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Calculating Sustainable Cash Flow

A Study of the S&P 100 Using 2002 Data

Executive Summary

Operating cash flow in 2000, 2001, and 2002 for the S&P 100 was adjusted to remove items that may provide misleading signals of operating performance. Nine adjustments were made, separated into three categories - (1) where flexibility in GAAP for cash flow reporting was used to alter cash flow, (2) where the requirements of GAAP result in misleading operating cash flow amounts, and (3) where nonrecurring operating cash receipts and payments lead to operating cash flow that is non-sustainable. Adjustments resulted in an average reduction in operating cash flow in 2000 of 5% and an average increase in operating cash flow in 2001 of 3.1% and in 2002 of 2.9%. Certain individual company adjustments were quite significant, resulting in some cases, in much more operating cash flow than actually reported, and in other cases, much less.

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DuPree Financial Analysis Lab

The DuPree Financial Analysis Lab conducts independent stock market research. Independent and unbiased information is vital to effective investment decision-making. Accordingly, we think that independent research organizations, such as our own, have an important role to play in providing information to market participants.

Because our Lab is housed within a university, all of our research reports have an educational quality, as they are designed to impart knowledge and understanding to those who read them. Our focus is on issues that we believe will be of interest to a large segment of stock market participants. Depending on the issue, we may focus our attention on individual companies, groups of companies, or on large segments of the market at large.

A recurring theme in our work is the identification of reporting practices that give investors a misleading signal, whether positive or negative, of corporate earning power. We define earning power as the ability to generate a sustainable stream of earnings that is backed by cash flow. Accordingly, our research may look into reporting practices that affect either earnings or cash flow, or both. At times our research may look at stock prices, generally though from a fundamental and not technical point of view.

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Calculating Sustainable Cash Flow

A Study of the S&P 100 Using 2002 Data

Introduction

Already a key focus when measuring corporate financial health, operating cash flow has taken on a new importance of late. Many investment professionals, burned by the trust they have placed in reported and pro-forma earnings, have redirected their attention to cash flow as a more trustworthy measure of operating performance. Indeed, many analysts and money managers have espoused a new-found affection for cash flow with such observations as,

"It's virtually impossible to manage cash flow,"

"Cash flow is real and not subject to the vagaries of GAAP or the whims of the accountants," and

"Profit is an opinion, cash is fact."

In these views, cash flow is measured by a standardized, immutable process, without the assumptions and interpretations that are inherent in the measurement of accrual-based income.

Because they can be readily confirmed, the balance in cash at period's end and the total change in cash during a reporting period are not prone to misstatement. However, changes in the components of total cash flow - the operating, investing, and financing components - are subject to being reported in a misleading fashion. Increases in operating cash flow, signifying improvements in financial performance, may be offset with increased uses of cash in the investing or financing sections. The end result is that, with no difference in total cash flow, apparent operating performance is improved.

There are three general ways in which operating cash flow may provide a misleading signal of operating performance. In the first, companies ply the existing flexibility in generally accepted accounting principles, (GAAP) to boost operating cash flow. Examples here include the cash flow reporting of cash overdrafts, purchases and sales of trading securities, and capitalized operating costs. In the second, it is actually the requirements of GAAP that result in misleading measures of operating cash flow. Included here are taxes on non-operating gains and losses and the ubiquitous tax benefits from stock options. A third area that can result in misleading operating cash flow amounts is the reporting of nonrecurring sources and uses of operating cash flow. Nonrecurring cash flows result from such transactions as accounts receivable securitizations, tax benefits from the amortization of goodwill for tax purposes, other non-recurring transactions, discontinued operations, and the increased use of vendor financing.

Flexibility in GAAP and Operating Cash Flow

Contrary to the belief of many, the calculation of operating cash flow does not follow a standardized, immutable process. GAAP offers plenty of flexibility in the reporting of cash flow and its classification among the operating, investing, and financing sections of the cash flow statement. Consider the following examples:

Cash Overdrafts

Overdrafts, the excess of outstanding checks over reported cash balances, are often grouped with accounts payable. The risk of reclassifying overdrafts to accounts payable is that it may lead to the inclusion of changes in overdraft amounts in operating cash flow. Overdrafts are inherently a financing agreement since the company actually owes money to its bank, not its vendors. Accordingly, most companies list overdrafts in the financing section of the cash flow statement. There are exceptions, however, where overdrafts are classified as operating cash flow. GAAP are generally silent on the appropriate treatment.

Trading Securities

Under GAAP, a company can choose to classify its investments as trading, available-for-sale, or held-to-maturity. Investments classified as trading are reported in the operating section of the cash flow statement whereas available-for-sale and held-to-maturity investments are reported in the investing section. A cash flow reporting problem arises when a non-financial company classifies its investments, which are often used as a short-term cash flow management tool, as trading securities. Including trades as cash provided or used from operating activities for non-financial companies is suspect. Even though such treatment follows GAAP, the cash flows associated with investments in and sales of investments classified as trading securities are not inherently recurring.

Capitalized Operating Costs

A company has the option of capitalizing certain operating costs, including interest costs during construction and software development costs. By capitalizing these costs they are reported in the investing section of the cash flow statement. As a result, current operating cash flow is not reduced. Further, the future amortization of capitalized costs will reduce earnings but will not reduce operating cash flow.

GAAP requirements and Operating Cash Flow

In addition to flexibility provided by GAAP in the reporting of operating cash flow, other GAAP requirements can cloud it. That is, certain GAAP guidelines will yield misleading cash flow signals. Consider the following:

Taxes on Non-operating Gains and Losses

Taxes paid or saved on non-operating items are included with operating cash flow even though the underlying transactions that resulted in these taxes are investing-related. The gains and losses are inherently non-recurring in nature and, by including taxes on them in operating cash flow, they misrepresent a company's ability to generate a sustainable cash flow stream.

Tax Benefits from Stock Options

Theoretically, a company receives a reduction in cash taxes paid in the year of exercise of non-qualified options equal to its marginal tax rate times an option-related tax deduction. That deduction equals the difference between the exercise price and the underlying stock's market price on the date of exercise. Notwithstanding the financing nature of the deduction, the entire amount of the tax benefit is included in operating cash flow as mandated by GAAP. Understanding its non-recurring nature, many analysts are quick to remove it from operating cash flow. Unfortunately, the company does not always receive such a reduction in cash taxes paid for the reported stock-option benefit. Often, this benefit is offset by an increase in a deferred tax account, which may not provide cash flow in the near term, or even the extended term. As a result, cash flow from the tax benefits of stock options may be overstated.

Non-recurring Sources and Uses of Operating Cash Flow

Accounts Receivable Securitizations

The securitization of accounts receivable is an easy way to boost a company's current operating cash flow. In a securitization transaction, a company essentially sells its accounts receivable, boosting current but sacrificing future operating cash flow. Since the securitization is accounted for as a sale of accounts receivable, the proceeds are reported in the operating section of the cash flow statement. However, because securitizations give only a temporary boost to operating cash flow, cash flow provided by increased securitization transactions should not be considered to be sustainable.

Nonrecurring Operating Items

Some sources and uses of cash are properly reported in the operating section but are inherently nonrecurring. Examples include the cash portion of nonrecurring items such as restructuring charges, litigation settlements, and merger and acquisition costs.

Discontinued Operations

Cash provided by operating activities is defined to include cash provided by continuing and discontinued operations. Sustainable operating cash flow does not include cash generated by discontinued operations. In most cases, companies clearly disclose the amount of cash generated by discontinued operations. Unfortunately, however, GAAP does not require this disclosure. As a result, there are instances where cash provided by discontinued operations is not disclosed, giving the impression that total operating cash flow has been generated by continuing operations. Regardless of disclosure, however, cash provided by discontinued operations should be removed from operating cash flow in deriving a more sustainable measure of cash flow performance.

Increased Vendor Reliance

Increases in accounts payable are reported as operating sources of cash. Normally, accounts payable are expected to grow along with corporate operations. A short-term, nonrecurring boost to operating cash flow can be gained by lengthening the time taken to settle accounts payable. While reported as operating cash flow, cash flow obtained in this fashion is borrowed from future periods and is not sustainable.

Tax Benefits from Goodwill Amortization

While goodwill is no longer amortized for financial statement purposes, for tax purposes, in some acquisition transactions, goodwill is still a deductible expense. Such tax deductions provide a boost to operating cash flow that is linked to an acquisition and not to fundamental operations. In our sample, we noted no such tax benefits that were material.

The purpose of the study

Given the importance of operating cash flow in today's investment environment, we developed a technique for adjusting it to derive a more sustainable measure. We applied our adjustment approach to the 2000, 2001, and 2002 operating cash flow of the S & P 100 to measure its effects on this important collection of firms.

The adjustments

Adjustments to operating cash flow were located throughout the annual report, including the financial statements, notes, and M D & A. The process started with cash provided by operating activities as reported on the statements of cash flows. Adjustments made consisted of the following:

Cash Overdrafts

We adjusted for changes in cash overdrafts included in operating cash flow.

Example:

Anheuser-Busch Companies, Inc., annual report 2002

Note 11. Supplemental Information

Accounts payable include \$87.4 million and \$92.3 million, respectively, of outstanding checks at December 31, 2002 and 2001.

In 2002, Anheuser-Busch included overdrafts in operating cash flow. That year overdrafts decreased \$4.9 million, from \$92.3 million to \$87.4 million. We adjusted operating cash flow by adding back \$4.9 million.

Trading Securities

For non-financial firms, adjustments were made to operating cash flow for increases and decreases in investments classified as trading securities.

Example:

Intel Corporation, annual report 2002

From the Cash Flow Statement:

Three Years Ended December 28, 2002

(In Millions)	2002	2001	2000
Cash flows provided by (used for) operating activities:			
Net income	3,117	1,291	10,535
...			
Trading assets	(444)	898	38
...			
Net cash provided by operating activities	9,129	8,789	12,827

In 2002, the increase in the trading assets account at Intel Corporation used \$444 million in operating cash flow. The adjustment for 2002 was to add back \$444 million to operating cash flow. In 2001, the decrease in the trading assets account provided \$898 million in operating cash flow for Intel. The adjustment for 2001 was to subtract \$898 million from operating cash flow.

