As the votes are being tallied, I would like to welcome you again to our 2007 Annual Shareholders Meeting. This morning I want to talk with you about our vision of a very bright future for The McGraw-Hill Companies. I want to share some highlights of our strong performance in 2006 and tell you about our terrific start for 2007 – a year in which we expect to produce double-digit earnings growth.

I especially want to tell you why we are so bullish about The McGraw-Hill Companies’ long-term prospects – and specifically about how our portfolio of knowledge-based businesses is positioned to continue profiting from powerful global trends and rapidly growing markets.

The growing global demand for knowledge, the worldwide need for capital, and the need for information transparency are growth drivers that provide enormous opportunities for the Corporation well into the future. We are focusing on these worldwide trends and essential markets with world-class, world-renowned brands: master brands and sub brands; global brands and local brands; brands that make their own impacts and collectively enrich the Corporation’s portfolio and prospects.

But before we go further, let me take a moment to review how we are already capitalizing on our market-leading brands to produce last year’s record and to get off to a strong start in 2007. I’m delighted to report that 2006 was another year of solid growth for The McGraw-Hill Companies.

- Revenue increased by 4.2 percent to a record $6.3 billion dollars.
- Operating profit of our segments increased 6.1 percent to $1.58 billion dollars, another record.
- Net income increased 4.5 percent to a record $882 million dollars.
- Diluted earnings per share rose 8.6 percent to $2.40, also a record.
- Operating margins were 25 percent.

I’m so very proud of the men and women of The McGraw-Hill Companies who produced these record results, even in the face of challenging conditions, including an expected decline last year in the Education market.

I also want to highlight our very strong financial position. We concluded 2006 essentially debt-free and with cash in excess of $350 million.

As a result of our performance, in 2006 The McGraw-Hill Companies’ shareholders enjoyed a total shareholder return of 33.5 percent – more than double the return of the S&P 500. Beating the S&P 500 has been a hallmark of our corporate performance. We have outperformed the S&P 500 over the last one, three, five, seven, and 10 year periods.
The McGraw-Hill Companies

Through year-end 2006, The McGraw-Hill Companies total return to shareholders over the past 10 years has averaged 21.5 percent annually, which is more than double the 8.4 percent annual returns of the S&P 500 and significantly better than the annualized performance of our new peer group companies.

Our record demonstrates that we have created a strong portfolio of leading global information brands capable of producing consistent, sustainable increases in earnings, dividends, and total shareholder returns throughout a variety of economic cycles and market conditions.

Our record is also reflected in the increased market value of The McGraw-Hill Companies. In the last 10 years, you have seen the market capitalization of our company grow from $4.6 billion dollars to $24.1 billion dollars at the end of last year. The Board of Directors and the senior management team is committed to building on that record of value creation for shareholders.

As part of our commitment, we have been steadily returning more cash to shareholders through aggressive share repurchases and annual increases in our cash dividend payments. In fact, since 1996 the Corporation has returned $6.8 billion to shareholders through dividend payments and share buybacks, including $1.8 billion returned to shareholders in 2006 and approximately $915 million returned to shareholders year-to-date in 2007.

In January, the Board of Directors approved a 12.9 percent increase in the regular quarterly cash dividend on the Corporation’s common stock – marking our 34th consecutive annual dividend increase. The new annualized rate of $0.82 per share represents an average compound annual dividend growth rate of 10.4 percent since 1974. The McGraw-Hill Companies has paid a dividend each year since 1937 and is one of fewer than 30 companies in the S&P 500 that has increased its dividend annually for the last 34 years.

We repurchased 28.4 million shares in 2006. In 2007, we have already repurchased 13.2 million of the 15 million shares targeted for the full year. We expect to repurchase the remaining 1.8 million shares during the remainder of 2007, subject to market conditions. We currently have 6.8 million shares remaining from our 2006 program, and in January of this year the Board of Directors authorized a new buyback program of up to 45 million additional shares to be repurchased in the next several years.

And, as I said earlier, we see a strong year ahead and expect to achieve double-digit earnings growth in 2007. That includes margin expansion in all three operating segments.

