



## Press Release

### **S&P Report: Market Value of Treasury Shares in the S&P 500 \$309 Billion Higher Than Reported**

*Cash and Treasury Shares Now Represent 16% of Market Value*

**New York, July 21, 2006** – In a report released today, Standard & Poor's – the world's leading index provider, announced that the massive buildup of cash and treasury shares by S&P 500 companies might impact corporate profitability and market value over the next several years. The full S&P report can be found by [www.standardandpoors.com/indices](http://www.standardandpoors.com/indices).

According to the report, *S&P 500: Cash and Treasury Shares - The Overlooked and Hidden Assets*, if a mark-to-market adjustment were made of the 254 issues in the S&P 500 that hold treasury shares and provide full data disclosure, the original cost basis of \$702 billion would be valued at \$1,011 billion. When the additional \$309 billion is added to cash holdings, the combined liquid assets would represent 16% of their market value.

In total, 273 issues within the S&P 500 currently report holding treasury shares. Of those, 225 have a lower cost basis (\$500 billion) posted on their balance sheet than the prevailing market value of the shares (\$826 billion). 48 issues have a higher cost basis (\$143 billion) than the prevailing market value of the shares (\$112 billion).

“Any substantial use of the combined resources will have an impact on both the market and individual issues,” says Howard Silverblatt, Senior Index Analyst at Standard & Poor's. “What companies choose to do with this enormous asset is perhaps the most important decision facing them, and could have a long-lasting impact on their profitability and market value.”

Over the past five years, cash holdings by S&P 500 companies has grown to a record size, with its proportion of market value growing to levels not seen in almost two decades. The cash build-up was the result of 16 consecutive quarters of double-digit earnings growth, combined with corporations pulling back on M&A activity, expansion and new investments after the bear market of 2000-2002.

In the fourth quarter of 2004, the first major use of the built-up cash started in the form of increased buybacks. However, the increased buyback levels were unique in that they were being put into the corporate treasury, creating share count reduction (SCR), and were not being used for options or M&A.

“The availability of this discretionary liquid asset, both cash and treasury shares, makes almost every company a potential growth issue,” Silverblatt continues. “Investors need to review management's history of applying these assets. Also, given that S&P believes that the greatest use will be for M&A, investors need to evaluate management's track record of not just picking target companies, but more importantly, merging the two together.”

**STANDARD & POOR'S INDEX SERVICES**  
**S&P 500, Values in billion, estimates in bolded italics**

<b>QUARTER END</b>	<b>MARKET VALUE</b>	<b>AS REPORTED EARNINGS</b>	<b>DIVIDENDS</b>	<b>BUYBACKS</b>
06/30/2006	\$11,497	<b>\$178</b>	\$54	<b>\$95</b>
03/31/2006	\$11,660	\$177	\$53	\$100
12/31/2005	\$11,255	\$156	\$55	\$104
09/30/2005	\$11,083	\$161	\$49	\$81
06/30/2005	\$10,890	\$167	\$49	\$81
03/31/2005	\$10,820	\$154	\$49	\$82
12/31/2004	\$11,289	\$130	\$50	\$66
09/30/2004	\$10,398	\$132	\$46	\$46
06/30/2004	\$10,623	\$142	\$43	\$42
03/31/2004	\$10,461	\$141	\$42	\$43
12/31/2003	\$10,286	\$122	\$47	\$39
09/30/2003	\$9,208	\$116	\$40	\$34
06/30/2003	\$9,001	\$103	\$38	\$28

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