Capitalized Operating Costs

Capitalized operating costs are often reported as cash outflows in the investing section of the cash flow statement. The amounts capitalized represent increases to noncurrent assets and entail corporate investments. For costs capitalized into noncurrent accounts and reported on the cash flow statement in the investing activities section, operating cash flow does not reflect a charge for amounts capitalized. Accordingly, we adjusted operating cash flow to remove capitalized operating expenditures. Among our adjustments were capitalized interest and capitalized software development costs.

Example:

EMC Corporation, 2002 annual report

From the Cash Flow Statement:

(in millions)	Year ended December 31		
	2002	2001	2000
Cash flows from investing activities:			
Additions to property, plant and equipment	(391)	(889)	(858)
Proceeds from sales of property, plant and equipment	—	17	—
Capitalized software development costs	(127)	(121)	(103)
Purchases of short and long-term available for sale securities	(8,437)	(4,981)	(2,644)
Sales of short and long-term available for sale securities	7,199	4,445	1,961
Maturities of short and long-term available for sale securities	226	127	35
Purchase of other assets	(25)	—	—
Business acquisitions, net of cash acquired	(22)	(111)	(234)
Net cash used in investing activities	(1,576)	(1,514)	(1,842)

EMC Corporation capitalized software development costs in each of the three years reported. We adjusted operating cash flow by subtracting \$127 million in 2002 and \$121 million in 2001.

Taxes on Non-operating Gains and Losses

GAAP requires that all taxes, regardless of their source of income or loss, must be reported in the operating section of the cash flow statement. As a result, income taxes paid or received related to non-operating items should be removed from operating cash flow. Non-operating items, such as gains or losses on sales of investments, real estate, and businesses, were added together, then multiplied by the marginal tax rate to find the adjustment. Taxes paid on net capital gains were added back to operating cash flow while taxes received from net capital losses were carried over.

Calculating Sustainable Cash Flow

Example:
The Dow Chemical Company, 2002 annual report

(in millions)	Year ended December 31,		
	2001	2000	1999
<hr style="border-top: 1px dashed black;"/>			
Cash flows from operating activities			
Income (Loss) before cumulative effect			
of changes in accounting principles	\$ (405)	\$ (417)	\$ 1,675
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,825	1,815	1,738
Purchased in-process research and development	—	69	6
Provision (Credit) for deferred income tax	(311)	(391)	143
Earnings/losses of nonconsolidated affiliates			
less than (in excess of) dividends received	53	25	(222)
Minority interests' share in income	63	32	72
Net gain on sales of consolidated companies	(4)	—	—
Net (gain) loss on sales of nonconsolidated affiliates	(60)	2	(13)
Net gain on sales of property and businesses	(8)	(49)	(102)
Other net gain	(65)	(245)	(340)
Merger-related expenses and restructuring	202	906	—
Asbestos-related charge	828	—	—
Tax benefit - nonqualified stock option exercises	31	39	37
Changes in assets and liabilities that provided (used) cash:			
Accounts and notes receivable	(299)	1,340	(335)
Inventories	223	34	(559)
Accounts payable	474	(586)	429
Other assets and liabilities	(439)	(785)	(838)
<hr style="border-top: 1px dashed black;"/>			
Cash provided by operating activities	2,108	1,789	1,691

For Dow Chemical Company, Inc. in 2002, we added all of the gains (\$4m + \$60m + \$8m + \$65m = \$137m) and all of the losses (\$0) reported in operating cash flow. The marginal tax rate (federal + state) for Dow Chemical Company in 2002 was 35.0%. To find the final adjustment, we multiplied the marginal tax rate times the net gain and obtained \$48 million (\$137m X .35 = \$48m). This tax amount was added back to operating cash flow in 2002.

Tax Benefits from Stock Options

Tax benefits from exercises of non-qualified stock options are typically disclosed clearly in operating cash flow. A question arises, however, as to whether the company actually realized that benefit in cash. Instead, the benefit may have resulted in a non-cash increase in a deferred tax asset account. Before making an adjustment for the tax benefit of stock options, we first estimated the portion of the benefit that was actually realized. Under GAAP, current tax expense is grossed up to include the realized portion of the tax benefits from stock options. These same benefits reduce the disclosed amount of income taxes paid. The other primary difference that exists between current tax expense and income taxes paid is the change in tax refunds receivable or income taxes payable. Thus, we estimated the realized portion of tax benefits from stock options by finding the difference between current tax expense, adjusted for changes in tax refunds receivable and income taxes payable, and reported income taxes paid. The lesser of this

estimated realized benefit or the reported tax benefit from stock options was removed from operating cash flow.

Example:

Cisco Systems, Inc., 2002 annual report

Cash Flow Statement

(In millions)

Years Ended	July 27, 2002	July 28, 2001	July 29, 2000
Cash flows from operating activities:			
Net income (loss)	\$ 1,893	\$ (1,014)	\$ 2,668
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,957	2,236	863
Provision for doubtful accounts	91	268	40
Provision for inventory	149	2,775	339
Deferred income taxes	(573)	(924)	(782)
Tax benefits from employee stock option plans	61	1,397	2,495
Adjustment to conform fiscal year ends of pooled acquisitions	–	–	(18)
In-process research and development	53	739	1,279
Net (gains) losses on investments and provision for losses	1,127	43	(92)
Restructuring costs and other special charges	–	501	–
Change in operating assets and liabilities:			
Accounts receivable	270	569	(1,043)
Inventories	673	(1,644)	(887)
Prepaid expenses and other current assets	(28)	(25)	(249)
Accounts payable	(174)	(105)	286
Income taxes payable	389	(434)	(365)
Accrued compensation	307	(256)	576
Deferred revenue	678	1,629	662
Other accrued liabilities	(222)	251	369
Restructuring liabilities	(64)	386	–
Net cash provided by operating activities	6,587	6,392	6,141

From the notes:

Income Taxes

The provision for income taxes consisted of the following (in millions):

Years Ended	July 27, 2002	July 28, 2001	July 29, 2000
Federal:			
Current	\$ 929	\$ 581	\$ 1,843
Deferred	(480)	(697)	(652)
	449	(116)	1,191
State:			
Current	117	157	282
Deferred	(68)	(199)	(118)
	49	(42)	164

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Foreign:

Current	344	326	332
Deferred	(25)	(28)	(12)
	319	298	320
Total	\$ 817	\$ 140	\$ 1,675

From the Tax Note:

The Company paid income taxes of \$909 million, \$48 million, and \$327 million in fiscal 2002, 2001, and 2000, respectively.

For Cisco Systems, Inc. in 2002, tax benefits from stock options of \$61 million are listed on the statement of cash flows. Our estimate of the realized portion consists of the following:

Current tax expense	\$ 1,390m	(\$929m + \$117m + \$344m = \$1,390m)
- increase in taxes payable	- 389m	
- Taxes paid	- 909m	
Estimate of cash tax benefits from stock options	\$ 92m	

In this case, our calculated tax benefit of \$92 million was slightly greater than the company's disclosed amount of \$61 million. To be conservative, we used the lesser of the two, \$61 million, and adjusted operating cash flow accordingly.

Accounts Receivable Securitizations

In a securitization transaction, a company sells its accounts receivable in a financing transaction. The net effect is to boost current but sacrifice future operating cash flow. Since the securitization is treated as a sale of accounts receivable, the proceeds are reported in the operating section of the cash flow statement. However, cash generated in this manner is not sustainable and was deducted from reported operating cash flow.

Example:

Norfolk Southern Corporation, 2002 annual report

Note 5 Accounts Receivable

In May 2000, a bankruptcy-remote special purpose subsidiary of NS began selling without recourse undivided ownership interests in a pool of accounts receivable. Upon commencement of this program, NS received cash proceeds of \$460 million. The buyers have a priority collection interest in the entire pool of receivables and, as a result, NS has retained credit risk to the extent the pool of receivables exceeds the amount sold. NS services and collects the receivables on behalf of the buyers; however, no servicing asset or liability has been recognized because the benefits of servicing are estimated to be just adequate to compensate NS for its responsibilities. Payments collected from sold receivables can be reinvested in new accounts receivable on behalf of the buyers. Should NS' credit rating drop below investment grade, the buyers have the right to discontinue this reinvestment.

Accounts receivable sold under this arrangement, and therefore not included in "Accounts receivable, net" on the Consolidated Balance Sheets, were \$30 million at Dec. 31, 2002, and \$300 million at Dec. 31, 2001.

For Norfolk Southern Corporation, the adjustment to operating cash flow was made by identifying the securitized accounts receivable balances at year-end. In 2002, the balance

declined from \$300 million to \$30 million, a reduction of \$270 million. In this case, we added \$270 million to operating cash flow to account for the reduced amount of accounts receivable securitized that year.

Nonrecurring Operating Items

Some sources and uses of cash are properly reported in the operating section but are inherently nonrecurring. Examples include the cash portion of nonrecurring items such as restructuring charges, litigation settlements, and mergers and acquisitions. Such nonrecurring cash payments or receipts may be disclosed on the cash flow statement or in the notes. The cash amount should first be tax-effected at the marginal income tax rate before adjusting operating cash flow.

