



## Press Release

### **Record Company Cash Levels Producing Significant Interest Income, Says S&P**

**New York, May 24, 2006** – Interest and dividend income generated from the record growth of cash reserves in the S&P 500 Industrials (Old) is starting to have an impact on their corporate earnings, Standard & Poor's announced today. According to the world's leading index provider, interest income increased 37.9% in 2005 and is expected to increase another 64% in 2006. The S&P 500 Industrials (Old) excludes Financials, Utilities and Transportation issues, which typically carry large cash balances as part of their business operations.

“The combination of record cash levels and rising interest rates is starting to play a role in corporate earnings,” says Howard Silverblatt, Senior Index Analyst at Standard & Poor's. “At the current cash levels, interest income is estimated to contribute 3.6% to the S&P 500 Industrials (Old) GAAP earnings for 2006, up from 2.3% in 2005 and 2.0% in 2004. The additional 1.3% will permit many companies to sustain their 10% growth rate.”

Currently there is \$643 billion in cash and equivalent in the 375 issues in the S&P 500 Industrials (Old). The cash holdings represent 7.4% of the underlying issues' market value, a level not seen since 1988. Standard & Poor's also observes that the sector breakdown portrays considerable variance with Information Technology having 12.6% of its market value in cash, compared to Consumer Staples and Industrials that have less than 4% in cash.

#### **Buybacks**

Standard & Poor's notes that buybacks continue to show their impact on earnings. Exxon Mobil's first quarter 6.9% net income increase, for example, translated into a 12.3% increase in earnings per share due to their 4.6% share count reduction. Standard & Poor's estimates that there were over 90 issues in the S&P 500 during the first quarter with similar share reductions of least 4%.

Standard & Poor's also points out that both interest income and share count reductions are a legitimate use of discretionary cash, and that EPS gains due to such actions should not be placed in the same category as the pro-formas of several years ago. “Investors still need to know where the growth is coming from,” adds Silverblatt. “Interest income or gains due to share count reductions need to be valued differently than gains from operations.”

Standard & Poor's has posted a paper on its web site detailing the current buyback situation ([S&P 500: Buybacks and the Impact of Share Count Reduction](#)), and expects to release additional data later in the 2<sup>nd</sup> quarter.

**STANDARD & POOR'S INVESTMENT SERVICES**  
**S&P 500 INDUSTRIAL (OLD) CASH AND EQUIVALENT LEVELS**

<b>YEAR</b>	<b>CASH &amp; EQUIVALENT \$ MILLIONS</b>	<b>MARKET VALUE \$ MILLIONS</b>	<b>CASH % OF MARKET VALUE</b>
5/22/2006	642,670	8,659,432	7.42%
2005	633,313	8,546,448	7.41%
2004	626,258	8,356,668	7.49%
2003	499,847	7,633,094	6.55%
2002	413,611	6,069,374	6.81%
2001	352,382	8,161,323	4.32%
2000	328,865	9,085,055	3.62%
1999	260,587	10,290,886	2.53%
1998	202,802	7,943,060	2.55%
1997	168,869	5,596,751	3.02%
1996	155,298	4,279,561	3.63%
1995	134,937	3,484,313	3.87%
1994	125,911	2,605,363	4.83%
1993	115,242	2,505,420	4.60%
1992	109,269	2,315,199	4.72%
1991	104,726	2,214,981	4.73%
1990	95,487	1,719,068	5.55%
1989	98,332	1,815,750	5.42%
1988	129,599	1,494,055	8.67%
1987	137,663	1,393,413	9.88%
1986	124,287	1,331,761	9.33%
1985	104,713	1,180,624	8.87%
1984	108,685	1,030,219	10.55%
1983	96,933	1,048,497	9.24%
1982	77,147	863,107	8.94%
1981	74,518	733,524	10.16%
1980	75,921	803,978	9.44%

<b>S&amp;P 500 INDUSTRIALS (OLD)</b>	<b>ISSUES</b>	<b>CASH % OF MARKET VALUE</b>
Consumer Discretionary	87	5.83%
Consumer Staples	40	3.75%
Energy	29	6.78%
Health Care	56	10.19%
Industrials	45	3.19%
Information Technology	78	12.64%
Materials	31	6.01%
Telecommunication Services	9	4.51%
S&P 500	375	7.42%

<b>S&amp;P 500 FISCAL</b>	<b>MARKET VALUE BILLIONS</b>	<b>DIVIDENDS BILLIONS</b>	<b>BUYBACKS BILLIONS</b>	<b>TOTAL BUYBACKS BILLIONS</b>	<b>DIVIDEND &amp; BUYBACK YIELD</b>
12/31/2005	\$11,255	\$202	\$349	\$551	4.90%
12/31/2004	\$11,289	\$181	\$197	\$378	3.35%
12/31/2003	\$10,286	\$161	\$131	\$292	2.84%
12/31/2002	\$8,107	\$148	\$127	\$275	3.39%
12/31/2001	\$10,463	\$142	\$132	\$274	2.62%
12/31/2000	\$11,715	\$141	\$151	\$292	2.49%
12/31/1999	\$12,315	\$138	\$141	\$279	2.27%

### **About Standard & Poor's Index Services**

Standard & Poor's Index Services, the world's leading index provider, maintains a wide variety of investable and benchmark indices to meet an array of investor needs. Its family of indices includes the S&P 500, an index with over \$1.1 trillion invested and \$4 trillion benchmarked, and the S&P Global 1200, a composite index comprised of seven regional and country headline indices. In addition, Standard & Poor's Index Services also maintains the S&P Hedge Fund Index - an investable benchmark that is designed to be representative of the broad range of major strategies that hedge funds employ. For more information, please visit [www.standardandpoors.com/indices](http://www.standardandpoors.com/indices).

### **About Standard & Poor's**

Standard & Poor's, a division of The McGraw-Hill Companies (NYSE:MHP), is the world's foremost provider of independent credit ratings, indices, risk evaluation, investment research and data. With approximately 6,300 employees located in 21 countries and markets, Standard & Poor's is an essential part of the world's financial infrastructure and has played a leading role for more than 140 years in providing investors with the independent benchmarks they need to feel more confident about their investment and financial decisions. For more information, visit <http://www.standardandpoors.com>.

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