



Press Release

S&P 500 Posts Record 4th Quarter and Full Year Operating Earnings

String of Double-Digit Gains Expected to End in Q2

New York, February 3, 2006 – Despite continued high energy and materials costs, S&P 500 Operating earnings set a new record for both the fourth quarter of 2005 and the full year, Standard & Poor's announced today. Sparked by a 59% year-over-year quarterly gain from the Energy sector, the index registered a 14.4% return for the fourth quarter and a 13.5% return for the year - solidifying the new record of 15 consecutive quarters of year-over-year double-digit earnings growth. As Reported earnings for the S&P 500 also set a new high for the year.

“Consumer spending has continued despite the continued high cost of energy,” says Howard Silverblatt, Senior Index Analyst at Standard & Poor's. “However, with the arrival of home heating bills and increased product costs due to more expensive materials, consumer spending should show signs of slowing down.”

Standard & Poor's expects first quarter 2006 earnings of 11.8%, resulting in 16 consecutive quarters of double-digit operating gains. The second quarter is expected to grow, but to a lesser degree, posting a 7.7% gain -- the lowest increase since the first quarter of 2002.

“After 16 consecutive quarters of double-digit gains, companies are finding it increasingly difficult to post record earnings,” Silverblatt adds. “Standard & Poor's believes that second quarter earnings will reflect a slower growth rate, and snap the 16 quarter record of double-digit gains.”

With three quarters of the market reported for the fourth quarter, Operating earnings are estimated at \$20.52 per share and \$185 billion on an aggregate basis. As Reported (GAAP) earnings are estimated at \$17.40 and \$157 billion in aggregate.

According to Standard & Poor's data, earnings results varied greatly by sector during the fourth quarter. The Energy sector, which has been able to quickly pass along increased costs, posted a 59% year-over-year quarterly gain. Conversely, the Materials sector has remained sluggish - posting a 4.6% fourth quarter year-over-year decline.

Stock Buybacks

Standard & Poor's also noted that buybacks have begun to show their impact, with an estimated 80 issues expected to use average quarterly diluted shares that are at least 4% below last year. Standard & Poor's notes that share count reductions are a legitimate use of cash, and that EPS gains due to such reductions should not be placed in the same category as the pro-formas of several years ago. “Still, investors need to know where the growth is coming from,” concludes Silverblatt.

S&P 500 QUARTERLY OPERATING EARNINGS

	Q4 2005 OVER Q4 2004	Q1 2006 OVER Q1 2005	Q2 2006 OVER Q2 2005	Q3 2006 OVER Q3 2005	Q4 2006 OVER Q4 2005	2005 OVER 2004	2006 OVER 2005
S&P 500	14.4%	11.8%	7.7%	14.0%	9.8%	13.5%	10.8%
Consumer Discretionary	-3.8%	10.1%	6.4%	32.8%	22.1%	-5.6%	17.4%
Consumer Staples	0.2%	3.0%	1.0%	2.4%	8.2%	3.9%	3.6%
Energy	59.1%	46.4%	15.5%	6.2%	-10.7%	45.4%	11.2%
Financials	5.8%	-1.3%	5.4%	20.9%	11.9%	6.1%	8.7%
Health Care	26.8%	20.9%	6.9%	9.2%	6.3%	8.6%	10.6%
Industrials	19.6%	14.8%	9.0%	11.2%	14.7%	23.8%	12.3%
Information Technology	14.8%	11.4%	7.5%	12.4%	15.4%	19.0%	11.8%
Materials	-4.6%	-9.8%	3.0%	18.1%	15.6%	18.6%	5.2%
Telecommunication Services	-10.7%	13.7%	7.1%	8.6%	28.8%	9.0%	14.0%
Utilities	-1.5%	6.2%	17.9%	20.5%	27.9%	8.7%	17.7%

S&P 500 QUARTERLY OPERATING EARNINGS

	OPERATING EARNINGS PER SHARE	YEAR-OVER -YEAR CHANGE	AS REPORTED EARNINGS PER SHARE	YEAR-OVER -YEAR CHANGE
12/31/2006 Estimate	22.53	9.80%	18.30	5.17%
09/30/2006 Estimate	21.48	14.01%	20.20	16.16%
06/30/2006 Estimate	20.92	7.72%	21.00	14.82%
03/31/2006 Estimate	20.13	11.83%	21.30	25.66%
12/31/2005 (75%)	20.52	14.32%	17.40	24.82%
09/30/2005	18.84	11.61%	17.39	22.64%
06/30/2005	19.42	14.37%	18.29	19.93%
03/31/2005	18.00	13.42%	16.95	11.66%
12/31/2004	17.95	20.63%	13.94	5.93%
09/30/2004	16.88	17.14%	14.18	12.90%
06/30/2004	16.98	31.42%	15.25	37.39%
03/31/2004	15.87	27.16%	15.18	27.35%
12/31/2003	14.88	24.62%	13.16	338.67%
09/30/2003	14.41	24.12%	12.56	47.25%
06/30/2003	12.92	11.00%	11.10	61.57%
03/31/2003	12.48	15.02%	11.92	29.71%
12/31/2002	11.94	20.12%	3.00	-44.95%
09/30/2002	11.61	26.75%	8.53	63.10%
06/30/2002	11.64	29.05%	6.87	42.24%
03/31/2002	10.85	1.12%	9.19	0.11%
12/31/2001	9.94	-24.18%	5.45	-39.91%

About Standard & Poor's

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