

**The McGraw-Hill Companies
Annual Shareholders Meeting**

Prepared Remarks
April 28, 2010

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

While the votes are being counted, let me welcome you all once again to McGraw-Hill's 2010 Annual Meeting. Much has happened since we met at this time one year ago. With so much going on, it is fitting to take a step back, so we can look at the bigger picture.

Over the past year, we have seen the worst recession in recent memory give way to gradual recovery. In the developed world, we expect GDP numbers for 2010 to rebound from last year's declines with 3.1 percent growth in the United States, 1.2 percent growth in Europe, and 1.5 percent growth in Japan. In the developing world, we expect key emerging economies to expand far faster with 10 percent growth in China and 8 percent growth in India. And in total, we expect the overall global economy to expand 3.5 percent for the year.

In the United States, we see many reasons for cautious optimism. While unemployment remains high at 9.7 percent, the private sector added an encouraging 123,000 jobs in March. While the market for private construction continues to drag, both consumer spending and business equipment spending have picked up in recent months. And while the housing market remains weak, sales are about 16 percent higher now than at the same time last year. As Standard & Poor's Chief Economist David Wyss recently wrote in his monthly U.S. Economic Forecast, "We still expect a slower-than-normal economic recovery, but it looks better than we feared three months ago."

As the immediate economic crisis passes, the United States and other countries will have to address longer-term challenges such as rising debt levels and global trade imbalances. Above all, we must work together to lay a foundation for stronger and more sustainable economic growth in the decade ahead. In other words, we must make 2010 the beginning of something new—the beginning of a smarter, better world.

With our annual report this year, we at McGraw-Hill offered our vision for this smarter, better world. It is a vision for providing knowledge and insights in ways never before possible. It is a vision for realizing the possibilities of an increasingly digital and global economy. And it is a vision that unites every part of our company—from the financial services of Standard & Poor's and Capital IQ to the instructional programs of McGraw-Hill Education to the business information of J.D. Power, Platts, and other brands.

This is the vision that I want to share with you today. I will discuss how we are working with our partners and customers to create a smarter, better world while transforming McGraw-Hill into a smarter, better company. Together, we will make 2010 a year of growth at every level:

- Personal growth for students and workers;
- Economic growth for companies and markets; and
- Enduring financial growth for our company.

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After successfully managing through the most challenging economy in a generation, we have begun 2010 with strong momentum and many reasons for confidence in the future. Underscoring this confidence, we announced plans to increase our annual dividend for the 37th consecutive year in January. It is a record that fewer than 30 companies on the S&P 500 can match. Since 1974, our annual dividend has grown at an average compound rate of 9.9 percent. And since 1996, I am proud to report that we have returned about 9.4 billion dollars to shareholders through dividends and stock buybacks.

Yesterday, we received more positive news with the release of our first quarter earnings. Our diluted earnings per share grew 65 percent—significantly exceeding analyst expectations. Now to provide more details on these results as well as our results from last year, it's my pleasure to reintroduce our Chief Financial Officer—Bob Bahash.

Robert J. Bahash

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

Thank you, Terry.

Despite a very challenging operating environment last year, we were committed to maintaining the company's strong financial position. In the midst of a global economic downturn and the prospects of declining earnings, four key financial goals were a corporate priority. They were:

- Strengthening the balance sheet;
- Enhancing liquidity;
- Containing and reducing costs; and
- Positioning the company for growth once the economy began to recover.

We achieved every one of these goals in 2009, which enabled us to enter 2010 in a very strong financial position. Let me briefly touch on each.

We generated approximately \$770 million in free cash flow in 2009—which was a 53% improvement over 2008 and far exceeded our initial forecast of \$430 million–\$450 million. We anticipate another year of strong free cash flow in 2010. However, more challenging working capital comparisons and increased investments will result in a figure closer to the \$550-600 million range. I would point out that our free cash flow projections are after all investments and dividend payments.