We are off to a very strong start. Yesterday, we announced earnings for the first quarter of the year. We reported diluted earnings per share of $0.40, including a $0.03 gain on the sale of our mutual fund data business, for the first quarter compared to $0.20 for the same period last year. Net income for the first quarter of 2007 was $143.8 million. Revenue for the first quarter increased 13.7 percent to $1.3 billion.

A strong performance by Financial Services, a promising start in Education, and improvement in Information & Media contributed to our first-quarter results. The operating margin expanded in all three segments. In Education, revenue increased 5.6 percent to $331.7 million in the first quarter compared to the same period last year. The widely anticipated 10 to 15 percent pick up in the state new adoption market this year is starting to take shape. We are encouraged by preliminary indications in key states as well as some important urban markets in the open territory.
Standard & Poor’s had the best first-quarter performance in its history. First quarter revenue increased 21.5 percent to $728.9 million compared to same period last year. Fixed income and equity information products and services contributed to new records not only for revenue, but also for operating profit and the operating margin, which was 47.7 percent, including the gain on the sale of the mutual fund data business.

And revenue in our Information & Media segment increased 4.1 percent to $235.9 million compared to the same period last year. Operating profit was $9.9 million, up from $1.7 million last year.

We’re clearly off to a very good start toward achieving another year of growth. We are very optimistic about our prospects in 2007 and beyond, and we have prepared this special video to show you why.

[Video Voice Over]

From London’s trading floors and New York’s investment firms, India’s universities and California’s classrooms, across Beijing’s rising skyscrapers and Russia’s oil fields, across countless computer screens, telephones, iPods, and other digital devices, and across the globe: When markets open, economies expand, people prosper, and McGraw-Hill grows.

In the next decade, the number of students in higher education worldwide will double, to more than 200 million. McGraw-Hill Education is fulfilling the demand, through our leadership in online learning and other cutting edge technology that is transforming the classroom.

The growth of capital markets continues to accelerate, with global financial assets more than doubling every 10 years. The number of investors is increasing. So are their needs. Standard & Poor’s is well-positioned to capitalize on powerful trends in the world’s financial markets because of its expanding global presence, local market knowledge, and expertise across asset classes.

The Internet and digitization of content are reshaping business. Across markets, we’re delivering essential, real-time information to decision makers at the point of decision; creating online networks, communities, and digital tools; and connecting content to actions and transactions.

Today, millions of customers the world over depend on the essential information and insight we provide. Tomorrow, millions more will, too, because when markets open, economies expand, people prosper, and McGraw-Hill grows.

In the next few minutes, I would like to examine in a little more detail how your management team is taking advantage of three critical trends to drive our growth. As you saw in the video, they are the global demand for talent; the continued, robust growth of capital markets; and the transformation of business media.

Let’s start with the first trend: the global demand for talent. Across emerging, developing, and developed countries – when it comes to economic growth – the ability to find and hire needed talent is a major concern, according to a McKinsey poll of business leaders in the United States, Asia, Europe, and Latin America. As the world modernizes and comes of age, as markets become more global, and as technology continues to advance, the understanding that an educated and skilled workforce is an imperative for achieving economic growth has taken root everywhere.

In response, governments and individuals are boosting their investments in education. Global higher education enrollments are growing dramatically. Currently there are 38 million higher education students throughout India, China, and Latin America – and that number is expected to double in the next decade.
Given the importance of a skilled and educated workforce in raising standards of living, leaving no child behind is not only a moral imperative – it is also an economic one. Providing the classroom solutions educators need to improve student performance is a core strategy for our education business. And while there isn’t enough time this morning to list all our accomplishments, I do want to highlight a few.

Our Open Court reading program continues to boost student achievement around the country. In Detroit’s public schools, which have been using Open Court since the 2002-2003 school year, the percentage of 4th grade students passing the Michigan Educational Assessment Program has increased from 33 percent in 2002 to 70 percent in 2006. In Philadelphia, which has adopted our Everyday Mathematics program, elementary school student performance on the Pennsylvania System of School Assessment has increased dramatically. It is that kind of positive impact that has made McGraw-Hill Education a leader in improving teaching and learning.

I want to take a moment to acknowledge Pete Sayeski, president of the McGraw-Hill Learning Group. Pete is passionate about education. His life’s work in educational publishing has helped thousands of children acquire the skills needed to succeed in life, and he has delivered consistent results for The McGraw-Hill Companies. Pete is retiring at the end of this month, and we thank him for his leadership. Pete, would you please stand for a round of applause?

