SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

MCGRAW-HILL COMPANIES INC CIK:**64040**| IRS No.: **131026995** | State of Incorp.:**NY** | Fiscal Year End: **1231** Type: **10-K** | Act: **34** | File No.: **001-01023** | Film No.: **99574240** SIC: **2731** Books: publishing or publishing & printing	Mailing Address *1221 AVENUE OF THE AMERICAS* *NEW YORK NY 10020*	Business Address *1221 AVENUE OF THE AMERICAS* *NEW YORK NY 10020* *2125122000*

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended December 31, 1998

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock - $1 par value	New York Stock Exchange Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

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 |X| No |_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definite proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. |_|

The aggregate market value of voting stock held by nonaffiliates of the registrant as of February 26, 1999, was $10,812,364,919.

The number of shares of common stock of the registrant outstanding as of February 26, 1999 was 98,799,551 shares. (197,599,102 shares after the two-for-one stock split approved by the company's Board of Directors on January 27, 1999.)

Part I, Part II and Part IV incorporate information by reference from the Annual Report to Shareholders for the year ended December 31, 1998. Part III incorporates information by reference from the definitive proxy statement mailed to shareholders March 26, 1999 for the annual meeting of shareholders to be held on April 28, 1999.

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PART I

Item 1. Business

The Registrant, incorporated in December 1925, serves business, professional and educational markets around the world with information products and services. Key markets include finance, business, education, construction, medical and health, aerospace and defense. As a multimedia publishing and information company, the Registrant employs a broad range of media, including books, magazines, newsletters, software, on-line data services, CD-ROMs, facsimile and television broadcasting. Most of the Registrant's products and services face substantial competition from a variety of sources.

The Registrant's 15,897 employees are located worldwide. They perform the vital functions of analyzing the nature of changing demands for information and of channeling the resources necessary to fill those demands. By virtue of the numerous copyrights and licensing, trade, and other agreements, which are essential to such a business, the Registrant is able to collect, compile, and disseminate this information. All book manufacturing and magazine printing is handled through a number of independent contractors. The Registrant's principal raw material is paper, and the Registrant has assured sources of supply, at competitive prices, adequate for its business needs.

Descriptions of the company's principal products, broad services and markets, and significant achievements are hereby incorporated by reference from Exhibit (13), pages 5 to 23 (textual material) of the Registrant's 1998 Annual Report to Shareholders.

Information as to Operating Segments

The relative contribution of the operating segments of the Registrant and its subsidiaries to operating revenue, operating profit, long-lived assets and geographic information for the three years ended December 31, 1998 of each segment at the end of each year, are included in Exhibit (13), on pages 41 and 42 in the Registrant's 1998 Annual Report to Shareholders and is hereby incorporated by reference.

Item 2. Properties

The Registrant leases office facilities at 377 locations: 288 are in the United States. In addition, the Registrant owns real property at 22 locations: 18 are in the United States. The principal facilities of the Registrant are as follows:

<TABLE>
<CAPTION>

Locations	Owned or Leased	Square Feet (thousands)	Business Unit
<S>	<C>	<C>	<C>
Domestic			
New York, NY	leased	1,168	See explanation below
New York, NY	leased	946	Standard & Poor's: See below (55 Water)
New York, NY	leased	448	Various Units: See below (2 Penn Plaza)
New York, NY	leased	346	Various Units: See below (65 Broadway)
New York, NY	leased	511	S&P/FIS: See Below (25 & 26 Bdway)
New York, NY	leased	64	Various Units: See below (11 W. 19th St)
Hightstown, NJ	owned		
Office and Data Center		490	Various Units
Warehouse		412	Leased to non-McGraw-Hill tenant
Blacklick (Gahanna), OH	owned		Various operating units
Book Distr. Ctr.		558	
Office		73	

Desoto, TX			
Book Dist. Ctr.	leased	382	School
Dallas, TX	leased		School
Assembly Plant		187	
Warehouse		72	
Dubuque, IA	owned		Higher Education
Office		107	
Warehouse		279	
Grove City, OH			
Warehouse	leased	305	School
Englewood, CO	owned	133	Financial Services
Lexington, MA	leased	132	Various operating units and non-McGraw-Hill sub-tenants
Lexington, MA	owned	53	Partially vacant with non-McGraw-Hill tenant
Burr Ridge IL	leased	115	Various publishing units
Denver, CO	owned	88	Broadcasting
Indianapolis, IN	leased	54	Broadcasting

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>
Indianapolis, IN	leased	79	CTB
Washington, DC, MD	leased	73	Various operating units
Kent, WA	leased		Tower Group International
Warehouse/Dist. Ctr.		82	
Office		3	
Chicago, IL	leased	68	Various operating units and McGraw-Hill subtenants
Peterborough, NH	owned	51	Partially vacant with non-McGraw-Hill tenant
Mather, CA	leased	56	CTB
Redondo Beach, CA	leased	50	Tower Group International

Foreign			
Whitby, Canada	owned		McGraw-Hill Ryerson, Ltd./
Office		80	non-McGraw-Hill tenant
Book Distribution Ctr.		80	
Maidenhead, England	leased	85	McGraw-Hill International (U.K.) Ltd.

</TABLE>

The space leased at 1221 Ave of the Americas in New York City continues to be the corporate headquarters. The building is owned by Rock-McGraw, Inc., a corporation in which the Registrant and the Rockefeller Group, Inc., are the sole shareholders. The Registrant occupies approximately 566,000 square feet of the rental space under a 30 year lease expiring in June 30, 2002. In addition, the Registrant subleases for its own account approximately 602,100 square feet of space under subleases which expire on or before June 2002. A new lease at 1221 Ave of the Americas has been executed for the period July 1, 2002 through March 31, 2020, during which time the Registrant will lease 395,485 square feet.

Two new leases were signed at the end of 1997 for locations at 55 Water Street and 2 Penn Plaza in New York City. The 55 Water Street lease is for 946,048 square feet and will consolidate the Standard & Poor's Divisions from 25, 26, and 65 Broadway in 1999. The 2 Penn Plaza lease for 447,048 square feet currently houses various operating units within Educational and Professional Publishing Group and Construction Information Group. In 1999, various operating units located at 1633 Broadway and 11 W. 19th Street will also be moving into 2 Penn Plaza.

All leases at 25 Broadway, 26 Broadway, 1633 Broadway, and 11 West 19th Street will terminate in 1999.

Item 3. Legal Proceedings

County of Orange v. McGraw-Hill Companies, Inc.

In previous filings, Registrant reported that a Complaint was filed on June 11, 1996, in the 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 94-222-72-JR; Adversary No. SA 96-01624-JR). The Complaint alleged that Standard & Poor's breached its contracts with Orange County, was professionally negligent and aided and abetted the County's officers in breaching their fiduciary duty by, inter alia, assigning unduly high ratings to debt instruments issued by the County and by failing to advise the County's Board of Supervisors of the illegal acts being committed by the County's officers. The action was transferred to the United States District Court for the Central District of California (Case No. SA CV 96-765-GLT) upon the filing in December 1996 of the Bankruptcy Court's ruling on Registrant's motion to dismiss the Complaint. In that ruling, the Bankruptcy Court granted Registrant's motion to dismiss the County's aiding and abetting claim, but denied it as to the breach of contract and professional negligence claims. Registrant appealed this decision to the District Court which, in March 1997, dismissed the County's professional negligence claim, with leave to amend. In April 1997, the County filed an Amended Complaint for breach of contract and "professional malpractice" and added a claim for punitive damages. The Registrant filed a motion to dismiss the "professional malpractice" claim, which motion was denied by the District Court in June 1997. In February 1998, Registrant moved again to dismiss the County's "professional malpractice" claim, which motion was denied by the District Court in March 1998. In September 1998, Registrant filed two motions for partial summary judgment, one to preclude the County from claiming damages with respect to Registrant's 1993 ratings of County debt ("1993 Motion") and one to preclude the County from claiming damages on behalf of the so-called Pool Participants ("Pool Participants' Motion"). In September 1998, the County moved to consolidate ("Consolidation Motion") the trial of its case against Registrant with the trial of its case against Rauscher, Pierce, Refsnes, Inc. In October 1998, the Court denied Registrant's 1993 Motion; granted in part and denied in part Registrant's Pool Participants' Motion, holding that the County could not assert claims on behalf of the Pool Participants with respect to Registrant's rating of Pool Participants' debt but could assert claims on behalf of Pool Participants with respect to Registrant's rating of County debt; and denied the County's Consolidation Motion. In December 1998, Registrant filed a motion for summary judgment on the grounds the County's contract and "professional malpractice" claims are barred by applicable California law and the parties' contracts. In December 1998, the County filed a motion seeking reconsideration of prior rulings dismissing claims against Registrant for aiding and abetting the County's officers in breaching such officers' fiduciary duty and seeking leave to file an amended complaint. In February 1999, the Court granted in part Registrant's motion for summary judgment based on applicable California law and the parties' contracts dismissing any claim by the County that Registrant provided financial advice to the County separate from the Registrant's ratings; otherwise, the Court denied Registrant's motion, holding there is a triable issue of fact concerning whether Registrant breached its duty as a rating agency. Extensive discovery has been conducted. The trial date, previously scheduled to commence on March 2, 1999, was adjourned by the Court pending a decision by the California Supreme Court in the City of Atascadero v. Merrill Lynch litigation concerning the issue of aiding and abetting a breach of fiduciary duty. In response to Registrant's interrogatories, the County has claimed (inconsistently with damages claims made by the County in other litigation documents) compensatory damages of approximately $2.1 billion, subject to certain offsets. The County has also claimed unspecified punitive damages. Registrant continues to believe that the allegations of the complaint and the damages claims lack merit and is vigorously contesting the action.

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

No matters were submitted to a vote of Registrant's security holders during the last quarter of the period covered by this Report.

Executive Officers of Registrant

<TABLE>
<CAPTION>

Name	Age	Position
<S>	<C>	<C>
Harold McGraw III	50	President and Chief Operating Officer
Robert J. Bahash	53	Executive Vice President and Chief Financial Officer
Barbara B. Maddock	48	Executive Vice President, Organizational Effectiveness
John Negroponte	59	Executive Vice President, Global Markets
Kenneth M. Vittor	49	Executive Vice President and General Counsel
Scott L. Bennett	49	Senior Vice President, Associate General Counsel and Secretary
Glenn S. Goldberg	40	Senior Vice President, Corporate Affairs and Assistant to the President and Chief Executive Officer
Frank J. Kaufman	54	Senior Vice President, Taxes
Frank D. Penglase	58	Senior Vice President, Treasury Operations
James L. Glenn	48	Vice President and Controller

</TABLE>

Joseph L. Dionne was Chairman of the Board and Chief Executive Officer of the Registrant until April 29, 1998 when Harold McGraw III became President and Chief Executive Officer of the Registrant. Mr. Dionne retired on July 1, 1998 and has continued to serve as non-executive Chairman of the Board of Directors of the Registrant since that time.

All of the above executive officers of the Registrant have been full-time employees of the Registrant for more than five years except for Barbara Maddock, John Negroponte, and James L. Glenn.

Ms. Maddock, prior to her becoming an officer of the Registrant on August 1, 1994, was Senior Vice President, Human Resources for Cigna Healthcare from July 1993 through July 1994. Previously, she was with Philip Morris Companies, Inc. where she held a number of Human Resources positions from 1980 through 1993.

Mr. Negroponte, prior to his becoming an officer of the Registrant on September 2, 1997, was with the United States Diplomatic Corps for 37 years where he held numerous senior positions, including ambassador to Mexico, the Philippines, and Honduras.

Mr. Glenn, prior to his becoming an officer of the Registrant on July 13, 1998, was Vice President and Assistant Controller for RJR Nabisco. Previously, he was with Philip Morris Companies, Inc., where he held numerous positions in the financial area from 1977 to 1994.

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

The approximate number of holders of the Company's common stock as of February 26, 1999 was 5,231.

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Dividends per share of common stock (post-split):		
$.195 per quarter in 1998	$0.78	
$.180 per quarter in 1997		$0.72

</TABLE>

Information concerning other matters is incorporated herein by reference from Exhibit (13), from page 50 of the 1998 Annual Report to Shareholders.

Item 6. Selected Financial Data

Incorporated herein by reference from Exhibit (13), from the 1998 Annual Report to Shareholders, page 48 and page 49.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Incorporated herein by reference from Exhibit (13), from the 1998 Annual Report to Shareholders, pages 26 to 34.

Item 7A. Market Risk

Incorporated herein by reference from Exhibit (13), from the 1998 Annual Report to Shareholders, page 33.

Item 8. Consolidated Financial Statements and Supplementary Data

Incorporated herein by reference from Exhibit (13), from the 1998 Annual Report to Shareholders, pages 35 to 46 and page 50.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

PART III

Item 10. Directors and Executive Officers of the Registrant

Information concerning directors is incorporated herein by reference from the Registrant's definitive proxy statement dated March 26, 1999 for the annual meeting of shareholders to be held on April 28, 1999.

Item 11. Executive Compensation

Incorporated herein by reference from the Registrant's definitive proxy statement dated March 26, 1999 for the annual meeting of shareholders to be held on April 28, 1999.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Incorporated herein by reference from the Registrant's definitive proxy statement dated March 26, 1999 for the annual meeting of shareholders to be held April 28, 1999.

Item 13. Certain Relationships and Related Transactions

Incorporated herein by reference from the Registrant's definitive proxy statement dated March 26, 1999 for the annual meeting of shareholders to be held April 28, 1999.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. Financial Statements.

2. Financial Statement Schedules.

The McGraw-Hill Companies
Index to Financial Statements
And Financial Statement Schedules

<TABLE>
<CAPTION>

	Reference	
	Form	Annual Report to Share-

	10-K	holders (page)
<S>	<C>	<C>
Data incorporated by reference from Annual Report to Shareholders:		
Report of Independent Auditors......................		47
Consolidated balance sheet at December 31, 1998 and 1997......................		36-37
Consolidated statement of income for each of the three years in the period ended December 31, 1998..............		35
Consolidated statement of cash flows for each of the three years in the period ended December 31, 1998..................		38
Consolidated statement of shareholders' equity for each of the three years in the period ended December 31, 1998..............		39
Notes to consolidated financial statements....................................		40-46
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Consent of Independent Auditors...................	24	
Consolidated schedule for each of the three years in the period ended December 31, 1998		
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</TABLE>

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

The financial statements listed in the above index which are included in the Annual Report to Shareholders for the year ended December 31, 1998 are hereby incorporated by reference in Exhibit (13). With the exception of the pages listed in the above index, the 1998 Annual Report to Shareholders is not to be deemed filed as part of Item 14 (a)(1).

(a) (3)Exhibits.

(2) Exchange Agreement dated as of July 3, 1996 between The Times Mirror Company, Mosby-Year Book, Inc., and The McGraw-Hill Companies, Inc., as amended as of October 15, 1996, incorporated by reference from Registrant's Form 8-K filed October 29, 1996.

(3) Articles of Incorporation of Registrant incorporated by reference from

Registrant's Form 10-K for the year ended December 31, 1995 and Form 10-Q for the quarter ended June 30, 1998.

(3) By-laws of Registrant, incorporated by Reference from Registrant's Form 8-K filed December 2, 1998.

(4) Indenture dated as of June 15, 1990 between the Registrant, as issuer, and the Bank of New York, as trustee, incorporated by reference from registrant's Form SE filed August 3, 1990 in connection with Registrant's Form 10-Q for the quarter ended June 30, 1990.

(4) Instrument defining the rights of security holders, certificate setting forth the terms of the Registrant's 9.43% Notes due 2000, incorporated by reference from Registrant's Form SE filed August 3, 1990 in connection with Registrant's Form 10-Q for the quarter ended June 30, 1990.

(4) Instrument defining the rights of security holders, certificate setting forth the terms of the Registrant's Medium-Term Notes, Series A, incorporated by reference from Registrant's Form SE filed November 15, 1990 in connection with Registrant's Form 10-Q for the quarter ended September 30, 1990.

(10) Rights Agreement dated as of July 29, 1998 between Registrant and ChaseMellon Shareholder Services, L.L.C., incorporated by reference from Registrant's Form 8A filed August 3, 1998.

(10)* Restricted Stock Award Agreement dated December 4, 1987 incorporated by reference from Registrant's Form SE filed March 30, 1988 in connection with Registrant's Form 10-K for the year ended December 31, 1987.

(10)* Restricted Performance Share Award dated January 2, 1997, incorporated by reference from Registrant's Form 10-K for the year ended December 31, 1996.

(10) Indemnification Agreements between Registrant and each of its directors and certain of its executive officers relating to said directors' and executive officers' services to the Registrant, incorporated by reference from Registrant's Form SE filed March 27, 1987 in connection with Registrant's Form 10-K for the year ended December 31, 1986.

(10)* Registrant's 1983 Stock Option Plan for Officers and Key Employees, incorporated by reference from Registrant's Form SE filed March 29, 1990 in connection with Registrant's Form 10-K for the year ended December 31, 1989.

(10)* Registrant's 1987 Key Employee Stock Incentive Plan, incorporated by reference from Registrant's Form 10-K for the year ended December 31, 1993.

(10)* Registrant's 1993 Key Employee Stock Incentive Plan, incorporated by reference from Registrant's Proxy Statement dated March 25, 1997.

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

(10)* Registrant's Key Executive Short-Term Incentive Deferred Compensation Plan incorporated by reference from Registrant's Form 10-K for the year ended December 31, 1996.

(10)* Registrant's Executive Deferred Compensation Plan, incorporated by reference from Registrant's Form SE filed March 28, 1991 in connection with Registrant's Form 10-K for the year ended December 31, 1990.

(10)* Registrant's Senior Executive Severance Plan, incorporated by reference from Registrant's Form SE filed March 29, 1989 in connection with Registrant's Form 10-K for the year ended December 31, 1988.

(10) Credit Agreement dated as of February 13, 1997 among the Registrant, the Banks' signatory thereto, and The Chase Manhattan Bank, as administrative agent incorporated by reference from Registrant's Form 8-K filed February 19, 1997.

(10)* Registrant's Employee Retirement Account Plan Supplement, incorporated by reference from Registrant's Form SE filed March 28, 1991 in connection with Registrant's Form 10-K for the year ended December 31, 1990.

(10)* Registrant's Employee Retirement Plan Supplement, incorporated by reference from Registrant's Form SE filed March 28, 1991 in connection with Registrant's Form 10-K for the year ended December 31, 1990.

(10)* Registrant's Savings Incentive Plan Supplement, incorporated by reference from Registrant's Form SE filed March 28, 1991 in connection with Registrant's Form 10-K for the year ended December 31, 1990.

(10)* Registrant's Senior Executive Supplemental Death, Disability & Retirement Benefits Plan, incorporated by reference from Registrant's Form SE filed March 26, 1992 in connection with Registrant's Form 10-K for the year ended December 31, 1991.

(10)* Registrant's 1993 Stock Payment Plan for Directors, incorporated by reference from Registrant's Proxy Statement dated March 21, 1993.

(10)* Resolutions Terminating Registrant's 1993 Stock Payment Plan for Directors, as adopted on January 31, 1996, incorporated by reference from Registrant's Form 10-K for the year ended December 31, 1996.

(10)* Registrant's Director Retirement Plan, incorporated by reference from Registrant's Form SE filed March 29, 1990 in connection with Registrant's Form 10-K for the year ended December 31, 1989.

(10)* Resolutions Freezing Existing Benefits and Terminating Additional Benefits under Registrant's Directors Retirement Plan, as adopted on January 31, 1996, incorporated by reference from Registrant's Form 10-K for the year ended December 31, 1996.

(10)* Registrant's Director Deferred Compensation Plan, incorporated by reference from Registrant's Form 10-K for the year ended December 31, 1993.

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

(10)* Letter dated March 23, 1998, from Mr. Paul J. Rizzo, Chairman, Compensation Committee, The McGraw-Hill Companies Board of Directors to Joseph L. Dionne with respect to Mr. Dionne's services as non-executive Chairman of the Registrant's Board of Directors.

(10)* Letter dated June 23, 1998, from Barbara B. Maddock to Robert P. McGraw with respect to Mr. Robert McGraw's resignation as Executive Vice President of the Professional Publishing Group of the Registrant.

(12) Computation of ratio of earnings to fixed charges.

(13) Registrant's 1998 Annual Report to Shareholders. Such Report, except for those portions thereof which are expressly incorporated by reference in this Form 10-K, is furnished for the information of the Commission and is not deemed "filed" as part of this Form 10-K.

(21) Subsidiaries of the Registrant.

(23) Consent of Ernst & Young LLP, Independent Auditors.

(27) Financial Data Schedule.

(b) Reports on Form 8-K.

A report on Form 8-K was filed by the Registrant in the last quarter covered by this Form 10-K on December 2, 1998. Items 5 and 7 were reported in said report on Form 8-K.

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* These exhibits relate to management contracts or compensatory plan arrangements.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

The McGraw-Hill Companies, Inc.

