$ [115]
Comprehensive [loss] income	\$(495)	\$ [544]	\$ 513	\$ 195	\$ [331]

Statement of Income
Year ended December 31, 2013

<i>(in millions)</i>	McGraw Hill Financial, Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	McGraw Hill Financial Inc. Consolidated
Revenue	\$ 570	\$1,931	\$2,306	\$ (105)	\$4,702
Expenses:					
Operating-related expenses	128	556	985	(105)	1,564
Selling and general expenses	338	532	761	—	1,631
Depreciation	40	19	27	—	86
Amortization of intangibles	5	—	46	—	51
Total expenses	511	1,107	1,819	(105)	3,332
Other loss (income)	25	3	(16)	—	12
Operating profit	34	821	503	—	1,358
Interest expense (income), net	65	—	(6)	—	59
Non-operating intercompany transactions	245	66	(311)	—	—
Income from continuing operations before taxes on income	(276)	755	820	—	1,299
(Benefit) provision for taxes on income	(121)	283	263	—	425
Equity in net income of subsidiaries	1,937	197	—	(2,134)	—
Income from continuing operations	1,782	669	557	(2,134)	874
Discontinued operations, net of tax:					
Income (loss) from discontinued operations	82	—	(79)	—	3
Gain (loss) on sale of discontinued operations	644	—	(55)	—	589
Discontinued operations, net	726	—	(134)	—	592
Net income	\$2,508	\$ 669	\$ 423	\$(2,134)	\$1,466
Less: net income from continuing operations attributable to noncontrolling interests	—	—	—	(91)	(91)
Less: net loss from discontinued operations attributable to noncontrolling interests	—	—	—	1	1
Net income attributable to McGraw Hill Financial, Inc.	\$2,508	\$ 669	\$ 423	\$(2,224)	\$1,376
Comprehensive income	\$2,773	\$ 669	\$ 452	\$(2,106)	\$1,788

Balance Sheet
December 31, 2015

<i>(in millions)</i>	McGraw Hill Financial, Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	McGraw Hill Financial Inc. Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 167	\$ —	\$ 1,314	\$ —	\$ 1,481
Accounts receivable, net of allowance for doubtful accounts	116	319	556	—	991
Intercompany receivable	208	1,872	1,273	[3,353]	—
Deferred income taxes	75	10	24	—	109
Prepaid and other current assets	120	13	80	[1]	212
Assets of a business held for sale	4	—	499	—	503
Total current assets	690	2,214	3,746	[3,354]	3,296
Property and equipment, net of accumulated depreciation	141	3	126	—	270
Goodwill	17	40	2,816	9	2,882
Other intangible assets, net	—	—	1,522	—	1,522
Asset for pension benefits	—	—	36	—	36
Investments in subsidiaries	4,651	659	7,316	[12,626]	—
Intercompany loans receivable	16	368	1,733	[2,117]	—
Other non-current assets	67	19	91	—	177
Total assets	\$ 5,582	\$3,303	\$17,386	\$[18,088]	\$ 8,183
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	\$ 71	\$ 54	\$ 81	\$ —	\$ 206
Intercompany payable	2,144	675	535	[3,354]	—
Accrued compensation and contributions to retirement plans	127	89	167	—	383
Short-term debt	143	—	—	—	143
Income taxes currently payable	1	—	55	—	56
Unearned revenue	254	586	582	[1]	1,421
Accrued legal and regulatory settlements	—	115	6	—	121
Other current liabilities	190	[50]	232	—	372
Liabilities of a business held for sale	80	—	126	—	206
Total current liabilities	3,010	1,469	1,784	[3,355]	2,908
Long-term debt	3,468	—	—	—	3,468
Intercompany loans payable	21	—	2,096	[2,117]	—
Pension and other postretirement benefits	230	—	46	—	276
Deferred income taxes	[246]	17	252	—	23
Other non-current liabilities	221	81	43	—	345
Total liabilities	6,704	1,567	4,221	[5,472]	7,020
Redeemable noncontrolling interest	—	—	—	920	920
Equity:					
Common stock	412	—	2,337	[2,337]	412
Additional paid-in capital	[184]	1,179	10,174	[10,694]	475
Retained income	6,701	557	987	[609]	7,636
Accumulated other comprehensive loss	[322]	—	[322]	44	[600]
Less: common stock in treasury	[7,729]	—	[12]	12	[7,729]
Total equity — controlling interests	[1,122]	1,736	13,164	[13,584]	194
Total equity — noncontrolling interests	—	—	1	48	49
Total equity	[1,122]	1,736	13,165	[13,536]	243
Total liabilities and equity	\$ 5,582	\$3,303	\$17,386	\$[18,088]	\$ 8,183

