While the votes are being counted, let me welcome you all once again to McGraw-Hill’s 2011 Annual Meeting. At the conclusion of our meeting, I encourage you to visit our Digital Expo next door in the gallery, where you can experience our latest innovative products and services.

Clearly we’re in the midst of enormous change with technology transforming our world in ways we never thought possible. What that means is that companies can produce more with less. Virtually any job can be done virtually anywhere. And the best opportunities go to students and workers with the best educations.

Today, we convene at a critical moment in the history of the global economy. Around the world, developed countries are still recovering from the great recession. In the United States, the recovery has been slower than we hoped. Thankfully unemployment finally dipped below 9 percent earlier this year.

In the months ahead, deficits will continue to pose a major challenge for federal, state, and local governments. As governments slash spending, these cuts will place a damper on economic growth. In total, we expect the American economy to expand 2.9 percent this year, the same as last year.

While developed countries have recovered from the financial crisis slowly, developing countries are growing far faster. We expect the global economy will expand 3.7 percent in 2011 with emerging markets leading the way. China and India will once again post the best numbers of any major economies with projected growth rates of 9.5 percent and 8.3 percent, respectively—although inflation is a growing concern in these countries. In the long run, a more sustainable future for the global economy will depend on addressing complex challenges such as rising deficits and trade imbalances. These challenges are larger than any individual country, and, therefore, the solutions must be as well.

Now more than ever, prosperity in the United States depends on participation in the growth of markets abroad. The global economy is not a zero-sum game because the commodity that will most determine every country’s success is knowledge—and knowledge is a renewable and constantly growing resource. This is why you should be excited by the prospects of The McGraw-Hill Companies.
At McGraw-Hill, we have a vision for a smarter, better world where everyone can succeed in the knowledge economy.

- It is a vision for translating the unprecedented amounts of data that are generated into genuine insights and actionable information.
- It is a vision for translating the unprecedented amounts of data that are generated into genuine insights and actionable information.
- It is a vision for sharing these insights with more people in more countries than ever before.
- And it is a vision that unites every part of our company from the credit ratings of Standard & Poor’s…to the investment services of the new McGraw-Hill Financial…to the digital learning technologies of McGraw-Hill Education…to the real-time business intelligence of Platts, J.D. Power, and our other Information & Media brands.

It is true that different countries will always have different needs, but we know there is one need that will be universal—and that is the need for knowledge. I will return to this theme in a minute, but, first, allow me to discuss how this boosted our financial performance last year.

In 2010, we posted double-digit earnings-per-share growth. And we maintained the rock-solid financial position that investors have come to expect from McGraw-Hill. To start 2011, we increased our annual dividend for an amazing 38th consecutive year. It is a record that fewer than 25 companies in the S&P 500 can match.

In the months ahead, we expect to build on these outstanding achievements with another year of strong growth in markets around the world. Altogether, we project diluted earnings per share of $2.79 to $2.89 in 2011. We are already off to a good start. Yesterday, we announced first quarter results of $0.39 diluted earnings per share—an 18.2% increase over the same period last year.

Now to provide more information on these results as well as our numbers from last year, it is my pleasure to introduce our Chief Financial Officer, Jack Callahan.

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

Thank you, Terry.

It is indeed a pleasure to be representing The McGraw-Hill Companies in my first Shareholder’s Meeting

I want to cover three items this morning:
- First, I want to review the strong year that the company had in 2010;
- Then, remind you of the strong financial position we now have; and
- Lastly, discuss the solid start to 2011 and a promising outlook for the balance of the year

Earnings per share in 2010 were $2.69—our second best year ever. More importantly, the year marked a return to profit growth, close to 14%, after two years of decline in 2008 and 2009. Clearly, we are demonstrating the resiliency and power of our broad portfolio of products and services as we begin to emerge from the challenges of the financial crisis.
Let’s review the consolidated P&L performance:

- Revenue was approximately $6.17 billion, up 3.6% versus 2009. The organic top-line growth was a bit better at 5.3% as the overall results were impacted by the divestiture of *BusinessWeek* in late 2009.
- There was strong cost control across the organization as there was limited expense growth across the segments.
- Overall, the consolidated segment margins expanded 240 basis points to drive operating profits of approximately $1.6 billion, up over 14%; and
- Earnings per share was generally in line with these strong segment operating profits, with growth approaching 14%.