Example:

Xerox Corporation, 2002 annual report

	Year ended December 31,		
	2002	2001	2000
	----	----	----
	(in millions)		
Cash Flows from Operating Activities:			
Net income (loss)	\$ 91	\$ (94)	\$ (273)
Adjustments required to reconcile net income (loss) to cash flows from operating activities:			
Depreciation and amortization.....	1,035	1,332	1,244
Impairment of goodwill.....	63	--	--
Provisions for receivables and inventory.....	468	748	848
Restructuring and other charges.....	670	715	502
Deferred tax benefit.....	(178)	(10)	(130)
Cash payments for restructurings.....	(392)	(484)	(387)
Gain on early extinguishment of debt.....	(1)	(63)	--
Gains on sales of businesses and assets.....	(1)	(765)	(288)
Undistributed equity in income of affiliated companies.....	(23)	(20)	(25)
Decrease in inventories.....	16	319	74
Increase in on-lease equipment.....	(127)	(271)	(506)
Decrease (increase) in finance receivables.....	754	88	(701)
(Increase) decrease in accounts receivable and billed portion of finance receivables..	(266)	189	(385)
Proceeds from sale of accounts receivable, net	--	--	328
Increase (decrease) in accounts payable and accrued compensation and be	192	(270)	59
(Decrease) increase in income tax liabilities.....	(204)	452	(291)
(Decrease) increase in other current and long-term liabilities.....	(254)	(160)	55
Early termination of derivative contracts.....	39	(148)	(108)
Other, net.....	(6)	8	191
	-----	-----	-----
Net cash provided by operating activities.....	1,876	1,566	207

On its cash flow statement, Xerox Corporation reported the cash portion of its restructuring activities. For 2002, restructuring activities consumed \$392 million. From the tax note, the marginal tax rate (federal + state) for Xerox Corporation in 2002 is 36.3%. Accordingly, an adjustment for \$392m X (1 - .363), or \$250m was added back to operating cash flow.

Discontinued Operations

Cash provided or used by discontinued operations was removed from operating cash flow. In most cases, cash from discontinued operations was clearly disclosed. When it was not, an estimate, namely operating income of the discontinued segment adjusted for the operating-related balance sheet accounts, if disclosed, was used.

Example:

Raytheon Corporation, 2002 annual report

Dollar amounts in millions For The Years Ended December 31,	2002	2001	2000
Net cash provided by continuing operations	2,235	789	1,009
Net cash provided (required) by discontinued operations	(1,196)	(596)	(29)
Net Cash Provided By Operations	1,039	193	980

In the case of Raytheon Corporation, for 2002, we added \$1,196 million to the reported operating cash flow figure of \$1,039 million. For 2001, we added back \$596 million.

Increased Vendor Reliance

Increases in accounts payable are reported as operating sources of cash. Normally, accounts payable are expected to grow along with corporate operations. A short-term, nonrecurring boost to operating cash flow can be gained by lengthening the time taken to settle accounts payable. While reported as operating cash flow, cash flow obtained in this fashion is effectively borrowed from future periods. Operating cash flow was adjusted to remove nonrecurring sources derived from extended vendor payment terms. The amount of increased operating cash flow derived in this manner was calculated by computing the amount by which accounts payable increased faster than revenue. For this study, we made an adjustment for increased vendor reliance when accounts payable increased at a rate that was more than 25% faster than revenue.

Example:

E.I. du Pont De Nemours and Company, 2002 annual report

Balance Sheet information:

amounts in millions,	Fiscal Year Ended	
	December 31, 2002	December 31, 2001
Accounts Payable	\$ 2,727	\$ 2,219

Income Statement information:

amounts in millions,	Fiscal Year Ended		
	December 31, 2002	December 31, 2001	December 31, 2000
NET SALES	\$ 24,522	\$ 25,370	\$ 29,202

In 2002, E.I. du Pont De Nemours and Company's accounts payable increased from \$2,219 million to \$2,727 million, or 22.9%. That same year revenue decreased from \$25,370 million to \$24,522 million, or -3.3%. In this case, accounts payable increased 26.2 percentage points faster than revenue. We calculated an adjustment by multiplying the prior year accounts payable balance times one plus the revenue growth percentage to determine an accounts payable balance that assumed a rate of increase equal to the rate of increase in revenue. We then subtracted this calculated accounts payable balance from the actual balance to find the adjustment.

For E.I. du Pont De Nemours and Company,	
Actual accounts payable at Dec. 31, 2002	\$ 2,727m
Minus projected accounts payable at Dec. 31, 2002	<u>minus (\$2,219m X .967) = \$ 2,145m</u>
Adjustment	= \$ 582m

As a result, we subtracted \$582 million from E.I. du Pont De Nemours and Company's operating cash flow to adjust for increased vendor reliance for 2002.

Results

Company Summary Table

The results of the cash flow adjustment process are summarized in the following table. The companies of the S & P 100 are presented in alphabetical order for easy reference and include the adjustments for 2000, 2001, and 2002.

Alphabetical Summary	2000	2000	2000	2001	2001	2001	2002	2002	2002
Company Name	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference Improved / (Worsened)	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference Improved / (Worsened)	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference Improved / (Worsened)
The AES Corporation	506	356	-29.6%	1,691	1,514	-10.5%	1,444	985	-31.8%
Alcoa Inc.	2,851	2,877	0.9%	2,411	2,400	-0.5%	1,839	1,970	7.1%
Allegheny Technologies Inc.	136	151	10.7%	123	123	0.0%	204	209	2.5%
American Electric Power	1,141	(339)	-129.8%	2,759	2,199	-20.3%	1,677	1,789	6.7%
American Express Company	6,353	6,288	-1.0%	5,324	5,405	1.5%	8,674	6,863	-20.9%
American International Group, Inc.	9,081	9,036	-0.5%	8,362	8,934	6.8%	18,688	18,793	0.6%
Amgen Inc.	1,635	1,176	-28.1%	1,480	1,350	-8.8%	2,249	1,910	-15.1%
Anheuser-Busch Companies, Inc.	2,258	2,229	-1.3%	2,361	2,336	-1.0%	2,765	2,682	-3.0%
AOL Time Warner Inc.	1,951	329	-83.1%	5,281	3,865	-26.8%	7,032	6,816	-3.1%
AT&T Corp.	10,641	11,080	4.1%	10,005	10,617	6.1%	10,483	10,832	3.3%
Avon Products, Inc.	324	318	-1.9%	755	727	-3.8%	565	569	0.8%
Baker Hughes Incorporated	557	538	-3.5%	724	612	-15.4%	677	586	-13.4%
Bank of America Corporation	3,509	3,518	0.3%	(12,713)	(12,536)	1.4%	(12,007)	(11,775)	1.9%
Bank One Corporation	16,824	16,819	0.0%	2,375	2,372	-0.1%	5,438	5,460	0.4%
Baxter International Inc.	1,214	995	-18.0%	1,149	1,033	-10.1%	1,193	1,222	2.5%
The Black & Decker Corporation	350	364	4.2%	379	395	4.3%	452	472	4.4%
The Boeing Company	5,942	5,904	-0.6%	3,814	3,976	4.2%	4,375	4,342	-0.8%
Boise Cascade Corp	549	489	-11.0%	408	430	5.3%	308	316	2.5%
Bristol-Myers Squibb Company	4,652	4,337	-6.8%	5,402	6,752	25.0%	957	1,048	9.5%
Burlington Northern Santa Fe Corporation	2,317	2,286	-1.3%	2,197	2,201	0.2%	2,106	2,164	2.7%
Campbell Soup Company	1,165	1,161	-0.3%	1,106	1,104	-0.2%	1,017	1,021	0.4%
CIGNA Corporation	1,671	1,709	2.3%	1,063	1,095	3.0%	1,378	1,418	2.9%
Cisco Systems, Inc.	6,141	3,522	-42.6%	6,392	5,172	-19.1%	6,587	6,659	1.1%
Citigroup Inc.	2,878	3,137	9.0%	26,761	26,486	-1.0%	26,029	25,756	-1.0%
Clear Channel Communications, Inc.	755	1,075	42.4%	610	672	10.2%	1,748	1,750	0.1%
The Coca-Cola Company	3,585	3,808	6.2%	4,110	4,296	4.5%	4,742	4,741	0.0%
Colgate-Palmolive Company	1,536	1,588	3.4%	1,600	1,601	0.0%	1,611	1,608	-0.2%
Computer Sciences	854	863	1.0%	1,305	1,382	5.9%	1,148	1,155	0.6%
Delta Air Lines, Inc.	2,898	2,986	3.0%	236	(308)	-230.5%	285	160	-43.9%
The Dow Chemical Co.	1,691	1,763	4.2%	1,789	2,250	25.8%	2,108	2,178	3.3%
E.I. du Pont De Nemours and Company	5,070	4,474	-11.8%	2,419	5,072	109.7%	2,053	1,505	-26.7%
Eastman Kodak Company	982	989	0.7%	2,065	2,067	0.1%	2,204	2,380	8.0%
El Paso Corporation	99	91	-8.1%	4,120	3,086	-25.1%	436	551	26.4%
EMC Corporation	2,109	1,838	-12.8%	1,631	1,410	-13.6%	1,446	1,376	-4.8%
Entergy Corporation	1,968	1,573	-20.1%	2,216	2,252	1.6%	2,182	1,875	-14.1%
Exelon Corporation	1,096	1,100	0.4%	3,615	3,424	-5.3%	3,614	3,135	-13.2%
Exxon Mobil Corporation	22,937	23,242	1.3%	22,889	22,624	-1.2%	21,268	20,993	-1.3%
FedEx Corporation	1,625	1,600	-1.5%	2,044	2,027	-0.8%	2,228	2,211	-0.8%
Ford Motor Company	33,367	26,677	-20.0%	21,891	21,001	-4.1%	18,633	24,956	33.9%