Registrant

By:

Kenneth M. Vittor
Executive Vice President and General Counsel
March 26, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 26, 1998 on behalf of Registrant by the following persons who signed in the capacities as set forth below under their respective names. Registrant's board of directors is comprised of fifteen members and the signatures set forth below of individual board members, constitute at least a majority of such board.

Joseph L. Dionne
Chairman
Director

Harold McGraw III
President and Chief Executive Officer
Director

Robert J. Bahash
Executive Vice President and
Chief Financial Officer

James L. Glenn
Vice President and Controller

Pedro Aspe
Director

Vartan Gregorian

Director

John T. Hartley
Director

George B. Harvey
Director

Richard H. Jenrette
Director

Linda Koch Lorimer
Director

Robert P. McGraw
Director

Lois D. Rice
Director

James H. Ross
Director

Sidney Taurel
Director

Alva O. Way
Director

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EXHIBITS AND FINANCIAL STATEMENTS

Exhibit (10)

[LETTERHEAD OF THE MCGRAW HILL COMPANIES]

March 23, 1998

Mr. Joseph L. Dionne
Chairman and Chief Executive Officer
The McGraw-Hill Companies
1221 Avenue of the Americas
New York, NY 10020

Dear Joe:

This letter confirms the compensation and other arrangements to be provided in connection with your services as non-executive Chairman of The McGraw-Hill Companies Board of Directors. These arrangements will be in effect from July 1, 1998 to December 31, 1999.

The McGraw-Hill Companies shall pay you an annual fee of $350,000 to be paid in equal monthly installments. Annual retainers and meeting fees normally received by outside Directors will not be paid to you in addition to the annual fee.

Appropriate office accommodations and other support staff and facilities will be provided to you consistent with your responsibilities as Chairman of the Board.

The compensation to be paid to you under the terms of this agreement shall be in consideration for your assuming on behalf of the Board such specific responsibilities as we may request, from time to time, and also for performing such other special assignments as the Board deems necessary or desirable. All assignments to be performed by you for the Board should be coordinated with, and performed in conjunction with, McGraw-Hill's Chief Executive Officer.

If the provisions of this letter are satisfactory to you, please acknowledge your agreement by signing below and then returning this letter to Barbara Maddock.

Sincerely,

Paul J. Rizzo

Paul J. Rizzo
Chairman, Compensation Committee
The McGraw-Hill Companies Board of Directors

Agreed to this 31 day of March, 1998.

/s/ Joseph L. Dionne

Joseph L. Dionne

Exhibit (10)

[LETTERHEAD OF MCGRAW HILL COMPANIES]

June 23, 1998

Mr. Robert P. McGraw
Executive Vice President
The McGraw-Hill Companies
1221 Avenue of the Americas
New York, NY 10020

Dear Bob:

This letter confirms the arrangements which will be provided to you to recognize your assistance in the transfer of responsibilities within the Educational & Professional Publishing segment. Your separation date as an employee will be September 30, 1998.

You will receive a Short-Term Incentive payment of $244,874. This amount is based on a target prorated through September 30, 1998 of $122,437, measured on individual objectives. It is expected that this payment will be made by the end of February 1999.

Your Long-Term Restricted Performance Share Award target prorated through September 30, 1998 is 5,792 shares. This represents a proration of your combined target under the 1996, 1997, and 1998 Restricted Performance Share Awards. The prorated target of 5,792 shares will pay out at no less than 6,444 shares, based on shares being measured 50% on EPS and 50% on the business unit's NOI, and the payout may be greater depending on final business results. It is expected that this award will be made by the end of February 1999.

Vesting will be accelerated to September 30, 1998 for 6,500 of your 10,000 unvested stock options. These vested shares may be exercised up to six (6) months after your separation date, or March 31, 1999.

You will receive a severance payment of $125,000 and a payment of $50,000 in lieu of continued benefits coverage. These payments will be made no later than October 31, 1998.

Exhibit (10)

Mr. Robert P. McGraw
June 23, 1998
Page Two

Your deferred compensation balance will be payable in eight (8) annual installments following your separation date.

Your balances under the Savings Incentive Plan (SIP), the Employee Retirement Account Plan (ERAP), and the supplemental SIP and ERAP plans will be paid to you after your separation date in accordance with your elections under the terms of those plans. Information on your vested benefit under the Employee Retirement Plan and the supplemental ERP plan will be provided to you.

You will be eligible for reimbursement of tax preparation and related professional fees up to $2,200 for the 1998 tax year, for which returns will be filed in 1999.

Information on continuation of medical coverage under COBRA and details concerning other benefit plans will be provided to you shortly.

Please note that all of the payments set forth in this letter may be required to be disclosed in the Company's proxy statement and other SEC documents.

Please acknowledge your agreement with the arrangements described above by signing below and returning an executed copy to me at your earliest convenience. A second copy of this letter is attached for your files.

Sincerely,

Barbara B. Maddock

BBM/bj

/s/ Robert P. McGraw	June 26, 1998
------------------------------------	-----------------------------
Robert P. McGraw	Date

cc: Joseph L. Dionne
Harold McGraw III

Exhibit (12)

THE McGRAW-HILL COMPANIES, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Years Ended December 31				
	1998	1997	1996	1995	1994
	(In thousands of dollars)				
Earnings					
Earnings from continuing operations before income tax expense and extraordinary item, net of taxes (a)(e)	$ 553,320	$ 465,873	$ 809,705	$ 382,126	$ 341,816
Fixed charges	79,618	83,840	77,563	90,382	83,219
Capitalized interest	--	--	--	(421)	(353)
Total Earnings	$ 632,938	$ 549,713	$ 887,268	$ 472,087	$ 424,682
Earnings from continuing operations before income tax expense, extraordinary and other unusual items (a)(b)(c)(d)(e)	$ 542,633	$ 478,622	$ 415,974	$ 382,126	$ 341,816
Fixed charges	79,618	83,840	77,563	90,382	83,219
Capitalized interest	--	--	--	(421)	(353)
Total Earnings	$ 622,251	$ 562,462	$ 493,537	$ 472,087	$ 424,682
Fixed Charges(d)(e)					
Interest expense	$ 51,857	$ 56,771	$ 51,347	$ 63,832	$ 55,650
Portion of rental payments deemed to be interest	27,761	27,069	26,216	26,550	27,569
Total Fixed Charges	$ 79,618	$ 83,840	$ 77,563	$ 90,382	$ 83,219
Ratio of Earnings to Fixed charges:					
Earnings from continuing operations before income tax expense and extraordinary item, net of taxes (d)	7.9x	6.6x	11.4x	5.2x	5.1x
Earnings from continuing operations before income tax expense, extraordinary and other unusual items (a)(b)(c)(d)	7.8x	6.7x	6.4x	5.2x	5.1x

(a) All earnings amounts exclude the impact from the early extinguishment of $155 million of the company's 9.43% notes in 1998

(b) Excludes a $26.7 million gain on the sale of a building at 65 Broadway and a $16.0 million charge for the write-down of assets at the Continuing Education Center recorded in 1998.

(c) Excludes a $33.2 million pre-tax one-time provision for real estate write-downs related to the consolidation of office space in New York City and a $20.4 million pre-tax gain on the sale of Datapro Information Services recorded in 1997.

(d) On October 15, 1996, the company completed the exchange of its Shepard's/McGraw-Hill legal publishing unit for the Times Mirror Higher Education Group. The 1996 results exclude a pre-tax gain of $418.7 million and a one-time charge of $25 million for costs of integrating the company's College division with the acquired higher education business.

(e) 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 (2) the portion of the company's rental expense deemed representative of the interest factor in rental expense.

1

Exhibit 13

[GRAPHIC OMITTED]

Helping People
Reach Their
Potential

POINTS OF IMPACT--
DIVERSE AND GROWING

The McGraw-Hill Companies touches people at all stages of life with its products and services.

We provide educators and students with a world of knowledge crucial to learning. Financial and investment managers rely on us for information vital to the success of businesses and capital markets. Professionals, business executives and government officials around the world depend on our information, insight and analysis to stay competitive in their fields and in the global economy.

In short, we help people throughout their lives make decisions and move ahead, through the breadth and depth of our information services.

Four people who use our products and recognize the benefits they provide are featured in the following pages.

>>>

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Helping People Reach Their Potential

[GRAPHICS OMITTED]

"Standard & Poor's presented their view of what we are doing in a way that allowed us access to the financing we need. They understand the business we are in, and were able to communicate a complicated story to a very conservative market."

Barclay Knapp--Chief Executive Officer and President
NTL Inc., United Kingdom

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[GRAPHICS OMITTED]

NTL, a rapidly expanding alternative telecommunications company, began its relationship with Standard & Poor's in 1993. Its Standard & Poor's-rated financings totaled $2.7 billion in 1998, "a seminal year," Barclay Knapp (above) says. "It was particularly important to convince S&P that we are headed in the right direction." NTL is investing $5 billion to build a broadband fiber-optic network throughout the United Kingdom, that nation's first.

In Europe, corporations traditionally have relied on the banking community for most of their financing needs. The new European Monetary Union sets the stage for an historic shift patterned on American practices: public long-term debt offerings to a wide range of institutional investors.

Standard & Poor's Ratings Services has already seen its corporate ratings activity surge in Europe. Geographic expansion and nontraditional products, including insurance, managed funds, bank loan and counterparty risk ratings, continue to boost revenue in line with long-term goals.

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Helping People Reach Their Potential

[GRAPHICS OMITTED]

"Business Week has very comprehensive reports on information technology and its impact on the economy and life. That is absolutely the right environment for IBM."

Maureen McGuire--Vice President, Worldwide Integrated Marketing Communications
----
IBM Corp.

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[GRAPHICS OMITTED]

A concerted campaign by Business Week to become a preferred advertising medium for high-tech companies has helped spark four straight years of record revenue and profit gains. Technology advertising now accounts for about half of the magazine's advertising revenue.

"Particularly over the last couple of years, Business Week has been effectively reaching managers involved in technology decisions," notes Maureen McGuire (left) of IBM. The company has advertised in Business Week since the magazine's first issue 70 years ago, and an eight-page insert in the December 14, 1998 issue on electronic business scored higher than any other ad in IBM's history in terms of persuasion. "We were very pleased with the feedback from readers," Ms. McGuire says.

Standout cover stories such as "The 21st Century Economy," "Global Risk" and "The Euro" exemplify Business Week's skill in addressing reader interests in a wide range of topics relevant to management. Thanks to its talented staff and unmatched editorial network, Business Week won 20 awards in 1998 for its rich mix of useful, analytical and insightful coverage.

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Helping People Reach Their Potential

[GRAPHICS OMITTED]

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[GRAPHICS OMITTED]

"The Internet is profoundly changing the world in general and marketing in particular. McGraw-Hill seems to be the only major publisher aware of that fact."

Dr. David O'Gorman--Professor, Department of Management Information Systems
----
University of Illinois-Springfield

When Dr. David O'Gorman (above) began developing a marketing course to be offered to students via the Internet, he found that only McGraw-Hill Higher Education had the tools he needed. Using cutting-edge McGraw-Hill Learning Architecture software, Dr. O'Gorman is combining his own original material with material from Marketing Principles and Perspectives, by Bearden, Ingram and Laforge, to create a seamless text for his classes.

"I view McGraw-Hill as a partner in the exploration of the role of education in this new era of the rapid co-evolution of the Internet and society," said Dr. O'Gorman. "They understand the key role an educated population plays in the growth of free-market economies."

McGraw-Hill Learning Architecture was introduced in early 1998 and is becoming an important catalyst in the transformation of higher education. The Web-based system provides online course management and communications tools for professors, giving students instant access to additional course materials and other online tools to enrich their coursework. More than 300 McGraw-Hill Learning Architecture Web sites are now available to students and professors.

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Helping People Reach Their Potential

[GRAPHICS OMITTED]

Dr. Tranice Jackson--Physician, Director of Performance Improvement

Lincoln Medical and Mental Health Center
St. Barnabas affiliate, The Bronx, New York

The list of our print products available in electronic form continues to grow in many disciplines, including management, business, technology, engineering, science and medicine. The world's best-selling medical reference, Harrison's Principles of Internal Medicine, is a prominent recent example--an expanded cyberspace edition was added in June.

Dr. Tranice Jackson (right), who has used the book version throughout her ten-year medical career, became one of the early subscribers to Harrison's Online, offered on the Internet for an annual fee. She likes the quick, easy access to current information on research, breakthroughs and other ever-changing medical subjects.

Harrison's Online includes all of the material found in the acclaimed 14th edition of the standard reference for doctors, plus much more. It is updated every two weeks in contrast with print revisions that appear about every three years.

[GRAPHICS OMITTED]

"Since medicine changes so rapidly, the frequent updates that Harrison's Online provides are very valuable. I can print out the information I need immediately."

[GRAPHICS OMITTED]

The McGraw-Hill Companies Holds Leadership Positions in Each of the Markets it Serves

> In Financial Services

- Standard & Poor's Ratings Services is the number one rating service in the world and is applying its leadership to rating and evaluating a growing array of nontraditional financial instruments.
- Standard & Poor's Indexes, led by the S&P 500, are the world's benchmark measures of equity market performance.
- Standard & Poor's Compustat is the leading source of financial databases and advanced PC-based software for financial analysis.
- Standard & Poor's MMS supplies the world with real-time fundamental and technical analysis in the global money, bond, foreign exchange and equity markets.
- Standard & Poor's Platt's is the key provider of price assessments within the petroleum, petrochemical and power markets.
- Standard & Poor's J.J. Kenny produces the most comprehensive evaluative pricing information for the fixed-income investment community.
- Standard & Poor's DRI is the leading supplier of economics-driven information to corporate and government clients.

Helping People Reach
Their Potential
Takes LEADERSHIP

> In Educational and Professional Publishing

- The McGraw-Hill School Division stands number one in providing educational materials to elementary schools.
- Glencoe/McGraw-Hill tops the grade 6-12 segment.
- CTB/McGraw-Hill is the preeminent publisher of nationally standardized tests for the U.S. K-12 market.
- Irwin/McGraw-Hill is the premier publisher of higher educational

materials in business, economics and information technology.

- o The Professional Book Group is the leading publisher of business, computing and reference books serving the needs of professionals and consumers worldwide.

> In Information and Media Services

- o Business Week is the world's most widely read business publication, with a global audience of 6.3 million.

- o F.W. Dodge is the leading provider of information to construction professionals.

- o Sweet's Group is the premier supplier of building products information, in print and electronically.

- o Architectural Record stands atop its industry as the official publication of the American Institute of Architects.

- o Aviation Week & Space Technology is the world's most authoritative aerospace magazine.

- o Tower Group International is the leading provider of customs brokerage and freight forwarding services.

[GRAPHICS OMITTED]

>>> The most obvious mark of corporate leadership is competitive position, and The McGraw-Hill Companies stands number one in many product categories.

But such success tells only part of the leadership story. True leadership in business extends well beyond sales results and is based on the positive impact of a company's products and services on its customers. We are making a significant impact on all the audiences we serve.

In financial services we play a vital role in the functioning of the world's capital markets. In education we not only help teachers teach and students understand but also influence the curriculums that guide them--improving the learning process for everyone involved. In professional publishing we provide knowledge and insight essential to career advancement. In information and media services we pinpoint and explain to a global marketplace what is most important.

Leadership charts a course to excellence. It embodies a spirit of excitement and innovation. It establishes the benchmarks for others to measure themselves. The ultimate effect is economic and social progress.

Today, leaders must stand in the technology vanguard, and that is one of our key initiatives. For example, new appointments in recent years have included a cadre of executives attuned to technology advances. A recent agreement with AT&T allows us to offer customers the convenience of one-point access to all of our electronic information products through a single global network. Standard & Poor's, now consolidating its New York operations in a remodeled office tower in the heart of the financial district, is opening a state-of-the-art technology center at the site.

Our leadership has always rested heavily on the quality, integrity and dedication of our people. Our globe-spanning corps of analysts, editors and writers bring unmatched depth and scope to our extensive family of products. They have helped build unquestioned trust. The stature they have attained is visible in their daily work and in the recognition they earn.

Leadership also requires keen awareness of societal concerns as well as customer needs.

We have led global efforts with governments and businesses to formulate policies that will encourage expansion of online information services. We have been in the forefront in establishing a comprehensive policy governing online privacy, which has been commended by officials in the U.S. and Great Britain. We have been equally active in the drive to protect intellectual property rights in the evolving electronic information age.

Leaders help people to reach their potential. That is what we do--in the financial community, in business and the professions, and in education.

We help people by building trust, driving global growth and pinpointing the important, concepts we are focusing on to continue our success.

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BUILDING TRUST

Spotlight on Literacy Shines Bright

Our elementary school publishing business has long been known for its exceptional reading programs, and the trust earned was evident in 1998.

The McGraw-Hill School Division captured the largest share of the K-6 reading and language arts market in a number of states and cities. Notably, Spotlight on Literacy, in its second year, combined with SRA/McGraw-Hill's supplementary Collections for Young Scholars to win the top share--34%--in the largest U.S. educational market, California.

The 16 elementary schools in the Crenshaw/Dorsey Charter Cluster of the Los Angeles Unified School District started using the Spotlight on Literacy program in 1997 after a comprehensive selection process. "McGraw-Hill had a track record of support that a lot of our schools remembered," explains Dr. Daniel Lawson, Cluster Administrator. "We knew we could count on the company's representative, who has worked in our district for some 20 years."

Equally important, Spotlight on Literacy meets specific needs of teachers and students. "It overlays the program we had developed to align skills, teaching strategies and student activities with state standards," Dr. Lawson adds.

Throughout the nation there's a renewed interest in phonics, and Spotlight on Literacy effectively balances strong phonics instruction with quality literature, while offering manageable editions for teachers that make instruction easier.

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>>> Relationships built on trust can start at an early age and endure a lifetime. An example: During business discussions in his office, a European CEO digressed briefly to show our visiting executives the McGraw-Hill textbooks he had used as a college student in the U.S. He knew well the reputation for integrity, clarity and analytical leadership represented by the McGraw-Hill name.

The widely recognized quality of our products underlies our success at a time when reliability and reputation have never been more important.

Our educational products are known for exemplary scholarship, ease of use, and leadership in technology. Our Versatile Learning System, to cite one example, provides students and teachers with balanced, easy-to-use multimedia learning materials integrating textbooks, software, laser disks, audio and video components.

Reading products, which account for 40% of our School Division's revenue, led the nation in new sales in 1998. Social studies and music programs for elementary schools also have been well received.

Elementary math moves to the forefront in 1999. A new edition of Math in My World has been created to compete in six state adoptions, including Texas, the second largest education market. (Textbook purchases in 20 "adoption" states are guided by state-approved lists.)

Glencoe/McGraw-Hill, the nation's number one secondary educational publisher, posted superb sales in grade 6-12 math adoptions in seven states during 1998 and in biology, science, social studies and foreign languages.

The acquisition of Optical Data Corporation by SRA/McGraw-Hill in October strengthens our programs for the substantial science adoptions coming in 2000. Optical Data's video-enhanced supplementary materials will be incorporated in our math, science and social studies programs.

Every business day Standard & Poor's indexes are cited as key benchmarks of stock market performance. The worldwide reputation of the S&P 500 has nurtured a growing international family of indexes.

Its newest offspring mirror our global objectives. In 1998 we launched indexes for Europe--the S&P Euro and S&P Euro Plus--and a new equity index in Canada with the Toronto Stock Exchange. In 1999 we'll introduce new indexes for Asia, Latin America and the United Kingdom, and we're exploring opportunities with the Tokyo Stock Exchange. By year-end 1999 we expect to launch the S&P Global 1200.

S&P indexes are the foundation for a growing array of investment funds and exchange-traded products, which continue to generate new revenue. We receive fees based on assets and trading activity, and the recent volatility of the stock market has increased the revenue stream. Currently, more than $700 billion is invested in mutual funds tied to S&P indexes.

SPDRs (S&P depository receipts), linked to and directly tracking S&P indexes, consistently top the American Stock Exchange's most active list. Similarly, trading volume on the Chicago Mercantile Exchange of futures and options linked to S&P indexes is also high. Both exchanges introduced new trading instruments in 1998 tied to S&P indexes.

The trust we have built in the education, financial and business-to-business markets is the foundation for our consumer products.

Parents have assumed a more active role in the education of their children, and to assist instruction in a home setting we've introduced the "Junior Academic Series" through an alliance with Warner Bros. Twenty workbooks for children ages 3-8 feature "Looney Tunes" and "Animaniacs" cartoon characters. These materials from the McGraw-Hill Consumer Products Division provide instruction in math, phonics, vocabulary and thinking skills, combining our school-based expertise with an entertainment component that makes learning at home fun for children.

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DRIVING GLOBAL GROWTH

Growth with a Spanish Accent

Publishing generates the largest share of our international revenue--through exports from the U.S., production in English at facilities outside the U.S., and production in local languages.

