

MCGRAW-HILL COMPANIES INC

FORM 10-Q (Quarterly Report)

Filed 8/13/1996 For Period Ending 6/30/1996

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Sector	Services
Fiscal Year	12/31

**UNITED STATES SECURITIES AND EXCHANGE
COMMISSION**
Washington, D.C. 20549
FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 1996

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-1023

THE MCGRAW-HILL COMPANIES, INC.

(Exact name of registrant as specified in its charter)

New York

13-1026995

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1221 Avenue of the Americas, New York, N.Y.

10020

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (212) 512-2000 Not Applicable

(Former name, former address and former fiscal year, if changed since
last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

On July 26, 1996 there were approximately 99.4 million shares of Common Stock (par value \$1.00 per share) outstanding.

The McGraw-Hill Companies, Inc.

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PART I

Financial Information

Item 1. Financial Statements

The McGraw-Hill Companies, Inc.

 Consolidated Statement of Income

 Periods Ended June 30, 1996 and 1995

	Three Months		Six Months	
	1996	1995	1996	1995
	(In thousands, except per-share data)			
Operating revenue	\$ 710,934	\$ 712,782	\$1,294,785	\$1,281,330
Expenses:				
Operating	327,076	324,339	620,265	605,639
Selling and general	226,302	230,000	442,902	445,063
Depreciation and amortization	53,632	57,686	94,258	98,723
Total expenses	607,010	612,025	1,157,425	1,149,425
Other income - net	4,728	5,396	9,970	10,765
Income from operations	108,652	106,153	147,330	142,670
Interest expense - net	12,412	16,289	23,831	29,079
Income before taxes on income	96,240	89,864	123,499	113,591
Provision for taxes on income	39,074	37,023	50,141	46,799
Net income	\$ 57,166	\$ 52,841	\$ 73,358	\$ 66,792
Earnings per common share (Note 1)	\$ 0.57	\$ 0.53	\$ 0.73	\$ 0.67
Average number of common shares outstanding (Note 1)	100,311	99,660	100,447	99,538

The McGraw-Hill Companies, Inc.

Consolidated Balance Sheet

	June 30, 1996	Dec. 31, 1995	June 30, 1995
	(In thousands)		
ASSETS			
Current assets:			
Cash and equivalents	\$ 4,828	\$ 10,250	\$ 19,031
Accounts receivable (net of allowance for doubtful accounts) (Note 3)	785,912	855,372	781,359
Receivable from broker-dealers and dealer banks (Note 4)	7,388	9,674	17,461
Inventories (Note 3)	294,239	238,030	295,727
Prepaid income taxes	71,775	67,128	70,171
Prepaid and other current assets	75,865	59,351	62,602
Total current assets	1,240,007	1,239,805	1,246,351
Prepublication costs (net of accumulated amortization) (Note 3)	315,257	268,200	277,994
Investments and other assets:			
Investment in Rock-McGraw, Inc. - at equity	64,275	61,797	59,875
Prepaid pension expense	101,414	98,177	91,515
Other	156,452	141,861	151,239
Total investments and other assets	322,141	301,835	302,629
Property and equipment - at cost	839,370	827,307	808,978
Less - accumulated depreciation	518,829	491,178	474,346
Net property and equipment	320,541	336,129	334,632
Goodwill and other intangible assets - at cost (net of accumulated amortization)	948,945	958,420	973,051
	\$3,146,891	\$3,104,389	\$3,134,657
	=====	=====	=====

The McGraw-Hill Companies, Inc.