Balance Sheet
December 31, 2014

	McGraw Hill Financial, Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	McGraw Hill Financial Inc. Consolidated
<i>[in millions]</i>					
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,402	\$ —	\$ 1,095	\$ —	\$ 2,497
Accounts receivable, net of allowance for doubtful accounts	120	293	519	—	932
Intercompany receivable	525	2,125	1,998	(4,648)	—
Deferred income taxes	60	334	(34)	—	360
Prepaid and other current assets	79	27	67	—	173
Total current assets	2,186	2,779	3,645	(4,648)	3,962
Property and equipment, net of accumulated depreciation	111	5	90	—	206
Goodwill	109	41	1,228	9	1,387
Other intangible assets, net	13	—	991	—	1,004
Asset for pension benefits	—	—	28	—	28
Investments in subsidiaries	1,258	653	7,125	(9,036)	—
Intercompany loans receivable	20	358	1,594	(1,972)	—
Other non-current assets	71	25	90	—	186
Total assets	\$ 3,768	\$3,861	\$14,791	\$[15,647]	\$ 6,773
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	\$ 59	\$ 45	\$ 87	\$ —	\$ 191
Intercompany payable	2,566	617	1,376	(4,559)	—
Accrued compensation and contributions to retirement plans	133	121	156	—	410
Income taxes currently payable	19	1	34	—	54
Unearned revenue	259	520	475	—	1,254
Accrued legal and regulatory settlements	—	1,609	—	—	1,609
Other current liabilities	194	—	208	—	402
Total current liabilities	3,230	2,913	2,336	(4,559)	3,920
Long-term debt	795	—	—	—	795
Intercompany loans payable	109	—	1,952	(2,061)	—
Pension and other postretirement benefits	272	—	61	—	333
Deferred income taxes	(260)	51	249	—	40
Other non-current liabilities	219	73	44	—	336
Total liabilities	4,365	3,037	4,642	(6,620)	5,424
Redeemable noncontrolling interest	—	—	—	810	810
Equity:					
Common stock	412	—	2,316	(2,316)	412
Additional paid-in capital	(116)	1,153	7,016	(7,560)	493
Retained income	6,275	(329)	1,060	(60)	6,946
Accumulated other comprehensive loss	(319)	—	(236)	41	(514)
Less: common stock in treasury	(6,849)	—	(7)	7	(6,849)
Total equity — controlling interests	(597)	824	10,149	(9,888)	488
Total equity — noncontrolling interests	—	—	—	51	51
Total equity	(597)	824	10,149	(9,837)	539
Total liabilities and equity	\$ 3,768	\$3,861	\$14,791	\$[15,647]	\$ 6,773