Higher education materials generate more than 40% of our net operating income from international publishing, and the outlook is bright. Higher education enrollments outside the U.S., influenced by population and social factors, are rising more than twice as fast as the U.S. rate.

Spanish-language countries account for nearly half of the international higher education revenue and offer the greatest growth potential, reflecting favorable demographic trends and the strong market presence we've built. With six publishing centers and nearly 1,000 employees in Spanish-language markets, we annually produce some 800 new or revised titles in Spanish.

The rest of our international publishing revenue is divided almost equally among the Asia-Pacific region, Canada and Europe. Each of these markets offers substantial opportunities--in professional as well as educational publishing.

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>>> Europe contributes almost half of our international revenue, growing at a double-digit rate. With a push from the new Monetary Union, the European market will be a springboard for growth in many of our key businesses. Some expectations:

o European companies that once financed their growth mainly by borrowing from banks are shifting to the issuance of corporate bonds instead, while nontraditional financial instruments also boom. Those are both large opportunities for Standard & Poor's Ratings Services, which has built the world's largest network of ratings professionals.

o Increases in investments by Europeans building retirement funds--the result of a transition to privately funded pension plans--will accelerate demand for global financial information. Pluses for Standard & Poor's Financial Information Services.

o The continued growth of English in business communications and as a second language in everyday use widens. Pluses for our educational products and the European edition of Business Week.

o The promise of the global economy depends on educational training. Pluses for our global publishing activities--most notably our business, finance, engineering, information technology and English instruction products.

In Asia, economic problems have slowed growth but have not seriously affected our operations or diminished the region's long-term opportunities. Our brands are strong in Asia. In a survey of 6,000 executives representing 11 Asian countries, we were chosen as one of Asia's 200 leading companies.

Though some countries in Latin America have experienced economic pressures, the region also remains an important market--both for our educational products (notably in Mexico) and our financial services.

We're not only the beneficiaries of global growth. We help spur global growth because our products provide information and analysis crucial to capital markets, business and education--the cornerstones of progress.

Revenue from international sources in our financial services business rose at a 17% compound annual growth rate during the 1993-98 period. New information products helped spur that growth. Those introduced over the past three years accounted for 12% of total revenue within the Financial Information Services group in 1998.

In the past, many of our online financial services were distributed over networks controlled by third-party "quote vendors." With the Internet we now reach many of our customers directly. Some examples:

o Standard & Poor's MMS introduced its first Internet product in April 1998. Now a subscription service, Global Markets Live offers real-time information and analysis on global bond, equity, currency and commodity markets 24 hours a day.

o In June, Standard & Poor's ComStock launched Xpresso, an Internet-delivered service based on the Java software platform. Xpresso provides the full scope of ComStock's financial market information, including global securities quotes, news and sales data.

o S&P Fund Advisor also debuted in June, focusing on mutual funds and providing critical news, commentary and rankings to brokers and financial planners via the Internet. Mutual fund data comes from Standard & Poor's Micropal, the leading global provider of managed funds data and information on some 40,000 funds around the globe.

o In 1999, Standard & Poor's Compustat will add more than 4,000 companies based outside North America to its electronic database.

[GRAPHICS OMITTED]

>>> Avalanche. Flood. Overload. Prodigious and ever-growing volumes of information reach all of us daily.

More information doesn't necessarily provide more insight and understanding. In fact, more information can simply leave people more bewildered.

Distilling mountains of information down to what's most important is fundamental to our businesses, whether the finished product is a financial analysis, a news report or a means of learning.

Most read. Best read. Worldwide. The tagline for Business Week reflects the magazine's 6.3 million readers around the globe, nearly 1.5 million more than its nearest competitor. Business Week is now the fastest growing English-language business publication in both Europe and Asia.

In 1998 Business Week Online--fee-based now for nonsubscribers of the magazine--expanded and redesigned its Enterprise area, tailored to help small-business owners succeed in today's markets.

In the construction industry, The McGraw-Hill Construction Information Group (MH-CIG) is the foremost source of information crucial to new construction projects and planning. MH-CIG has increasingly turned to the Internet and other electronic tools to gather and distribute information. By year-end 2000 nearly half of its revenue will derive from electronic products.

PINPOINTING THE IMPORTANT

Dodge Plans is the latest of several MH-CIG electronic products stemming from print media. It provides access--online or by CD-ROM twice weekly--to the plans, specifications and bidding requirements for more than 60,000 new construction and renovation projects.

F.W. Dodge, which accounts for about two-thirds of MH-CIG's revenues, also expanded its coverage to include projects in Canada and the United Kingdom. It formed an alliance with Glenigan, the leading construction news service in England, to reach a wider audience faster by exchanging information over the Internet.

Every fall the construction industry turns to the McGraw-Hill Construction Information Group for the preeminent forecast of building activity for the coming year. The group's annual "Construction Outlook" commemorated its 70th anniversary in 1998.

Our "helping people reach their potential" mission added another dimension in 1998. We consolidated three related units into

[GRAPHICS OMITTED]

a new entity, McGraw-Hill Lifetime Learning, that provides self-directed, technology-based instruction for professional and personal development.

Nowadays, people committed to their careers never leave the classroom, though the "classroom" comes in various forms and increasingly is a computer.

The acquisition in July of Xebec Multi Media Solutions, based in England, substantially enhances our capabilities in lifetime learning. We can deliver interactive training programs in several languages for professionals via the Internet, corporate intranets and other multi-media platforms. Xebec's product family includes 27 multimedia programs in CD-ROM format on topics ranging from customer service to teamwork and marketing.

Presenting what's new and important is a primary purpose of trade conferences and expositions, and our activity in this area continues to expand. Our Science and Technology Group, for example, inaugurated two new events in 1998: Chemical Engineering sponsored a two-day CE Expo in June, and in November Modern Plastics staged the first major American conference bringing together plastics-processing tool buyers and manufacturers. The events, featuring more than 150 speakers in total, drew thousands of attendees and hundreds of exhibitors.

Navigating Unpredictable Times

In what Business Week has termed "an era of utter unpredictability," multimedia information and guidance from Standard & Poor's and our other business-to-business units have never been in greater demand.

Standard & Poor's MMS, expecting Europe's bond market to soar following the advent of the euro, launched Eurobond Market Insight in September. The online service provides real-time analysis and market commentary to help investors evaluate Eurobond risks and tap emerging opportunities.

Standard & Poor's Ratings Services continues to move into new territory--from both a geographic and a product diversification standpoint. In January 1999 Standard & Poor's Ratings Services introduced Ratings Direct, the first complete Web-based subscription service for Standard & Poor's ratings information.

Our Aviation Week Group has been especially active in expanding its multimedia services. It launched a major new event, Aerospace Expo, and a Web site to link buyers and sellers of business aircraft. And in an exciting new alliance, the Aviation Week Group provides editorial guidance, content and commentary for the global programs of the new Wingspan Air & Space television network.

Our four television stations have continued their leadership in providing local news in San Diego, Denver, Indianapolis and Bakersfield, Calif. They continue to win awards for insightful reports on breaking events and key issues in their communities.

THE McGRAW-HILL COMPANIES AT A GLANCE

Business Segments

<TABLE>
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Financial Services

<S>	<C>	<C>	<C>
Standard & Poor's Financial Information Services	Retail Division Standard & Poor's ComStock Standard & Poor's Index Services Standard & Poor's Micropal Standard & Poor's Retail Brokerage Standard & Poor's Published Image Standard & Poor's Investment Advisory Services Standard & Poor's Consumer Division	Institutional & Corporate Division Standard & Poor's Compustat Standard & Poor's Securities, Inc. Standard & Poor's DRI Sales & Trading Division Standard & Poor's MMS Standard & Poor's Platt's Standard & Poor's Blue List	Securities Processing Division Standard & Poor's J.J. Kenny Drake Standard & Poor's J.J. Kenny Evaluation & Information Services Standard & Poor's CUSIP Services Standard & Poor's Dividend Services
Standard & Poor's Ratings Services	Corporate Ratings Insurance Ratings Financial Institution Ratings Managed Funds Ratings	Public Finance Ratings Sovereign Ratings Structured Finance Ratings Infrastructure Finance Ratings Ratings Information Services	
Educational and Professional Publishing			
Educational Publishing	McGraw-Hill School Division Glencoe/McGraw-Hill CTB/McGraw-Hill	SRA/McGraw-Hill McGraw-Hill Consumer Products	
Higher Education	McGraw-Hill Higher Education McGraw-Hill College WCB/McGraw-Hill	Irwin/McGraw-Hill Dushkin/McGraw-Hill Primis Custom Publishing	
Professional Publishing	Professional Group Science, Technical and Medical Osborne/Computing Business/General Reference McGraw-Hill Lifetime Learning Xebec/McGraw-Hill	International Publishing McGraw-Hill Canada McGraw-Hill Latin America/ Spain	McGraw-Hill Europe, Middle East, Africa McGraw-Hill Asia/Pacific
Information and Media Services			
Broadcasting Group	KMGH-TV (Denver) KGTV (San Diego)	KERO-TV (Bakersfield) WRTV (Indianapolis)	All ABC-affiliates
Business Week Group	Business Week Business Week International Business Week Online		
McGraw-Hill Construction Information Group	F.W. Dodge Sweet's Group Architectural Record	Engineering News-Record Design-Build	
Publication Services Group	Aviation Week Aviation Week & Space Technology A/C Flyer Business & Commercial Aviation World Aviation Directory	Postgraduate Medicine Healthcare Informatics e.MD Your Patient & Fitness Healthcare Education Group	Power Electrical World Global Energy Business Electric Power International Information Technologies for

	O&M Magazine Aviation Week Newsletters Healthcare Information Group Hospital Practice The Physician and Sportsmedicine	Science & Technology Group Chemical Engineering Modern Plastics/Modern Plastics International	Utilities/IT Energy and Business Newsletters Utility Data Institute
Tower Group International	Tower Group International Tower Group International Canada, Inc.		

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Key Markets	Market Factors
Global financial markets. Customers include investors, corporations, government agencies, financial institutions, portfolio managers, brokers, unit investment trusts and mutual fund managers, commodities, securities and foreign exchange traders, libraries	Continued growth in self-directed investment plans drives demand for information and services. Interest in global and regional indexes increases. S&P 500 performance continues to outstrip most managed funds, creating demand for index licenses and generating more license-related revenue. Relatively high turnover in mutual funds compared with individual stock ownership raises demand for mutual fund information. A common European currency and financial market builds demand for analytical services.
Global capital markets. Customers include debt issuers, investors, intermediaries and related financial market participants	Global debt markets will grow dramatically with trend away from bank borrowing to bond issuance. Increasing demand for nontraditional ratings services, such as insurance and managed fund ratings. Ongoing globalization of capital markets and development of emerging markets. Increasing demand for credit information and opinions around the world. Continued strength in core U.S. debt markets.
Elementary, secondary, testing, vocational, consumer and postsecondary fields	Baby boom's echo continues to swell enrollments. Strong adoption schedule through 2004. Education funding environment continues to strengthen. Teacher and student accountability drives testing and new curriculum products. New technology products in increasing demand.
College and postgraduate fields	Enrollments continue to surge in U.S. and internationally, with non-U.S. enrollments expanding at more than twice the rate of strong U.S. growth. Technological innovation continues to gain momentum in higher education publishing, with demand for custom publishing and Web-enhanced curriculums growing. Used book market levels off. Industry consolidation continues.
Engineering, science, medicine, healthcare, computer technology, business and government markets in the United States and internationally; business training markets; education markets internationally	Increasingly global markets. Growth in demand for Web-based information. Accelerating trend toward lifetime learning drives demand for all forms of information products, including books, electronic products, and training materials. Digitally printed products and digital distribution now well-established, adding new channels to market and increasing marketability of low-volume titles. Economic uncertainty in Latin America and Asia; long-term international growth expectations for professional and educational materials remain high.
Television audiences in Denver, Indianapolis, San Diego and Bakersfield, Calif.	Advertising spending is expected to be favorable as long as inflation and unemployment remain stable. Recovery of automotive sector is expected. Reduced political activity in odd-numbered year.
Business professionals, consumers and advertisers worldwide	Corporate profits and cash flow expected to remain favorable. Continued ad growth worldwide, although slower in response to key economic factors that support advertising. Circulation revenue for consumer magazines projected to increase. Online advertising projected to continue dramatic growth pattern.
Building products manufacturers, architects, engineers, contractors, real estate owners, developers and investors	Modest new-construction growth is forecast. Construction industry continues to become more technologically savvy; increasing demand for Web-based construction information. Softer advertising market in key categories. New competition continues to emerge.
Professionals and corporate executives around the world in aviation, healthcare and science and	Strong economy and corporate profits aid business publication advertising. Business-to-business magazines and tradeshow markets both growing. Internet

technology	commerce growing fast. Asian and Latin American problems continue to affect global industries. Aviation and aerospace industry approaching a peak in 1999, but long-term outlook is positive. Energy market evolving from a regulated to a deregulated market. Healthcare information market continues to grow.
Major North American importers and exporters	World trade continues to grow. Increase in corporate outsourcing of logistics functions with single-source providers. Increased complexity of global trade also requires more logistics support. Increased demand for new information technology solutions.

</TABLE>

FINANCIAL REVIEW

[The following table was depicted as a bar charts in the printed material.]

Operating Revenue by Segment
(dollars in millions)

	1996	1997	1998
Educational and Professional Publishing	$1,278	$1,574	$1,620
Financial Services	856	980	1,153
Information and Media Services	941	980	956
	$3,075	$3,354	$3,729

[The following table was depicted as a bar charts in the printed material.]

EBIDTA by Segment
(dollars in millions)

	1996	1997	1998
Educational and Professional Publishing	$324	421	444
Financial Services	292	323	374
Information and Media Services	152	157	157
	$768	$901	$975

Earnings before interest, taxes, depreciation and amortization, excluding unusual items.

[The following table was depicted as a bar charts in the printed material.]

Capital Expenditures by Segment
(dollars in millions)

	1996	1997	1998
Educational and Professional Publishing	$201	193	258
Financial Services	20	24	50
Information and Media Services	25	29	66
	$246	$246	$374

[The following table was depicted as a bar charts in the printed material.]

Operating Profit by Segment
(dollars in millions)

	1996	1997	1998
Educational and Professional Publishing	$152	196	218
Financial Services	262	290	338
Information and Media Services	117	123	122
	$531	$609	$678

Excludes the following items:

1998 o Gain on the sale of a building
o Writedown of Continuing Education Center's assets
1997 o Gain on the sale of Datapro Information Services
o Real estate writedowns for the consolidation of office space in New York City
1996 o Gain on the exchange of Shepard's/ McGraw-Hill legal publishing unit for the Times Mirror Higher Education Group
o Integration charge related to the exchange

Financial Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS
Operating Results

CONSOLIDATED REVIEW

(in millions)	1998	1997	1996
Operating Revenue	$3,729.1	$3,534.1	$3,074.7
% Increase	5.5	14.9	4.7
Operating Profit	$ 689.1	$ 599.1	$ 924.6
% Increase (Decrease)	15.0	(35.2)	81.8
% Operating Margin	18	17	30
Income Before Taxes	$ 560.4	$ 471.3	$ 814.8
Net Income	$ 333.1	$ 290.7	$ 495.7

Operating profit is income before taxes on income, interest expense and corporate expense. Includes unusual items as described below.

1998 COMPARED WITH 1997

REVENUE AND EARNINGS

Operating revenue for the year of $3.7 billion grew 5.5% from 1997, reflecting strong growth in the Financial Services segment, along with modest growth in the Educational and Professional Publishing segment despite a very strong 1997 year. Excluding divested businesses, revenues increased 8.1%.

Operating profit of $689.1 million grew 15.0% and net income of $333.1 million increased 14.6% from 1997. Included in the respective periods are the following one-time items: In the third quarter of 1998, the company recorded a $26.7 million pretax gain ($16.3 million after-tax, or 8 cents per diluted common share) on the sale of an office building, reflecting an improved real estate market in New York City (the pretax gain is recorded as other income on the consolidated statement of income and is reflected in the operating profit of the Financial Services segment); an $8.7 million extraordinary loss after taxes of $5.6 million (4 cents per diluted common share) on the early extinguishment of debt; and a $16.0 million pretax charge ($9.8 million after-tax and 5 cents per diluted common share) in the Educational and Professional Publishing segment for the writedown of assets at the Continuing Education Center due to a continuing decline in enrollments. In the second quarter of 1998, the company sold the remainder of its Information Technology and Communications Group. The proceeds of $28.6 million approximated book value.

In the third quarter of 1997, the company divested its McGraw-Hill London House and McGraw-Hill School Systems businesses, which were part of the Educational and Professional Publishing segment, for $29 million in cash; the proceeds approximated the book values of the properties. Also during the quarter, the company divested its Datapro Information Services business for proceeds of $25 million in cash; the quarter results reflect a pretax gain of $20.4 million ($20.2 million after-tax, or 10 cents per diluted common share) on the divestiture. The pre tax gain is recorded as other income on the consolidated statement of income and is reflected in the operating profit of the Information and Media Services segment.

1997 expenses also include a one-time, noncash provision of $33.2 million ($19.9 million after taxes, or 10 cents per diluted common share) for the consolidation of office space in New York City. The one-time provision was primarily for the writedown of a building and the writedown of leasehold improvements for office space vacated in the company's headquarters building. The provision associated with each segment and corporate expense is as follows: Educational and Professional Publishing - $8.6 million; Financial Services - $20.4 million; Information and Media Services - $1.5 million; and Corporate - $2.7 million.

Excluding the extraordinary loss and other one-time items in 1998 and 1997, operating profit was $678.4 million, an increase of 11.4% over 1997, while net income was $335.4 million, or 15.5% higher than the same period in 1997.

Earnings per share for 1998 was $1.67, an increase of 14.4% over 1997. Excluding the extraordinary loss and other one-time items, EPS was $1.68, a 15.1% increase over 1997.

EXPENSES

Operating expenses for 1998 increased 2.2%. Excluding the net effect of acquisitions/divestitures and the 1997 facilities charge, operating expenses would have increased 6.2%, reflecting investments in new products and technology and modest inflationary increases in key categories, such as compensation, somewhat offset by cost containment. Combined paper, printing and distribution prices increased approximately 1.8% primarily due to the carryforward impact of paper price increases that occurred in late 1997 and normal printing increases.

Selling and general expenses increased 6.9%, reflecting volume-related increases. A significant portion of both operating and selling and general expenses is compensation, which increased approximately 8% to $1.0 billion.

Depreciation and amortization expense, including amortization of goodwill, intangible assets and prepublication costs, increased $5.7 million, or 1.9%, primarily due to technology-related investments and the first full year of office space consolidation in New York City.

In 1999, combined paper, printing and distribution prices are expected to decrease by approximately 1-2% reflecting favorable market conditions which more than offset the January 1999 postage increase. The impact of merit increases on compensation costs should approximate 4%.

INTEREST EXPENSE

Net interest expense of $48.0 million decreased $4.6 million, or 8.7%, from the prior year essentially due to lower debt

levels resulting from improved cash flow. Average commercial paper borrowings declined to $417 million from $489 million. The lower interest expense also reflects the company's decision to repurchase $155 million of its 9.43% notes, which will be replaced at lower rates. The average commercial paper rate was 5.6% for both 1998 and 1997.

In 1999, interest expense may increase due to the recently announced stock buyback program (see Note 9).

PROVISION FOR INCOME TAXES

The provision for income taxes as a percent of income before taxes was 39% compared with 40% in 1997, excluding the gain on the sale of Datapro, due to favorable apportionment changes reducing state taxes. In 1999, the effective tax rate is expected to approximate the current year's rate.

1997 COMPARED WITH 1996

REVENUE AND EARNINGS

In 1997, The McGraw-Hill Companies achieved significant growth in revenue and profit. The 14.9% growth in operating revenue reflects excellent sales in elementary-high school (el-hi) publishing; record revenue at Standard & Poor's Ratings Services from strong new issuance volume in the U.S. bond market and global expansion; and the acquisition of the former Times Mirror Higher Education Group. Excluding nonrecurring items, operating profit improved $78.4 million, or 14.8%, reflecting the strong revenue growth. Net income increased 16.2% to $290.7 million and diluted earnings per share increased to $1.46 from $1.25 last year.

Comparisons exclude the 1996 gain on the exchange of the Shepard's/McGraw-Hill legal publishing unit for the Times Mirror Higher Education Group of $418.7 million ($260.5 million after taxes, or $1.30 per diluted share) and an unusual charge of $25 million ($14.9 million after taxes, or 7 cents per diluted share) for costs to integrate the College division with the acquired higher education business.

In 1997, the Datapro Information Services business was divested for $25 million in cash; operating results reflect a gain of $20.4 million ($20.2 million after taxes, or 10 cents per diluted share). The pretax gain is recorded as other income on the consolidated statement of income and is reflected in the operating profit of the Information and Media Services segment. The McGraw-Hill London House and McGraw-Hill School Systems units were also divested in 1997 for $29 million in cash; the proceeds approximated the book values of the properties.