Alphabetical Summary	2000	2000	2000	2001	2001	2001	2002	2002	2002
Company Name	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference Improved / (Worsened)	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference Improved / (Worsened)	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference Improved / (Worsened)
General Dynamics Corporation	1,071	1,036	-3.3%	1,103	1,082	-1.9%	1,125	1,126	0.1%
General Electric Company	22,690	24,123	6.3%	32,389	29,403	-9.2%	29,488	29,778	1.0%
General Motors Corporation	21,445	22,069	2.9%	12,985	12,874	-0.9%	17,109	17,195	0.5%
The Gillette Company	1,604	1,584	-1.2%	2,092	2,175	4.0%	2,077	1,924	-7.4%
The Goldman Sachs Group, Inc.	1,607	1,491	-7.2%	2,865	2,831	-1.2%	(10,077)	(10,077)	0.0%
H.J. Heinz Company	543	771	41.9%	506	552	9.0%	891	896	0.6%
Halliburton Company	(57)	(19)	66.8%	1,029	1,016	-1.2%	1,562	1,450	-7.2%
Harrah's Entertainment, Inc.	548	528	-3.7%	774	739	-4.5%	739	713	-3.6%
The Hartford Financial Services Group, Inc.	2,435	2,486	2.1%	2,303	2,303	0.0%	2,649	2,630	-0.7%
HCA Inc.	1,547	1,628	5.2%	1,413	2,001	41.6%	2,750	2,703	-1.7%
Hewlett-Packard Company	3,705	2,322	-37.3%	2,561	2,967	15.9%	5,444	5,994	10.1%
Home Depot Inc.	2,796	2,751	-1.6%	5,963	4,801	-19.5%	4,802	4,764	-0.8%
Honeywell International Inc.	1,989	2,324	16.9%	1,996	2,377	19.1%	2,380	2,843	19.5%
Intel Corp.	12,827	12,517	-2.4%	8,789	7,453	-15.2%	9,129	9,585	5.0%
International Business Machines Corporation	8,837	7,038	-20.4%	13,966	13,513	-3.2%	13,788	14,306	3.8%
International Paper Company	2,430	2,823	16.2%	1,714	1,949	13.7%	2,094	2,343	11.9%
J.P. Morgan Chase & Co.	(13,676)	(11,765)	14.0%	(3,107)	(1,012)	67.4%	(25,134)	(24,212)	3.7%
Johnson & Johnson	6,903	6,883	-0.3%	8,864	8,870	0.1%	8,176	8,113	-0.8%
Lehman Brothers Holdings Inc.	(13,531)	(13,904)	-2.8%	9,327	8,901	-4.6%	24,459	24,112	-1.4%
The Limited, Inc.	822	822	0.0%	1,005	1,075	6.9%	795	795	0.0%
Lucent Technologies, Inc.	(703)	(964)	-37.1%	(3,421)	(2,580)	24.6%	(756)	791	204.6%
The May Department Stores Company	1,346	1,336	-0.8%	1,644	1,631	-0.8%	1,460	1,481	1.5%
McDonald's Corporation	2,752	2,748	-0.1%	2,688	2,706	0.7%	2,890	2,913	0.8%
MedImmune, Inc.	173	173	0.2%	251	245	-2.4%	264	247	-6.5%
Medtronic, Inc.	1,026	993	-3.3%	1,832	1,998	9.1%	1,590	1,793	12.8%
Merck & Co., Inc.	7,687	7,127	-7.3%	9,080	9,054	-0.3%	9,529	9,450	-0.8%
Merrill Lynch & Co., Inc.	1,827	1,073	-41.3%	6,402	6,051	-5.5%	19,442	20,053	3.1%
Microsoft Corp.	11,426	6,497	-43.1%	13,422	11,848	-11.7%	14,509	12,913	-11.0%
Minnesota Mining and Manufacturing Company	2,326	2,342	0.7%	3,078	3,165	2.8%	2,992	3,179	6.2%
Morgan Stanley Dean Witter & Co.	(2,383)	(2,370)	0.6%	(24,091)	(24,551)	-1.9%	(5,054)	(5,301)	-4.9%
National Semiconductor Corporation	400	501	25.2%	488	502	3.0%	100	89	-11.4%
Nextel Communications, Inc.	576	503	-12.7%	1,129	1,071	-5.1%	2,523	2,486	-1.5%
Norfolk Southern Corporation	1,342	1,004	-25.2%	654	755	15.4%	803	1,085	35.1%
Oracle Corporation	2,923	5,233	79.0%	2,179	1,036	-52.4%	3,243	3,240	-0.1%
Pepsico Inc.	4,440	4,507	1.5%	4,201	4,431	5.5%	4,627	4,315	-6.7%
Pfizer Inc.	5,912	7,841	32.6%	8,861	9,258	4.5%	9,864	10,309	4.5%
Pharmacia Corporation	1,007	1,576	56.5%	1,901	2,185	14.9%	1,353	1,593	17.7%
Altria Group	11,044	11,147	0.9%	8,893	9,218	3.7%	10,612	11,784	11.0%
The Procter and Gamble Co.	4,675	4,880	4.4%	5,804	6,024	3.8%	7,742	8,240	6.4%
RadioShack Corporation	117	117	0.0%	776	780	0.6%	522	407	-22.1%
Raytheon Company	980	983	0.3%	193	682	253.1%	1,039	2,112	103.3%
Rockwell International Corporation	645	650	0.8%	335	369	10.0%	476	476	0.0%
Sara Lee Corporation	1,540	1,385	-10.0%	1,496	1,872	25.2%	1,735	1,767	1.8%
SBC Communications Inc.	14,066	15,121	7.5%	14,805	14,999	1.3%	15,210	15,471	1.7%
Schlumberger N.V.	1,671	1,531	-8.4%	1,570	1,084	-31.0%	2,185	1,917	-12.2%
Sears, Roebuck and Co.	2,685	2,703	0.7%	2,315	2,393	3.4%	(505)	(319)	36.9%
The Southern Company	2,376	2,349	-1.1%	2,384	2,349	-1.5%	2,831	2,794	-1.3%
Texas Instruments Incorporated	2,185	2,826	29.3%	1,819	2,071	13.9%	1,992	2,023	1.6%
Toys "R" Us, Inc.	(151)	(38)	74.8%	504	575	14.2%	574	574	0.0%

Calculating Sustainable Cash Flow

Alphabetical Summary	2000	2000	2000	2001	2001	2001	2002	2002	2002
Company Name	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference Improved / (Worsened)	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference Improved / (Worsened)	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference Improved / (Worsened)
Tyco International Ltd.	5,156	5,734	11.2%	6,430	6,425	-0.1%	6,876	5,564	-19.1%
U.S. Bancorp	4,443	4,620	4.0%	2,182	2,625	20.3%	3,786	4,113	8.6%
Unisys Corporation	420	206	-51.0%	202	300	48.6%	325	356	9.4%
United Technologies Corporation	2,503	2,491	-0.5%	2,885	2,920	1.2%	2,853	2,893	1.4%
Verizon Communications Inc.	15,827	17,934	13.3%	19,773	19,741	-0.2%	22,100	22,132	0.1%
Viacom Inc.	2,323	1,775	-23.6%	3,509	3,150	-10.2%	3,124	3,030	-3.0%
Wal-Mart Stores, Inc.	9,604	9,428	-1.8%	10,260	10,164	-0.9%	12,532	12,369	-1.3%
The Walt Disney Company	3,755	3,675	-2.1%	3,048	3,074	0.9%	2,286	2,276	-0.4%
Wells Fargo & Company	7,370	7,746	5.1%	(9,619)	(9,707)	-0.9%	(13,978)	(13,908)	0.5%
Weyerhaeuser Company	1,454	1,468	1.0%	1,118	1,143	2.2%	1,510	1,541	2.0%
The Williams Companies, Inc.	584	(880)	-250.7%	1,851	1,625	-12.2%	(542)	(828)	-52.8%
Xerox Corporation	207	39	-81.0%	1,566	2,046	30.6%	1,876	2,219	18.3%
Average S & P 100 Adjustment Effects			-5.0%			3.1%			2.9%
Total Cash Flow for the S & P 100	369,309	357,466		375,083	372,015		410,623	419,302	

Summary by Percentage Change 2000

This table ranks the companies by the percentage change in operating cash flow resulting from the adjustments for 2000.

Summary By Percentage Change				
Rank	Company Name	2000 Operating C/F - Reported	2000 Operating C/F - Adjusted	2000 Percent Difference
1	Oracle Corporation	2,923	5,233	79.0%
2	Toys "R" Us, Inc.	(151)	(38)	74.8%
3	Halliburton Company	(57)	(19)	66.8%
4	Pharmacia Corporation	1,007	1,576	56.5%
5	Clear Channel Communications, Inc.	755	1,075	42.4%
6	H.J. Heinz Company	543	771	41.9%
7	Pfizer Inc.	5,912	7,841	32.6%
8	Texas Instruments Incorporated	2,185	2,826	29.3%
9	National Semiconductor Corporation	400	501	25.2%
10	Honeywell International Inc.	1,989	2,324	16.9%
11	International Paper Company	2,430	2,823	16.2%
12	J.P. Morgan Chase & Co.	(13,676)	(11,765)	14.0%
13	Verizon Communications Inc.	15,827	17,934	13.3%
14	Tyco International Ltd.	5,156	5,734	11.2%
15	Allegheny Technologies Inc.	136	151	10.7%
16	Citigroup Inc.	2,878	3,137	9.0%
17	SBC Communications Inc.	14,066	15,121	7.5%
18	General Electric Company	22,690	24,123	6.3%
19	The Coca-Cola Company	3,585	3,808	6.2%
20	HCA Inc.	1,547	1,628	5.2%
21	Wells Fargo & Company	7,370	7,746	5.1%
22	The Procter and Gamble Co.	4,675	4,880	4.4%
23	The Dow Chemical Co.	1,691	1,763	4.2%
24	The Black & Decker Corporation	350	364	4.2%
25	AT&T Corp.	10,641	11,080	4.1%
26	U.S. Bancorp	4,443	4,620	4.0%
27	Colgate-Palmolive Company	1,536	1,588	3.4%
28	Delta Air Lines, Inc.	2,898	2,986	3.0%
29	General Motors Corporation	21,445	22,069	2.9%
30	CIGNA Corporation	1,671	1,709	2.3%
31	The Hartford Financial Services Group, Inc.	2,435	2,486	2.1%
32	Pepsico Inc.	4,440	4,507	1.5%
33	Exxon Mobil Corporation	22,937	23,242	1.3%
34	Computer Sciences	854	863	1.0%
35	Weyerhaeuser Company	1,454	1,468	1.0%
36	Altria Group	11,044	11,147	0.9%
37	Alcoa Inc.	2,851	2,877	0.9%
38	Rockwell International Corporation	645	650	0.8%
39	Eastman Kodak Company	982	989	0.7%
40	Minnesota Mining and Manufacturing Company	2,326	2,342	0.7%
41	Sears, Roebuck and Co.	2,685	2,703	0.7%
42	Morgan Stanley Dean Witter & Co.	(2,383)	(2,370)	0.6%