Statement of Cash Flows
Year ended December 31, 2015

<i>(in millions)</i>	McGraw Hill Financial, Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	McGraw Hill Financial Inc. Consolidated
Operating Activities:					
Net income	\$ 1,449	\$ 824	\$ 740	\$[1,745]	\$ 1,268
Adjustments to reconcile income from continuing operations to cash provided by (used for) operating activities from continuing operations:					
Depreciation	40	18	32	—	90
Amortization of intangibles	—	—	67	—	67
Provision for losses on accounts receivable	1	1	6	—	8
Deferred income taxes	33	290	[43]	—	280
Stock-based compensation	23	24	31	—	78
Accrued legal and regulatory settlements	—	110	9	—	119
Other	23	16	7	—	46
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:					
Accounts receivable	3	[27]	[94]	—	[118]
Prepaid and current assets	[13]	14	[5]	—	[4]
Accounts payable and accrued expenses	[75]	[34]	17	—	[92]
Unearned revenue	[5]	66	68	—	129
Accrued legal and regulatory settlement	—	[1,624]	—	—	[1,624]
Other current liabilities	[32]	[35]	[11]	—	[78]
Net change in prepaid / accrued income taxes	[54]	—	115	—	61
Net change in other assets and liabilities	78	8	[121]	—	[35]
Cash provided by (used for) operating activities from continuing operations	1,471	[349]	818	[1,745]	195
Investing Activities:					
Capital expenditures	[67]	[10]	[62]	—	[139]
Acquisitions, net of cash acquired	[2,243]	—	[153]	—	[2,396]
Proceeds from dispositions	—	—	14	—	14
Changes in short-term investments	—	—	[4]	—	[4]
Cash used for investing activities from continuing operations	[2,310]	[10]	[205]	—	[2,525]
Financing Activities:					
Additions to short-term debt, net	143	—	—	—	143
Proceeds from issuance of senior notes, net	2,674	—	—	—	2,674
Dividends paid to shareholders	[363]	—	—	—	[363]
Dividends and other payments paid to noncontrolling interests	—	—	[104]	—	[104]
Repurchase of treasury shares	[974]	—	—	—	[974]
Exercise of stock options	80	—	6	—	86
Contingent payments	[5]	—	—	—	[5]
Purchase of additional CRISIL shares	—	—	[16]	—	[16]
Excess tax benefits from share-based payments	69	—	—	—	69
Intercompany financing activities	[2,020]	359	[84]	1,745	—
Cash (used for) provided by financing activities from continuing operations	[396]	359	[198]	1,745	1,510
Effect of exchange rate changes on cash from continuing operations	—	—	[67]	—	[67]
Cash (used for) provided by continuing operations	[1,235]	—	348	—	[887]
Discontinued Operations:					
Cash used for operating activities	—	—	[129]	—	[129]
Cash used for discontinued operations	—	—	[129]	—	[129]
Net change in cash and cash equivalents	[1,235]	—	219	—	[1,016]
Cash and cash equivalents at beginning of year	1,402	—	1,095	—	2,497
Cash and cash equivalents at end of year	\$ 167	\$ —	\$1,314	\$ —	\$ 1,481

Statement of Cash Flows
Year ended December 31, 2014

<i>(in millions)</i>	McGraw Hill Financial, Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	McGraw Hill Financial Inc. Consolidated
Operating Activities:					
Net [loss] income	\$ [326]	\$ [519]	\$ 637	\$ 195	\$ [13]
Less: discontinued operations, net	178	—	—	—	178
[Loss] income from continuing operations	(504)	(519)	637	195	(191)
Adjustments to reconcile [loss] income from continuing operations to cash [used for] provided by operating activities from continuing operations:					
Depreciation	41	17	28	—	86
Amortization of intangibles	4	—	44	—	48
Provision for losses on accounts receivable	—	5	6	—	11
Deferred income taxes	42	(272)	(15)	—	(245)
Stock-based compensation	31	34	35	—	100
Accrued legal and regulatory settlements	—	1,587	—	—	1,587
Other	21	39	20	—	80
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:					
Accounts receivable	(11)	47	(45)	—	(9)
Prepaid and current assets	(42)	(17)	52	—	(7)
Accounts payable and accrued expenses	(83)	(47)	—	—	(130)
Unearned revenue	8	26	44	—	78
Accrued legal and regulatory settlement	—	(35)	—	—	(35)
Other current liabilities	(51)	45	(10)	—	(16)
Net change in prepaid / accrued income taxes	13	3	(109)	—	(93)
Net change in other assets and liabilities	(131)	5	71	—	(55)
Cash [used for] provided by operating activities from continuing operations	(662)	918	758	195	1,209
Investing Activities:					
Capital expenditures	(26)	(14)	(52)	—	(92)
Acquisitions, net of cash acquired	—	—	(71)	—	(71)
Proceeds from dispositions	63	—	20	—	83
Changes in short-term investments	—	—	15	—	15
Cash provided by [used for] investing activities from continuing operations	37	(14)	(88)	—	(65)
Financing Activities:					
Dividends paid to shareholders	(326)	—	—	—	(326)
Dividends and other payments paid to noncontrolling interests	—	—	(84)	—	(84)
Repurchase of treasury shares	(362)	—	—	—	(362)
Exercise of stock options	184	—	9	—	193
Contingent payments	—	—	(11)	—	(11)
Excess tax benefits from share-based payments	128	—	—	—	128
Intercompany financing activities	1,377	(904)	(278)	(195)	—
Cash provided by [used for] financing activities from continuing operations	1,001	(904)	(364)	(195)	(462)
Effect of exchange rate changes on cash from continuing operations	3	—	(68)	—	(65)
Cash provided by continuing operations	379	—	238	—	617
Discontinued Operations:					
Cash provided by operating activities	18	—	—	—	18
Cash provided by investing activities	320	—	—	—	320
Cash provided by discontinued operations	338	—	—	—	338
Net change in cash and cash equivalents	717	—	238	—	955
Cash and cash equivalents at beginning of year	685	—	857	—	1,542
Cash and cash equivalents at end of year	\$1,402	\$ —	\$1,095	\$ —	\$2,497