1997 earnings reflect a one-time, noncash provision of $33.2 million ($19.9 million after taxes, or 10 cents per diluted share) for the consolidation of office space in New York City. This one-time provision was primarily for the writedown of a building to be sold as part of the office consolidation and the writedown of leasehold improvements for the surrender of office space to be vacated in the headquarters building. These actions were taken to consolidate into fewer and more efficient locations and to align future space requirements with growth plans. The 1997 operating profit of each segment and corporate expenses reflect the amount of the provision associated with each segment. New leases were signed for approximately 1.4 million square feet of office space through the year 2020.

Income before taxes, excluding the gain on the sale of Datapro and the facilities charge, increased 14.9% over 1996, reflecting the strong revenue gains.

EXPENSES

Operating expenses in 1997 increased 12.9%, reflecting higher revenue, investments in new products and modest inflationary increases in key expense categories, such as compensation. Operating expenses include the one-time $33.2 million facilities charge. Combined printing, paper and distribution prices declined in 1997 by approximately 2% due to the impact of lower paper prices earlier in the year, the successful negotiations with suppliers and the leverage gained through the acquisition of the former Times Mirror Higher Education Group.

Selling and general expenses increased 16.1%, reflecting volume-related increases. A significant portion of both operating and selling and general expenses is compensation, which increased approximately 9% to $927 million, reflecting the impact of merit increases, the acquisition of the Times Mirror Higher Education Group and incentive related compensation.

Depreciation and amortization expense, including amortization of goodwill, intangible assets and prepublication costs, increased $55 million, or 23.0%, due primarily to the impact of the acquisition of the Times Mirror Higher Education Group and the amortization of prepublication costs associated with 1997 el-hi adoptions.

INTEREST EXPENSE

Net interest expense in 1997 was $52.5 million compared with $47.7 million in 1996, an increase of $4.8 million, or 10.3%, resulting from an increase in average commercial paper interest rates from 5.4% in 1996 to 5.6% in 1997 and an increase in commercial paper borrowing levels.

PROVISION FOR INCOME TAXES

The provision for taxes as a percent of income before taxes, excluding the gain on the sale of Datapro, was 40.0% in 1997 compared with 40.6% in 1996, excluding the gain on the exchange of Shepard's/McGraw-Hill for Times Mirror Higher EducationGroup. The reduction in the effective tax rate reflects lower state taxes resulting primarily from the acquisition of the Times Mirror Higher Education Group. Including the gain on the sale of Datapro lowers the 1997 effective tax rate to 38.3%.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Segment Review

EDUCATIONAL AND PROFESSIONAL PUBLISHING

<TABLE>
<CAPTION>

(in millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Operating Revenue	$1,620.3	$1,573.8	$1,277.9
% Increase	3.0	23.2	3.4
Operating Profit	$ 202.1(a)	$ 187.7(b)	$ 545.7(c)
% Increase (Decrease)	7.7	(65.6)	235.6
% Operating Margin	12	12	43

</TABLE>
(a) Includes a $16.0 million pretax provision at Continuing Education Center for the writedown of assets due to a continuing decline in enrollments.
(b) Includes an $8.6 million provision for the consolidation of office space in New York City.
(c) Includes the pretax gain on the exchange of Shepard's/McGraw-Hill legal publishing unit for the Times Mirror Higher Education Group of $418.7 million and an unusual charge of $25 million for costs to integrate The McGraw-Hill Companies' College division with the acquired higher education business.

The Educational and Professional Publishing segment consists of three operating groups that provide education, training and lifetime learning: Educational Publishing, Higher Education, and Professional Publishing (comprising International Publishing, Continuing Education Center and Professional Book). On October 15, 1996, the Shepard's/ McGraw-Hill legal publishing unit was exchanged for the Times Mirror Higher Education Group, which is reflected from the date of acquisition in the segment results. Shepard's/ McGraw-Hill had revenue of $57 million in 1996.

In 1998, the Educational and Professional Publishing segment achieved record revenue and operating profit on top of a very successful 1997 year. Revenue grew 3.0% and operating profit increased 7.7% led by strong performances in Educational Publishing and Higher Education. Excluding the writedown of Continuing Education Center (CEC) in 1998 and the facilities charge in 1997, operating profit increased 11.1%. In 1997, revenue increased 23.2% and operating profit, excluding one-time items in both 1997 and 1996, increased 29.2%.

EDUCATIONAL PUBLISHING

The Educational Publishing Group comprises five divisions: McGraw-Hill School, publisher of instructional programs for the elementary market (grades K-6); Glencoe/ McGraw-Hill, secondary school (grades 7-12) and post secondary publisher; California Testing Bureau (CTB/ McGraw-Hill), publisher of testing materials and provider of scoring for standardized achievement tests, customized testing and specialized educational software products; Science Research Associates (SRA/McGraw-Hill), publisher of supplementary and specialized researched-based educational programs for the elementary market; and McGraw-Hill Consumer Products, publisher of educational products for use in the home.

Educational Publishing Group revenue grew 5.7% to $832 million, 51% of segment revenue. Excluding divested businesses, revenue increased 7.6% over 1997. Market conditions were strong despite a lighter adoption schedule in the elementary school market in 1998. Enrollment in el-hi education increased 1% in 1998. The revenue growth reflects high market shares in elementary reading, K-12 social studies and secondary math adoptions as well as strong year-to-year gains across subject areas in the open territory states. SRA/McGraw-Hill division recorded record revenues and profits on the success of its skill-based phonics-intensive reading programs, as well as its new Art Connection program. SRA/McGraw-Hill and the School division combined to take 34% of the K-8 California reading market in the second year of the adoption and led the market after two years with a 35% share. Their two product offerings in the California reading adoption - McGraw-Hill School's basal Spotlight on Literacy and the SRA/McGraw-Hill reading series, Collections for Young Scholars - continued to do well. McGraw-Hill School's social studies program, Adventures in Time and Place, was again the market leader, somewhat offsetting a disappointing performance in math.

Capitalizing on a strong line-up of mathematics and social studies adoptions, Glencoe/McGraw-Hill again posted significant revenue and profit growth in 1998. The division maintained its historic market leadership in math and distinguished itself as the clear market leader in social studies. It achieved more than 40% share in Texas in algebra and biology. CTB/McGraw-Hill had strong revenue growth, from its testing series, TerraNova, and significant expansion in statewide custom testing contracts. The new Consumer Products division sharply increased its revenue in 1998 as its expanding base of products gained shelf space in retail markets. While the start-up unit generated a small loss in 1998, the outlook for both revenue and profit growth is very favorable.

In 1999, Educational Publishing anticipates positive market conditions with the increasing priority given to quality education and testing accountability in political agendas. Funding levels are expected to continue to increase at a faster pace than projected enrollment. The 1999 adoption cycle is favorable with math adoptions in seven states and social studies adoptions in five states. School, Glencoe and SRA will all offer competitive programs in the math adoptions. Mathematically Correct, a nationwide organization that advocates quality in math education, recently selected SRA's Math: Explorations and Applications as the top program in its analysis of several leading math programs. Glencoe and School will be very competitive in the social studies adoptions. CTB will benefit from the resurgence of testing accountability, the many statewide contracts that it secured in 1998, and continued improvements in operating efficiency.

In 1997, Educational Publishing achieved a 25.4% increase in revenue due to high market shares in a strong adoption year. McGraw-Hill School did particularly well in the Texas social studies adoption, capturing a 60% market share. McGraw-Hill School and SRA/McGraw-Hill combined for a market-leading share in the first year of the California reading adoption. As a result, revenue and profit increased significantly for both McGraw-Hill School and SRA/McGraw-Hill. Despite limited adoption opportunities, Glencoe/McGraw-Hill increased revenue and profit through its broad product base and successful new programs. CTB/McGraw-Hill had strong revenue growth but lower profits due to costs of introducing TerraNova and lower profit on custom contracts. Consumer Products was in its first year of operation with minimal sales and a loss representing the development effort in preparation for 1998.

HIGHER EDUCATION

In 1998, Higher Education's revenue increased 7.0% to $359.3 million, 22% of segment revenue. Significant revenue increases were achieved by the Irwin/McGraw-Hill and McGraw-Hill/College imprints. The key frontlist revisions driving their sales increase were: McConnell Economics, 14th ed., Nickels Understanding Business, 5th ed., Libby Financial Accounting, 2nd ed., Lucas The Art of Public Speaking, 6th ed., Terrell Dos Mundos, 4th ed., and Kamien Music: An Appreciation, 3rd ed. Revenue increases were also posted by WCB/McGraw-Hill led by Mader Biology, 6th ed., Shier Human Anatomy and Physiology, 8th ed., and Hole Essentials of Human Anatomy and Physiology, 6th ed. Operating profit and margin increased in 1998, reflecting the higher revenue and the full year impact of the 1997 integration actions relating to the acquisition of the Times Mirror Higher Education Group in late 1996.

In 1999, Higher Education should continue to benefit from increased college enrollments, which is the most important variable affecting the market. Prior to 1997, college enrollments were declining, but the trend has changed. Enrollments are forecasted to grow at a compound annual rate of 1.8% from 1998 to 2001. In addition, the used book market share has leveled off partially due to the creation of value packs where new textbooks are bundled with components such as CD-ROMs or Web sites. Higher Education continues to develop digital content, which can be delivered via its own learning architecture, the Internet or third-party systems to meet the growing use of technology in the classroom.

Higher Education expects 1999 to be a continuation of its 1997 and 1998 successes. Revenues are expected to grow, reflecting a strong backlist and continued growth in the frontlist. In addition, operating margin should improve for the sixth consecutive year.

Revenue in Higher Education increased 63.7% in 1997 to $336 million, 21% of segment revenue. The revenue increase reflects the full year impact of the former Times Mirror Higher Education Group. Key frontlist titles driving the revenue increase include revisions of Knorre Puntos de Partida, An Invitation to Spanish, Garrison Managerial Accounting, and Mader Inquiry Into Life. Profits increased significantly due to the revenue growth and cost reductions from the integration program initiated with the acquisition. Most of the planned integration actions were completed in 1997 with the elimination of over 500 positions and the consolidation of facilities and systems.

PROFESSIONAL PUBLISHING

In 1998, revenue decreased 4.9% to $429 million, 27% of segment revenue. Professional Book Group revenue was flat with 1997 as a result of second year fall-off from 1997's release of two major products: the 8th edition of the Encyclopedia of Science and Technology and the 14th edition of Harrison's Principles of Internal Medicine. The Group achieved strong growth in the trade/retail sales channel. The computer book product line sold particularly well, reflecting increased title output, re-directed publishing programs and new sales and marketing initiatives. Direct and indirect sales to Amazon.com and other online retailers were also a significant factor in 1998 performance. Additionally, the Professional Book Group successfully introduced its first revenue-generating online product, Harrison's On line, to a worldwide market. Best-selling business titles included The Electronic Day Trader and Jack Welch and the GE Way. International revenue was also flat with 1997. Revenues improved in Latin America, due to strong growth in Mexico, particularly in medical and professional publishing. Canada's results benefited from strong growth in the school and professional markets. Operating results also improved in Europe, particularly in Spain's school market. Business in Asia declined due to the effects of the economic crisis. Professional Publishing profits declined primarily due to lower international profits and the continued softness at the Continuing Education Center, the home-study business, due to lower enrollments. As a result the company recorded a $16 million pretax charge to write down the assets of the CEC business.

In 1999, revenue will benefit from continued strong sales in the trade/retail channel and online retailer segment. Aggressive publishing plans in both the Computer Publishing Group and Business and General/Reference Group will drive revenue worldwide. A second major online product will be released, Access.Science.com, based on the renowned Encyclopedia of Science and Technology. The International Publishing Group will pursue the expansion of its publishing program to capitalize on the growing global education markets. Economic volatility will continue to impact our global markets.

In 1997, revenue increased 16.0% to $451 million, 29% of segment revenue. The revenue growth reflects an expanded publishing plan for business, computer and medical titles, the 8th edition of the Encyclopedia of Science and Technology, and the 14th edition of Harrison's Principles of Internal Medicine. Internationally, revenue grew significantly due to the full year impact of former Times Mirror products, the continuing recovery in Mexico and improved economic conditions in Canada. Professional Publishing profits were dampened by continued softness at the Continuing Education Center, the home-study business.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Segment Review (continued)

FINANCIAL SERVICES

(in millions)	1998	1997	1996
Operating Revenue	$1,152.7	$ 980.1	$ 855.9
% Increase	17.6	14.5	8.8
Operating Profit	$ 364.8(a)	$ 269.9(b)	$ 262.1
% Increase	35.2	3.0	13.5
% Operating Margin	32	28	31

(a) Includes a $26.7 million pretax gain on the sale of an office building in New York City.
(b) Includes a $20.4 million provision for the consolidation of office space in New York City.

The Financial Services segment consists of two operating groups which provide financial information enabling access to capital markets: Standard & Poor's Ratings Services and Standard & Poor's Financial Information Services (FIS), which comprises divisions serving the following markets: Retail, Corporate, Institutional, Sales & Trading, and Municipal Securities.

In 1998, Financial Services' segment revenue increased 17.6%. Operating profit, excluding the $26.7 million gain on the sale of a building and the 1997 facilities charge, rose 16.5% and operating margins declined slightly, reflecting investments in new products and services and global expansion. In 1997, Financial Services' segment revenue increased 14.5% to $980.1 million and operating profit, excluding a $20.4 million facilities charge, rose 10.8% to

$290.3 million.

STANDARD & POOR'S RATINGS SERVICES

Standard & Poor's Ratings Services revenue rose in 1998 on record new issue volume in the U.S. bond market, rapid growth in global markets and expanded nontraditional ratings services. New issue dollar volume in the U.S. bond market grew 41.2%; unit volume grew 22.4%. Corporate ratings growth reflected a favorable interest rate environment and the continued demand for high yield bonds. Structured Finance grew, primarily due to strong issuance in asset-backed and mortgage-backed markets. Public Finance revenue increased in a favorable market environment for new municipal bond issues and increased market share. Non traditional revenue continued to expand in areas such as managed funds and insurance. International revenue grew substantially, reflecting growth and development in global capital markets. The global network was expanded with office openings in Sao Paulo, Brazil, and Moscow to serve emerging markets in Latin America and Eastern Europe. Additional affiliation agreements were signed with EA Ratings in Russia and Maalot, Israel's leading rating service. Foreign source revenue and nontraditional revenue now account for approximately 33% of revenue. Operating profit grew, reflecting strength in both the domestic and foreign markets and the diversification of its revenue base, while funding larger investments in global expansion.

In 1999, Standard & Poor's Ratings Services anticipates continued strength in U.S. bond volumes and a favorable business climate, expansion and further development of nontraditional revenue opportunities. The advent of the European Monetary Union presents Standard & Poor's with growth opportunities as the unification of capital markets in Europe will spur investor demand for credit risk and related value-added information. Increased international investment is planned in order to capitalize on these and other global business opportunities.

In 1997, Standard & Poor's Ratings Services revenue rose on increased new issue volume in the U.S. Municipal, Corporate and Structured markets, primarily reflecting a favorable market environment. Nontraditional revenue continued to expand and International revenue grew substantially, reflecting the acquisitions of Risk Analysis in Argentina and Fund Research in the U.K., and continued global growth in all regions. The expanding global focus also includes a 50% joint venture in Taiwan Ratings Corporation, a 10% equity interest in CRISIL, India's leading rating service, and the signing of affiliation agreements with Fundacao Getuliuo Vargas in Brazil and CA Ratings in South Africa. 1997 operating profit rose, reflecting the higher revenue while funding larger investments in global expansion and product diversification.

STANDARD & POOR'S FINANCIAL INFORMATION SERVICES

Standard & Poor's Financial Information Services' 1998 revenue increased, primarily due to a favorable economic climate, worldwide interest in the booming equity markets, and demand for customer-focused Internet services, somewhat offset by softness in the secondary municipal market. The Retail Group's Index unit benefited from fees on index-based derivative products, including SPDRs (S&P depository receipts), which consistently held the highest trading volume of any security on the American Stock Exchange. It also introduced two new indexes for the European market, the S&PEuro Index and the S&PEuro Plus Index and an index for Canada. Plans are in place to launch indexes for Latin America and the U.K. in 1999. Portfolio Services, which has marketing agreements with several major financial institutions, also witnessed assets tied to their managed portfolios post strong growth. A major e-commerce initiative was undertaken with S&P Personal Wealth, which provides allocation and financial planning tools to the individual investor. Standard & Poor's ComStock's revenue grew and improved its position as a leading redistributor of stock quotes to many of the world-wide Web's most frequented financial sites. In the Institutional sector, Standard & Poor's Compustat, a leading provider of "standardized" financial information used by money managers, benefited from tremendous equity volatility and increased demand for fundamental data and analysis. Standard & Poor's MMS and Standard & Poor's Platt's, providers of real-time fundamental information and analysis in the global financial and energy services markets,

grew revenue despite the difficult market conditions primarily in Asia. Platt's growth was particularly strong due to the launch of new products covering the world's deregulating power markets. Segment operating profit growth was flat, slowed by the continued softness of the secondary municipal securities market and investment in technology and the development of new products. In the last year, FIS introduced nine new products for customers ranging from portfolio managers to financial advisors and individual investors.

In 1999, new product development will continue to be a priority concentrating on real-time, Web-based data, commentary, and analytical services for solution-oriented content and services. Through various units, Standard & Poor's Financial Information Services is launching several products providing financial insight on the Internet. Technological investments completed in 1998, such as the single common network managed by AT&T, will allow Standard & Poor's Financial Information Services to more effectively integrate financial information for our customers. Global expansion will continue to be a key focus area in 1999, particularly in Europe. For example, in the fourth quarter of 1998 Standard & Poor's MMS launched Eurobond Market Insight, a new online service providing real-time analysis and commentary on the expanding Eurobond market.

In 1997, revenue grew, reflecting a strong economic climate in financial services industry and increasing demand for high quality, independent financial information and Internet delivered solutions. Operating margins decreased slightly due to the continued contraction in the municipal bond market and investments in new products.

INFORMATION AND MEDIA SERVICES

<TABLE>
<CAPTION>

(in millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Operating Revenue	$ 956.1	$ 980.2	$ 940.9
% Increase (Decrease)	(2.5)	4.2	3.1
Operating Profit	$ 122.2	$ 141.5(a)	$ 116.8
% Increase (Decrease)	(13.6)	21.2	1.5
% Operating Margin	13	14	12

</TABLE>

(a) Includes a provision of $1.5 million for real estate writedowns for the consolidation of office space in New York City and a gain on sale of Datapro Information Services of $20.4 million.

The Information and Media Services segment comprises five operating groups, which includes business and trade media offering information, insight and analysis: Business Week; Publication Services; Tower Group International; McGraw-Hill Construction Information Group; and the McGraw-Hill Broadcasting Group.

The Information and Media Services segment's revenue declined by 2.5% to $956.1 million in 1998 and operating profit declined 13.6%. The company sold Datapro Information Services in 1997 and the remainder of its Information and Technology Communication Group in 1998. Excluding divested businesses, revenues increased 4.8%. Operating profit was essentially flat with 1997, excluding divested businesses, the gain on the sale of Datapro and the facilities charge. In 1997, revenue increased 4.2% and operating profit, excluding the gain on the sale of Datapro and the facilities provision increased $5.8 million, or 5.0% from 1996. The Information Technology and Communications Group produced a loss in 1997 due to declining revenue and increased marketing investments.

BUSINESS WEEK

Business Week recorded a revenue increase of 9.2% in 1998 and a fourth consecutive year of double-digit operating profit growth. The results reflect solid gains in the North American and International editions and the dominance of technology. Domestic advertising pages, as measured by the Publishers' Information Bureau, grew 1.8% in 1998, while an influx of new advertisers improved the revenue per page. Business Week is the fastest growing English-language publication in Europe and Asia.

For 1999, Business Week expects continued growth in worldwide advertising revenue and continued rapid growth of businessweek.com to fuel both revenue and operating profit growth.

In 1997, revenue and operating profit grew strongly, the third year of growth. The results reflect an increase in advertising pages of 5.8%, despite two fewer issues, and continued improvement in advertising and circulation margins. Enhanced marketing programs contributed to the performance.

PUBLICATION SERVICES

Publication Services comprises the Aviation Week, Healthcare Information and Science and Technology units. Revenue increased 2.5% but operating profit declined in 1998. Strong performances by the Aviation Week Group and modest growth in the Energy and Petrochemicals Group were offset by weakness in the Healthcare publications. The Aviation Group performance was aided by strong advertising and ancillary revenue, strong performance at air shows, a growing business in large MRO (Maintenance, Repair & Overhaul) category and growing online business. The Healthcare Group was affected by a reduction in new drug approvals and a shift in advertising by pharmaceutical companies from print to broadcasting.

