



Press Release

Standard & Poor's: S&P 500 Buyback Activity Continues; Earnings Impact Becoming Wide Spread

New York, June 12, 2006 – Standard & Poor's, the world's leading index provider, announced today that S&P 500 first quarter buyback activity has surged 22.1% over that of the first quarter of 2005, with the trailing 12-month increase at 55.2%. According to Standard & Poor's, S&P 500 constituents spent \$100.2 billion on stock buybacks during the first quarter, placing it second all-time to the \$104.3 billion set during the fourth quarter of 2005. 95 issues registered share reductions of at least 4% over their first quarter 2005 reported share count, with 108 issues reducing their diluted shares (used for Earnings Per Share calculations) by at least 4%.

“Due to the continued, robust spending on buybacks and share count reductions, over 20% of the S&P 500 is now benefiting from at least a 4% boost in their first quarter reported EPS,” says Howard Silverblatt, Senior Index Analyst at Standard & Poor's. “The cumulative expenditure of \$515 billion on buybacks over the past 6 quarters was the first major use of excess cash built-up by S&P 500 companies. Given the current cash reserves and associated short-term rewards, the trend and its impact are expected to continue through the remainder of 2006.”

Companies take advantage of stock buybacks for several reasons: to reduce their overall share count (thereby increasing current shareholder value), to reissue shares for mergers and acquisitions, and to satisfy employees looking to exercise their stock options. While the re-issuance of shares to cover existing employee stock options is still a major component of buybacks, Standard & Poor's has noted the increasing tendency among companies to reduce their actual share count, and therefore improve EPS.

“The most relevant question an investor can ask is what the company will do with the repurchased shares,” adds Standard & Poor's Silverblatt. “These shares have not been retired. They sit in the corporate treasury, where, subject to regulator timing, can be reissued at the discretion of the company.”

Income Statement Review

Standard & Poor's notes that investors need to review company income statements with an eye towards detail. Interest income that increased 38% in 2005 is now expected to increase over 60% in 2006, providing an additional 1.3% boost to corporate earnings. Combined with the impact of share count reduction, initial year-over-year EPS increases can now easily be misinterpreted. “With market volatility increasing, investors need to know where the growth is coming from. Paying 15 to 18 times earnings is acceptable; paying 15 to 18 times earnings for interest income and share count reductions is not,” concludes Silverblatt.

Standard & Poor's released a detailed report in March on the impact of buybacks and share count reductions. To access the full report, please visit www.standardandpoors.com/indices.

S&P 500 SHARE CHANGES	Q1 2006	Q4 2005
Issues reducing their actual shares	259	266
Issues reducing their average diluted shares	276	279
Issues reducing their actual shares by at least 4%	95	80
Issues reducing their average diluted shares by at least 4%	108	95
Interception at 4% reduction	83	64
Positive EPS	79	60
Issues used	62	52

QUARTER END	MARKET VALUE	OPERATING EARNINGS	AS REPORTED EARNINGS	DIVIDENDS	BUYBACKS
03/31/2006	\$11,660	\$186.31	\$176.58	\$53.25	\$100.18
12/31/2005	11,255	\$181.85	\$169.86	\$54.83	\$104.28
09/30/2005	11,083	\$169.74	\$160.72	\$48.99	\$81.47
06/30/2005	10,890	\$177.52	\$167.19	\$49.03	\$81.42
03/31/2005	10,820	\$164.42	\$154.43	\$48.99	\$82.05
12/31/2004	11,289	\$167.20	\$129.85	\$49.68	\$66.42
09/30/2004	10,398	\$157.47	\$132.28	\$45.54	\$45.68
06/30/2004	10,623	\$158.12	\$142.01	\$43.43	\$42.46
03/31/2004	10,461	\$147.42	\$141.01	\$42.36	\$42.92
12/31/2003	10,286	\$137.65	\$121.74	\$46.76	\$38.53
09/30/2003	9,208	\$133.22	\$116.12	\$39.96	\$34.13
06/30/2003	9,001	\$119.34	\$102.53	\$37.74	\$28.36
03/31/2003	7,827	\$115.16	\$109.99	\$36.19	\$30.03
12/31/2002	8,107	\$110.03	\$27.64	\$39.22	\$30.62
09/30/2002	7,518	\$107.07	\$78.66	\$35.97	\$35.18
06/30/2002	9,091	\$106.90	\$63.09	\$38.11	\$30.98
03/31/2002	10,502	\$99.31	\$84.11	\$34.51	\$30.47

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. For more information, please visit 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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