We had a net cash position at the end of March of approximately \$37 million—compared with a net debt position of approximately \$860 million at the same time last year. Our debt is almost entirely long-term, and no major debt repayment is due until 2012, with the majority not due until 2017 at the earliest.

Our liquidity is even stronger today than it was at this time last year. In addition to our excess cash on the balance sheet, we have backup credit facilities with 17 major banks totaling \$1.2 billion that support our commercial paper borrowing program. While we currently have no commercial paper outstanding, we can access this market at attractive rates, on an as-needed basis.

Despite increases in incentive compensation, consolidated adjusted expenses declined by 4.7% in 2009. This was a testament to our improved efficiency and disciplined approach to investing in our key businesses.

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We said in January that we expect expenses to increase in 2010 as we make certain investments to capture the opportunities being generated by the global economic recovery. That said, cost containment remains a priority, and we've taken several steps to improve our efficiency.

- Our Business Process Management program, or BPM, is helping us find better, more efficient ways to run our operations and approach market opportunities.
- We kept inventory and pre-publication costs low, while continuing to meet market requirements.
- And we continue to offer a range of global shared services across the company—including technology and global procurement—that has enabled us to be more efficient and reduce costs.

As a result of all of these actions and improving prospects in our key markets, we ended 2009 on a strong note. In the fourth quarter, diluted EPS grew 43.2% to 53 cents, bringing our full-year 2009 earnings to \$2.33.

We have seen that momentum continue in the first quarter of 2010. As Terry said earlier, our diluted EPS grew 65% in the first quarter to 33 cents—far exceeding analyst expectations. We also grew the top line, while driving margin improvement in all three segments.

To build on this momentum—as Terry will discuss later—we will continue to invest in those parts of our business that present the best opportunities for growth—in particular our continued digital transformation and the expansion of our global presence.

All of these actions have helped us begin 2010 on a very strong note and give us great confidence in our long-term growth prospects.

With that, let me turn it back over to Terry, who will talk more about the trends for our business and our vision for the future.

Harold McGraw III

Chairman, President and CEO
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Thank you, Bob. As you have heard, we have begun this year with reason for confidence. Altogether, we project diluted earnings per share of two dollars and fifty-five cents to two dollars and sixty-five cents in 2010 versus two dollars and thirty-three cents in 2009. As the global economy continues to recover, we believe the world will need our financial, education, and information and media services more than ever. As a result, I am pleased to report that the trends for all three of our business segments are pointing in one direction—and that direction is up.

Let's start with financial services, where this year marks Standard & Poor's 150th anniversary. Over the decades, the employees of Standard & Poor's have always measured their success by the value their insights bring to investors. And while the global economy has changed in many ways, S&P's commitment to integrity and transparency never has, and it never will.

On both sides of S&P's business—investment services and credit ratings—we have seen conditions improve dramatically since the credit crunch brought the global economy to a virtual standstill during the depths of the financial crisis.

On the investment services side, we achieved two major milestones at the end of last year. First, subscribers for Capital IQ's web-based financial tools rose by nearly 10 percent in 2009 to a new record high. Second, S&P Indices finished the fourth quarter by surpassing its pre-crisis record for assets under management in exchange-traded funds. At the end of the first quarter of 2010, that number stood at another all-time high of 254.2 billion dollars. And in the year ahead, we will continue expanding our collection of indices as part of our commitment to providing an index for every kind of investment.

On the rating side, a combination of factors have come together to help bring new life to the credit markets. Confidence has begun returning. Spreads have narrowed. And business investment has started to pick up.

Our credit ratings have also played an important role. They provide investors with a common benchmark for assessing risk across different sectors, geographies, and time. And they help facilitate efforts by companies and municipalities to raise funds for creating new jobs, providing critical services, and generating economic growth.