In 1999, Publications Services Group expects an increase in drug approvals, continued launch of new products and services in new industry segments and additional launches of exhibitions and conferences.

Revenue and operating profit increased in 1997, reflecting strong advertising page growth in the healthcare magazines; strong display and classified advertising, and circulation and ancillary product growth at Aviation Week; and enhanced profit levels in Science and Technology on modest revenue growth due to product line rationalization.

TOWER GROUP INTERNATIONAL

Tower Group International revenue increased 6.4% in 1998 due to growth in core U.S. customs brokerage business from opening of new offices and the addition of major new accounts. However, profit declined due to integration costs related to businesses acquired over the years.

In 1999, Tower expects a return to normal profit levels with an increased focus on regional profitability as well as global expansion. Import growth in the U.S. and Canada is expected to decline in 1999, and may impact operating results.

Tower Group International revenue increased in 1997 due to growth in core U.S. customs brokerage business and expansion in other transportation services. Operating profit increased at a lower rate reflecting investments.

CONSTRUCTION INFORMATION

The Construction Information Group revenue increased 2.3%, but operating profits declined modestly due to investments in new products and technology. Revenue growth came from electronic products and two publications, Architectural Record and Engineering News-Record (ENR). Electronic revenue grew at Dodge and at Sweet's and included the successful launch of Dodge Plans, a sophisticated building-specifications delivery system, and a whole suite of online products launched under construction.com. In 1998, contract value of nonresidential building rose 1%.

In 1999, contract value of nonresidential building is expected to rise 3%. The Group should continue to benefit from existing product enhancements and its electronic products, as the construction industry becomes more technologically savvy, while building on its alliances by simplifying content management and product delivery systems.

The Construction Information Group revenue increased 7.5% in 1997. Revenue increased due to growth at F.W. Dodge and Sweet's as electronic products grew by 25% and also from new products such as the Sweet's Directory. Architectural Record and Engineering News-Record had significant increases in advertising pages. Operating profit increased over 1996 due to the revenue growth and continued expense management.

BROADCASTING

The Broadcasting Group operates four television stations: VHF stations in Denver, Indianapolis and San Diego and a UHF station in Bakersfield, California. All four stations are ABC affiliates. The Broadcasting Group revenue grew 2.3%. The Group revenue benefited from a strong first half but was hurt by an industry wide advertising slowdown in the second half, particularly the General Motors strike. Revenue was also affected by weakening of ABC prime-time ratings. Tight cost controls helped to offset the revenue softness. The Broadcasting Group is operating below 1995 expense levels. As a result, margins improved.

For 1999, Broadcasting expects an overall favorable advertising environment with a recovery in the automotive sector.

In 1997, Broadcasting revenue increased 1.0%. Revenue growth was limited by the loss of political advertising, which had reached record levels in 1996. The stations also faced declining ratings in ABC network prime-time programming in 1997. Cost reductions enabled profits to increase significantly.

LIQUIDITY AND CAPITAL RESOURCES

(in millions)	1998	1997
Working Capital	$ 137.3	$ 258.2
Total Debt	$ 527.6	$ 684.4

Accounts Receivable (before reserves)	$1,162.7	$1,155.1
% Increase	1	11
Inventories	$ 284.7	$ 290.5
% Increase (Decrease)	(2)	6
Investment in Prepublication Costs	$ 195.0	$ 166.8
% Increase (Decrease)	17	(9)
Capital Expenditures	$ 178.9	$ 78.7
% Increase	127	24

</TABLE>

The company continues to maintain a strong financial position. Cash flow from operations improved to $755 million in 1998, compared with $523 million in 1997, excluding a $150 million tax payment made in 1997 related to the gain on the Shepard's/Times Mirror Higher Education exchange. Cash flow from operations more than covered dividends, outlays for the purchase of property and equipment, investment in publishing programs and the repurchase of common shares.

In 1998, total debt decreased $157 million primarily due to the improved cash flow. Total debt reflects the early extinguishment of $155 million of 9.43% notes, due in the year 2000, which will be refinanced at a lower rate. $95 million of the notes remain outstanding at December 31, 1998. Under a shelf registration that became effective with the Securities and Exchange Commission in mid-1990, an additional $250 million of debt securities can be issued. 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. Total debt as a percentage of total capital decreased to 25.4% at the end of 1998 from 32.3% at the end of 1997.

Commercial paper borrowings at December 31, 1998 were $397 million. Commercial paper debt is supported by an $800 million revolving credit agreement with a group of banks terminating in February 2002, and $350 million has been classified as long-term. There are no amounts outstanding under this agreement.

Earnings and cash flow are significantly impacted by the seasonality of businesses, particularly educational publishing. The first quarter is the least significant, accounting for 19% of revenues and only 6% of net earnings in 1998. The third quarter is the most significant, generating nearly half of 1998 annual earnings. This seasonality in revenue also impacts cash flow and related borrowing patterns. The company typically borrows in the first half of the fiscal year, and generates cash in the second half of the year, primarily from fourth quarter collections from customers in the education markets. This pattern is magnified in years where there is significant state adoption activity, such as in 1997. The acquisition of the Times Mirror Higher Education Group further impacted the seasonality of operating results.

Working capital at the end of 1998 of $137 million was $121 million less than the level at the end of 1997, primarily due to lower paper and other materials inventories and prepaid income taxes, net of larger current liabilities due to timing of payments.

Accounts receivable (before reserves) increased $8 million, or 0.7%, despite a 5.5% increase in revenues. The year-to-year increase was effectively controlled through timely collections. Number of day's sales outstanding, a key indicator of collection efficiency, decreased three days in 1998.

Total inventories decreased $5.8 million, or 2.0%, from prior year due to the continued improvement of managing inventory levels.

Capital expenditures, primarily the purchase of property and equipment, totaled $179 million in 1998, compared with $79 million in 1997. The significant increase in 1998 relates to the build-out of the new leased office space in New York City and the construction of a building in Columbus, Ohio. For 1999, capital expenditures are expected to decline to approximately $140 million as the office consolidation and Columbus facility are completed.

Net prepublication costs increased to $358 million at December 31, 1998. Prepublication investment totaled $195 million in 1998, $28 million more than 1997, reflecting an increase in investment for the 1999 and 2000 adoption years. For 1999, prepublication spending is expected to further increase by approximately 25% for upcoming adoption years.

On January 27, 1999, the Board of Directors approved a two-for-one stock split to be distributed on March 8, 1999 to shareholders of record on February 24, 1999. Additionally, the Board of Directors approved a stock repurchase program authorizing the purchase of up to 15 million shares or 7.5% of the outstanding common stock on a post-split basis. In the third quarter of this year, the company completed the 8 million share repurchase program (post-split) approved by the Board in 1996 for a total cost of $248.9 million. The repurchased shares were financed from internally generated funds. The repurchased shares will be used for general corporate purposes, including the issuance of shares for stock compensation plans.

On January 27, 1999, an increase in the quarterly common stock dividend of two cents, or 10.3%, to 21.5 cents per share was announced.

In 1999, cash flow from operations is expected to be sufficient to cover dividends, investment in publishing programs and capital expenditures. Debt levels will be impacted by the recently announced stock repurchase program.

The company has operations in various foreign countries. In the normal course of business, these operations are exposed to fluctuations in currency values. Management does not consider the impact of currency fluctuations to represent a significant risk. The company has naturally hedged positions in most countries with a local currency perspective and asset and liability offsets. The company's interest expense is sensitive to changes in the general level of U.S. interest rates. In this regard, changes in the U.S. rates affect the interest paid on a portion of its debt. The company does not generally enter into derivative financial instruments in the normal course of business, nor are such instruments used for speculative purposes.

YEAR 2000 ISSUE

Computer software and certain embedded systems that use two digits rather than four to identify the applicable year may be unable to interpret appropriately the calendar Year 2000, and thus could potentially disrupt normal business activities. The Year 2000 issue affects virtually all companies and organizations, including vendors, suppliers, customers and other third parties that interface with the company.

The company uses software and data in various aspects of its business, including its products, product development, product support and many administrative functions such as billing and receiving information and merchandise from suppliers. As of December 31, 1998, the company has substantially completed an inventory of its technology environment, including non-information technology systems, with special emphasis placed on the company's key information processes. Plans have been developed to remediate or replace, and to test systems at each operating unit to achieve Year 2000 readiness, as appropriate.

The company has hired outside vendors to assist the operating units in implementing and/or modifying computer systems to be Year 2000 ready and to assist in remediation and testing. Each of the company's operating units has designated a leader responsible for overseeing and coordinating the day-to-day process to become Year 2000 ready.

As of December 31, 1998, we estimate that 88% of the company's applications have been remediated or replaced, with the remaining 12% to be completed shortly thereafter. Approximately 65% of the applications have been tested and are Year 2000 ready. The company has targeted July 1999 as the expected date that all computer systems and technology vital to each operating unit's profitability and functionality, including non-information technology, will have been tested and will be Year 2000 ready. As of the filing date of this document, there have been no material setbacks in meeting the target dates and the company does not believe that there will be a major break in service due to the Year 2000 issue.

The company is communicating with third parties, including its key vendors, redistributors and customers, to determine their plans to address the Year 2000 issue. The company is taking the following steps to determine if key third parties are addressing the Year 2000 issue: (1) identifying and documenting all third parties related to the company's vital information systems; (2) sending letters asking them to detail the steps they are taking to become Year 2000 ready; and (3) based on the responses, establishing follow-up time schedules to evaluate progress on the issue.

Standard & Poor's (S&P) Financial Services' groups have been responding to the Securities Industry Association's ("SIA") inquiries on the securities industry's readiness. As a part of this inquiry, the S&P Financial Services' groups have provided SIA with the appropriate documents, including an overview of Year 2000 projects, the techniques used to make their products Year 2000 ready, results of test data, methods of updating databases and critical third party product dependencies. These responses are being updated periodically.

Although the company expects a positive resolution to these issues, due to the unique and pervasive nature of the Year 2000 issue, it is difficult at this time to ascertain the financial impact to the company if the company experiences unanticipated problems related to the Year 2000 issue. The following describes the company's most reasonably likely worst case scenario, while recognizing the uncertainties inherent in a global problem that could potentially affect any business. Material systems failures resulting from the Year 2000 problem have the potential to adversely affect the company's operations and financial systems. Material failures could affect, by way of example, billing systems, collections, payroll, ordering, processing of financial records and access to facilities. The company's business segments could face additional operational problems in the event of a material systems or vendor failure, such as by way of example, an inability to fulfill book orders on a timely basis, a disruption in the company's ability to provide real-time financial information or a disruption in our periodicals publishing schedule.

The company identified computer systems that may not meet the July 1999 target date. Contingency plans for those systems have been developed to ensure that they are Year 2000 ready prior to January 1, 2000. The company is also reviewing its business continuity plans that cover current worldwide operations and is preparing to devote appropriate internal and external resources in the event of an unforeseen or unanticipated Year 2000 readiness issue arising on or after January 1, 2000, including those related to third party dependencies, such as power outages, telecommunications failures or vendor failures. For example, as part of the planning process for the December 31, 1999 weekend, the company is making arrangements to: staff a Crisis Center at the company's Hightstown, N.J. facility with senior executives; station key facilities, security and information technology personnel at locations worldwide; and to have a major component of our information technology personnel at their work stations over that weekend and continuing as long thereafter as required.

The cost to assess, remediate and test systems that will not be replaced will approximate $18 million between 1998 and 2000; approximately $9 million has been spent to date to remediate these systems. Certain systems that are not Year 2000 ready are being replaced as part of ongoing system development projects.

EURO CONVERSION

On January 1, 1999, certain member nations of the European Economic and Monetary Union ("EMU") adopted a common currency, the euro. For a three and a half-year transition period, noncash transactions may be denominated in either the euro or in the old national currencies. After July 1, 2002, the euro will be the sole legal tender for EMU countries. The adoption of the euro will affect a multitude of financial systems and business applications as the commerce of these nations will be transacted in the euro and the existing national currency. For the years ended December 31, 1998 and 1997, approximately 5% of the company's revenues were derived from EMU countries.

The company continues to address euro related issues and its impact on information systems, currency exchange rate risk, taxation, contracts, competition and pricing. Action plans currently being implemented are expected to be in compliance with all laws and regulations; however, there can be no certainty that external factors will not have an adverse effect on the company's operations. The company does not expect these costs to be material to its results of operations, financial condition or liquidity.

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This section, as well as other portions of this document, includes certain forward-looking statements about the company's business, new products, sales, expenses, cash flows and operating and capital requirements. Such forward-looking statements include, but are not limited to: future paper, printing and distribution prices; future compensation merit increase rates; Educational Publishing's level of success in 1999 adoptions and the new Consumer Products division; the strength of higher education, professional and international publishing markets; the strength of profit levels at Standard & Poor's Ratings Services; the level of success of new product development and strength of international markets at Standard & Poor's Financial Information Services; Business Week's success in expansion into international markets; the strength of the domestic advertising market; the level of import activity; the contract value of nonresidential building; McGraw-Hill Construction Information Group's ability to introduce new electronic products, product extensions and enhancements; Broadcasting's level of automotive advertising; the level of future cash flow, debt levels, capital expenditures and prepublication cost investment; and the resolution of the Year 2000 and euro conversion issues.

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 and political conditions, currency and foreign exchange volatility, the health of capital and equity markets, the successful marketing of new products, and the effect of competitive products and pricing.

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CONSOLIDATED STATEMENT OF INCOME

<TABLE>
<CAPTION>

Years ended December 31 (in thousands, except per-share data)	1998	1997	1996
<S>	<C>	<C>	<C>
OPERATING REVENUE	$3,729,145	$3,534,095	$3,074,697
EXPENSES			
Operating	1,661,615	1,625,735	1,439,824
Selling and general	1,216,686	1,137,887	980,279
Depreciation and amortization	299,240	293,518	238,558
TOTAL EXPENSES	3,177,541	3,057,140	2,658,661
Gain on exchange of Shepard's/McGraw-Hill (Note 3)	--	--	418,731
Other income - net (Note 2)	56,779	46,853	27,696
INCOME FROM OPERATIONS	608,383	523,808	862,463
Interest expense - net	47,961	52,542	47,656
INCOME BEFORE TAXES ON INCOME	560,422	471,266	814,807
Provision for taxes on income (Note 7)	218,565	180,591	319,074
INCOME BEFORE EXTRAORDINARY ITEM	341,857	290,675	495,733
EXTRAORDINARY ITEM - LOSS ON EARLY EXTINGUISHMENT OF DEBT, NET OF TAX (Note 4)	(8,716)	--	--
NET INCOME	$ 333,141	$ 290,675	$ 495,733
BASIC EARNINGS PER COMMON SHARE (Note 13)			
INCOME BEFORE EXTRAORDINARY ITEM	$ 1.73	$ 1.47	$ 2.50
NET INCOME	$ 1.69	$ 1.47	$ 2.50
DILUTED EARNINGS PER COMMON SHARE (Note 13)			
INCOME BEFORE EXTRAORDINARY ITEM	$ 1.71	$ 1.46	$ 2.48
NET INCOME	$ 1.67	$ 1.46	$ 2.48

</TABLE>

See accompanying notes.

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CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

December 31 (in thousands, except share data)	1998	1997
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash and equivalents (Note 1)	$ 10,451	$ 4,768
Accounts receivable (net of allowances for doubtful accounts and sales returns: 1998 - $212,423; 1997 - $182,629)	950,296	972,449
Receivable from broker-dealers and dealer banks (Note 1)	4,597	9,483
Inventories:		
Finished goods	235,341	233,105
Work-in-process	31,260	28,455
Paper and other materials	18,128	28,919
Total inventories	284,729	290,479
Prepaid income taxes	92,496	99,131
Prepaid and other current assets	86,192	88,111
Total current assets	1,428,761	1,464,421
PREPUBLICATION COSTS (net of accumulated amortization: 1998 - $607,574; 1997 - $526,156) (Note 1)	358,429	326,251
INVESTMENTS AND OTHER ASSETS		
Investment in Rock-McGraw, Inc. - at equity (Note 6)	79,394	72,292
Prepaid pension expense	107,997	100,495
Other	189,991	167,701

Total investments and other assets	377,382	340,488
PROPERTY AND EQUIPMENT - AT COST		
Land	12,867	18,823
Buildings and leasehold improvements	295,374	264,237
Equipment and furniture	606,564	555,154
Total property and equipment	914,805	838,214
Less - accumulated depreciation	550,781	564,584
Net property and equipment	364,024	273,630
GOODWILL AND OTHER INTANGIBLE ASSETS - AT COST (net of accumulated amortization: 1998 - $493,610; 1997 - $449,981) (Notes 1 and 3)	1,259,548	1,308,284
	$3,788,144	$3,713,074

</TABLE>

See accompanying notes.

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable (Note 4)	$ 75,500	$ 77,395
Accounts payable	318,572	285,862
Payable to broker-dealers and dealer banks (Note 1)	4,585	9,331
Accrued royalties	97,753	96,801
Accrued compensation and contributions to retirement plans	215,163	181,393
Income taxes currently payable	67,396	100,685
Unearned revenue	236,167	219,698
Other current liabilities	276,315	235,077
Total current liabilities	1,291,451	1,206,242
OTHER LIABILITIES		
Long-term debt (Note 4)	452,097	607,030
Deferred income taxes	129,303	111,022
Accrued postretirement healthcare and other benefits	192,743	196,508
Other non-current liabilities	170,742	157,621
Total other liabilities	944,885	1,072,181
Total liabilities	2,236,336	2,278,423
COMMITMENTS AND CONTINGENCIES (Notes 6 and 8)		
SHAREHOLDERS' EQUITY (Notes 9 and 10)		
$1.20 preference stock, $10 par value: authorized - 891,256 shares; outstanding - 1,362 shares in 1998 and 1997	14	14
Common stock, $1 par value: authorized - 300,000,000 shares; issued - 205,838,462 shares in 1998 and 1997	205,838	102,919
Additional paid-in capital	--	35,469
Retained income	1,670,101	1,542,854
Accumulated other comprehensive income	(75,962)	(74,247)
Less - common stock in treasury - at cost (8,727,116 shares in 1998 and 7,635,286 shares in 1997)	234,673	159,447
Unearned compensation on restricted stock	13,510	12,911
Total shareholders' equity	1,551,808	1,434,651
	$ 3,788,144	$ 3,713,074

</TABLE>

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

Years ended December 31 (in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
CASH FLOW FROM OPERATING ACTIVITIES			
Net income	$ 333,141	$ 290,675	$ 495,733
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	77,168	73,151	71,097
Amortization of goodwill and intangibles	52,530	50,034	39,190
Amortization of prepublication costs	169,542	170,333	128,271
Provision for losses on accounts receivable	104,597	80,600	65,116
Provision for facility reserve	--	33,152	--
Gain on sale of Datapro Information Services	--	(20,404)	--
Gain on exchange of Shepard's/McGraw-Hill for the Times Mirror Higher Education Group	--	--	(418,731)
Gain on sale of building	(26,656)	--	--
Provision for one-time integration costs	--	--	25,000
Extraordinary loss on early extinguishment of debt	14,289	--	--
Other	1,905	7,541	5,839
Change in assets and liabilities net of effect of acquisitions and dispositions:			
Increase in accounts receivable	(80,421)	(185,814)	(118,235)
Decrease/(increase) in inventories	6,430	(20,742)	4,000
Increase in prepaid and other current assets	(161)	(4,303)	(15,880)
Increase in accounts payable and accrued expenses	66,500	91,423	40,717
Increase/(decrease) in unearned revenue	21,999	(5,145)	13,770
Increase/(decrease) in other current liabilities	21,290	(25,802)	(11,010)
(Decrease)/increase in interest and income taxes currently payable	(20,050)	(134,117)	166,646
Increase/(decrease) in prepaid/deferred income taxes	34,844	(19,770)	(24,807)
Net change in other assets and liabilities	(21,877)	(7,736)	(6,564)
Cash provided by operating activities	755,070	373,076	460,152
INVESTING ACTIVITIES			
Investment in prepublication costs	(194,978)	(166,784)	(182,978)
Purchase of property and equipment	(178,889)	(78,724)	(63,313)
Acquisition of businesses and equity interests	(24,720)	(43,780)	(31,195)
Proceeds from exchange of Shepard's/McGraw-Hill for the Times Mirror Higher Education Group	--	6,730	27,258
Proceeds from disposition of property, equipment and businesses	66,479	57,777	10,041
Cash used for investing activities	(332,108)	(224,781)	(240,187)
FINANCING ACTIVITIES			
Dividends paid to shareholders	(154,386)	(142,705)	(131,375)
(Repayment of)/additions to commercial paper and other short-term debt - net	(1,660)	62,340	(46,696)
Repayment of long-term debt	(154,988)	--	--
Repurchase of treasury shares	(105,637)	(79,899)	(63,314)
Exercise of stock options	23,384	20,367	19,869
Other	(22,277)	(5,560)	(4,928)
Cash used for financing activities	(415,564)	(145,457)	(226,444)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1,715)	(1,500)	(341)
Net change in cash and equivalents	5,683	1,338	(6,820)
Cash and equivalents at beginning of year	4,768	3,430	10,250
CASH AND EQUIVALENTS AT END OF YEAR	$ 10,451	$ 4,768	$ 3,430