Statement of Cash Flows
Year ended December 31, 2013

<i>(in millions)</i>	McGraw Hill Financial, Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	McGraw Hill Financial Inc. Consolidated
Operating Activities:					
Net income	\$ 2,508	\$ 669	\$ 423	\$[2,134]	\$ 1,466
Less: discontinued operations, net	726	—	[134]	—	592
Income from continuing operations	1,782	669	557	[2,134]	874
Adjustments to reconcile income from continuing operations to cash provided by (used for) operating activities from continuing operations:					
Depreciation	40	19	27	—	86
Amortization of intangibles	5	—	46	—	51
Provision for losses on accounts receivable	1	7	14	—	22
Deferred income taxes	39	—	4	—	43
Stock-based compensation	35	33	28	—	96
Accrued legal and regulatory settlements	—	—	—	—	—
Other	68	10	18	—	96
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:					
Accounts receivable	[2]	[4]	[29]	—	[35]
Prepaid and current assets	[14]	[7]	[8]	—	[29]
Accounts payable and accrued expenses	[120]	18	8	—	[94]
Unearned revenue	17	43	49	—	109
Other current liabilities	[43]	[24]	[22]	—	[89]
Net change in prepaid / accrued income taxes	[265]	[3]	30	—	[238]
Net change in other assets and liabilities	[190]	84	[4]	—	[110]
Cash provided by operating activities from continuing operations	1,353	845	718	[2,134]	782
Investing Activities:					
Capital expenditures	[61]	[19]	[37]	—	[117]
Acquisitions, net of cash acquired	—	—	[47]	—	[47]
Proceeds from dispositions	35	—	16	—	51
Changes in short-term investments	—	—	[17]	—	[17]
Cash used for investing activities from continuing operations	[26]	[19]	[85]	—	[130]
Financing Activities:					
Payments on short-term debt	[457]	—	—	—	[457]
Dividends paid to shareholders	[308]	—	—	—	[308]
Dividends and other payments paid to noncontrolling interests	—	—	[75]	—	[75]
Repurchase of treasury shares	[978]	—	—	—	[978]
Exercise of stock options	254	—	4	—	258
Contingent payments	—	—	[12]	—	[12]
Purchase of additional CRISIL shares	—	—	[214]	—	[214]
Excess tax benefits from share-based payments	43	—	—	—	43
Intercompany financing activities	[43]	[826]	[1,265]	2,134	—
Cash used for financing activities from continuing operations	[1,489]	[826]	[1,562]	2,134	[1,743]
Effect of exchange rate changes on cash from continuing operations	8	—	[9]	—	[1]
Cash used for continuing operations	[154]	—	[938]	—	[1,092]
Discontinued Operations:					
Cash provided by (used for) operating activities	720	—	[951]	—	[231]
Cash provided by investing activities	—	—	2,129	—	2,129
Cash used for financing activities	—	—	[25]	—	[25]
Effect of exchange rate changes on cash	—	—	1	—	1
Cash provided by discontinued operations	720	—	1,154	—	1,874
Net change in cash and cash equivalents	566	—	216	—	782
Cash and cash equivalents at beginning of year	119	—	641	—	760
Cash and cash equivalents at end of year	\$ 685	\$ —	\$ 857	\$ —	\$ 1,542