As bond issuance has picked up, so has demand for our credit ratings. It is true, however, that recovery has come far more slowly in the securitization market. This is not surprising given the prominent role that mortgage-backed securities played in the recent financial crisis. Yet in the long run, we believe a growing economy will need a revitalized securitization market that is more robust and sustainable than before.

As investors return to this market, they will find that we have taken significant steps to improve our ratings in response to the lessons of the crisis. Our ratings are now more transparent, more comparable, and more stable. Let me take those one at a time:

- To make our ratings more transparent, we are providing investors with more information than ever before about our underlying assumptions.
- To make our ratings more comparable across different sectors and time, we have revised our ratings criteria and strengthened our analytics.
- And to make our ratings more stable, we have adopted measures to better account for the impact of periods of severe economic stress.

As we have made these internal reforms, we have also continued to work closely with governments around the world on broader systemic reforms. We fully support proposals that will increase transparency and accountability and restore confidence in the markets. Specifically for credit ratings, we believe these proposals should preserve analytical independence, foster competition across the industry, and provide a globally consistent benchmark. And in the near future, we hope Members of Congress will move forward with comprehensive legislation, so we can provide investors with needed clarity and lay the foundation for a more sustainable financial future.

On the legal front, we received welcome news last week when a New York State Court dismissed a case against Standard & Poor's. Meanwhile, federal courts at last count have issued orders dismissing a total of 12 cases against the company, including 11 since the just the beginning of the year. While during that same period a motion to dismiss two related cases has been denied pending discovery, we believe both these cases are without merit and will ask the court to dismiss them as soon as discovery is concluded. In the cases that have already been dismissed, the courts have issued clear and unambiguous decisions which have served as a reminder that rating agencies are not underwriters, that credit ratings are views about credit risk, and that they are not buy, hold, or sell recommendations.

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Now let's turn to education. As the global economy continues its recovery, McGraw-Hill Education's mission is more important than ever before. In a job market where candidates outnumber openings, education can make all the difference between landing a new position and losing out. As a result, more students and workers are seeking higher education than ever before.

Last year, these dynamics came together to produce a year of robust growth for McGraw-Hill Higher Education. While college enrollments will likely not increase as much this year, we expect the division's momentum to continue. In his State of the Union address, President Obama pledged that, quote, "By 2020, America will once again have the highest proportion of college graduates in the world." This is a worthy and necessary goal for the decade ahead. Simply put, higher education is no longer a luxury; it is a necessity.

Meanwhile, in America's elementary and secondary market, state and local budget woes continue to constrain spending. Yet even during these lean times, education is an investment in the future that we cannot afford to postpone. As a result, we see governments at all levels making new investments in education.

- At the state level, the market for new textbook adoptions will be larger.
- And at the federal level, we expect the administration to release more funding from the unprecedented pool of about 100 billion dollars set aside for education in last year's stimulus package.

In the year ahead, we also expect the debate over No Child Left Behind's future to keep education reform on the front page. To stay ahead of the curve, we have reorganized our pre-K-12 business into new learning centers that mirror the priorities driving education reform today. These centers will focus on critical issues such as college and career readiness, and intervention and special needs. And we see them as part of a comprehensive strategy for preparing today's students for the opportunities of tomorrow.

No one has a better understanding of what those opportunities will be than our final business segment—information and media. Our brands are producing cutting-edge analysis of the industries that will define the future of the global economy—industries such as automobiles, aviation, energy, and construction.

In recent years, our business model for delivering this information has changed in many ways. We have gone from publishing our insights to embedding them digitally into customer workflows. In the energy market, for example, Platts offers an advanced e-Window that enables buyers and sellers to submit their trading positions with the click of a mouse. In turn, the company uses the real-time data from this system to provide the market with important price assessments.

As we have made these changes, we have dramatically reduced our dependence on advertising. In fact, advertising now only accounts for about two percent of our company's total revenue. Given these realities, we made the difficult decision to sell one of the most storied names in publishing last year—*BusinessWeek*. For 80 years, *BusinessWeek*'s writers and editors represented McGraw-Hill's highest ideals, and we will always take pride in our long history together.