Calculating Sustainable Cash Flow

	Summary By Percentage Change	2000	2000	2000
Rank	Company Name	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference
43	Exelon Corporation	1,096	1,100	0.4%
44	Raytheon Company	980	983	0.3%
45	Bank of America Corporation	3,509	3,518	0.3%
46	MedImmune, Inc.	173	173	0.2%
47	The Limited, Inc.	822	822	0.0%
48	RadioShack Corporation	117	117	0.0%
49	Bank One Corporation	16,824	16,819	0.0%
50	McDonald's Corporation	2,752	2,748	-0.1%
51	Johnson & Johnson	6,903	6,883	-0.3%
52	Campbell Soup Company	1,165	1,161	-0.3%
53	United Technologies Corporation	2,503	2,491	-0.5%
54	American International Group, Inc.	9,081	9,036	-0.5%
55	The Boeing Company	5,942	5,904	-0.6%
56	The May Department Stores Company	1,346	1,336	-0.8%
57	American Express Company	6,353	6,288	-1.0%
58	The Southern Company	2,376	2,349	-1.1%
59	The Gillette Company	1,604	1,584	-1.2%
60	Anheuser-Busch Companies, Inc.	2,258	2,229	-1.3%
61	Burlington Northern Santa Fe Corporation	2,317	2,286	-1.3%
62	FedEx Corporation	1,625	1,600	-1.5%
63	Home Depot Inc.	2,796	2,751	-1.6%
64	Wal-Mart Stores, Inc.	9,604	9,428	-1.8%
65	Avon Products, Inc.	324	318	-1.9%
66	The Walt Disney Company	3,755	3,675	-2.1%
67	Intel Corp.	12,827	12,517	-2.4%
68	Lehman Brothers Holdings Inc.	(13,531)	(13,904)	-2.8%
69	Medtronic, Inc.	1,026	993	-3.3%
70	General Dynamics Corporation	1,071	1,036	-3.3%
71	Baker Hughes Incorporated	557	538	-3.5%
72	Harrah's Entertainment, Inc.	548	528	-3.7%
73	Bristol-Myers Squibb Company	4,652	4,337	-6.8%
74	The Goldman Sachs Group, Inc.	1,607	1,491	-7.2%
75	Merck & Co., Inc.	7,687	7,127	-7.3%
76	El Paso Corporation	99	91	-8.1%
77	Schlumberger N.V.	1,671	1,531	-8.4%
78	Sara Lee Corporation	1,540	1,385	-10.0%
79	Boise Cascade Corp	549	489	-11.0%
80	E.I. du Pont De Nemours and Company	5,070	4,474	-11.8%
81	Nextel Communications, Inc.	576	503	-12.7%
82	EMC Corporation	2,109	1,838	-12.8%
83	Baxter International Inc.	1,214	995	-18.0%
84	Ford Motor Company	33,367	26,677	-20.0%
85	Entergy Corporation	1,968	1,573	-20.1%
86	International Business Machines Corporation	8,837	7,038	-20.4%
87	Viacom Inc.	2,323	1,775	-23.6%
88	Norfolk Southern Corporation	1,342	1,004	-25.2%
89	Amgen Inc.	1,635	1,176	-28.1%

Summary By Percentage Change		2000	2000	2000
Rank	Company Name	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference
90	The AES Corporation	506	356	-29.6%
91	Lucent Technologies, Inc.	(703)	(964)	-37.1%
92	Hewlett-Packard Company	3,705	2,322	-37.3%
93	Merrill Lynch & Co., Inc.	1,827	1,073	-41.3%
94	Cisco Systems, Inc.	6,141	3,522	-42.6%
95	Microsoft Corp.	11,426	6,497	-43.1%
96	Unisys Corporation	420	206	-51.0%
97	Xerox Corporation	207	39	-81.0%
98	AOL Time Warner Inc.	1,951	329	-83.1%
99	American Electric Power	1,141	(339)	-129.8%
100	The Williams Companies, Inc.	584	(880)	-250.7%

Overall in 2000, the cash flow adjustments tended to worsen the results of the S & P 100 companies. After making the adjustments, 49% of the S & P 100 had a change in operating cash flow of 5% or greater. 21 companies had an improvement in operating cash flow of 5% or greater, while 28 companies saw their operating cash flow worsen by 5% or more. There were 26 companies that had changes of 20% or greater, a considerable difference from reported results. Of the companies with greater than 20% changes, only nine of the companies improved while seventeen declined. In addition, nine companies had very large cash flow adjustments of 50% or more.

Adjusted operating cash flow for the average S & P 100 company decreased 5.0% from reported numbers in 2000. The subtraction of the tax benefits from stock options was the primary cause of the reduction. With the stock markets at all time highs during 2000 before the sell off, this adjustment was more prevalent and much larger for the companies in 2000 than in 2001 or 2002.

Summary by Percentage Change 2001

The next table ranks the companies by the percentage change in operating cash flow resulting from the adjustments for 2001.

Summary By Percentage Change				
Rank	Company Name	2001 Operating C/F - Reported	2001 Operating C/F - Adjusted	2001 Percent Difference
1	Raytheon Company	193	682	253.1%
2	E.I. du Pont De Nemours and Company	2,419	5,072	109.7%
3	J.P. Morgan Chase & Co.	(3,107)	(1,012)	67.4%
4	Unisys Corporation	202	300	48.6%
5	HCA Inc.	1,413	2,001	41.6%
6	Xerox Corporation	1,566	2,046	30.6%
7	The Dow Chemical Co.	1,789	2,250	25.8%
8	Sara Lee Corporation	1,496	1,872	25.2%
9	Bristol-Myers Squibb Company	5,402	6,752	25.0%
10	Lucent Technologies, Inc.	(3,421)	(2,580)	24.6%
11	U.S. Bancorp	2,182	2,625	20.3%
12	Honeywell International Inc.	1,996	2,377	19.1%
13	Hewlett-Packard Company	2,561	2,967	15.9%
14	Norfolk Southern Corporation	654	755	15.4%
15	Pharmacia Corporation	1,901	2,185	14.9%
16	Toys "R" Us, Inc.	504	575	14.2%
17	Texas Instruments Incorporated	1,819	2,071	13.9%
18	International Paper Company	1,714	1,949	13.7%
19	Clear Channel Communications, Inc.	610	672	10.2%
20	Rockwell International Corporation	335	369	10.0%
21	Medtronic, Inc.	1,832	1,998	9.1%
22	H.J. Heinz Company	506	552	9.0%
23	The Limited, Inc.	1,005	1,075	6.9%
24	American International Group, Inc.	8,362	8,934	6.8%
25	AT&T Corp.	10,005	10,617	6.1%
26	Computer Sciences	1,305	1,382	5.9%
27	Pepsico Inc.	4,201	4,431	5.5%
28	Boise Cascade Corp	408	430	5.3%
29	The Coca-Cola Company	4,110	4,296	4.5%
30	Pfizer Inc.	8,861	9,258	4.5%
31	The Black & Decker Corporation	379	395	4.3%
32	The Boeing Company	3,814	3,976	4.2%
33	The Gillette Company	2,092	2,175	4.0%
34	The Procter and Gamble Co.	5,804	6,024	3.8%
35	Altria Group	8,893	9,218	3.7%
36	Sears, Roebuck and Co.	2,315	2,393	3.4%
37	CIGNA Corporation	1,063	1,095	3.0%
38	National Semiconductor Corporation	488	502	3.0%
39	Minnesota Mining and Manufacturing Company	3,078	3,165	2.8%
40	Weyerhaeuser Company	1,118	1,143	2.2%
41	Entergy Corporation	2,216	2,252	1.6%
42	American Express Company	5,324	5,405	1.5%

Summary By Percentage Change		2001	2001	2001
Rank	Company Name	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference
43	Bank of America Corporation	(12,713)	(12,536)	1.4%
44	SBC Communications Inc.	14,805	14,999	1.3%
45	United Technologies Corporation	2,885	2,920	1.2%
46	The Walt Disney Company	3,048	3,074	0.9%
47	McDonald's Corporation	2,688	2,706	0.7%
48	RadioShack Corporation	776	780	0.6%
49	Burlington Northern Santa Fe Corporation	2,197	2,201	0.2%
50	Eastman Kodak Company	2,065	2,067	0.1%
51	Johnson & Johnson	8,864	8,870	0.1%
52	Colgate-Palmolive Company	1,600	1,601	0.0%
53	Allegheny Technologies Inc.	123	123	0.0%
54	The Hartford Financial Services Group, Inc.	2,303	2,303	0.0%
55	Tyco International Ltd.	6,430	6,425	-0.1%
56	Bank One Corporation	2,375	2,372	-0.1%
57	Verizon Communications Inc.	19,773	19,741	-0.2%
58	Campbell Soup Company	1,106	1,104	-0.2%
59	Merck & Co., Inc.	9,080	9,054	-0.3%
60	Alcoa Inc.	2,411	2,400	-0.5%
61	The May Department Stores Company	1,644	1,631	-0.8%
62	FedEx Corporation	2,044	2,027	-0.8%
63	General Motors Corporation	12,985	12,874	-0.9%
64	Wells Fargo & Company	(9,619)	(9,707)	-0.9%
65	Wal-Mart Stores, Inc.	10,260	10,164	-0.9%
66	Citigroup Inc.	26,761	26,486	-1.0%
67	Anheuser-Busch Companies, Inc.	2,361	2,336	-1.0%
68	Exxon Mobil Corporation	22,889	22,624	-1.2%
69	The Goldman Sachs Group, Inc.	2,865	2,831	-1.2%
70	Halliburton Company	1,029	1,016	-1.2%
71	The Southern Company	2,384	2,349	-1.5%
72	General Dynamics Corporation	1,103	1,082	-1.9%
73	Morgan Stanley Dean Witter & Co.	(24,091)	(24,551)	-1.9%
74	MedImmune, Inc.	251	245	-2.4%
75	International Business Machines Corporation	13,966	13,513	-3.2%
76	Avon Products, Inc.	755	727	-3.8%
77	Ford Motor Company	21,891	21,001	-4.1%
78	Harrah's Entertainment, Inc.	774	739	-4.5%
79	Lehman Brothers Holdings Inc.	9,327	8,901	-4.6%
80	Nextel Communications, Inc.	1,129	1,071	-5.1%
81	Exelon Corporation	3,615	3,424	-5.3%
82	Merrill Lynch & Co., Inc.	6,402	6,051	-5.5%
83	Amgen Inc.	1,480	1,350	-8.8%
84	General Electric Company	32,389	29,403	-9.2%
85	Baxter International Inc.	1,149	1,033	-10.1%
86	Viacom Inc.	3,509	3,150	-10.2%
87	The AES Corporation	1,691	1,514	-10.5%
88	Microsoft Corp.	13,422	11,848	-11.7%
89	The Williams Companies, Inc.	1,851	1,625	-12.2%
90	EMC Corporation	1,631	1,410	-13.6%