The performance across the segments did vary in 2010:

- McGraw-Hill Financial, which became a stand alone segment in 2011, had solid top-line growth of 6% with profits that were down modestly. However, as you may have heard from the first quarter results released yesterday, McGraw-Hill Financial started 2011 very strong with over 16% revenue growth and profits up by over a third. We anticipate double digit top-line and bottom-line growth for the full year, and we are very excited about the long term prospects for these businesses.
- Last year, S&P returned to growth aided in part by a real step up in the issuance of corporate debt, particularly high yield. Top-line growth was close to 11% with profits approaching 7%. We are investing in this business to strengthen capability and address regulatory requirements which continue to constrain margins into 1Q 2011; but, we anticipate accelerated profit growth over the balance of 2011.
- Information & Media, excluding the impact of the *BusinessWeek* divestiture, had top-line growth just over 6% as a strong performance at Platts offset challenges in the construction and auto markets. Bottom-line performance was exceptional as profits close to doubled in 2010, and Information & Media is off to a fast start in 2011.
- Education revenues were up close to 2% in challenging markets, and profits were up 25%. Going forward into 2011, we anticipate profits in Education to decline somewhat as we make investments to accelerate the transition to an ever more digital range of products and services.
- As an observation, the profit growth algorithm was a bit unusual in 2010 as Information & Media and Education drove much of the overall growth. But in 2011, we anticipate a larger contribution to growth from both S&P and McGraw-Hill Financial.

2010 was another year of robust cash flow performance:

- Cash from operations strong at $1.458 billion and we continued to invest back into the business.
- We continued to increase dividends. In 2010, the dividend was increased 4.4%, and looking forward into 2011 we announced earlier this year a 6.4% increased in the annual dividend to $1.00 a share.
- Our free cash flow in 2010 after dividends was over $880 million.
- Over 70% of this free cash flow was used for acquisitions, most notably TheMarkets.com, Tegrity and Pipal, and to repurchase shares on the open market.

We did leverage this strong cash flow to further strengthen our strong cash position. Cash and short term investments at the end of 2010 total were approximately $1.5 billion, up from $1.2 billion at the end of 2009.
Gross debt comprised of long-term unsecured senior notes was $1.2 billion. No commercial paper is outstanding. Therefore, the company was in a very strong financial position entering 2011 with a meaningful net cash position.

Turning to 2011, we announced our first quarter results yesterday morning, and the company is off to a solid start. We posted strong top-line growth close to 8%, our best result in some time, based on double-digit revenue growth at three of our four segments—McGraw-Hill Financial, S&P, and Information & Media.

EPS growth was even stronger at 18%…a good way to start the year.

Note that this is our sixth consecutive quarter of growth, both top-line and bottom, that started in late 2009…and we intend to maintain this growth momentum throughout 2011 as we are very much on-track with our full year guidance of:

- Mid-single digit revenue growth;
- EPS of $2.79 to $2.89, 4 to 7% growth;
- And another strong year of free cash flow over $700 million which we will use for select acquisitions, added strength to the balance sheet, and targeted share repurchases.

This completes my re-cap of 2010 results and this first look into 2011 which as you can see is off to a promising start.

Now, I will turn to podium back over to Terry.

Harold McGraw III
Chairman, President and CEO
The McGraw-Hill Companies

Thank you, Jack. Before I return to the theme of why you should be excited about our future, let me share a video showcasing our leadership role in the knowledge economy.

[video plays]

As the world moves from the Information Society to the Knowledge Economy our brands are enabling individuals, companies and countries to improve 21st century skills, guidance to investors, and global insights on finance, commodities and the capital markets. We have taken many steps to ensure we are even more relevant in a fast changing world. These measures are transforming McGraw-Hill in two key ways.

First, we are transforming into a more digital company. Over the decades, McGraw-Hill has earned a reputation for combining superior content with expansive reach. More recently, we have added another element to the mix—technology. Our investments in technology have moved us to the cutting edge of the digital revolution.

According to the Association of American Publishers, sales of e-books increased more than 160 percent last year. This isn’t an isolated trend. In the coming years, we expect the amount of digital data in the world to continue to grow exponentially. In a world awash with so much data, people need benchmarks
and standards that they can trust to make sense of it all—and that is where our brands make the difference.

We know how to convert data into knowledge. We can personalize information around the needs of our customers, so they can receive the insights they need anytime, anywhere, anyhow. About two-thirds of our business now comes from digital and hybrid-digital products and services. In short, technology is a huge opportunity for McGraw-Hill’s future.

Second, we are transforming into a more global company. The case for globalization is obvious when you consider that 95 percent of consumers live outside the United States. We project that over the next five years, emerging markets could account for as much as 75 percent of the world’s economic growth.

In recent years, I have spent considerable time visiting the world’s two largest emerging markets—India and China. I have seen how these countries present unparalleled opportunities for our company. As these markets continue to grow, they will need to increase their supply of two critical forms of capital—human capital and financial capital.