</TABLE>

See accompanying notes.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

Years ended December 31, 1998, 1997 and 1996 (in thousands, except per-share data)	$1.20 preference $10 par	Common $1 par	Additional paid-in capital	Retained income
<S>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1995	$14	$102,919	$ 26,740	$1,030,526
Net income	--	--	--	495,733
Other comprehensive income, net of tax - foreign currency translation adjustments	--	--	--	--

COMPREHENSIVE INCOME				
Dividends ($.66 per share)	--	--	--	(131,375)
Share repurchase	--	--	--	--
Exercise of stock options	--	--	3,886	--
Restricted stock	--	--	6,756	--
Other	--	--	91	--
BALANCE AT DECEMBER 31, 1996	14	102,919	37,473	1,394,884
Net income	--	--	--	290,675
Other comprehensive income, net of tax - foreign currency translation adjustments	--	--	--	--
COMPREHENSIVE INCOME				
Dividends ($.72 per share)	--	--	--	(142,705)
Share repurchase	--	--	--	--
Exercise of stock options	--	--	(8,252)	--
Restricted stock	--	--	6,186	--
Other	--	--	62	--
BALANCE AT DECEMBER 31, 1997	14	102,919	35,469	1,542,854
Net income	--	--	--	333,141
Other comprehensive income, net of tax - foreign currency translation adjustments	--	--	--	--
COMPREHENSIVE INCOME				
Dividends ($.78 per share)	--	--	--	(154,386)
Share repurchase	--	--	--	--
Exercise of stock options	--	--	3,803	--
Restricted stock	--	--	12,037	--
Other	--	--	102	--
Two-for-one stock split at par value	--	102,919	(51,411)	(51,508)
BALANCE AT DECEMBER 31, 1998	$14	$205,838	$ --	$1,670,101

<CAPTION>

Years ended December 31, 1998, 1997 and 1996 (in thousands, except per-share data)	Accumulated other comprehensive income	Less-common stock in treasury at cost	Less-unearned compensation on restricted stock	Total
<S>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1995	$(56,247)	$ 60,778	$ 8,108	$1,035,066
Net income	--	--	--	495,733
Other comprehensive income, net of tax - foreign currency translation adjustments	(1,055)	--	--	(1,055)
COMPREHENSIVE INCOME				494,678
Dividends ($.66 per share)	--	--	--	(131,375)
Share repurchase	--	63,314	--	(63,314)
Exercise of stock options	--	(15,468)	--	19,354
Restricted stock	--	(1,096)	1,352	6,500
Other	--	(118)	--	209
BALANCE AT DECEMBER 31, 1996	(57,302)	107,410	9,460	1,361,118
Net income	--	--	--	290,675
Other comprehensive income, net of tax - foreign currency translation adjustments	(16,945)	--	--	(16,945)
COMPREHENSIVE INCOME				273,730
Dividends ($.72 per share)	--		--	(142,705)
Share repurchase	--	79,899	--	(79,899)
Exercise of stock options	--	(23,268)	--	15,016
Restricted stock	--	(4,463)	3,451	7,198
Other	--	(131)	--	193
BALANCE AT DECEMBER 31, 1997	(74,247)	159,447	12,911	1,434,651
Net income	--	--	--	333,141
Other comprehensive income, net of tax - foreign currency translation adjustments	(1,715)	--	--	(1,715)
COMPREHENSIVE INCOME				331,426
Dividends ($.78 per share)	--	--	--	(154,386)
Share repurchase	--	105,637	--	(105,637)
Exercise of stock options	--	(21,388)	--	25,191
Restricted stock	--	(8,887)	599	20,325
Other	--	(136)	--	238
Two-for-one stock split at par value	--	--	--	--

BALANCE AT DECEMBER 31, 1998	$(75,962)	$234,673	$13,510	$1,551,808

</TABLE>

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

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

CASH EQUIVALENTS. Cash equivalents consist of highly liquid investments with maturities of three months or less at the time of purchase.

INVENTORIES. Inventories are stated at the lower of cost (principally first-in, first-out) or market.

PREPUBLICATION COSTS. Prepublication costs, principally outside preparation costs, are amortized from the year of publication over their estimated useful lives, primarily three to five years, using either an accelerated or the straight-line method. It is the company's policy to evaluate the remaining lives and recoverability of such costs, which is often dependent upon program acceptance by state adoption authorities.

GOODWILL AND OTHER INTANGIBLE ASSETS. Goodwill and other intangible assets that arose from acquisitions either consummated or initiated prior to November 1, 1970 are not amortized unless there has been a reduction in the value of the related assets. Goodwill and other intangible assets arising subsequent to November 1, 1970 of $1.7 billion at December 31, 1998 and 1997 are being amortized over periods of up to 40 years. The company periodically reviews its goodwill to determine if any impairment exists based upon projected, undiscounted net cash flows of the related business unit.

RECEIVABLE FROM/PAYABLE TO BROKER-DEALERS AND DEALER BANKS. 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 matched purchase and sale commitments of $209.1 million and $282.4 million at December 31, 1998 and 1997, respectively. Only those transactions not closed at the settlement date are reflected in the balance sheet as receivables and payables.

FOREIGN CURRENCY TRANSLATION. Assets and liabilities are translated using current exchange rates, except certain accounts of units whose functional currency is the U.S. dollar, and translation adjustments are accumulated in a separate component of shareholders' equity. Revenues and expenses are translated at average monthly exchange rates. Inventory, prepublication costs and property and equipment accounts of units whose functional currency is the U.S. dollar are translated using historical exchange rates and translation adjustments are charged and credited to income.

REVENUE. Revenues are generally recognized when goods are shipped to customers or services rendered. Tuition revenue from home-study courses is recorded when the contracts are accepted. At the same time, provisions for cancellation and uncollectible accounts and estimated costs to service the contracts are recorded. Units whose revenues are principally from subscription income and service contracts record revenue as earned. Units whose revenues are principally from advertising generally record subscription income as received. Costs related to subscriptions generally are expensed as incurred.

DEPRECIATION. The costs of property and equipment are depreciated using the straight-line method based upon the following estimated useful lives:

- Buildings and leasehold improvements - 15 to 40 years
- Equipment and furniture - 3 to 10 years

ADVERTISING EXPENSE. The cost of advertising is expensed as incurred. The company incurred $107 million, $109 million and $96 million in advertising costs in 1998, 1997 and 1996, respectively.

RECLASSIFICATION. Certain prior-year amounts have been reclassified for comparability purposes.

2. ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS. In 1998, the company acquired Xebec Multi Media Solutions, Ltd. and Optical Data Corporation for $24.7 million, net of cash acquired. In 1997, the company made seven acquisitions and equity investments, including Micropal Group Ltd., for $43.8 million in cash, net of cash acquired, and $41.9 million in debt. In 1996, excluding the exchange of Shepard's/McGraw-Hill for the Times Mirror Higher Education Group (TMHE), the company made four acquisitions, including Open Court Publishing, for $31.2 million in cash, net of cash acquired. See Note 3 for details of the Shepard's/McGraw-Hill-TMHE exchange.

NONCASH INVESTING ACTIVITIES. Liabilities assumed in conjunction with the acquisition of businesses, including TMHE, are as follows:

(in millions)	1998	1997	1996
Fair value of assets acquired	$28.0	$104.1	$583.4
Cash paid (net of cash acquired)	24.7	43.8	3.9
Fair value of business exchanged	--	--	485.0
Liabilities assumed	$ 3.3	$ 60.3	$ 94.5

DISPOSITIONS. In 1998, the company sold the remainder of its Information Technology and Communications Group for $28.6 million. There was no gain or loss on the divestiture as the net proceeds minus disposition costs approximated the net book value of the Group's assets. In 1997, the company sold Datapro Information Services, McGraw-Hill School Systems and London House for $54.5 million. The pretax gain on the sale of Datapro Information Services was $20.4 million, which was included in other income. After taxes, the gain was $20.2 million. The proceeds from the other two businesses sold approximated the book value of the properties. In 1996, other than the Shepard's/McGraw-Hill-TMHE exchange discussed in Note 3, there were no significant dispositions.

3. EXCHANGE OF SHEPARD'S/McGRAW-HILL FOR TIMES MIRROR HIGHER EDUCATION GROUP

On October 15, 1996, The McGraw-Hill Companies completed the exchange of its Shepard's/McGraw-Hill legal publishing unit for the Times Mirror Higher Education Group (TMHE) and other consideration, including $34 million in cash. The valuation of the properties exchanged was $485 million. The acquisition of TMHE was accounted for as a purchase and the net assets and results of operations of TMHE have been included in the consolidated financial statements since the date of acquisition. The excess of the transaction value over the tangible assets acquired was allocated to identifiable publishing intangible assets ($231 million) being amortized over 18 to 30 years and goodwill ($168 million) being amortized over 40 years.

The company recorded a pretax gain on the sale of Shepard's/McGraw-Hill of $418.7 million ($260.5 million net of taxes, or $1.30 per diluted share).

In connection with the acquisition of TMHE, the company recorded acquisition reserves of $26.6 million. Such costs were primarily for employee severance as well as professional fees and various other costs associated with the acquisition. In addition, one-time charges of $25 million related to the integration of the company's College Division with the acquired TMHE business were recorded in 1996. Such costs were attributed to employee severance, asset write-offs and other costs to integrate and consolidate the operations.

4. DEBT

At December 31, 1998, the company had short-term borrowings of $426 million, primarily representing domestic commercial paper borrowings of $397 million and acquisition related debt of $29 million at an average interest rate of 5.6% maturing at various dates during 1999.At December 31, 1997, the company had short-term borrowings of $427 million, primarily representing domestic paper borrowings of $381 million and acquisitions related debt of $46 million at an average interest rate of 5.6% that matured at various dates during 1998. The commercial paper borrowings in both years are supported by the revolving credit agreement described below, and $350 million has been classified as long-term.

The company has an $800 million revolving credit agreement with a group of banks terminating in February 2002. Interest rates on amounts borrowed vary depending upon the source and are based on either the eurodollar or a bank base rate, at the company's option. The credit agreement contains various warranties and covenants that must be complied with on a continuing basis. The agreement requires a commitment fee on the unused portion of the credit line. At December 31, 1998, there were no borrowings under the agreement.

In September 1998, the company commenced a tender offer for $250 million of its 9.43% notes due in 2000. As a result of this tender offer, approximately $155 million of the debt was retired. The company incurred an $8.7 million after-tax loss related to this transaction, which is classified as an extraordinary item on the consolidated statement of income. The notes are unsecured obligations of the company and are not redeemable by the company prior to the maturity date.

A summary of long-term debt at December 31 follows:

(in millions)	1998	1997
9.43% notes due 2000	$ 95.0	$250.0
Commercial paper supported by bank revolving credit agreement	350.0	350.0
Other (primarily acquisition related notes)	7.1	7.0
Total long-term debt	$452.1	$607.0

The company paid interest on its debt totaling $48.9 million in 1998, $52.1 million in 1997 and $50.1 million in 1996.

The carrying amount of the company's commercial paper borrowings approximates fair value. The fair value of the company's 9.43% notes and other long-term debt at December 31, 1998 and 1997, based on current borrowing rates for debt with similar terms and maturities, is estimated to be $108.6 million and $279.7 million, respectively.

5. SEGMENT REPORTING AND GEOGRAPHIC INFORMATION

On December 31, 1998, the company adopted FASB Statement No. 131, "Disclosures About Segments of An Enterprise and Related Information" (SFAS131). The new rules establish revised standards for public companies relating to the reporting of financial and descriptive information about their operating segments in the financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and assess performance.

The company has three reportable segments: Educational and Professional Publishing, Financial Services, and Information and Media Services. The educational and professional publishing segment provides education, training and lifetime learning textbooks and instructional materials for students and professionals. The financial services segment consists of Standard & Poor's operations, which provide financial information, ratings and analyses, enabling access to capital markets. The information and media services segment includes business and trade media offering information, insight and analysis.

Information as to the operations of the three segments of the company is set forth below based on the nature of the products and services offered. The chief operating decision maker of the company, the CEO Council, evaluates performance based primarily on operating profit. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies - refer to Note 1 of the financial statements for the company's significant accounting policies.

(in millions)	Educational and Professional Publishing	Financial Services	Information and Media Services	Segment Totals	Adjustments	Consolidated Total
1998						
Operating revenue	$1,620.3	$1,152.7	$ 956.1	$3,729.1	$ --	$3,729.1
Operating profit	202.1	364.8	122.2	689.1	(128.7)	560.4*
Depreciation and amortization+	226.9	35.5	34.6	297.0	2.2	299.2
Assets	2,049.4	729.7	606.0	3,385.1	403.0	3,788.1
Capital expenditures++	257.4	50.1	66.4	373.9	--	373.9

1997						
Operating revenue	$1,573.8	$ 980.1	$ 980.2	$3,534.1	$ --	$3,534.1
Operating profit	187.7	269.9	141.5	599.1	(127.8)	471.3*
Depreciation and amortization+	225.0	33.4	33.9	292.3	1.2	293.5
Assets	2,058.2	674.4	614.3	3,346.9	366.2	3,713.1
Capital expenditures++	193.1	23.6	28.8	245.5	--	245.5
1996						
Operating revenue	$1,277.9	$ 855.9	$ 940.9	$3,074.7	$ --	$3,074.7
Operating profit	545.7	262.1	116.8	924.6	(109.8)	814.8*
Depreciation and amortization+	172.3	30.5	34.6	237.4	1.2	238.6
Assets	2,085.5	561.1	626.3	3,272.9	369.3	3,642.2
Capital expenditures++	201.2	20.2	24.9	246.3	--	246.3

</TABLE>

* Income before taxes on income
+ Includes amortization of goodwill and intangible assets and prepublication costs.
++ Includes purchase of property and equipment and investments in prepublication costs.

The operating profit adjustments listed above relate to the operating results of the corporate entity, which is not considered an operating segment, and includes all corporate expenses of $80.7 million, $75.3 million and $62.1 million, respectively, for 1998, 1997 and 1996, and net interest expense of $48.0 million, $52.5 million and $47.7 million, respectively, of the company. Corporate assets consist principally of cash and equivalents, investment in Rock-McGraw, Inc., prepaid pension expense and income taxes and leasehold improvements related to subleased areas.

The following is a schedule of revenues and long-lived assets by geographic location:

<TABLE>
<CAPTION>

(in millions)	1998		1997		1996	
	Revenues	Long-lived assets	Revenues	Long-lived assets	Revenues	Long-lived assets
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States	$3,045.7	$2,018.8	$2,898.4	$1,917.6	$2,507.0	$1,979.4
European region	325.8	67.3	283.2	46.2	268.6	32.0
Rest of world	357.6	60.3	352.5	67.9	299.1	67.2
Total	$3,729.1	$2,146.4	$3,534.1	$2,031.7	$3,074.7	$2,078.6

</TABLE>

Foreign revenue and long-lived assets include operations in 31 countries. The company does not have operations in any foreign country that represents more than 5% of its consolidated revenues. Transfers between geographic areas are recorded at cost plus a markup and intercompany revenue and profit are eliminated.

6. INVESTMENT IN ROCK-McGRAW,INC.

Rock-McGraw owns the company's headquarters building in New York City. It is owned 45% by the company and 55% by Rockefeller Group, Inc.

The company currently occupies a portion of the rentable space. The current lease is for 30 years ending in the year 2002. In 1998, the company entered into a new lease agreement, starting in 2002, covering approximately 0.4 million square feet of office space. The lease will expire in 2020 and includes renewal options for three additional 5-year periods.

As part of its supplemental agreement with Rock-McGraw, the company has commenced surrendering a portion of its occupied space. In 1998, the company paid Rock-McGraw gross annual rentals of $14.2 million (including various escalation payments) for the occupied space and $14.1 million for space that it has sublet. Over the lease term, the company is recovering a portion of the rentals through its share of earnings of Rock-McGraw.

A summary of significant financial information for Rock-McGraw follows:

<TABLE>
<CAPTION>

(in millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Revenue	$ 66.2	$ 64.6	$ 63.7
Net income	13.2	13.0	11.2

Depreciation and amortization expense	7.3	6.7	6.5
Total assets	240.4	228.4	208.8
Mortgage payable	19.3	20.2	23.8
Total liabilities	65.4	66.7	60.0

</TABLE>

During 1998, Rock-McGraw refinanced its mortgage on the building for $19.3 million with a 5-year mortgage maturing on April 1, 2003. Interest is payable based on either the LIBOR rate between 30-180 days plus 0.4%, or the higher of the Prime rate or Federal Funds rate plus 0.5%, with the principal prepayable at any time in increments of $0.5 million and the balance due at maturity.

7. TAXES ON INCOME

Income before taxes on income resulted from domestic operations (including foreign branches) and foreign subsidiaries' operations as follows:

<TABLE>
<CAPTION>

(in millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Domestic operations	$ 513.5	$ 425.9	$ 783.6
Foreign operations	46.9	45.4	31.2
Total income before taxes	$ 560.4	$ 471.3	$ 814.8

</TABLE>

A reconciliation of the U.S. statutory tax rate to the company's effective tax rate for financial reporting purposes follows:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
U.S. statutory rate	35.0%	35.0%	35.0%
Goodwill amortization	1.2	1.3	0.7
Effect of state and local income taxes	4.1	4.0*	3.7
Other - net	(1.3)	(2.0)	(0.2)
Effective tax rate	39.0%	38.3%	39.2%

</TABLE>

*Includes impact of lower taxes on gain on sale of Datapro.

The provision for taxes on income consists of the following:

<TABLE>
<CAPTION>

(in millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Federal:			
Current	$ 135.6	$ 154.2	$ 281.4
Deferred	29.0	(21.2)	(19.3)
Total federal	164.6	133.0	262.1
Foreign:			
Current	21.8	19.1	11.8
Deferred	(3.0)	(0.4)	(0.7)
Total foreign	18.8	18.7	11.1
State and local:			
Current	25.9	33.1	48.8
Deferred	9.3	(4.2)	(2.9)
Total state and local	35.2	28.9	45.9
Total provision for taxes	$ 218.6	$ 180.6	$ 319.1

The principal temporary differences between the accounting for income and expenses for financial reporting and income tax purposes as of December 31 follow:

(in millions)	1998	1997
Fixed assets and intangible assets	$ 132.9	$ 127.4
Prepaid pension and other expenses	85.9	73.7
Unearned revenue	37.9	38.5
Reserves and accruals	(140.7)	(149.0)
Postretirement and postemployment benefits	(90.9)	(90.7)
Other - net	11.8	12.0
Deferred tax liability - net	$ 36.9	$ 11.9

The company made net income tax payments totaling $193.0 million in 1998, $331.5 million in 1997 and $170.6 million in 1996.

The company has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. Undistributed earnings amounted to approximately $66 million at December 31, 1998, excluding amounts that, if remitted, generally would not result in any additional U.S. income taxes because of available foreign tax credits. If the earnings of such foreign subsidiaries were not indefinitely reinvested, a deferred tax liability of approximately $17 million would have been required.

8. RENTAL EXPENSE AND LEASE OBLIGATIONS

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

(in millions)	1998	1997	1996
Gross rental expense	$ 113.3	$ 108.9	$ 107.1
Less: sublease revenue	30.0	27.5	28.5
Net rental expense	$ 83.3	$ 81.4	$ 78.6

The company is committed under lease arrangements covering property, computer systems and office equipment. Certain lease arrangements contain escalation clauses covering increased costs for real estate taxes and operating services.

In an effort to consolidate its New York City office space, the company entered into two new lease agreements in 1997 covering approximately 1.4 million square feet of office space. The company also entered into a new lease agreement in 1998 for its headquarters building, referred to in Note 6, covering approximately 0.4 million square feet starting in 2002. All leases expire in the year 2020. The new lease arrangements coincide with the expiration of several existing leases in 1999 and the company's headquarters building lease, and the surrender of a portion of the company's occupied space in its headquarters building that began in 1998.

Minimum rental commitments under existing noncancelable leases with a remaining term of more than one year, including the company's headquarters building, are shown in the following table. The annual rental commitments for real estate through the year 2002 have been reduced by approximately $18 million of rental income from existing noncancelable subleases.