Calculating Sustainable Cash Flow

Summary By Percentage Change		2001	2001	2001
Rank	Company Name	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference
91	Intel Corp.	8,789	7,453	-15.2%
92	Baker Hughes Incorporated	724	612	-15.4%
93	Cisco Systems, Inc.	6,392	5,172	-19.1%
94	Home Depot Inc.	5,963	4,801	-19.5%
95	American Electric Power	2,759	2,199	-20.3%
96	El Paso Corporation	4,120	3,086	-25.1%
97	AOL Time Warner Inc.	5,281	3,865	-26.8%
98	Schlumberger N.V.	1,570	1,084	-31.0%
99	Oracle Corporation	2,179	1,036	-52.4%
100	Delta Air Lines, Inc.	236	(308)	-230.5%

In 2001, the cash flow adjustments improved the results of many of the S & P 100 companies. After making the adjustments, 28 companies had an improvement in operating cash flow of 5% or greater, while 21 companies saw their operating cash flow worsen by 5% or more. There were seventeen companies that had changes of 20% or greater, a considerable difference from reported results. Of the companies with changes greater than 20%, eleven improved while six declined. 2001 had fewer very large percentage adjustments as only five companies had cash flow adjustments of 50% or more, compared to nine in 2000.

Adjusted operating cash flow for the average S & P 100 company increased 3.1% from reported numbers in 2001. Adding back the nonrecurring restructuring charges was the main cause of the improved results. As the markets and the economy tightened, more companies implemented restructuring efforts in 2001 to try to improve their results. In addition, there were fewer adjustments for the tax benefits from stock options adjustment in 2001 than in 2000.

Summary by Percentage Change 2002

The next table ranks the companies by the percentage change in operating cash flow resulting from the adjustments for 2002.

	Summary By Percentage Change	2002	2002	2002
Rank	Company Name	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference
1	Lucent Technologies, Inc.	(756)	791	204.6%
2	Raytheon Company	1,039	2,112	103.3%
3	Sears, Roebuck and Co.	(505)	(319)	36.9%
4	Norfolk Southern Corporation	803	1,085	35.1%
5	Ford Motor Company	18,633	24,956	33.9%
6	El Paso Corporation	436	551	26.4%
7	Honeywell International Inc.	2,380	2,843	19.5%
8	Xerox Corporation	1,876	2,219	18.3%
9	Pharmacia Corporation	1,353	1,593	17.7%
10	Medtronic, Inc.	1,590	1,793	12.8%
11	International Paper Company	2,094	2,343	11.9%
12	Altria Group	10,612	11,784	11.0%
13	Hewlett-Packard Company	5,444	5,994	10.1%
14	Bristol-Myers Squibb Company	957	1,048	9.5%
15	Unisys Corporation	325	356	9.4%
16	U.S. Bancorp	3,786	4,113	8.6%
17	Eastman Kodak Company	2,204	2,380	8.0%
18	Alcoa Inc.	1,839	1,970	7.1%
19	American Electric Power	1,677	1,789	6.7%
20	The Procter and Gamble Co.	7,742	8,240	6.4%
21	Minnesota Mining and Manufacturing Company	2,992	3,179	6.2%
22	Intel Corp.	9,129	9,585	5.0%
23	Pfizer Inc.	9,864	10,309	4.5%
24	The Black & Decker Corporation	452	472	4.4%
25	International Business Machines Corporation	13,788	14,306	3.8%
26	J.P. Morgan Chase & Co.	(25,134)	(24,212)	3.7%
27	AT&T Corp.	10,483	10,832	3.3%
28	The Dow Chemical Co.	2,108	2,178	3.3%
29	Merrill Lynch & Co., Inc.	19,442	20,053	3.1%
30	CIGNA Corporation	1,378	1,418	2.9%
31	Burlington Northern Santa Fe Corporation	2,106	2,164	2.7%
32	Boise Cascade Corp	308	316	2.5%
33	Baxter International Inc.	1,193	1,222	2.5%
34	Allegheny Technologies Inc.	204	209	2.5%
35	Weyerhaeuser Company	1,510	1,541	2.0%
36	Bank of America Corporation	(12,007)	(11,775)	1.9%
37	Sara Lee Corporation	1,735	1,767	1.8%
38	SBC Communications Inc.	15,210	15,471	1.7%
39	Texas Instruments Incorporated	1,992	2,023	1.6%
40	The May Department Stores Company	1,460	1,481	1.5%
41	United Technologies Corporation	2,853	2,893	1.4%
42	Cisco Systems, Inc.	6,587	6,659	1.1%

Calculating Sustainable Cash Flow

Summary By Percentage Change		2002	2002	2002
Rank	Company Name	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference
43	General Electric Company	29,488	29,778	1.0%
44	McDonald's Corporation	2,890	2,913	0.8%
45	Avon Products, Inc.	565	569	0.8%
46	Computer Sciences	1,148	1,155	0.6%
47	H.J. Heinz Company	891	896	0.6%
48	American International Group, Inc.	18,688	18,793	0.6%
49	Wells Fargo & Company	(13,978)	(13,908)	0.5%
50	General Motors Corporation	17,109	17,195	0.5%
51	Bank One Corporation	5,438	5,460	0.4%
52	Campbell Soup Company	1,017	1,021	0.4%
53	Verizon Communications Inc.	22,100	22,132	0.1%
54	Clear Channel Communications, Inc.	1,748	1,750	0.1%
55	General Dynamics Corporation	1,125	1,126	0.1%
56	The Goldman Sachs Group, Inc.	(10,077)	(10,077)	0.0%
57	Toys "R" Us, Inc.	574	574	0.0%
58	Rockwell International Corporation	476	476	0.0%
59	The Limited, Inc.	795	795	0.0%
60	The Coca-Cola Company	4,742	4,741	0.0%
61	Oracle Corporation	3,243	3,240	-0.1%
62	Colgate-Palmolive Company	1,611	1,608	-0.2%
63	The Walt Disney Company	2,286	2,276	-0.4%
64	The Hartford Financial Services Group, Inc.	2,649	2,630	-0.7%
65	The Boeing Company	4,375	4,342	-0.8%
66	FedEx Corporation	2,228	2,211	-0.8%
67	Johnson & Johnson	8,176	8,113	-0.8%
68	Home Depot Inc.	4,802	4,764	-0.8%
69	Merck & Co., Inc.	9,529	9,450	-0.8%
70	Citigroup Inc.	26,029	25,756	-1.0%
71	Exxon Mobil Corporation	21,268	20,993	-1.3%
72	The Southern Company	2,831	2,794	-1.3%
73	Wal-Mart Stores, Inc.	12,532	12,369	-1.3%
74	Lehman Brothers Holdings Inc.	24,459	24,112	-1.4%
75	Nextel Communications, Inc.	2,523	2,486	-1.5%
76	HCA Inc.	2,750	2,703	-1.7%
77	Anheuser-Busch Companies, Inc.	2,765	2,682	-3.0%
78	Viacom Inc.	3,124	3,030	-3.0%
79	AOL Time Warner Inc.	7,032	6,816	-3.1%
80	Harrah's Entertainment, Inc.	739	713	-3.6%
81	EMC Corporation	1,446	1,376	-4.8%
82	Morgan Stanley Dean Witter & Co.	(5,054)	(5,301)	-4.9%
83	MedImmune, Inc.	264	247	-6.5%
84	Pepsico Inc.	4,627	4,315	-6.7%
85	Halliburton Company	1,562	1,450	-7.2%
86	The Gillette Company	2,077	1,924	-7.4%
87	Microsoft Corp.	14,509	12,913	-11.0%
88	National Semiconductor Corporation	100	89	-11.4%
89	Schlumberger N.V.	2,185	1,917	-12.2%
90	Exelon Corporation	3,614	3,135	-13.2%

Summary By Percentage Change		2002	2002	2002
Rank	Company Name	Operating C/F - Reported	Operating C/F - Adjusted	Percent Difference
91	Baker Hughes Incorporated	677	586	-13.4%
92	Entergy Corporation	2,182	1,875	-14.1%
93	Amgen Inc.	2,249	1,910	-15.1%
94	Tyco International Ltd.	6,876	5,564	-19.1%
95	American Express Company	8,674	6,863	-20.9%
96	RadioShack Corporation	522	407	-22.1%
97	E.I. du Pont De Nemours and Company	2,053	1,505	-26.7%
98	The AES Corporation	1,444	985	-31.8%
99	Delta Air Lines, Inc.	285	160	-43.9%
100	The Williams Companies, Inc.	(542)	(828)	-52.8%

In 2002, the cash flow adjustments improved the results of many of the S & P 100 companies. After making the adjustments, 22 companies had an improvement in operating cash flow of 5% or greater, while eighteen companies saw their operating cash flow worsen by 5% or more. There were twelve companies that had changes of 20% or greater, a considerable difference from reported results. Of the companies with changes greater than 20%, six improved while six declined. 2002 had fewer very large percentage adjustments as only three companies had cash flow adjustments of 50% or more, compared to nine in 2000 and five in 2001.

Adjusted operating cash flow for the average S & P 100 company increased 2.9% from reported numbers in 2002. Adding back the nonrecurring restructuring charges was again the main cause of the improved results. Companies continued to implement restructuring efforts in 2002 to try to improve their financial results. In addition, there were fewer adjustments for the tax benefits from stock options adjustment in 2002 than in 2001 or 2000.