As a company at the intersection of education and financial information, McGraw-Hill will play a critical role in meeting these needs. Today, we are expanding rapidly around the world. In the first quarter, we grew our sales in emerging markets by more than 20%. In addition, more than half of Platts’ revenue comes from markets outside the United States and nearly 50% of S&P’s revenue is derived outside the U.S.

By becoming a more global and more digital company, we have an opportunity to serve our customers in ways never before possible.

- It is a vision for translating the unprecedented amounts of data that are generated into genuine insights and actionable information.
- We can reach people in places that were once considered unreachable.
- We can grow globally while catering to local needs.
- And we can create a smarter, better world by building a smarter, better company.

Across all four of our business segments, we are positioning ourselves for growth by positioning our customers for success in the knowledge economy. Let’s look at our segments one by one.

**Standard & Poor’s**

At our first segment, Standard & Poor’s, we understand that success in the knowledge economy begins with a stronger and more sustainable financial system. We need a system that:

- Combines greater transparency with greater accountability,
- Gives consumers and investors the protections they deserve,
- Ensures a level playing field,
- And provides businesses with the capital they need to create new jobs and grow our economy.

For more than 150 years ago, S&P has worked to turn this vision into a reality. I am pleased to report that 2010 was no exception.

- It was a year when we continued to respond to the lessons of the financial crisis by making our ratings more transparent and more comparable across different asset classes.
- It was a year when we worked closely with governments around the world as they enacted new financial regulations, including the Dodd-Frank Act in the United States.
It was a year when we rapidly adapted to these changes by investing in a control framework called QCCR, which stands for quality, criteria, compliance, and risk. And it was a year when we developed new tools for explaining what our ratings mean and how they can help investors.

As clarity has returned to global debt markets, conditions have ripened for growth. In 2010, the corporate high-yield market broke a record for new dollar volume issuance. We forecast favorable conditions again in 2011.

- Refinancing activity is picking up as companies look to replace existing bonds with cheaper debt.
- Credit spreads are tightening.
- Merger and acquisition activity is rising.
- Deleveraging by banks is spurring growth in public debt markets.
- Investors are showing an increasing appetite for risk.
- And perhaps most important, confidence continues to improve.

The result is higher issuance and higher demand for our ratings. As we look to the future, our ratings will play an increasingly important role in the developing world. For example, in India, Standard & Poor’s is the majority owner of CRISIL—India’s leading ratings, research, and risk and policy advisory company.

In 2005, CRISIL began rating the creditworthiness of small and medium enterprises, better known as SMEs. These businesses account for nearly half of the country’s industrial output. After issuing 10,000 ratings in the first five years of the program, CRISIL issued 10,000 ratings in just over one year. This exponential growth shows how ratings can help businesses around the world access the capital they need to grow and create new jobs.

**McGraw-Hill Financial**

At our newest segment, McGraw-Hill Financial, we understand that success in the knowledge economy means making smart investments today for a more prosperous tomorrow. When we launched McGraw-Hill Financial last year, we had a vision for a business that serves professionals from investment funds to asset managers to bankers.

The brands of McGraw-Hill Financial include well-known names such as Capital IQ and S&P Indices. While these brands were successful on their own, we believe that together, they can be more than the sum of their parts. We began testing this concept a few years ago when we started combining our financial information, data, and analytics on a common marketing and sales platform.

The result is something greater than just a billion-dollar-plus business. It is a foundation for innovation and for providing investors with a powerful investment and analytical platform. For example, we recently launched a product that has transformed the fixed-income market. It is called Risk-to-Price, or R2P. In the wake of the financial crisis, we saw institutional investors struggling with a simple question: Is a bond’s return worth its risk? With R2P, we can provide an answer.

Using an advanced methodology, R2P scores bonds against each other—the higher the score, the better the investor is being compensated relative to the risk. As a result, investors can make smarter decisions, so they can achieve a better balance between risk and return for their financial needs. Expect more innovation from McGraw-Hill Financial in the months ahead.
McGraw-Hill Education

At our next segment, McGraw-Hill Education, we understand that success in the knowledge economy requires lifelong learning. Students and workers need to be constantly updating their skills, so they can keep pace with an ever-changing job market. On this front, there is good news and bad news.

Here is the bad news:

 We see a growing gap between the skills that students are learning in school and the skills that they need to succeed in the knowledge economy. In the United States, the problem begins in our K–12 education system where more than a million students drop out of high school each year.
 Among students who do graduate high school, less than a quarter meet every standard for college readiness. As a result, the United States has fallen from boasting the highest percentage of 25 to 34-year-olds with college degrees to ranking in the middle of the pack.
 That bodes poorly for America’s future given that more than 60 percent of all jobs will require postsecondary education by 2018. Already the unemployment rate for workers with only a high school degree is about twice as high as the rate for workers with a college degree.