I also want to recognize Arthur Griffin, a vice president of National Urban Markets and a leader in our Urban Advisory Resource, which helps large urban school districts improve their students’ performance. Arthur has a unique understanding of our customers because he was one of our customers, when he served as chairman of the Board of Education for North Carolina’s Charlotte-Mecklenburg district, which has a stellar record for boosting student achievement. Arthur, would you please stand for a round of applause?

We continue to further our use of innovative technology to improve teaching and learning. People have talked about the impact of technology in education for many years. Now the results are beginning to match the promise. For example, our Acuity tools, which can be administered online, help teachers diagnose students’ strengths and needs while predicting student success on state No Child Left Behind assessments.

As you saw in our video, we are using technology to transform teaching and learning in the Higher Education market. We are delivering online content – including entire courses – in rich media to make learning more lively, engaging, and interactive – everything that today’s digitally-sophisticated students expect. We are providing digital homework management tools that increase the efficiency of instructors and students. And we are partnering with technology companies for digital distribution of our content. For example, in our pilot “iTunes U” program at the University of Wisconsin-Madison, we’ve worked with Apple to engage students in new ways through their iPods and computers.

The second trend that I want to talk about this morning is the worldwide growth in size, sophistication, and complexity of financial markets. The relentless demand for capital is driving growth in the world’s finance and debt markets. At the end of last year, global capital markets had grown to $140 trillion; they will be $228 trillion in 2010.

There is increasing appreciation worldwide for how open markets stimulate economic growth. Countries that once shuttered themselves from the rest of the world now understand the importance of foreign investment and access to global capital markets. As we know, governments access the capital markets to build roads, schools, hospitals, and affordable housing, as well as to meet other vital needs. And,
increasingly, businesses are accessing the capital markets directly to enrich how they serve their customers, markets, shareholders, and communities.

Standard & Poor’s is positioned right in the middle of the explosive growth of these capital flows, which are made possible by S&P’s ratings, metrics, and benchmarks and, of course, the independence, analytical rigor, and transparency that S&P provides. Today, S&P is the world’s foremost source of credit ratings, indices, investment research, risk evaluation, and investment data. Its business is more global, more diverse, and more resilient than at any time in its history. Standard & Poor’s continues to make important strides by increasing its market penetration, by strengthening its position overseas in such growing markets as India, by expanding its data and information services, and by growing its index services.

This year marks the 50th anniversary of the S&P 500, the index recognized by professionals worldwide as the measure of the U.S. stock market’s performance. We have built on the S&P 500’s reputation to create a global family of indices. Recently, we have added indices in new areas – commodities and real estate. Our goal is to provide an index for every type of investment.

In addition to its expertise, Standard & Poor’s also brings that crucial independent and unbiased voice to the structured finance market, a voice that is especially important at times of volatility, stress, and uncertainty. The recent developments in the sub-prime mortgage market are a case in point.

A sub-prime loan is one offered at a rate above the prime interest rate to individuals who have poor credit histories or otherwise do not qualify for prime rate loans. Just about a year ago, S&P alerted investors that underwriting standards in the sub-prime market had deteriorated and S&P would raise the level of credit support for riskier sub-prime assets, in order to protect investors. Standard & Poor’s also tightened surveillance standards for residential mortgage-backed securities. The leadership Standard & Poor’s demonstrated in anticipating weakness in the sub-prime market illustrates why S&P is one of the most respected names in the Financial Services industry.

The third trend I want to talk about this morning is the remaking of the business media. Web 2.0 has demonstrated the business and customer value some hoped for a decade ago. Digital business models are taking hold in dramatic fashion. Across our Information and Media segment, we have some of the world’s leading brands: Platts, J.D. Power and Associates, BusinessWeek and BusinessWeek.com, McGraw-Hill Construction, and Aviation Week. We are continuing to invest in digital content and delivery and to focus on providing new higher value-added services to our customers to help drive their growth and make markets more transparent and efficient.