Year-over-Year Change in Adjusted to Reported Operating Cash Flow

This table ranks the companies by the percentage change in adjusted operating cash flow from 2000 to 2001 divided by the percentage change in reported operating cash flow.

Company Name	2000 Reported Operating Cash Flow	2001 Reported Operating Cash Flow	Percent Increase (Decrease)	2000 Adjusted Operating Cash Flow	2001 Adjusted Operating Cash Flow	Percent Increase (Decrease)	Change in Adj. CF divided by Change in Rep. CF
Cisco Systems, Inc.	6,141	6,392	4.1%	3,522	5,172	46.8%	↑ 11.5
Xerox Corporation	207	1,566	656.5%	39	2,046	5107.1%	↑ 7.8
Honeywell International Inc.	1,989	1,996	0.4%	2,324	2,377	2.3%	↑ 6.4
American Electric Power	1,141	2,759	141.8%	(339)	2,199	747.7%	↑ 5.3
AOL Time Warner Inc.	1,951	5,281	170.7%	329	3,865	1075.5%	↑ 6.3
The Dow Chemical Co.	1,691	1,789	5.8%	1,763	2,250	27.6%	↑ 4.8
Microsoft Corp.	11,426	13,422	17.5%	6,497	11,848	82.4%	↑ 4.7
Toys "R" Us, Inc.	(151)	504	433.8%	(38)	575	1613.6%	↑ 3.7
Bristol-Myers Squibb Company	4,652	5,402	16.1%	4,337	6,752	55.7%	↑ 3.5
Entergy Corporation	1,968	2,216	12.6%	1,573	2,252	43.2%	↑ 3.4
Halliburton Company	(57)	1,029	1905.3%	(19)	1,016	5464.2%	↑ 2.9
Merrill Lynch & Co., Inc.	1,827	6,402	250.4%	1,073	6,051	464.0%	↑ 1.9
International Business Machines Corporation	8,837	13,966	58.0%	7,038	13,513	92.0%	↑ 1.6
Viacom Inc.	2,323	3,509	51.1%	1,775	3,150	77.5%	↑ 1.5
Merck & Co., Inc.	7,687	9,080	18.1%	7,127	9,054	27.0%	↑ 1.5
General Dynamics Corporation	1,071	1,103	3.0%	1,036	1,082	4.4%	↑ 1.5
The AES Corporation	506	1,691	234.2%	356	1,514	325.3%	↑ 1.4
The Limited, Inc.	822	1,005	22.3%	822	1,075	30.8%	↑ 1.4
The Williams Companies, Inc.	584	1,851	217.0%	(880)	1,625	284.7%	↑ 1.3
Medtronic, Inc.	1,026	1,832	78.6%	993	1,998	101.3%	↑ 1.3
The Gillette Company	1,604	2,092	30.4%	1,584	2,175	37.3%	↑ 1.2
J.P. Morgan Chase & Co.	(13,676)	(3,107)	77.3%	(11,765)	(1,012)	91.4%	↑ 1.2
Nextel Communications, Inc.	576	1,129	96.0%	503	1,071	112.9%	↑ 1.2
The Goldman Sachs Group, Inc.	1,607	2,865	78.3%	1,491	2,831	89.9%	↑ 1.1
Wal-Mart Stores, Inc.	9,604	10,260	6.8%	9,428	10,164	7.8%	↑ 1.1
Computer Sciences	854	1,305	52.8%	863	1,382	60.2%	↑ 1.1
United Technologies Corporation	2,503	2,885	15.3%	2,491	2,920	17.2%	↑ 1.1
Minnesota Mining and Manufacturing Company	2,326	3,078	32.3%	2,342	3,165	35.1%	↑ 1.1
Anheuser-Busch Companies, Inc.	2,258	2,361	4.6%	2,229	2,336	4.8%	↑ 1.1
FedEx Corporation	1,625	2,044	25.8%	1,600	2,027	26.7%	↑ 1.0
Johnson & Johnson	6,903	8,864	28.4%	6,883	8,870	28.9%	↑ 1.0
The Black & Decker Corporation	350	379	8.3%	364	395	8.5%	↑ 1.0
RadioShack Corporation	117	776	563.2%	117	780	567.0%	↑ 1.0
The May Department Stores Company	1,346	1,644	22.1%	1,336	1,631	22.1%	↑ 1.0
Eastman Kodak Company	982	2,065	110.3%	989	2,067	109.0%	↑ 1.0
Lehman Brothers Holdings Inc.	(13,531)	9,327	168.9%	(13,904)	8,901	164.0%	↑ 1.0
The Procter and Gamble Co.	4,675	5,804	24.1%	4,880	6,024	23.4%	↑ 1.0
Harrah's Entertainment, Inc.	548	774	41.2%	528	739	40.0%	↑ 1.0
Avon Products, Inc.	324	755	133.0%	318	727	128.7%	↑ 1.0
Exelon Corporation	1,096	3,615	229.8%	1,100	3,424	211.2%	↑ 0.9
MedImmune, Inc.	173	251	45.1%	173	245	41.3%	↑ 0.9

Company Name	2000 Reported Operating Cash Flow	2001 Reported Operating Cash Flow	Percent Increase (Decrease)	2000 Adjusted Operating Cash Flow	2001 Adjusted Operating Cash Flow	Percent Increase (Decrease)	Change in Adj. CF divided by Change in Rep. CF
Citigroup Inc.	2,878	26,761	829.8%	3,137	26,486	744.2%	↑ 0.9
The Coca-Cola Company	3,585	4,110	14.6%	3,808	4,296	12.8%	↑ 0.9
El Paso Corporation	99	4,120	4061.6%	91	3,086	3290.8%	↑ 0.8
Home Depot Inc.	2,796	5,963	113.3%	2,751	4,801	74.5%	↑ 0.7
General Electric Company	22,690	32,389	42.7%	24,123	29,403	21.9%	↑ 0.5
Tyco International Ltd.	5,156	6,430	24.7%	5,734	6,425	12.1%	↑ 0.5
Baker Hughes Incorporated	557	724	30.0%	538	612	13.8%	↑ 0.5
Pharmacia Corporation	1,007	1,901	88.8%	1,576	2,185	38.7%	↑ 0.4
Verizon Communications Inc.	15,827	19,773	24.9%	17,934	19,741	10.1%	↑ 0.4
Pfizer Inc.	5,912	8,861	49.9%	7,841	9,258	18.1%	↑ 0.4
Colgate-Palmolive Company	1,536	1,600	4.2%	1,588	1,601	0.8%	↑ 0.2
The Southern Company	2,376	2,384	0.3%	2,349	2,349	0.0%	↑ 0.0
National Semiconductor Corporation	400	488	22.0%	501	502	0.4%	↑ 0.0
American International Group, Inc.	9,081	8,362	-7.9%	9,036	8,934	-1.1%	↓ 0.1
Pepsico Inc.	4,440	4,201	-5.4%	4,507	4,431	-1.7%	↓ 0.3
Raytheon Company	980	193	-80.3%	983	682	-30.7%	↓ 0.4
Lucent Technologies, Inc.	(703)	(3,421)	-386.6%	(964)	(2,580)	-167.6%	↓ 0.4
Norfolk Southern Corporation	1,342	654	-51.3%	1,004	755	-24.8%	↓ 0.5
Boise Cascade Corp	549	408	-25.7%	489	430	-12.1%	↓ 0.5
Ford Motor Company	33,367	21,891	-34.4%	26,677	21,001	-21.3%	↓ 0.6
Burlington Northern Santa Fe Corporation	2,317	2,197	-5.2%	2,286	2,201	-3.7%	↓ 0.7
AT&T Corp.	10,641	10,005	-6.0%	11,080	10,617	-4.2%	↓ 0.7
McDonald's Corporation	2,752	2,688	-2.3%	2,748	2,706	-1.5%	↓ 0.7
U.S. Bancorp	4,443	2,182	-50.9%	4,620	2,625	-43.2%	↓ 0.8
Sears, Roebuck and Co.	2,685	2,315	-13.8%	2,703	2,393	-11.5%	↓ 0.8
The Walt Disney Company	3,755	3,048	-18.8%	3,675	3,074	-16.3%	↓ 0.9
American Express Company	6,353	5,324	-16.2%	6,288	5,405	-14.0%	↓ 0.9
Altria Group	11,044	8,893	-19.5%	11,147	9,218	-17.3%	↓ 0.9
The Boeing Company	5,942	3,814	-35.8%	5,904	3,976	-32.7%	↓ 0.9
Rockwell International Corporation	645	335	-48.1%	650	369	-43.3%	↓ 0.9
Weyerhaeuser Company	1,454	1,118	-23.1%	1,468	1,143	-22.2%	↓ 1.0
Campbell Soup Company	1,165	1,106	-5.1%	1,161	1,104	-4.9%	↓ 1.0
Bank of America Corporation	3,509	(12,713)	-462.3%	3,518	(12,536)	-456.3%	↓ 1.0
CIGNA Corporation	1,671	1,063	-36.4%	1,709	1,095	-35.9%	↓ 1.0
Wells Fargo & Company	7,370	(9,619)	-230.5%	7,746	(9,707)	-225.3%	↓ 1.0
Bank One Corporation	16,824	2,375	-85.9%	16,819	2,372	-85.9%	↓ 1.0
EMC Corporation	2,109	1,631	-22.7%	1,838	1,410	-23.3%	↓ 1.0
Morgan Stanley Dean Witter & Co.	(2,383)	(24,091)	-911.0%	(2,370)	(24,551)	-936.0%	↓ 1.0
International Paper Company	2,430	1,714	-29.5%	2,823	1,949	-31.0%	↓ 1.1
General Motors Corporation	21,445	12,985	-39.4%	22,069	12,874	-41.7%	↓ 1.1
Alcoa Inc.	2,851	2,411	-15.4%	2,877	2,400	-16.6%	↓ 1.1
Delta Air Lines, Inc.	2,898	236	-91.9%	2,986	(308)	-110.3%	↓ 1.2
Intel Corp.	12,827	8,789	-31.5%	12,517	7,453	-40.5%	↓ 1.3
The Hartford Financial Services Group, Inc.	2,435	2,303	-5.4%	2,486	2,303	-7.4%	↓ 1.4
Texas Instruments Incorporated	2,185	1,819	-16.8%	2,826	2,071	-26.7%	↓ 1.6
Clear Channel Communications, Inc.	755	610	-19.2%	1,075	672	-37.5%	↓ 2.0