Consolidated Balance Sheet

	June 30, 1996	Dec. 31, 1995	June 30, 1995
	(In thousands)		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes payable	\$ 238,860	\$ 71,299	\$ 286,493
Accounts payable	185,443	215,179	172,611
Payable to broker-dealers and dealer banks (Note 4)	6,834	7,469	16,846
Accrued liabilities	145,304	188,382	137,146
Income taxes currently payable	103,474	70,405	79,412
Unearned revenue	238,978	241,816	229,389
Other current liabilities	202,615	251,909	191,274
Total current liabilities	1,121,508	1,046,459	1,113,171
Other liabilities:			
Long-term debt (Note 5)	556,734	557,365	657,705
Deferred income taxes	138,965	140,531	125,115
Accrued postretirement healthcare and other benefits	204,722	200,100	201,324
Other non-current liabilities	128,668	124,868	110,559
Total other liabilities	1,029,089	1,022,864	1,094,703
Total liabilities	2,150,597	2,069,323	2,207,874
Shareholders' equity (Notes 1 and 6):			
Capital stock	102,933	102,933	102,933
Additional paid-in capital	37,411	26,740	23,653
Retained income	1,037,916	1,030,526	930,064
Foreign currency translation adjustments	(58,355)	(56,247)	(49,964)
	1,119,905	1,103,952	1,006,686
Less - common stock in treasury-at cost	111,256	60,778	68,285
unearned compensation on restricted stock	12,355	8,108	11,618
Total shareholders' equity	996,294	1,035,066	926,783
	\$3,146,891	\$3,104,389	\$3,134,657
	=====	=====	=====

The McGraw-Hill Companies, Inc.

Consolidated Statement of Cash Flows

For The Six Months Ended June 30, 1996 And 1995

	1996	1995
	(In thousands)	
Cash flows from operating activities		
Net income	\$ 73,358	\$ 66,792
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	35,175	32,847
Amortization of goodwill and intangibles	18,054	18,891
Amortization of prepublication costs	41,029	46,985
Provision for losses on accounts receivable	35,287	32,896
Other	603	354
Changes in assets and liabilities net of effect of acquisitions and dispositions:		
Decrease/(increase) in accounts receivable	30,930	(38,062)
Increase in inventories	(51,680)	(84,103)
Increase in prepaid and other current assets	(19,052)	(11,210)
Decrease in accounts payable and accrued expenses	(74,521)	(45,051)
Decrease in unearned revenue	(2,820)	(10,598)
Decrease in other current liabilities	(48,903)	(45,530)
Increase in interest and income taxes currently payable	34,074	24,968
(Decrease)/increase in prepaid/deferred income taxes	(1,505)	456
Net change in other assets and liabilities	(4,179)	(5,433)
Cash provided by/(used for) operating activities	65,850	(15,798)
Investing activities		
Investment in prepublication costs	(83,801)	(57,261)
Purchases of property and equipment	(19,990)	(21,525)
Acquisition of businesses	(25,809)	(24,264)
Disposition of businesses	6,335	429
Other	861	880
Cash used for investing activities	(122,404)	(101,741)
Financing activities		
Dividends paid to shareholders	(65,968)	(59,780)
Additions to short-term debt - net	167,821	181,230
Repurchase of treasury shares	(62,117)	-
Exercise of stock options	14,846	8,522
Other	(3,450)	(1,458)
Cash provided by financing activities	51,132	128,514
Net change in cash and equivalents	(5,422)	10,975
Cash and equivalents at beginning of period	10,250	8,056
Cash and equivalents at end of period	\$ 4,828	\$ 19,031

The McGraw-Hill Companies, Inc.

Notes to Financial Statements

1. The financial information in this report has not been audited, but in the opinion of management all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly such information have been included. The operating results for the three and six month periods ended June 30, 1996 and 1995 are not necessarily indicative of results to be expected for the full year due to the seasonal nature of some of the company's businesses. The financial statements included herein should be read in conjunction with the financial statements and notes included in the company's Annual Report on Form 10-K for the year ended December 31, 1995.

On January 31, 1996, the Board of Directors declared a two-for-one stock split of the company's common stock which was distributed on April 26, 1996 to all shareholders of record on March 28, 1996. Accordingly, all references to common share data in the financial statements and notes have been restated to reflect the split.

Certain prior year amounts have been reclassified for comparability purposes.

2. Operating profit by segment is total operating revenue less expenses which are deemed to be related to the unit's operating revenue. A summary of operating results by segment for the three months and six months ended June 30, 1996 and 1995 follows:

	1996		1995	
	Revenue	Operating Profit	Revenue	Operating Profit
	(In thousands)			
Three Months				

Educational and Professional Publishing	\$277,580	\$ 26,443	\$301,610	\$ 31,220
Financial Services	207,088	63,603	192,075	55,975
Information and Media Services	226,266	31,984	219,097	32,497

Total operating segments	710,934	122,030	712,782	119,692
General corporate expense	-	(13,378)	-	(13,539)
Interest expense - net	-	(12,412)	-	(16,289)

Total company	\$710,934	\$ 96,240*	\$712,782	\$ 89,864*
	=====	=====	=====	=====

*Income before taxes on income.