Five Year Financial Review

<i>[in millions, except per share data]</i>	2015	2014	2013	2012	2011
Income statement data:					
Revenue	\$5,313	\$5,051	\$4,702	\$ 4,270	\$3,762
Operating profit	1,917	113	1,358	1,170	1,052
Income from continuing operations before taxes on income	1,815 ¹	54 ²	1,299 ³	1,089 ⁴	975 ⁵
Provision for taxes on income	547	245	425	388	364
Net income (loss) from continuing operations attributable to McGraw Hill Financial, Inc.	1,156	(293)	783	651	592
Earnings (loss) per share from continuing operations attributable to the McGraw Hill Financial, Inc. common shareholders:					
Basic	4.26	(1.08)	2.85	2.33	1.98
Diluted	4.21	(1.08)	2.80	2.29	1.95
Dividends per share	1.32	1.20	1.12	1.02	1.00
Special dividend declared per common share	—	—	—	2.50	—
Operating statistics:					
Return on average equity ⁶	324.3%	(1.4)%	134.2%	40.5%	48.2%
Income from continuing operations before taxes on income as a percent of revenue from continuing operations	34.2%	1.1%	27.6%	25.5%	25.9%
Net income (loss) from continuing operations as a percent of revenue from continuing operations	23.9%	(3.8)%	18.6%	16.4%	16.2%
Balance sheet data: ⁷					
Working capital	\$ 388	\$ 42	\$ 612	\$(1,018)	\$ (812)
Total assets	8,183	6,773	6,060	5,081	4,061
Total debt	3,611	795	794	1,251	1,193
Redeemable noncontrolling interest	920	810	810	810	—
Equity	243	539	1,344	840	1,584
Number of employees ⁷	20,400	17,000	16,400	15,900	15,600

1 Includes the impact of the following items: costs related to identified operating efficiencies primarily related to restructuring of \$56 million, legal settlement charges partially offset by insurance recoveries of \$54 million, acquisition-related costs of \$37 million, and a gain of \$11 million on the sale of our interest in a legacy McGraw Hill Construction investment.

2 Includes the impact of the following items: \$1.6 billion of legal and regulatory settlements, restructuring charges of \$86 million, and \$4 million of professional fees largely related to corporate development activities.

3 Includes the impact of the following items: \$77 million of legal settlements, \$64 million charge for costs necessary to enable the separation of MHE and reduce our cost structure, a \$36 million non-cash impairment charge related to the sale of our data center, a \$28 million restructuring charge in the fourth quarter primarily related to severance, \$13 million related to terminating various leases as we reduce our real estate portfolio and a \$24 million net gain from our dispositions.

4 Includes the impact of the following items: \$135 million charge for costs necessary to enable the separation of MHE and reduce our cost structure, a \$65 million restructuring charge, transaction costs of \$15 million for our S&P Dow Jones Indices LLC joint venture, an \$8 million charge related to a reduction in our lease commitments, partially offset by a vacation accrual reversal of \$52 million.

5 Includes the impact of a \$31 million restructuring charge and a \$10 million charge for costs necessary to enable the separation of MHE and reduce our cost structure.

6 Includes the impact of the gain on sale of McGraw Hill Construction in 2014, the gain on sale of McGraw-Hill Education in 2013 and the gain on sale of the Broadcasting Group in 2011.

7 Excludes discontinued operations.

Report of Management

To the Shareholders of McGraw Hill Financial, Inc.

MANAGEMENT'S ANNUAL REPORT ON ITS RESPONSIBILITY FOR THE COMPANY'S FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The financial statements in this report were prepared by the management of McGraw Hill Financial, Inc., which is responsible for their integrity and objectivity.

These statements, prepared in conformity with accounting principles generally accepted in the United States and including amounts based on management's best estimates and judgments, present fairly McGraw Hill Financial Inc.'s financial condition and the results of the Company's operations. Other financial information given in this report is consistent with these statements.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined under the U.S. Securities Exchange Act of 1934. It further assures the quality of the financial records in several ways: a program of internal audits, the careful selection and training of management personnel, maintaining an organizational structure that provides an appropriate division of financial responsibilities, and communicating financial and other relevant policies throughout the Company.