Now for the good news:

 Thanks to advances in technology, we have the opportunity of the century to make higher education more effective, more affordable, more accessible, and more adaptive than ever before.

Digital learning has become the new frontier of education, and we at McGraw-Hill are blazing the trail. Last year in higher education, we experienced double-digit growth for our digital products and services. Take the story of Professor Igor Dolgov, who teaches an introductory psychology course at New Mexico State University. He wanted to give his students a more engaging, more interactive, and more personalized educational experience, so he turned to LearnSmart. He says, quote, “The more time students spent with LearnSmart, the better scores they achieved.” The message is clear: When students “learn smart,” they learn more.

To prepare students for the challenges of postsecondary education, we also need to ensure they first receive a world-class education early in life. While tight state budgets continue to constrain spending for elementary and high school education, I am pleased to report that we successfully obtained about 30 percent of the new state adoption market and increased our market share in 2010.

The United States is far from alone in struggling to prepare its workforce for the knowledge economy. Around the world, we see developing nations facing similar challenges, and we are determined to help. Through digitalization of education, it will be possible to deliver career training and test preparation to students and workers whenever, wherever. This is a great example of how countries can bring hope to those who otherwise would have no access to high-quality education.

McGraw-Hill Information & Media

At our final segment, McGraw-Hill Information & Media, we believe that businesses cannot succeed in the knowledge economy with quality products alone. They also need superior market intelligence. At a time when markets are changing by the minute, companies cannot afford to fall behind the curve. So they are turning to our brands for real-time information in the fields that will shape the future—from automobiles and aviation to energy and construction.
We showcased our market leadership last year when Platts transformed the iron ore market for the better. Iron ore is a key ingredient in steel production, so it should come as no surprise that it makes up a 245 billion dollar global market. China alone produces more than 500 million metric tons each year as it transforms into an industrial powerhouse. In 2010, a new level of transparency became possible when Platts introduced IODEX—the world’s first daily spot market reference for iron ore.

This benchmark has brought pricing for iron ore into the 21st century. And it has reminded people around the world about the secret of our company’s success: We succeed by helping others succeed. As I look to the future, I have high expectations for our company because I have high expectations for the markets we serve. I see a future:

- Where students achieve higher standards,
- Where the financial system grows stronger and more sustainable,
- Where businesses can access the capital they need to create new jobs,
- Where knowledge brings light to dark corners of the globe, and
- Where countries can grow their economies in prosperity and peace.

In short, I see a smarter, better world everyone can succeed.

I am privileged to work alongside more than 20,000 men and women who share this vision for the future. While much has changed over the years, our employees continue to be our company’s greatest asset. I am grateful for the insights they share, for the innovations they inspire, and for the integrity they show. Together, we made 2010 a year of achievement. And together, we will make 2011 even better. I thank all of you for your support, and now I would be happy to answer your questions.

To access the accompanying slides online, go to:

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This presentation contains forward-looking statements, including without limitation statements relating to our businesses and our prospects, new products, sales, expenses, tax rates, cash flows, prepublication investments and operating and capital requirements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are intended to provide management’s current expectations or plans for our future operating and financial performance and are based on assumptions management believes are reasonable at the time they are made. Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “plan,” “estimate,” “project,” “target,” “anticipate,” “intend,” “may,” “will,” “continue” and other words of similar meaning in connection with a discussion of future operating or financial performance. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual outcomes and results could differ materially from what is expected or forecasted. These risks and uncertainties include, among others: worldwide economic, financial, political and regulatory conditions; currency and foreign exchange volatility; the effect of competitive products and pricing; the level of success of new product development and global expansion; the level of future cash flows; the levels of capital and prepublication investments; income tax rates; restructuring charges; the health of debt and equity markets, including credit quality and spreads, the level of liquidity and future debt issuances; the level of interest rates
and the strength of the capital markets in the U.S. and abroad; the demand and market for debt ratings, including collateralized debt obligations (CDOs), residential and commercial mortgage and asset-backed securities and related asset classes; the state of the credit markets and their impact on S&P and the economy in general; the regulatory environment affecting S&P; the level of merger and acquisition activity in the U.S. and abroad; the level of funding in the education market; School Education Group’s level of success in adoptions and open territories; enrollment and demographic trends; the strength of School Education Group’s testing market, Higher Education, Professional and International Group’s publishing markets and the impact of technology on them; continued investment by the construction, automotive, computer and aviation industries; the strength of the domestic and international advertising markets; the level of political advertising; the strength and performance of the domestic and international automotive markets; the volatility of the energy marketplace; and the contract value of public works, manufacturing and single-family unit construction. We caution readers not to place undue reliance on forward-looking statements.