The McGraw-Hill Companies, Inc.

Notes to Financial Statements

	1996		1995	
	Revenue	Operating Profit	Revenue	Operating Profit
Six Months	(In thousands)			
Educational and Professional Publishing	\$ 443,484	\$ (4,978)	\$ 472,906	\$ 1,849
Financial Services	420,195	129,780	391,441	115,276
Information and Media Services	431,106	48,989	416,983	51,940
Total operating segments	1,294,785	173,791	1,281,330	169,065
General corporate expense	-	(26,461)	-	(26,395)
Interest expense - net	-	(23,831)	-	(29,079)
Total company	\$1,294,785	\$123,499*	\$1,281,330	\$113,591*

*Income before taxes on income.

3. The allowance for doubtful accounts, the components of inventory and the accumulated amortization of prepublication costs were as follows:

	June 30, 1996	Dec. 31, 1995	June 30, 1995
	(In thousands)		
Allowance for doubtful accounts	\$ 81,432	\$ 79,980	\$ 79,958
Inventories:			
Finished goods	\$ 228,008	\$ 185,608	\$ 222,321
Work-in-process	34,628	15,675	36,423
Paper and other materials	31,603	36,747	36,983
Total inventories	\$ 294,239	\$ 238,030	\$ 295,727
Accumulated amortization of prepublication costs	\$ 398,426	\$ 391,384	\$ 354,248

The McGraw-Hill Companies, Inc.
Notes to Financial Statements

4. A subsidiary of J.J. Kenny Co. acts as an undisclosed agent in the purchase and sale of municipal securities for broker-dealers and dealer banks and the company had \$409 million of matched purchase and sale commitments at June 30, 1996. Only those transactions not closed at the settlement date are reflected in the balance sheet as receivables and payables.

5. A summary of long-term debt follows:

	June 30, 1996	Dec. 31, 1995	June 30, 1995
	-----	-----	-----
	(In thousands)		
9.43% senior notes due 2000	\$ 250,000	\$ 250,000	\$ 250,000
Commercial paper supported by bank revolving credit agreement	300,000	300,000	400,000
Other	6,734	7,365	7,705
	-----	-----	-----
Total long-term debt	\$ 556,734	\$ 557,365	\$ 657,705
	=====	=====	=====

6. Common shares approved for issuance for conversions and stock based awards were as follows:

	June 30, 1996	Dec. 31, 1995	June 30, 1995
	-----	-----	-----
\$1.20 convertible preference stock at the rate of 6.6 shares for each share of preference stock	9,346	9,346	9,346
Stock based awards	6,541,202	7,245,226	7,609,148
	-----	-----	-----
	6,550,548	7,254,572	7,618,494
	=====	=====	=====

7. Cash dividends per share declared during the periods were as follows:

	Three Months		Six Months	
	1996	1995	1996	1995
	-----	-----	-----	-----
Common stock	\$.33	\$.30	\$.66	\$.60
Preference stock	.30	.30	.60	.60

Item 2. Management's Discussion and Analysis of Operating

Results and Financial Condition

Operating Results - Comparing Periods Ended June 30, 1996 and 1995

Three Months

Consolidated Review

Net income for the quarter increased \$4.3 million, or 8.2%, over the 1995 second quarter. Revenues declined \$1.8 million, or 0.3%, reflecting volume declines due to an off-adoption year in school publishing following 1995's strong adoption year. Revenues in the Financial Services segment improved due to strong new issuance volume and expanded global operations and in Information and Media Services, primarily due to Business Week. Net income improved over the prior year due to cost controls in school publishing, expanded profit margins in Financial Services and lower interest expense. Earnings per share were 57 cents compared to 53 cents for the second quarter in 1995.

All references to common share data, including earnings per share, reflect the two-for-one stock split of the company's common stock that was distributed to shareholders on April 26, 1996.