Look, for example, at how J.D. Power and Associates has helped Hyundai improve in quality and customer satisfaction so it can win new customers. And in China, J.D. Power has been at the forefront of helping the growing Chinese automotive industry understand how to compete on a global basis. J.D. Power also has made solid progress in expanding outside of the automobile industry.

Platts’ energy information serves customers across more than 150 countries and is facilitating the energy markets of some of the world’s largest emerging economies. Last month in Beijing, Platts hosted a first-ever Energy Market Symposium for China’s National Development and Reform Commission, comprised of top government officials responsible for drafting China’s energy laws and policy. Platts also hosted an industry forum in Moscow, where it helped educate traders, government officials, and other industry players on the importance of transparency in global energy markets.
And BusinessWeek.com experienced robust growth last year, and it expects still more this year. I’d like to recognize Keith Fox, the newly-appointed president of BusinessWeek. For the past three years, Keith has served as president of McGraw-Hill Professional, where he repositioned, re-energized, and substantially improved its performance. Prior to his leadership of the Professional group, he helped drive BusinessWeek’s growth strategy as its senior vice president of Marketing and Business Development.

I also want to acknowledge Bill Kupper, the retiring president of BusinessWeek. Bill, who began as head of U.S. sales in 1995 and soon thereafter became head of global sales, has led BusinessWeek through enormous change since becoming the group’s leader in 2000. He has built a respected business team, and he has worked aggressively to position BusinessWeek for continued success. Bill and Keith, will you please stand for a round of applause?

And I’d also like to recognize one other senior executive who is retiring – Frank Kaufman, senior vice president in the corporate tax department. Frank has been with The McGraw-Hill Companies for 33 years, and throughout his career, he has undoubtedly proven himself to be a superb lawyer and tax specialist. But what is really striking about Frank is his terrific business judgment. Leaders around the company have relied heavily on his views on business issues quite apart from his world class tax skills. Over the years he has consistently provided valuable guidance to the Corporation and our operating units on mergers, acquisitions, divestitures, and other transactions. Frank, would you please stand so we can salute you with a round of applause?

I’ve spoken to you this morning about the powerful trends around which we have aligned our businesses, as well as how we are growing globally and expanding digitally. These are The McGraw-Hill Companies – strong, trusted, and leading, global brands with a worldwide network and infrastructure. We are strengthening that network and infrastructure through our Business Process Management and Global Resource Management initiatives, so we can serve our customers better, faster, and more efficiently.

We have also strengthened our network of global talent. One example is the McGraw-Hill Companies’ mentoring program, in which more than 1,000 employees have participated. The program was started by our Women’s Initiative for Networking and Success – or WINS – and I thank the leaders and members of WINS for their commitment to helping all of our employees develop to their full potential.

I also want to recognize the newest members of our Management Development Program, now in its 14th year. The program attracts top business school graduates who join our management ranks following three half-year work assignments in the company. This year’s class has six members. I kindly ask them to stand as I call their names: from the Harvard Business School, Tali Barash; from the Tuck School of Business at Dartmouth, Jenna Hutchins; from the Harvard Business School, Gaurav Marballi; from the Columbia Business School, Catherine Morison; from the Kellogg School of Management, Northwestern University, Parvathy Ramanathan; and from the Harvard Business School, Liz Taxin.

We are also bound together by our commitment to improving our communities. I’d like to name all the programs in which our employees volunteer, but there are far too many to list. I do want to mention our mentoring program with the students at Morris High School campus in the Bronx. Our students are here with their program coordinator, Betty Robinson, as well as representatives of Big Brothers/Big Sisters, which partners with us in this initiative. Would they all stand please?

I also want to acknowledge in particular the 350 employees of McGraw-Hill Higher Education from all around the world who – while in New Orleans for a conference – took time to work with a local nonprofit in repairing a middle school that had been severely damaged by Hurricane Katrina.
In closing, I want to say how deeply proud I am of all the men and women of The McGraw-Hill Companies, a talented workforce in 280 offices across 40 countries who adhere to the highest standards of integrity, independence, and analytical and editorial excellence. These values unite all of our businesses, and our commitment to them is yet another reason why our future is bright. And, once again, I want to thank our Board of Directors for its leadership, insight, and dedication, and all of you for your support and your continued investment in The McGraw-Hill Companies.

Thank you.

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