(in millions)	
1999	$ 66.1
2000	63.3
2001	55.9
2002	59.1
2003	67.9
2004 and beyond	1,059.4

Total	$1,371.7

</TABLE>

9. CAPITAL STOCK

The Board of Directors declared a two-for-one stock split of the company's common stock, payable on March 8, 1999, to stockholders of record on February 24, 1999. The effect of the stock split has been retroactively reflected as of December 31, 1998 in the consolidated balance sheet and statement of shareholders' equity. All references to the number of common shares and per share amounts elsewhere in the consolidated financial statements and related

footnotes have been restated as appropriate to reflect the effect of the stock split for all periods presented. On January 27, 1999, the Board of Directors also approved a share repurchase program authorizing the repurchase of up to 15 million shares, approximately 7.5% of the company's outstanding common stock. The company plans to implement the program through open market purchases or private trans actions. Through December 31, 1998, the company had repurchased approximately 8.0 million shares of common stock from the 1996 program at a total cost of $248.9 million. The repurchased shares will be used for general corporate purposes, including the issuance of shares for stock compensation plans. In the event of a significant investment opportunity, the company may slow the pace of repurchase activity.

The $1.20 convertible preference stock may be converted into common stock at the option of the shareholder at the rate of one share of preference stock for 13.2 shares of common stock.

The number of common shares reserved for issuance for employee stock plan awards was 18,015,440 at December 31, 1998 and 20,161,928 at December 31, 1997. Under the Director Deferred Stock Ownership Plan, 316,596 common shares were reserved for issuance at December 31, 1998 and 1997.

Two million shares of preferred stock, par value $1 per share, are authorized; none have been issued. 600,000 shares have been reserved for issuance under a Preferred Share Purchase Rights Plan adopted by the company's Board of Directors on July 29, 1998. Under the 1998 Rights Plan, one Right for each share of common stock outstanding was issued to shareholders of record on August 14, 1998.These Rights will become exercisable only if a person or group acquires 20% or more of the company's common stock or announces a tender offer that would result in the ownership of 20% or more of the common stock. Each Right will then entitle the holder to buy a 1/400th interest in a share of Series A preferred stock at an exercise price of $150. The Rights are redeemable by the company's Board of Directors for one-quarter cent each prior to a 20% acquisition by a third party. The 1998 Plan also gives the Board of Directors the option to exchange one share of common stock of the company for each right (not owned by the acquirer) after an acquirer holds 20% but less than 50% of the outstanding shares of common stock. In the event, after a person or group acquires 20% or more of the company's stock, that the company is acquired in a merger or other business combination transaction of 50% or more of its consolidated assets or earning power are sold, each Right becomes exercisable for common stock equivalent to two times the exercise price of the Right.

10. STOCK PLAN AWARDS

The company applies the provisions of Accounting Principles Board Opinion (APBO) No. 25, Accounting for Stock Issued to Employees, in accounting for its stock-based awards. Accordingly, no compensation cost has been recognized for its stock option plans other than for its restricted stock performance awards.

The company has two stock option plans: the 1993 and 1987 Key Employee Stock Incentive Plans.

The plans provide for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, deferred stock (applicable to the 1987 Plan only) or other stock-based awards to purchase a total of 28.2 million shares of the company's common stock - 9.2 million shares under the 1987 Plan and 19.0 million shares under the 1993 Plan, as amended.

Stock options, which may not be granted at a price less than the fair market value of the company's common stock at date of grant, vest in two years in equal annual installments and have a maximum term of ten years.

Beginning in 1997, participants who exercise an option by tendering previously owned shares of common stock of the company may elect to receive a one-time restoration option covering the number of shares tendered. Restoration options are granted at fair market value of the company's common stock on the date of the grant, have a maximum term equal to the remainder of the original option term, and are subject to a six-month vesting period.

Had the company elected to apply the provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, net income would have been reduced by $1.9 million, or $.01 per diluted share for 1998, $1.1 million, or $.01 per diluted share for 1997, and $2.9 million, or $.02 per diluted share for 1996, after accounting for stock-based compensation effective for awards made January 1, 1995 and thereafter.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions for 1998, 1997 and 1996, respectively: risk-free average interest rate of 5.6%, 6.1% and 5.4%; dividend yield of 2.1%, 2.9% and 3.0%; volatility of 22%, 19% and 15%; and expected life of five years for all years.

A summary of the status of the company's stock option plans as of December 31 and activity during the year follows:

(in thousands of shares)	Shares	Weighted average exercise price
Outstanding at December 31, 1995	6,216	$15.84
Options granted	1,976	21.74
Options exercised	(1,308)	15.41
Options cancelled and expired	(284)	19.53
Outstanding at December 31, 1996	6,600	$17.44
Options granted	2,736	25.21
Options exercised	(1,914)	16.60
Options cancelled and expired	(292)	22.16
Outstanding at December 31, 1997	7,130	$20.46
Options granted	3,825	37.74
Options exercised	(1,871)	19.93
Options cancelled and expired	(216)	28.41
OUTSTANDING AT DECEMBER 31, 1998	8,868	$27.79

At December 31, 1998, 1997 and 1996, options for 4,644,000, 3,830,000 and 4,152,000 shares of common stock were exercisable. The weighted average fair value of options granted during 1998, 1997 and 1996 was $8.95, $5.02 and $3.46, respectively.

A summary of information about stock options outstanding and options exercisable at December 31, 1998 follows:

(in thousands of shares)	Options Outstanding			Options Exercisable	
Range of exercise prices	Shares	Weighted average remaining term	Weighted average exercise price	Shares	Weighted average exercise price
$13.11 to $17.44	2,211	4.23 years	$15.83	2,211	$15.83
$21.19 to $31.16	2,607	7.61 years	$22.94	1,708	$22.57
$33.47 to $45.88	4,051	9.17 years	$37.43	725	$35.65
$13.11 to $45.88	8,869	7.48 years	$27.79	4,644	$21.41

Under the Director Deferred Stock Ownership Plan, a total of 316,596 shares of common stock was reserved as of December 31, 1998, and may be credited to deferred stock accounts for eligible Directors. In general, the Plan requires that 50% of eligible Directors' annual compensation plus dividend equivalents be credited to deferred stock accounts. Each Director may also elect to defer all or a portion of the remaining compensation and have an equivalent number of shares credited to the deferred stock account. Recipients under this Plan are not required to provide consideration to the company other than rendering service. Shares will be delivered as of the date a recipient ceases to be a member of the Board of Directors or within five years thereafter, if so elected. The Plan will remain in effect until terminated by the Board of Directors or until no shares of stock remain available under the Plan.

Restricted stock performance awards have been granted under the 1993 and 1987 Plans. These restricted stock awards will vest only if the company achieves certain financial goals over various vesting periods. Recipients are not required to provide consideration to the company other than rendering service and have the right to vote the shares and to receive dividends.

A total of 373,596 restricted shares were issued at an average market value of $37.54 in 1998, 639,390 shares at an average market value of $24.31 in 1997 and 578,716 shares at an average market value of $21.90 in 1996. The awards are recorded at the market value on the date of grant. Initially the total market value of the shares is treated as unearned compensation and is charged to expense over the respective vesting periods. Under APBO No. 25, for performance incentive shares, adjustments are also made to expense for changes in market value and achievement of financial goals. Restricted stock compensation charged to expense was $37.0 million for 1998, $16.0 million for 1997 and $12.0 million for 1996. Restricted shares outstanding at the end of the year were 1,121,750 in 1998, 1,111,434 in 1997 and 1,091,358 in 1996.

11. RETIREMENT PLANS

The company and its subsidiaries have a number of defined benefit pension plans and defined contribution plans covering substantially all employees. The company's primary pension plan is a noncontributory plan under which benefits are based on employee career employment compensation. The company also has a voluntary deferred compensation plan under which the company matches employee contributions up to certain levels of compensation and an Employee Retirement Account Plan under which the company contributes a percentage of eligible employees' compensation to the employees' accounts.

For purposes of determining annual pension cost, prior service costs and the net asset at January 1, 1986 are being amortized straight-line over the average remaining service period of employees expected to receive benefits. The assumed return on plan assets of 9.5% is based on a calculated market-related value of assets, which recognizes changes in market value over five years.

A summary of pension income for the company's domestic defined benefit plans follows:

<TABLE>
<CAPTION>

(in millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Service cost	$ 17.6	$ 16.2	$ 16.9
Interest cost	36.1	33.2	30.8
Expected return on assets	(60.8)	(54.7)	(50.5)
Amortization of:			
Transitional net asset	(0.7)	(0.9)	(3.0)
Prior service cost	1.0	0.9	0.9
Actuarial (gain)/loss	(0.7)	(0.6)	--
Net pension income	$ (7.5)	$ (5.9)	$ (4.9)
Assumed rates - January 1:			
Discount rate	7-1/4%	7-3/4%	7-1/4%
Compensation increase factor	5-1/2	5-1/2	5-1/2
Return on assets	9-1/2	9-1/2	9-1/2

</TABLE>

The company also has unfunded supplemental benefit plans to provide senior management with supplemental retirement, disability and death benefits. Supple mental retirement benefits are based on final monthly earnings. Pension cost was approximately $4 million for 1998, 1997 and 1996. The accrued benefit obligation as of December 31, 1998 was $24.3 million.

Total retirement plans cost was $45.3 million for 1998, $44.3 million for 1997 and $40.0 million for 1996.

The funded status of the domestic defined benefit plans as of December 31 follows:

<TABLE>
<CAPTION>

(in millions)	1998	1997
<S>	<C>	<C>
Change in benefit obligation		

Net benefit obligation at beginning of year	$ 496.8	$ 424.4
Service cost	17.6	16.2
Interest cost	36.1	33.2
Actuarial (gain)/loss	37.7	50.4
Gross benefits paid	(30.7)	(27.4)
Net benefit obligation at end of year	$ 557.5	$ 496.8
Change in Plan assets		
Fair value of plan assets at beginning of year	$ 774.4	$ 665.7
Actual return on plan assets	161.6	136.1
Employer contributions	0.1	--
Gross benefits paid	(30.7)	(27.4)
Fair value of plan assets at end of year	$ 905.4	$ 774.4
Funded status at end of year	$ 347.9	$ 277.7
Unrecognized net actuarial (gain)/loss	(244.6)	(182.2)
Unrecognized prior service costs	4.8	5.8
Unrecognized net transition obligation/(asset)	(0.1)	(0.8)
Prepaid pension cost	$ 108.0	$ 100.5
Assumed rates - December 31:		
Discount rate	6-3/4%	7-1/4%
Compensation increase factor	5-1/2	5-1/2

</TABLE>

The company has several foreign pension plans that do not determine the accumulated benefits or net assets available for benefits as disclosed above. The amounts involved are not material and are therefore not included.

12. POSTRETIREMENT HEALTHCARE AND OTHER BENEFITS

The company and some of its domestic subsidiaries provide certain medical, dental and life insurance benefits for retired employees and eligible dependents. The medical and dental plans are contributory while the life insurance plan is noncontributory. The company currently does not fund any of these plans.

Postretirement benefits cost was $6.9 million in 1998, $7.6 million in 1997 and $8.3 million in 1996. A summary of the components of the cost in 1998, 1997 and 1996 follows:

<TABLE>
<CAPTION>

(in millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Service cost	$ 2.5	$ 2.4	$ 2.5
Interest cost	9.4	10.0	10.0
Amortization of:			
Prior service cost	(2.6)	(2.5)	(2.5)
Actuarial (gain)/loss	(2.4)	(2.3)	(1.7)
Postretirement benefits cost	$ 6.9	$ 7.6	$ 8.3

</TABLE>

A summary of the components of the unfunded post retirement benefit obligation as of December 31 follows:

<TABLE>
<CAPTION>

(in millions)	1998	1997
<S>	<C>	<C>
Change in benefit obligation		
Net benefit obligation at beginning of year	$ 142.5	$ 134.1
Service cost	2.5	2.4
Interest cost	9.4	10.0
Plan participants contributions	1.4	1.4
Actuarial (gain)/loss	(1.8)	5.7
Gross benefits paid	(11.3)	(11.1)
Net benefit obligation at end of year	$ 142.7	$ 142.5
Change in Plan assets		
Fair value of plan assets at beginning of year	$ --	$ --
Employer contributions	9.9	9.7
Plan participants contributions	1.4	1.4
Gross benefits paid	(11.3)	(11.1)

Fair value of plan assets at end of year	$ --	$ --
Funded status at end of year	$(142.7)	$(142.5)
Unrecognized net actuarial (gain)/loss	(35.6)	(37.0)
Unrecognized prior service costs	(14.4)	(17.0)
Accrued benefit cost	$(192.7)	$(196.5)

</TABLE>

The assumed weighted average healthcare cost trend rate ranges from 7.0% in 1999 decreasing ratably to 5.5% in 2002 and remaining at that level thereafter. The weighted average discount rate used to measure expense was 7.25% in 1998 and 7.75% in 1997; the rate used to measure the accumulated postretirement benefit obligation was 6.75% in 1998 and 7.25% in 1997. Assumed healthcare cost trends have a significant effect on the amounts reported for the healthcare plans. A one-percentage point change in assumed healthcare cost trend creates the following effects:

<TABLE>
<CAPTION>

(in millions)	One-Percentage Point Increase	One-Percentage Point Decrease
<S>	<C>	<C>
Effect on total of service and interest cost	$ 1.0	$ (0.9)
Effect on postretirement benefit obligation	$11.4	$(10.6)

</TABLE>

13. EARNINGS PER SHARE

All share figures have been restated to reflect the two-for-one split announced January 27, 1999 - see Note 9 for further details.

A reconciliation of the number of shares used for calculating basic earnings per common share and diluted earnings per common share follows:

<TABLE>
<CAPTION>

(in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Net earnings	$333,141	$290,675	$495,733
Average number of common shares oustanding	197,206	197,946	198,832
Effect of stock options and other dilutive securities	1,898	1,558	910
Average number of common shares outstanding including effect of dilutive securities	199,104	199,504	199,742

</TABLE>

Restricted performance shares outstanding at December 31, 1998 of 662,900 were not included in the computation of diluted earnings per common share because the necessary vesting conditions have not yet been met.

14. LEGAL PROCEEDINGS

In June 1996, a complaint was filed against the company in the 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. The complaint alleged that Standard & Poor's breached its rating contracts with Orange County ("the County"), was professionally negligent and aided and abetted the County's officers in breaching their fiduciary duty. The lawsuit was transferred to the United States District Court for the Central District of California in December 1996 following dismissal by the Bankruptcy Court of the aiding and abetting claim. In April 1997, the County filed an amended complaint against the company alleging breach of contract and "professional malpractice" and adding a claim for unspecified punitive damages. In December 1998, the County filed a motion seeking reconsideration of the previous dismissal of the aiding and abetting claim and requesting leave to file an amended complaint adding the aiding and abetting claim. The trial, previously scheduled to commence on March 2, 1999, was adjourned by the District Court pending a decision by the California Supreme Court whether to review an appeal in another litigation concerning the scope of aiding and abetting breach of fiduciary duty claims under California law.

In response to the company's interrogatories, the County has claimed (inconsistently with damages claims made by the County in other litigation documents) compensatory damages of approximately $2.1 billion, subject to certain offsets.

While the ultimate outcome of the above-mentioned litigation cannot be ascertained at this time, based on current knowledge of the applicable law and facts and taking into consideration the opinion of the company's general counsel that the allegations by the County and the damages claims lack merit and that the company should prevail ultimately in this litigation, management believes that this lawsuit should not have a material adverse effect on the company's financial statements or its business operations.

REPORT OF MANAGEMENT

TO THE SHAREHOLDERS OF
THE McGRAW-HILL COMPANIES, INC.

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

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

The McGraw-Hill Companies' management maintains a system of internal accounting controls designed to provide reasonable assurance that the financial records accurately reflect the company's operations and that the company's assets are protected against loss. Consistent with the concept of reasonable assurance, the company recognizes that the relative costs of these controls should not exceed the expected benefits in maintaining these controls. It further assures the quality of the financial records in several ways: a program of internal audits, the careful selection and training of management personnel, maintaining an organizational structure that provides an appropriate division of financial responsibilities, and communicating financial and other relevant policies throughout the corporation. The financial statements in this report have been audited by Ernst & Young LLP, independent auditors, in accordance with generally accepted auditing standards. The independent auditors were retained to express an opinion on the financial statements, which appears in the next column.

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

/s/ Harold McGraw III

Harold McGraw III
President and Chief Executive Officer

/s/ Robert J. Bahash

Robert J. Bahash
Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

THE BOARD OF DIRECTORS AND SHAREHOLDERS
OF THE McGRAW-HILL COMPANIES, INC.

We have audited the accompanying consolidated balance sheets of The McGraw-Hill Companies, Inc. as of December 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The McGraw-Hill Companies, Inc. at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

New York, New York
January 26, 1999

ELEVEN-YEAR FINANCIAL REVIEW

<TABLE>
<CAPTION>

(in thousands, except per-share data)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<S>
OPERATING RESULTS BY SEGMENT AND INCOME STATISTICS					
OPERATING REVENUE					
Educational and Professional Publishing	$1,620,343	$1,573,797	$1,277,895	$1,235,578	$1,162,157
Financial Services	1,152,668	980,120	855,925	786,786	745,480
Information and Media Services	956,134	980,178	940,877	912,919	853,232
TOTAL OPERATING REVENUE	3,729,145	3,534,095	3,074,697	2,935,283	2,760,869
OPERATING PROFIT(g)					
Educational and Professional Publishing(c)	202,077	187,722	151,921	162,604	125,765
Financial Services	364,759	269,886	262,085	230,934	217,212
Information and Media Services	122,232	141,542	116,799	115,069	108,343
TOTAL OPERATING PROFIT	689,068	599,150	530,805	508,607	451,320
Share of profit of Macmillan/McGraw-Hill School Publishing Company(e and g)	--	--	--	--	--
Unusual charges(c,f and g)	--	--	(25,000)	--	--
Gain on exchange of Shepard's/McGraw-Hill(c)	--	--	418,731	--	--
Gain on sale of interest in Nikkei/McGraw-Hill(h)	--	--	--	--	--
General corporate (expense)/income(g and i)	(80,685)	(75,342)	(62,073)	(63,570)	(54,134)
Interest expense - net	(47,961)	(52,542)	(47,656)	(58,766)	(51,746)
INCOME BEFORE TAXES ON INCOME (a,b and d)	560,422	471,266	814,807	386,271	345,440
Provision for taxes on income	218,565	180,591	319,074	159,144	142,321
INCOME BEFORE EXTRAORDINARY ITEM AND CUMULATIVE ADJUSTMENT	341,857	290,675	495,733	227,127	203,119
Early extinguishment of debt, net of tax(j)	(8,716)	--	--	--	--
Cumulative effect on prior years of changes in accounting(j)	--	--	--	--	--
NET INCOME	$ 333,141	$ 290,675	$ 495,733	$ 227,127	$ 203,119
BASIC EARNINGS PER SHARE					
Income before extraordinary item and cumulative adjustment	$ 1.73	$ 1.47	$ 2.50	$ 1.14	$ 1.03
Extraordinary item and cumulative adjustment	(0.04)	--	--	--	--
Net income	$ 1.69	$ 1.47	$ 2.50	$ 1.14	$ 1.03
DILUTIVE EARNINGS PER SHARE					
Income before extraordinary item and cumulative adjustment	$ 1.71	$ 1.46	$ 2.48	$ 1.14	$ 1.03
Extraordinary item and cumulative adjustment(j)	(0.04)	--	--	--	--
Net income	$ 1.67	$ 1.46	$ 2.48	$ 1.14	$ 1.03
Dividends per share of common stock	0.78	$ 0.72	$ 0.66	$ 0.60	$ 0.58
OPERATING STATISTICS					
Return on average shareholders' equity	22.9%	20.8%	41.4%	23.3%	23.4%
Income before taxes as a percent of revenue	15.0	13.3	26.5	13.2	12.5
Income before extraordinary item and cumulative adjustment as a percent of revenue	9.2	8.2	16.1	7.7	7.4
BALANCE SHEET DATA					
Working capital	$ 137,310	$ 258,179	$ 130,920	$ 193,346	$ 130,272
Total assets	3,788,144	3,713,074	3,642,239	3,057,167	2,960,285
Total debt	527,597	684,425	581,368	628,664	762,805
Shareholders' equity	1,551,808	1,434,651	1,361,118	1,035,066	913,052
NUMBER OF EMPLOYEES	15,897	15,690	16,220	15,452	15,339