In all three of the business segments that I have discussed—financial services, education, and information and media—we understand that a smarter, better world will require a smarter, better company. So we have begun transforming McGraw-Hill around two trends that are reshaping the economic landscape—digitization and globalization.

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The first trend is digitization. Around the world, advances in technology are generating new opportunities for our company. Consider this stat: By 2012, the amount of digital data in the world will be five times larger than it was in 2008. With so much information, people need benchmarks and standards they can trust to make sense of it all. And that's where McGraw-Hill comes in. We know how to produce quality from quantity.

Across our business, we have moved to the forefront of the digital age. And nowhere is this truer than in education. We are seeing double-digit growth for our digital offerings in higher education. Simply put, the digitization of education is the opportunity of the century for personalizing instruction around the needs of students. When I visited the McGraw-Hill Higher Education national sales meeting in January, I saw how our employees have embraced the possibilities. In just one year's time, they took a relatively unknown product called McGraw-Hill Connect® and turned it into the world's most successful all-digital course manager. Today, McGraw-Hill Connect® has more than 1.2 million users.

Among those users are psychology students at the University of Southern Mississippi. In an article in *The Wall Street Journal*, their professor explained that he was skeptical when he first introduced Connect to his class. That is until he saw the results on the first quiz. Student performance rose by one letter grade.

Now we are building on the success of McGraw-Hill Connect® with a new digital program for instructors. It's called McGraw-Hill Create™, and it's changing the face of custom publishing. Using this web-based platform, college instructors can build their own course materials from a selection of nearly 4,000 McGraw-Hill books along with thousands of articles, case studies, and other resources. We understand that digital learning is the new frontier of education, and we are determined to continue blazing the trail.

The second trend that is reshaping the economic landscape is globalization. As the long-time chair of the Emergency Committee for American Trade, I have spoken all around the world about the benefits of global trade and investment. At McGraw-Hill, we have seen these benefits firsthand. In total over the past eight years, we have seen our revenue grow faster abroad than at home. Last year, foreign sources accounted for 29 percent of our revenue with emerging markets growing in importance.

Over the past year, I travelled with a senior management team to two of the world's most important emerging markets—China and India.

In November, we spent a week in Beijing and Shanghai meeting with government and business leaders. We introduced our talented new vice president and general manager for China—Yan Zhang. And we announced a series of new partnerships. Through a first-of-its-kind index, for example, J.D. Power will partner to evaluate Chinese cities as destinations for business process outsourcing. It's part of our larger commitment to supporting China's rapid economic development from a mostly export-driven manufacturing economy toward a more service-based knowledge economy.

More recently in March, we visited Mumbai and Delhi, where we celebrated the 40th anniversary of McGraw-Hill's business in India. Over the past four decades, we have witnessed tremendous changes in the country. Rapid growth has freed millions from poverty. It has expanded the ranks of the middle class. And it has brought the world's largest democracy to the forefront of the digital age.

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At McGraw-Hill, we have been proud to play a part in this remarkable growth story. Outside the United States, India has become our third largest market and home to our largest employee base. Our brands in the country include some of the leading names in education and financial services. And in each of these areas, we have built strong partnerships with Indian companies.

In education, our partnership with Tata has given rise to one of India's leading education companies—Tata McGraw-Hill. During my trip, we spent time with the company's outstanding managing director—Ajay Shukla. We visited one of our new professional development courses where students are learning the skills to succeed in India's rapidly growing retail industry. And we announced plans to expand these training courses to more fields, so we can prepare India's students and workers for the jobs of the 21st century.

In financial services, Standard & Poor's is the majority owner of CRISIL—India's leading ratings, research, and risk and policy advisory company. During my trip, we were honored to attend a ceremony where CRISIL awarded its 10,000th rating for the small and medium enterprises that account for nearly half of the country's industrial output.