Total expenses declined \$5.0 million, or 0.8%, reflecting cost controls in Educational and Professional Publishing due to the off-adoption year which offset volume-related expense increases in Financial Services and Information and Media Services.

Net interest expense declined \$3.9 million, or 23.8%, resulting from a decline in average commercial paper interest rates from 6.2% in 1995 to 5.3% in 1996 and reduced average commercial paper borrowing levels from the prior year, due to paydowns from the company's operating cash flow.

The provision for taxes as a percentage of income before taxes was 40.6% in 1996 compared to 41.2% in 1995. The reduction in the effective tax rate reflects the declining impact of non-deductible goodwill amortization on higher pre-tax earnings as well as favorable settlement of state tax audits.

On July 3, The McGraw-Hill Companies signed an agreement to exchange its Shepard's/McGraw-Hill legal publishing unit for the Times Mirror Higher Education Group and other consideration, including cash. This transaction is expected to be completed in the third quarter after obtaining necessary government approvals required under the Hart-Scott-Rodino Act. The final valuation of the properties being exchanged will be based on independent appraisals; the company estimates that this transaction will result in a pre-tax gain, net of one-time charges, of more than \$300 million.

Segment Review

Educational and Professional Publishing revenue declined \$24.0 million, or 8.0%, to \$277.6 million. The decline reflects the 1996 off-adoption year for the school publishing industry. In 1995, there were strong sales in the key adoption states of California and Texas where early ordering benefited the second quarter. Second quarter sales in Texas declined from \$44 million in 1995 to \$8 million in 1996. The revenue variance was also affected by reduced revenues at Shepard's/McGraw-Hill, due to the December divestiture of Shepard's topical publishing business. Partially offsetting the expected decline in school publishing were improved revenues in College publishing and international operations, including Mexico, while business at The Continuing Education Center was soft. The segment also benefited from the 1996 first quarter acquisition of Open Court Publishing. Despite the decline in revenue, operating profit for the segment declined only \$4.8 million, or 15.3%, to \$26.4 million, due to strong cost controls partially offset by development costs for the McGraw-Hill Home Interactive division, which will offer multimedia education titles in the consumer market later this year.

Financial Services' revenue grew \$15.0 million, or 7.8%, to \$207.1 million while operating profit improved \$7.6 million, or 13.6%, to \$63.6 million. Standard & Poor's Ratings Services' revenue and profits improved reflecting expanded global operations, increased new issuance volume in the U.S. bond market and non-traditional ratings products, net of continuing investments. Second quarter new issuance volume was particularly strong in Eurobonds, high-yield corporates and asset-backed securities. Revenue and profit for the Financial Information Services Group also improved from the prior year reflecting good results at Compustat and greater distribution of global products over third-party networks, particularly MMS International and Platt's. These results offset weakness in municipal securities services and consulting revenues at DRI/McGraw-Hill.

Information and Media Services' revenue increased \$7.2 million, or 3.3%, to \$226.3 million and operating profit declined \$0.5 million, or 1.6%, to \$32.0 million. Business Week advertising pages increased 1% over last year's second quarter, a significant improvement from the first quarter comparison. Business Week revenues grew at a greater rate than the page gain as revenue per advertising page increased. Revenues also improved for the Construction Information Group due to new electronic products and some improvement in advertising. Revenues at the computer magazines declined, partly offset by increases at the healthcare publications, while Broadcasting revenues were flat. The decline in segment operating profit reflects the impact of the revenue declines at the computer magazines, the costs of launching tele.com magazine and reduced profits in Broadcasting due to soft market conditions in San Diego.

Six Months

Consolidated Review

For the first half of the year, net income increased \$6.6 million, or 9.8%, to \$73.4 million. Operating revenue increased \$13.5 million, or 1.1%, to \$1,295 million. The relatively flat revenues reflect an off-adoption year in school publishing, offset by strong growth in financial services. Total expenses increased \$8.0 million, or 0.7%, reflecting the revenue growth and development expenses for new businesses net of cost controls in school publishing. Earnings per share were 73 cents versus 67 cents last year.

Net interest expense decreased \$5.2 million, or 18.0%, reflecting a decline in average commercial paper interest rates from 6.2% in 1995 to 5.4% in 1996 and reduced average commercial paper borrowing levels from the prior year, due to paydowns from the company's operating cash flow.