<CAPTION>

(in thousands, except per-share data)	1993	1992	1991	1990
<S>	<C>	<C>	<C>	<C>
OPERATING RESULTS BY SEGMENT AND INCOME STATISTICS				
OPERATING REVENUE				
Educational and Professional Publishing	$ 667,444	$ 567,363	$ 532,438	$ 534,724
Financial Services	696,933	617,555	555,820	505,641
Information and Media Services	831,076	865,573	854,754	898,273
TOTAL OPERATING REVENUE	2,195,453	2,050,491	1,943,012	1,938,638
OPERATING PROFIT(g)				
Educational and Professional Publishing(c)	49,374	62,746	48,928	70,196
Financial Services	200,865	168,394	143,056	123,999
Information and Media Services	102,344	113,198	120,242	170,788
TOTAL OPERATING PROFIT	352,583	344,338	312,226	364,983
Share of profit of Macmillan/McGraw-Hill School Publishing Company(e and g)	28,376	11,280	27,483	21,601
Unusual charges(c,f and g)	(229,800)	--	--	--
Gain on exchange of Shepard's/McGraw-Hill(c)	--	--	--	--
Gain on sale of interest in Nikkei/McGraw-Hill(h)	--	--	--	--
General corporate (expense)/income(g and i)	(48,538)	(50,774)	(34,415)	(28,370)
Interest expense - net	(36,342)	(37,557)	(46,987)	(55,627)
INCOME BEFORE TAXES ON INCOME (a,b and d)	66,279	267,287	258,307	302,587
Provision for taxes on income	54,838	114,132	110,297	130,112
INCOME BEFORE EXTRAORDINARY ITEM AND CUMULATIVE ADJUSTMENT	11,441	153,155	148,010	172,475
Early extinguishment of debt, net of tax(j)	--	--	--	--
Cumulative effect on prior years of changes in accounting(j)	--	(124,587)	--	--
NET INCOME	$ 11,441	$ 28,568	$ 148,010	$ 172,475
BASIC EARNINGS PER SHARE				
Income before extraordinary item and cumulative adjustment	$ 0.06	$ 0.79	$ 0.76	$ 0.89
Extraordinary item and cumulative adjustment	--	(0.64)	--	--
Net income	$ 0.06	$ 0.15	$ 0.76	$ 0.89
DILUTIVE EARNINGS PER SHARE				
Income before extraordinary item and cumulative adjustment	$ 0.06	$ 0.79	$ 0.76	$ 0.89
Extraordinary item and cumulative adjustment(j)	--	(0.64)	--	--
Net income	$ 0.06	$ 0.15	$ 0.76	$ 0.89
Dividends per share of common stock	$ 0.57	$ 0.56	$ 0.55	$ 0.54
OPERATING STATISTICS				
Return on average shareholders' equity	1.3%	3.0%	15.2%	18.8%
Income before taxes as a percent of revenue	3.0	13.0	13.3	15.6
Income before extraordinary item and cumulative adjustment as a percent of revenue	0.5	7.5	7.6	8.9
BALANCE SHEET DATA				
Working capital	$ 62,887	$ (19,596)	$ 29,543	$ 44,193
Total assets	3,043,232	2,473,021	2,482,679	2,501,130
Total debt	928,710	482,991	568,159	622,372
Shareholders' equity	823,008	908,760	998,975	954,260
NUMBER OF EMPLOYEES	15,661	13,393	13,539	13,868

<CAPTION>

(in thousands, except per-share data)	1989	1988
<S>	<C>	<C>
OPERATING RESULTS BY SEGMENT AND INCOME STATISTICS		
OPERATING REVENUE		
Educational and Professional Publishing	$ 483,666	$ 437,590
Financial Services	432,314	399,242
Information and Media Services	872,983	836,734
TOTAL OPERATING REVENUE	1,788,963	1,673,566
OPERATING PROFIT(g)		
Educational and Professional Publishing(c)	44,107	48,185
Financial Services	85,081	81,765
Information and Media Services	192,254	175,384
TOTAL OPERATING PROFIT	321,442	305,334

Share of profit of Macmillan/McGraw-Hill School Publishing Company(e and g)	13,688	2,349
Unusual charges(c,f and g)	(220,000)	(149,564)
Gain on exchange of Shepard's/McGraw-Hill(c)	--	--
Gain on sale of interest in Nikkei/McGraw-Hill(h)	--	221,783
General corporate (expense)/income(g and i)	6,546	5,005
Interest expense - net	(35,038)	(5,290)
INCOME BEFORE TAXES ON INCOME (a,b and d)	86,638	379,617
Provision for taxes on income	46,847	194,112
INCOME BEFORE EXTRAORDINARY ITEM AND CUMULATIVE ADJUSTMENT	39,791	185,505
Early extinguishment of debt, net of tax(j)	--	--
Cumulative effect on prior years of changes in accounting(j)	8,000	--
NET INCOME	$ 47,791	$ 185,505
BASIC EARNINGS PER SHARE		
Income before extraordinary item and cumulative adjustment	$ 0.21	$ 0.96
Extraordinary item and cumulative adjustment	0.04	--
Net income	$ 0.25	$ 0.96
DILUTIVE EARNINGS PER SHARE		
Income before extraordinary item and cumulative adjustment	$ 0.21	$ 0.96
Extraordinary item and cumulative adjustment(j)	0.04	--
Net income	$ 0.25	$ 0.96
Dividends per share of common stock	$ 0.50	$ 0.46
OPERATING STATISTICS		
Return on average shareholders' equity	5.3%	21.2%
Income before taxes as a percent of revenue	4.8	22.7
Income before extraordinary item and cumulative adjustment as a percent of revenue	2.7	11.1
BALANCE SHEET DATA		
Working capital	$ 22,743	$ (72,023)
Total assets	2,181,718	1,705,547
Total debt	503,434	148,434
Shareholders' equity	880,154	922,803
NUMBER OF EMPLOYEES	13,741	13,891

</TABLE>

(a) 1998 income before taxes on income reflects a $26.7 million gain on the sale of a building and a $16.0 million charge at Continuing Education Center for the writedown of assets due to a continuing decline in enrollments.
(b) 1997 income before taxes on income reflects a $33.2 million provision for the consolidation of office space in New York City and a $20.4 million gain on the sale of Datapro Information Services.
(c) 1996 operating profit excludes a net gain on the exchange of Shepard's/McGraw-Hill for the Times Mirror Higher Education Group comprising a $418.7 million gain on the exchange and a $25 million one-time charge for integration costs.
(d) 1995 income before taxes on income reflects a $26.8 million provision for best practice initiatives and a $23.8 million gain on sale of the topical publishing division of Shepard's/ McGraw-Hill.
(e) Reflects The McGraw-Hill Companies' share of profit of Macmillan/McGraw-Hill School Publishing Company through September 30, 1993. Macmillan/McGraw-Hill results are consolidated effective October 1, 1993 in the Educational and Professional Publishing segment.
(f) 1993 amount reflects unusual charges in connection with the acquisition of the additional 50% interest in Macmillan/McGraw-Hill.
(g) 1989 and 1988 operating profit excludes unusual charges of $220 million and $149.6 million, respectively, as follows:

<TABLE>
<CAPTION>

<S>	1989 <C>	1988 <C>
Educational and Professional Publishing	$ 33,140	$ 20,534
Financial Services	94,899	67,155
Information and Media Services	15,554	29,009
Total operating segments	143,593	116,698
Macmillan/McGraw-Hill joint venture units	--	7,866
Corporate expense	76,407	25,000
Total company	$220,000	$149,564

</TABLE>

(h) In May 1988, the company sold its 49% interest in Nikkei/McGraw-Hill, Inc., a magazine publishing operation in Japan, for $283.1 million. The gain on sale was $221.8 million ($109.8 million after taxes).
(i) General corporate income for 1989 includes gains on dispositions of businesses totaling $48.8 million, and 1988 includes gains on dispositions of $26.5 million.
(j) The cumulative adjustment in 1992 reflects the adoption of the provisions of Statement of Financial Accounting Standards (SFAS) No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, and SFAS No. 112, Employers' Accounting for Postemployment Benefits. In 1989, the company recognized the cumulative effect of a change in accounting for income taxes under SFAS No. 96. The extraordinary item in 1998 relates to costs for the early extinguishment of $155 million of the company's 9.43% notes during the third quarter.

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SUPPLEMENTAL FINANCIAL INFORMATION
QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(in thousands, except per-share data)	First quarter	Second quarter	Third quarter	Fourth quarter	Total year
1998					
Operating revenue	$ 703,420	$ 881,122	$1,206,425	$ 938,178	$3,729,145
Income before taxes and extraordinary item	33,015	127,609	277,713	122,085	560,422
Net income	20,139	77,841	160,689	74,472	333,141
Earnings per share:					
Basic (b)	0.10	0.39	0.82	0.38	1.69
Diluted(b)	0.10	0.39	0.81	0.37	1.67
1997					
Operating revenue	$ 652,935	$ 836,652	$1,143,740	$ 900,768	$3,534,095
Income before taxes	24,977	108,593	225,973	111,723	471,266
Net income	14,986	65,156	143,499	67,034	290,675
Earnings per share:					
Basic(b)	0.07	0.33	0.73	0.34	1.47
Diluted(b)	0.07	0.33	0.72	0.34	1.46
1996					
Operating revenue	$ 583,851	$ 710,934	$ 949,009	$ 830,903	$3,074,697
Income before taxes(a)	27,259	96,240	192,773	498,535	814,807
Net income(a)	16,192	57,166	114,508	307,867	495,733
Earnings per share:					
Basic(b)	0.08	0.29	0.58	1.55	2.50
Diluted(b)	0.08	0.28	0.58	1.54	2.48

(a) The fourth quarter of 1996 includes a gain on exchange of Shepard's/McGraw-Hill for the Times Mirror Higher Education Group of $418.7 million ($260.5 million after taxes, or $1.30 per diluted share) and a one-time charge of $25 million ($14.9 million after taxes, or 7 cents per diluted share) for costs of integrating the company's College Division with the acquired higher education business.
(b) All basic and diluted earnings per share figures reflect the two-for-one stock split approved by the company's Board of Directors on January 27, 1999.

HIGH AND LOW SALES PRICES OF THE McGRAW-HILL COMPANIES COMMON STOCK ON THE NEW YORK STOCK EXCHANGE*

	1998	1997	1996
First quarter**	$39 --34-1/4	$26-9/16 --22-7/16	$23-1/8 --21-3/8
Second quarter**	41-1/2 --36-3/8	31-7/16 --24-15/16	24-5/8 --21-1/16
Third quarter**	43-1/2 --37-1/16	34-13/16--29-1/2	22-15/16--18-5/8
Fourth quarter**	51-11/16--36-1/8	37-11/16--31-9/16	24-1/8 --21-1/4
Year**	51-11/16--34-1/4	37-11/16--22-7/16	24-5/8 --18-5/8

*The New York Stock Exchange is the principal market on which the Corporation's shares are traded.
**All high and low prices reflect the two-for-one stock split approved by the

Corporation's Board of Directors on January 27, 1999.

SHAREHOLDER INFORMATION

To obtain a free copy of the annual Form 10-K filed with the Securities and Exchange Commission, which contains certain additional information, contact:

Corporate Affairs Department
The McGraw-Hill Companies
1221 Avenue of the Americas
New York, N.Y. 10020-1095
212-512-6741
www.mcgraw-hill.com

SHAREHOLDER SERVICES AND TRANSFER AGENT

Questions or changes relating to shareholder accounts should be directed to the Corporation's transfer agent:

ChaseMellon Shareholder Services
Post Office Box 3315
South Hackensack, N.J. 07606-1937
888-201-5538
www.chasemellon.com

NEW DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN

This expanded program offers a convenient, low-cost way to invest in the Corporation's common stock. Participants can purchase and sell shares directly through the program, make optional cash investments weekly (up to a maximum of $10,000 per month), reinvest dividends and send certificates to the transfer agent for safekeeping.

To order an information packet and enrollment forms, please call the automated request line at 800-842-7629. For specific questions about the program, call ChaseMellon Shareholder Services at 888-201-5538.

ANNUAL MEETING

The 1999 annual meeting will be held at 11 a.m. on Wednesday, April 28, at the Corporation's headquarters, 1221 Avenue of the Americas, New York, N.Y. 10020-1095.

ADDITIONAL INFORMATION

Shareholders may contact The McGraw-Hill Companies directly about their stock by calling Shareholder Relations, 212-512-2192.

News media inquiries should be directed to the Corporate Affairs Department, 212-512-3640. www.mcgraw-hill.com/corporate/ news_bureau/news_bureau.html

STOCK EXCHANGE LISTING

The McGraw-Hill Companies is listed on the New York Stock Exchange (NYSE: MHP).

Exhibit (21)

THE McGRAW-HILL COMPANIES, INC.

Subsidiaries of Registrant

Listed below are all the subsidiaries of Registrant, except certain inactive subsidiaries and certain other McGraw-Hill subsidiaries which are not included in the listing because considered in the aggregate they do not constitute a significant subsidiary as of the end of the year covered by this Report.

<TABLE>
<CAPTION>

	State or Jurisdiction of Incorporation	Percentage of Voting Securities Owned
<S>	<C>	<C>
The McGraw-Hill Companies, Inc.	New York	Registrant
CM Research, Inc.	New York	100
National Radio Institute	Delaware	100
DRI Europe, Inc.	Delaware	100
International Advertising/McGraw-Hill, Inc.	Delaware	100
J.J. Kenny Company, Inc.	New York	100
*J.J. Kenny Drake, Inc.	New York	100
*Kenny Services, Inc.	New York	100
McGraw-Hill Broadcasting Company, Inc.	New York	100
McGraw-Hill Capital Corporation	Delaware	100
McGraw-Hill Capital, Inc.	New York	100
*International Valuation Services, Inc.	Delaware	40
McGraw-Hill Financial Publications, Inc.	Delaware	100
McGraw-Hill Interamericana, Inc.	New York	100
McGraw-Hill International Enterprises, Inc.	New York	100
*Editora McGraw-Hill Interamericana do Brasil Ltda.	Brazil	100
*McGraw-Hill Korea, Inc.	Korea	100
*McGraw-Hill (Malaysia) Sdn.Bhd	Malaysia	100
McGraw-Hill News Bureaus, Inc.	New York	100
McGraw-Hill New York, Inc.	New York	100
McGraw-Hill Publications Overseas Corporation	New York	100
McGraw-Hill Real Estate, Inc.	New York	100
MMS International	Nevada	100
Money Market Directories, Inc.	New York	100
Optical Data Corporation	New York	100
Rock-McGraw, Inc.	New York	45
S&P ComStock, Inc.	New York	100
Standard & Poor's International Ratings, Ltd.	New York	100

*Credit Rating Information Services of India Limited	India	9.6
*Taiwan Ratings Corporation	Taiwan	50
Standard & Poor's Investment Advisory Services, Inc.	Delaware	100
Standard & Poor's Ltd.	Delaware	100
*Fund Research Limited	United Kingdom	100
Standard & Poor's Securities, Inc.	Delaware	100
Tower Group International, Inc.	New York	100
*Tower Group International Canada Inc.	Canada	100

</TABLE>

<TABLE>
<CAPTION>

<S>	State or Jurisdiction of Incorporation <C>	Percentage of Voting Securities Owned <C>
Editora McGraw-Hill de Portugal, Ltda.	Portugal	100
Editorial Interamericana, S.A.	Colombia	100
Editoriales Pedagogicas Associadas, S.A.	Guatemala	100
McGraw-Hill Book Company Australia Pty. Limited	Australia	100
*McGraw-Hill Book Company New Zealand, Pty. Limited	New Zealand	100
*Standard & Poor's (Australia) Pty. Ltd.	Australia	100
McGraw-Hill Data Services - Ireland, Ltd.	Ireland	100
McGraw-Hill Holdings (U.K.) Limited	Great Britain	100
*McGraw-Hill International (U.K.) Limited	Great Britain	100
McGraw-Hill Information Systems Company of Canada Limited	Ontario, Canada	100
McGraw-Hill/Interamericana de Chile Limitada	Chile	100
McGraw-Hill/Interamericana de Espana, S.A.	Spain	100
*Standard & Poor's Espana, S.A.	Spain	100
McGraw-Hill/Interamericana de Venezuela S.A.	Venezuela	100
McGraw-Hill/Interamericana Editores, S.A. de C.V.	Mexico	100
*Ediciones Pedagogicas, S.A. de C.V.	Mexico	100
McGraw-Hill/Interamericana, S.A.	Panama	100
*Editora McGraw-Hill de Espana S.A.	Panama	100
McGraw-Hill Libri Italia	Italy	100
McGraw-Hill Ryerson Limited	Ontario, Canada	70
MHFSCO, Ltd.	U.S. Virgin Islands	100
Micropal Group Limited	United Kingdom	100

*Dividend Analysis Limited	United Kingdom	100
*Micropal Limited	United Kingdom	100
*Micropal Accounting Portfolio Services Inc.	Delaware	100
*Standard & Poor's Micropal Asia Limited	Hong Kong	100
*Micropal Deutschland GmbH	Germany	100
*Micropal Limited (Ireland)	Ireland	100
*Standard & Poor's Micropal, SaRL	France	100
*Standard & Poor's Micropal, Inc.	Massachusetts	100
Science Research Associates, Pty., Ltd.	Australia	100
Standard & Poor's - ADEF	France	100
Standard & Poor's International, S.A.	Belgium	100
Standard & Poor's AB	Sweden	100
Standard & Poor's, S.A. de C.V.	Mexico	100
Tata McGraw-Hill Publishing Company Private Limited	India	66.25
Xebec Multi Media Solutions Limited	United Kingdom	100
*Xebec Interactive Learning, Inc.	Delaware	100

</TABLE>

* Subsidiary of a subsidiary.

Exhibit (23)

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report on Form 10-K of The McGraw-Hill Companies, Inc. ("Company") of our report dated January 26, 1999, included in the 1998 Annual Report to Shareholders of The McGraw-Hill Companies, Inc.

Our audits also included the consolidated financial statement schedule of The McGraw-Hill Companies, Inc. listed in Item 14 (a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the consolidated financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 33-33667) pertaining to the Debt Securities of The McGraw-Hill Companies, Inc. and in the Registration Statements on Form S-8 pertaining to the 1983 Stock Option Plan for Officers and Key Employees (No. 2-84058), the 1987 Key Employee Stock Incentive Plan (No. 33-22344), the 1993 Key Employee Stock Incentive Plan (No. 33-49743 and No. 33-30043), the Director Deferred Stock Ownership Plan (No. 33-06871) and The Savings Incentive Plan of McGraw-Hill, Inc. and its Subsidiaries, The Employee Retirement Account Plan of McGraw-Hill, Inc. and its Subsidiaries, The Standard & Poor's Savings Incentive Plan for Represented Employees, The Standard & Poor's Employee Retirement Account Plan for Represented Employees, The Employees' Investment Plan of McGraw-Hill Broadcasting Company, Inc. and its Subsidiaries (No. 33-50856) and in the related prospectuses of our report dated January 26, 1999 with respect to the consolidated financial statements incorporated therein by reference, and our report included above with respect to the consolidated financial statement schedule included in this Annual Report (Form 10-K) of The McGraw-Hill Companies, Inc.

ERNST & YOUNG LLP

New York, New York
March 26, 1999

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<F2> Amount reported is EPS-DILUTED.
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<ALLOWANCES>	190,658	188,142
<INVENTORY>	326,682	316,587
<CURRENT-ASSETS>	1,661,405	1,613,924
<PP&E>	902,809	808,269
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<COMMON>	102,919	102,919
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<TOTAL-LIABILITY-AND-EQUITY>	3,925,643	3,812,496
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<TOTAL-REVENUES>	2,790,967	2,633,327
<CGS>	2,272,033	2,264,587
<TOTAL-COSTS>	2,272,033	2,264,587
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<F2> Amount reported is EPS-DILUTED.

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<PERIOD-END>	JUN-30-1998	JUN-30-1997
<CASH>	32,579	6,788
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<TOTAL-LIABILITY-AND-EQUITY>	3,766,800	3,767,392
<SALES>	1,584,542	1,489,587
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<CGS>	1,410,166	1,339,090
<TOTAL-COSTS>	1,410,166	1,339,090
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<PERIOD-END>	MAR-31-1998	MAR-31-1997
<CASH>	1,721	4
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<ALLOWANCES>	168,443	153,243
<INVENTORY>	323,603	308,032
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<TOTAL-LIABILITY-AND-EQUITY>	3,580,968	3,552,077
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<TOTAL-COSTS>	663,133	620,200
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THE McGRAW-HILL COMPANIES, INC.

SCHEDULE II - RESERVES FOR DOUBTFUL ACCOUNTS AND SALES RETURNS

(Thousands of dollars)

<TABLE>
<CAPTION>

	Balance at beginning of year	Additions charged to income	Deductions (A)	Other (B)	Balance at end of year
Year ended 12/31/98					
Allowance for doubtful accounts	$ 98,321	$104,597	$ 89,279	$ -	$113,639
Allowance for returns	84,308	14,476	-	-	98,784
	$182,629	$119,073	$ 89,279	$ -	$212,423
Year ended 12/31/97					
Allowance for doubtful accounts	$ 85,965	$ 80,600	$ 68,244	$ -	$ 98,321
Allowance for returns	76,295	8,013	-	-	84,308
	$162,260	$ 88,613	$ 68,244	$ -	$182,629
Year ended 12/31/96					
Allowance for doubtful accounts	$ 79,980	$ 65,116	$ 67,237	$ 8,106	$ 85,965
Allowance for returns	47,222	8,296	-	20,777	76,295
	$127,202	$ 73,412	$ 67,237	$28,883	$162,260

</TABLE>

(A) Accounts written off, less recoveries.

(B) Reserves acquired in connection with the purchase of the Times Mirror Higher Education Group.