McGraw Hill Financial Inc.'s Board of Directors, through its Audit Committee, composed entirely of outside directors, is responsible for reviewing and monitoring the Company's financial reporting and accounting practices. The Audit Committee meets periodically with management, the Company's internal auditors and the independent registered public accounting firm to ensure that each group is carrying out its respective responsibilities. In addition, the independent registered public accounting firm has full and free access to the Audit Committee and meet with it with no representatives from management present.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

As stated above, the Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's management has evaluated the system of internal control using the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework ["COSO 2013 framework"]. Management has selected the COSO 2013 framework for its evaluation as it is a control framework recognized by the Securities and Exchange Commission and the Public Company Accounting Oversight Board that is free from bias, permits reasonably consistent qualitative and quantitative measurement of the Company's internal controls, is sufficiently complete so that relevant controls are not omitted and is relevant to an evaluation of internal controls over financial reporting.

Based on management's evaluation under this framework, we have concluded that the Company's internal controls over financial reporting were effective as of December 31, 2015. There are no material weaknesses in the Company's internal control over financial reporting that have been identified by management.

Management has excluded SNL Financial LC ["SNL"] from its assessment of internal control over financial reporting as of December 31, 2015, since it was acquired on September 1, 2015. SNL has \$2.5 billion and \$2.3 billion of total and net assets, respectively, as of December 31, 2015 and \$85 million and \$9 million of revenues and net loss attributable to McGraw Hill Financial, Inc., respectively, for the year then ended.

The Company's independent registered public accounting firm, Ernst & Young LLP, has audited the consolidated financial statements of the Company for the year ended December 31, 2015, and has issued their reports on the financial statements and the effectiveness of internal controls over financial reporting.

OTHER MATTERS

There have been no changes in the Company's internal controls over financial reporting during the most recent quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



Douglas L. Peterson
President and Chief Executive Officer



Jack F. Callahan, Jr.
Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF MCGRAW HILL FINANCIAL, INC.

We have audited the accompanying consolidated balance sheets of McGraw Hill Financial, Inc. [the “Company”] as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, cash flows and equity for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board [United States]. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of McGraw Hill Financial, Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board [United States], McGraw Hill Financial, Inc.’s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission [2013 framework], and our report dated February 11, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York
February 11, 2016

Report of Independent Registered Public Accounting Firm

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF McGRAW HILL FINANCIAL, INC.

We have audited McGraw Hill Financial, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). McGraw Hill Financial, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the

company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of SNL Financial LC, which is included in the 2015 consolidated financial statements of McGraw Hill Financial, Inc. and constituted \$2.5 billion and \$2.3 billion of total and net assets, respectively, as of December 31, 2015 and \$85 million and \$9 million of revenues and net loss attributable to McGraw Hill Financial, Inc., respectively, for the year then ended. Our audit of internal control over financial reporting of McGraw Hill Financial, Inc. also did not include an evaluation of the internal control over financial reporting of SNL Financial LC.

In our opinion, McGraw Hill Financial, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of McGraw Hill Financial, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, cash flows and equity for each of the three years in the period ended December 31, 2015 and our report dated February 11, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York
February 11, 2016

Shareholder Information

ANNUAL MEETING

The 2016 annual meeting will be held at 11 a.m. EDT on Wednesday, April 27th at 55 Water Street, New York, New York, 10041.

The annual meeting will also be Webcast at:
www.mhfi.com

STOCK EXCHANGE LISTING

Shares of the Company's common stock are traded primarily on the New York Stock Exchange. MHFI is the ticker symbol for its common stock.

INVESTOR RELATIONS WEB SITE

Go to <http://investor.mhfi.com> to find:

- Dividend and stock split history
- Stock quotes and charts
- Investor Fact Book
- Corporate Governance
- Financial reports, including the annual report, proxy statement and SEC filings
- Financial news releases
- Management presentations
- Investor e-mail alerts
- RSS news feeds

INVESTOR KIT

The Company's investor kit includes the current Annual Report, Proxy Statement, Form 10-Qs, Form 10-K, and the current earnings release.

For online access to the Digital Investor Kit, go to <http://investor.mhfi.com>

Requests for printed copies, free of charge, can be e-mailed to investor.relations@mhfi.com or mailed to Investor Relations, McGraw Hill Financial, Inc., 55 Water Street, New York, NY 10041.

Interested parties can also call Investor Relations toll-free at 866-436-8502 [domestic callers] or 212-438-2192 [international callers].

NEWS MEDIA INQUIRIES

Go to www.mhfi.com/news to view the latest Company news and information or to submit an e-mail inquiry. You may also call Corporate Affairs at 212-438-1247.