The provision for taxes as a percentage of income before taxes was 40.6% in 1996 compared to 41.2% in 1995. The reduction in the effective tax rate reflects the declining impact of non-deductible goodwill amortization on higher pre-tax earnings as well as favorable settlement of state tax audits.

Segment Review

Educational and Professional revenue declined \$29.4 million, or 6.2%, to \$443.5 million. The decline reflects the off-adoption year for the school publishing industry. The revenue decline also reflects reduced revenues at Shepard's/McGraw-Hill, due to the December 1995 divestiture of Shepard's topical publishing business. Partially offsetting the expected decline in school publishing, revenues increased in international publishing and the segment benefited from the first quarter acquisition of Open Court Publishing. The segment had an operating loss of \$5.0 million, compared to operating profit of \$1.8 million last year. This decline in profits reflects the revenue decline, partially offset by cost controls. Operating profit compared to last year was also impacted by development costs for the McGraw-Hill Home Interactive division.

Financial Services' revenue increased \$28.8 million, or 7.3%, to \$420.2 million. Operating profit improved \$14.5 million, or 12.6%, to \$129.8 million. Standard & Poor's Ratings Services' revenue and profits increased reflecting expanded global operations, increased new issuance volume in the U.S. bond market and non-traditional ratings products, net of continuing investments. Revenue and profit for the Financial Information Services Group also improved from the prior year reflecting good results from greater distribution of global products over third-party networks, particularly MMS International and Platt's. These results offset weakness in municipal securities services.

Information and Media Services' revenue increased \$14.1 million, or 3.4%, to \$431.1 million. Operating profit declined \$3.0 million, or 5.7%, to \$49.0 million. The revenue increase reflects improved advertising revenues at Business Week as an advertising rate increase offset a decline in advertising pages. The Tower Group International acquisition of UCB Canada and the acquisition of Hospital Practice magazine also contributed to the revenue increase. Revenues for the Construction Information Group improved while revenue at the computer magazines declined and Broadcasting was flat. The decline in segment operating profit reflects the impact of the revenue declines at the computer magazines, the costs of launching tele.com magazine, which debuted in March, and Broadcasting's softer market conditions in San Diego and last year's higher margin Super Bowl broadcast.

Financial Condition - June 30, 1996 versus December 31, 1995

The company continues to maintain a strong financial position. Cash generated by operating activities totaled \$65.8 million compared to cash used in operations last year of \$15.8 million. This year-to-year improvement in cash flow from operations largely reflects reduced working capital requirements due to the 1996 off-adoption year in school publishing. Total debt was \$795.6 million, an increase of \$166.9 million from year-end. The increase in debt reflects the seasonal spending for inventory and sampling costs for 1996 school publishing adoptions, prepublication spending for 1997 school adoption programs, the acquisition of Open Court and borrowings to finance the repurchase by the company of 1.3 million common shares in the second quarter. The company's strong presence in school publishing significantly impacts the seasonality of its earnings and borrowing patterns during the year, with the company borrowing during the first half of the fiscal year and generating cash in the second half of the year. Borrowing patterns will be further impacted in 1996 from the company's spending for the 1997 strong adoption year. The company's borrowings will also be impacted by the transaction exchanging Shepard's/McGraw-Hill for the Times Mirror Higher Education Group later this year, entailing a tax payment in December on a pre-tax gain, net of one-time charges, estimated to exceed \$300 million.

In January, the company's Board of Directors approved a share repurchase program authorizing the purchase of up to 4 million shares of the company's common stock. In the second quarter, the company bought 1.3 million shares at a cost of \$62.1 million. The repurchased shares will be used for general corporate purposes, including the issuance of shares for the exercise of employee stock options. The company continued to repurchase shares in August; future purchases under the program may be made from time to time dependent on market conditions.

In the fourth quarter of 1995, the company implemented a best practices program to improve the efficiency and effectiveness of the company's operations. The program included the review of major systems and processes, including certain administrative functions and related technology. The program encompasses the elimination of approximately 750 positions. At the end of the second quarter of 1996, approximately 450 positions had been eliminated and the company has undertaken various technology initiatives. Cash expenditures related to the best practices program in the first half of 1996 did not have a significant impact on the company's liquidity.