Shortly afterward, we attended another ceremony, where we officially dedicated CRISIL's new environmentally friendly headquarters. It is a credit to the visionary leadership of CRISIL's managing director and CEO—Roopa Kudva. And it is a testament to our commitment to growing India's economy while being good stewards of the environment.

In the months ahead, we believe the trends that I have discussed will come together to produce a year of strong growth for our company. It will be a year when we continue expanding in emerging markets. It will be a year when we pioneer new digital innovations. And it will be a year when we lay the groundwork for a decade of greater prosperity for all.

I have confidence in the future of this company because I have confidence in the character of our employees. They have always been—and always will be—our greatest strength. Now we'll share a short video that features interviews with five of our company's top thought leaders. You'll see how their integrity builds trust for our brands, how their insights set our analysis apart in a world awash with choices, and how their passion drives our commitment to creating a smarter, better world. Let's play the video.

[The video plays.]

Now that you have heard from some of our finest leaders of today, let me close by introducing you to some of our most promising leaders of tomorrow. Over the past 17 years, McGraw-Hill's Management Development Program has achieved an outstanding record of attracting top business school talent. Members of the program complete three different half-year assignments inside the company before joining our management ranks. And in this year's class, we are proud to welcome three distinguished business school graduates. Please stand when I call your names.

- From the Booth School of Business, Omer Dvir
- From the Wharton School, Rachelle Martins
- From the Darden School of Business, Vinit Srivastava

These graduates have joined McGraw-Hill at a moment of great opportunity. Across our business, we are united in our vision for a smarter, better world. And together with our customers and partners, we will make that vision a reality. It's an honor to be part of such a company. I thank you for giving all of us that opportunity, and I am grateful for your continued support.

“Safe Harbor” Statement Under the Private Securities Litigation Reform Act of 1995

This document includes certain forward-looking statements about our businesses and our prospects, new products, sales, expenses, tax rates, cash flows, prepublication investments and operating and capital requirements. Such forward-looking statements include, but are not limited to: the strength and sustainability of the U.S. and global economy; the duration and depth of the current recession; Educational Publishing’s level of success in 2010 adoptions and in open territories and enrollment and demographic trends; the level of educational funding; the strength of School Education including the testing market, Higher Education, Professional and International publishing markets and the impact of technology on them; the level of interest rates and the strength of the economy, profit levels and the capital markets in the U.S. and abroad; the level of success of new product development and global expansion and strength of domestic and international markets; the demand and market for debt ratings, including corporate issuance, CDO’s, residential and commercial mortgage and asset-backed securities and related asset classes; the continued difficulties in the credit markets and their impact on Standard & Poor’s and the economy in general; the regulatory environment affecting Standard & Poor’s; the level of merger and acquisition activity in the U.S. and abroad; the strength of the domestic and international advertising markets; the strength and the performance of the domestic and international automotive markets; the volatility of the energy marketplace; the contract value of public works, manufacturing and single-family unit construction; the level of political advertising; and the level of future cash flow, debt levels, manufacturing expenses, distribution expenses, prepublication, amortization and depreciation expense, income tax rates, capital, technology, restructuring charges and other expenditures and prepublication cost investment.

Actual results may differ materially from those in any forward-looking statements because any such statements involve risks and uncertainties and are subject to change based upon various important factors, including, but not limited to, worldwide economic, financial, political and regulatory conditions; currency and foreign exchange volatility; the health of debt and equity markets, including interest rates, credit quality and spreads, the level of liquidity, future debt issuances including, corporate issuance, residential and commercial mortgage-backed securities and CDO’s backed by residential mortgages, related asset classes and other asset-backed securities; the implementation of an expanded regulatory scheme affecting Standard & Poor’s ratings and services; the level of funding in the education market (both domestically and internationally); the pace of recovery in advertising; continued investment by the construction, automotive, computer and aviation industries; the successful marketing of new products, and the effect of competitive products and pricing.