CERTIFICATIONS AND

McGRAW HILL FINANCIAL, INC. FORM 10-K

We have filed the required certifications under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1, 31.2 and 32 to our Form 10-K for the year ended December 31, 2015.

The financial information included in this report was excerpted from the Company's Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on February 12, 2016. Shareholders may access a complete copy of the 10-K by following the instruction noted above under the heading "Investor Kit".

TRANSFER AGENT AND REGISTRAR FOR COMMON STOCK

Computershare is the transfer agent for McGraw Hill Financial. Computershare maintains the records for the Company's registered shareholders and can assist with a variety of shareholder related services.

Shareholder correspondence should be mailed to:
Computershare
P.O. Box 30170
College Station, TX 77842-3170

Overnight correspondence should be mailed to:
Computershare
211 Quality Circle, Suite 210
College Station, TX 77845

Investor Center™ website to view and manage shareholder account online: www.computershare.com/investor

For shareholder assistance:

In the U.S. and Canada:	888-201-5538
Outside the U.S. and Canada:	201-680-6578
TDD for the hearing impaired:	800-231-5469
TDD outside the U.S. and Canada:	201-680-6610

E-mail address:

shareholder@computershare.com

Shareholder online inquiries:

<https://www-us.computershare.com/investor/Contact>

DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN

This program offers a convenient, low-cost way to invest in our common stock. Participants can purchase and sell shares directly through the program, make optional cash investments weekly, reinvest dividends, and send certificates to the transfer agent for safekeeping.

Interested investors can view the prospectus and enroll online at www.computershare.com/investor. To receive the materials by mail, contact Computershare as noted above.



Board of Directors

Charles E. "Ed" Haldeman, Jr. ^(A,E,N)
Chairman
McGraw Hill Financial & KCG Holdings, Inc.

Douglas L. Peterson ^(E,F)
President and Chief Executive Officer
McGraw Hill Financial

Sir Winfried Bischoff ^(C,E,F)
Chairman
Financial Reporting Council &
J.P. Morgan Securities plc

William D. Green ^(C,N)
Former CEO & Chairman
Accenture

Rebecca Jacoby ^(F)
Senior Vice President, Operations
Cisco Systems, Inc.

Robert P. McGraw ^(F)
Chairman and Chief Executive Officer
Averdale Holdings, LLC

Hilda Ochoa-Brillembourg ^(A,F)
Founder and Chairman
Strategic Investment Group

Sir Michael Rake ^(A,E,F)
Chairman
BT Group plc & Worldpay

Edward B. Rust, Jr. ^(C,E,N)
Chairman of the Board
State Farm Insurance Companies

Kurt L. Schmoke ^(C,N)
President
University of Baltimore

Sidney Taurel ^(C,E,N)
Chairman Emeritus
Eli Lilly and Company

Richard E. Thornburgh ^(A,F)
Member of the Private Equity
Investment Committee
Corsair Capital, LLC

(A) Audit Committee
(C) Compensation & Leadership Development Committee
(E) Executive Committee
(F) Financial Policy Committee
(N) Nominating & Corporate Governance Committee

Executive Committee



Douglas L. Peterson
President and Chief
Executive Officer



John Berisford
President
Standard & Poor's
Ratings Services



Jack F. Callahan, Jr.
Executive Vice President
Chief Financial Officer



Martina L. Cheung
Executive Managing Director,
Global Risk Services
S&P Global Market
Intelligence



Mike Chinn
President
S&P Global Market
Intelligence



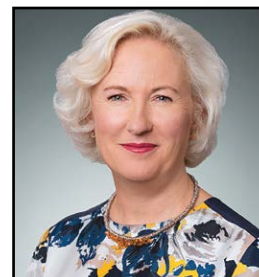
Courtney Geduldig
Executive Vice President
Public Affairs



France M. Gingras
Executive Vice President
Human Resources



David Goldenberg
Acting General Counsel



Imogen Dillon Hatcher
President
Platts



Donald R. Howard
Chief of Risk and Compliance



Alexander J. Matturri
Chief Executive Officer
S&P Dow Jones Indices



Paul Sheard
Executive Vice President and
Chief Economist



Ashu Suyash
Managing Director and
Chief Executive Officer
CRISIL



McGraw Hill Financial
55 Water Street
New York, NY 10041
212.438.1000

www.mhfi.com