Commercial paper borrowings at June 30, 1996 totaled \$531.5 million, an increase of \$163.0 million from December 31, 1995. These borrowings are supported by an \$800 million revolving credit agreement with a group of banks terminating in November 1999, and \$300 million is classified as long-term. There are no amounts outstanding under this agreement.

Under a shelf registration which became effective with the Securities and Exchange Commission in mid-1990, the company can issue an additional \$250 million of debt securities. The new debt could be used to replace a portion of the commercial paper borrowings with longer term securities, when and if interest rates are attractive and markets are favorable.

Accounts receivable before reserves of \$867.3 million decreased \$68.0 million from the end of 1995 due primarily to the seasonal nature of some of the company's businesses. Inventories increased \$56.2 million to \$294.2 million from the end of 1995 due primarily to the seasonal requirements for school publishing and the seasonal buildup for the annual Sweet's files.

Net prepublication costs at June 30 increased \$47.1 million from the end of 1995 to \$315.3 million due to additional spending for 1997 adoption year programs and new college and professional publishing titles. Prepublication cost spending in the first half of 1996 totaled \$83.8 million compared to \$57.3 million in 1995.

Purchases of property and equipment of \$20 million were slightly less than the comparable period last year; the purchases were primarily for computer equipment.

PART II

Other Information

Item 1. Legal Proceedings A Complaint was filed on June 11, 1996 in United States Bankruptcy Court, Central District of California, in an action captioned County of Orange v. McGraw-Hill Companies, Inc., d/b/a Standard & Poor's. Case No. SA 94-22272 JR; Adversary No. SA 96-01624. In the Complaint, Orange County, California makes claims against Standard & Poor's for breach of contract, professional negligence and for aiding and abetting breaches of fiduciary duty arising out of ratings services provided by Standard & Poor's to Orange County in 1993-94 and prior to Orange County's filing for bankruptcy protection under chapter 9 on December 6, 1994. The Complaint alleges that Standard & Poor's caused Orange County to sustain losses in excess of \$500 million. The Registrant believes that the allegations of the Complaint lack merit and intends to vigorously contest the action.

Item 4. Submission of Matters to a Vote of Security Holders

(a) The 1996 Annual Meeting of Shareholders of the Registrant was held on April 24, 1996.

(b) The following nominees, having received the FOR votes set forth opposite their respective names, constituting a plurality of the votes cast at the Annual Meeting for the election of Directors, were duly elected a director of the Registrant for two-year terms:

DIRECTOR -----	FOR ---	WITHHOLD AUTHORITY -----
Pedro Aspe	43,747,126	158,273
Robert P. McGraw	43,750,375	155,024

The following nominees having received the FOR votes set forth opposite their respective names, constituting a plurality of the votes cast at the Annual Meeting for the election of Directors, were duly elected Directors of the Registrant for three-year terms:

DIRECTOR -----	FOR ---	WITHHOLD AUTHORITY -----
Joseph L. Dionne	43,749,454	155,945
Don Johnston	43,746,915	158,484
Linda Koch Lorimer	43,752,652	152,747
Harold W. McGraw III	43,752,604	152,795
Alva O. Way	43,748,516	156,883

The terms of office of the following directors continued after the meeting: Vartan Gregorian; John T. Hartley; Peter O. Lawson-Johnston; Paul J. Rizzo; James H. Ross; George B. Harvey; Richard H. Jenrette; and Lois Dickson Rice.

(c) (i) Shareholders approved the 1996 Key Executive Short-Term Incentive Compensation Plan. The vote was 42,522,119 shares FOR and 1,011,253 shares AGAINST, with 372,027 shares abstaining and no broker nonvotes.

(ii) Shareholders approved the Director Deferred Stock Ownership Plan. The vote was 41,813,698 shares FOR and 1,317,242 shares AGAINST, with 353,391 shares abstaining and 421,068 broker nonvotes.

(iii) Shareholders ratified the appointment of Ernst & Young as independent auditors for the Registrant and its subsidiaries for 1996. The vote was 43,728,492 shares FOR and 115,332 shares AGAINST, with 61,575 shares abstaining and no broker nonvotes.

(iv) Shareholders did not approve the shareholder proposal to eliminate the election of directors by classes. The vote was 13,954,427 shares FOR and 26,810,734 shares AGAINST, with 24,725 shares abstaining and 2,898,514 broker nonvotes.

Item 5. Other Information On July 3, 1996 the Registrant, The Times Mirror Company ("Times Mirror") and Mosby-Year Book, Inc., a wholly owned subsidiary of Times Mirror ("Mosby"), entered into an Exchange Agreement pursuant to which the Registrant has agreed to sell all of the outstanding shares of the capital stock of its subsidiary, Shepard's/McGraw-Hill Inc., to Times Mirror in exchange for (i) the stock of Times Mirror Higher Education Group, Inc., (ii) the assets and related liabilities of Mosby relating to Mosby's college-level life and physical science text business, (iii) certain assets and liabilities of Times Mirror International Publishers - U.S., Inc. and affiliated entities relating to Times Mirror's college business and (iv) a cash payment and other consideration. The transaction is subject to approval pursuant to the Hart-Scott-Rodino Antitrust Improvements Acts of 1976, as amended, and to other closing conditions. It is anticipated that the transaction will close during the third quarter of 1996.

Item 6. Exhibits and Reports on Form 8-K Page Number

(a) Exhibits

(10)* Director Deferred Stock Ownership Plan, incorporated by reference from Registrant's Proxy Statement, dated March 21, 1996.

(10)* 1996 Key Executive Short-Term Incentive Compensation Plan, incorporated by reference from Registrant's Proxy Statement, dated March 21, 1996.

(12) Computation of Ratio of Earnings to Fixed Charges. 18

(27) Financial Data Schedule. 19

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE MCGRAW-HILL COMPANIES, INC.

Date: 08/13/96

By Robert J. Bahash

Robert J. Bahash
Executive Vice President
and Chief Financial Officer

Date: 08/08/96

By Thomas J. Kilkenny

Thomas J. Kilkenny
Vice President and Controller

Date: 08/09/96

By Kenneth M. Vittor

Kenneth M. Vittor
Senior Vice President
and General Counsel

The McGraw-Hill Companies, Inc.

Computation of Ratio of Earnings to Fixed Charges
-----Periods Ended June 30, 1996

	Six Months	Twelve Months
	-----	-----
	(In thousands)	
Earnings		
Earnings from continuing operations		
before income tax expense (Note).....	\$ 121,021	\$ 391,778
Fixed charges.....	40,395	86,600
Capitalized interest.....	-	(188)
	-----	-----
Total Earnings.....	\$ 161,416	\$ 478,190
	=====	=====
Fixed Charges (Note)		
Interest expense.....	\$ 25,515	\$ 57,938
Portion of rental payments deemed to be interest.....	14,880	28,662
	-----	-----
Total Fixed Charges.....	\$ 40,395	\$ 86,600
	=====	=====
Ratio of Earnings to Fixed Charges	4.0x	5.5x

(Note) For purposes of computing the ratio of earnings to fixed charges, "earnings from continuing operations before income taxes" excludes undistributed equity in income of less than 50%-owned companies. "Fixed charges" consist of (1) interest on debt and capital leases, and (2) the portion of the company's rental expense deemed representative of the interest factor in rental expense.

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1996
PERIOD END	JUN 30 1996
CASH	4,828
SECURITIES	0
RECEIVABLES	867,344
ALLOWANCES	81,432
INVENTORY	294,239
CURRENT ASSETS	1,240,007
PP&E	839,370
DEPRECIATION	518,829
TOTAL ASSETS	3,146,891
CURRENT LIABILITIES	1,121,508
BONDS	0
COMMON	102,919
PREFERRED MANDATORY	14
PREFERRED	0
OTHER SE	0
TOTAL LIABILITY AND EQUITY	3,146,891
SALES	1,294,785
TOTAL REVENUES	1,294,785
CGS	1,157,425
TOTAL COSTS	1,157,425
OTHER EXPENSES	0
LOSS PROVISION	35,287
INTEREST EXPENSE	23,831
INCOME PRETAX	123,499
INCOME TAX	50,141
INCOME CONTINUING	73,358
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	73,358
EPS PRIMARY	0.73
EPS DILUTED	0.73

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