Calculating Sustainable Cash Flow

Company Name	2000 Reported Operating Cash Flow	2001 Reported Operating Cash Flow	Percent Increase (Decrease)	2000 Adjusted Operating Cash Flow	2001 Adjusted Operating Cash Flow	Percent Increase (Decrease)	Change in Adj. CF divided by Change in Rep. CF
Allegheny Technologies Inc.	136	123	-9.6%	151	123	-18.3%	↓ 1.9
Oracle Corporation	2,923	2,179	-25.5%	5,233	1,036	-80.2%	↓ 3.2
H.J. Heinz Company	543	506	-6.8%	771	552	-28.4%	↓ 4.2
Schlumberger N.V.	1,671	1,570	-6.0%	1,531	1,084	-29.2%	↓ 4.8
Exxon Mobil Corporation	22,937	22,889	-0.2%	23,242	22,624	-2.7%	↓ 12.7
E.I. du Pont De Nemours and Company	5,070	2,419	-52.3%	4,474	5,072	13.4%	↑ *
Baxter International Inc.	1,214	1,149	-5.4%	995	1,033	3.9%	↑ *
Unisys Corporation	420	202	-51.9%	206	300	45.9%	↑ *
Hewlett-Packard Company	3,705	2,561	-30.9%	2,322	2,967	27.8%	↑ *
Amgen Inc.	1,635	1,480	-9.5%	1,176	1,350	14.8%	↑ *
HCA Inc.	1,547	1,413	-8.7%	1,628	2,001	22.9%	↑ *
Sara Lee Corporation	1,540	1,496	-2.9%	1,385	1,872	35.2%	↑ *
SBC Communications Inc.	14,066	14,805	5.3%	15,121	14,999	-0.8%	↓ *

Table Legend

- ↑ Increasing year-over-year change in reported and adjusted operating cash flow
- ↓ Decreasing year-over-year change in reported and adjusted operating cash flow
- 1.0 No meaningful difference in year-over-year change for reported and adjusted operating cash flow.
- * Directional difference in year-over-year change in operating cash flow for reported and adjusted operating cash flow. The up or down arrow represents the direction of the change in adjusted operating cash flow relative to reported cash flow.

Changes in operating cash flow from one period to the next can signal increasing or declining financial strength and performance. The purpose of the ratio of the year-over-year change in adjusted to reported operating cash flow is to gauge whether evaluations of financial performance based on changes in operating cash flow might be altered through the use of adjusted amounts.

The ratio, the change between 2000 and 2001 in adjusted operating cash flow divided by the change in reported operating cash flow was given a upward arrow (↑) when the year-over-year change in adjusted operating cash flow and reported operating cash flow were both positive. A ratio of ↑2.0 indicates that adjusted operating cash flow increased at a rate that was twice as fast (i.e., 100% faster) as reported operating cash flow. A ratio of ↑.5 indicates that adjusted operating cash flow increased at a rate that was half as fast (i.e., 50% slower) as reported operating cash flow.

The same ratio was given a downward arrow (↓) when the year-over-year change in adjusted operating cash flow and reported operating cash flow were both negative. A ratio of ↓2.0

indicates that adjusted operating cash flow declined at a rate that was twice as fast as reported operating cash flow. A ratio of $\downarrow 0.5$ indicates that adjusted operating cash flow declined at a rate that was half as fast as reported operating cash flow.

Companies whose ratio of the change in adjusted operating cash flow to the change in reported operating cash flow were marked with an asterisk (*) and saw a directional difference in the year-over-year change in adjusted operating cash flow versus reported operating cash flow (i.e., one change was positive and one was negative). Companies marked with an upward arrow asterisk (\uparrow^*) saw an improvement in their adjusted operating cash flow versus reported operating cash flow. Companies with a downward arrow asterisk (\downarrow^*) saw a worsening in adjusted operating cash flow versus reported operating cash flow. Summary values of the ratio of the change in adjusted to reported operating cash flow were not provided for these companies because it was not considered to be a meaningful measure.

Many companies saw improvements in the year-over-year change in operating cash flow when adjusted data were employed. For example, sixteen companies saw a 50% or greater increase in operating cash flow between 2000 and 2001 using adjusted data versus reported data (i.e., a ratio of $\uparrow 1.5$ or greater). Six companies with declining operating cash flow saw a decline in operating cash flow using adjusted data that was 50% or more less than the decline calculated using reported cash flow (i.e., a ratio of $\downarrow 0.5$ or less)

Other companies saw a worsening in the year-over-year change in operating cash flow when adjusted data were employed. For example, nine companies saw an increase in operating cash flow that was 50% or less than the amount calculated using reported operating cash flow (i.e., a ratio of $\uparrow 0.5$ or less). Seven companies with declining operating cash flow saw a 50% or greater decline in operating cash flow between 2000 and 2001 when adjusted data were employed (i.e., ratio of $\downarrow 1.5$ or greater).

Some of the more interesting findings were with companies marked with an asterisk (*). For example, using reported operating cash flow, E.I. du Pont De Nemours saw a decline of 52.3% in reported operating cash flow between 2000 and 2001. However, using adjusted data, du Pont saw operating cash flow increase by 13.4%. Similarly, using reported operating cash flow, Hewlett-Packard saw operating cash flow decline by 30.9% between 2000 and 2001 while adjusted operating cash flow increased by 27.8%. At Unisys Corp., reported operating cash flow declined by 51.9% between 2000 and 2001 while adjusted operating cash flow increased by 45.9%.

Calculating Sustainable Cash Flow

This table ranks the companies by the percentage change in adjusted operating cash flow from 2001 to 2002 divided by the percentage change in reported operating cash flow.

Company Name	2001 Reported Operating Cash Flow	2002 Reported Operating Cash Flow	Percent Increase (Decrease)	2001 Adjusted Operating Cash Flow	2002 Adjusted Operating Cash Flow	Percent Increase (Decrease)	Change in Adj. CF divided by Change in Rep. CF
Cisco Systems, Inc.	6,392	6,587	3.1%	5,172	6,659	28.7%	↑ 9.4
Intel Corp.	8,789	9,129	3.9%	7,453	9,585	28.6%	↑ 7.4
Delta Air Lines, Inc.	236	285	20.8%	(308)	160	151.9%	↑ 7.3
Baxter International Inc.	1,149	1,193	3.8%	1,033	1,222	18.3%	↑ 4.8
Oracle Corporation	2,179	3,243	48.8%	1,036	3,240	212.7%	↑ 4.4
AOL Time Warner Inc.	5,281	7,032	33.2%	3,865	6,816	76.4%	↑ 2.3
Eastman Kodak Company	2,065	2,204	6.7%	2,067	2,380	15.2%	↑ 2.3
General Dynamics Corporation	1,103	1,125	2.0%	1,082	1,126	4.1%	↑ 2.0
Schlumberger N.V.	1,570	2,185	39.2%	1,084	1,917	76.9%	↑ 2.0
Norfolk Southern Corporation	654	803	22.8%	755	1,085	43.7%	↑ 1.9
Lucent Technologies, Inc.	(3,421)	(756)	77.9%	(2,580)	791	130.7%	↑ 1.7
Altria Group	8,893	10,612	19.3%	9,218	11,784	27.8%	↑ 1.4
SBC Communications Inc.	14,805	15,210	2.7%	14,999	15,471	3.1%	↑ 1.1
Merrill Lynch & Co., Inc.	6,402	19,442	203.7%	6,051	20,053	231.4%	↑ 1.1
Microsoft Corp.	13,422	14,509	8.1%	11,848	12,913	9.0%	↑ 1.1
The Procter and Gamble Co.	5,804	7,742	33.4%	6,024	8,240	36.8%	↑ 1.1
Bank of America Corporation	(12,713)	(12,007)	5.6%	(12,536)	(11,775)	6.1%	↑ 1.1
Nextel Communications, Inc.	1,129	2,523	123.5%	1,071	2,486	132.1%	↑ 1.1
Allegheny Technologies Inc.	123	204	65.9%	123	209	69.9%	↑ 1.1
General Motors Corporation	12,985	17,109	31.8%	12,874	17,195	33.6%	↑ 1.1
Lehman Brothers Holdings Inc.	9,327	24,459	162.2%	8,901	24,112	170.9%	↑ 1.1
Verizon Communications Inc.	19,773	22,100	11.8%	19,741	22,132	12.1%	↑ 1.0
McDonald's Corporation	2,688	2,890	7.5%	2,706	2,913	7.7%	↑ 1.0
The Southern Company	2,384	2,831	18.8%	2,349	2,794	19.0%	↑ 1.0
Bank One Corporation	2,375	5,438	129.0%	2,372	5,460	130.1%	↑ 1.0
FedEx Corporation	2,044	2,228	9.0%	2,027	2,211	9.1%	↑ 1.0
The Black & Decker Corporation	379	452	19.2%	395	472	19.3%	↑ 1.0
Pfizer Inc.	8,861	9,864	11.3%	9,258	10,309	11.4%	↑ 1.0
CIGNA Corporation	1,063	1,378	29.6%	1,095	1,418	29.5%	↑ 1.0
Weyerhaeuser Company	1,118	1,510	35.1%	1,143	1,541	34.8%	↑ 1.0
Morgan Stanley Dean Witter & Co.	(24,091)	(5,054)	79.0%	(24,551)	(5,301)	78.4%	↑ 1.0
Wal-Mart Stores, Inc.	10,260	12,532	22.1%	10,164	12,369	21.7%	↑ 1.0
Honeywell International Inc.	1,996	2,380	19.2%	2,377	2,843	19.6%	↑ 1.0
The Hartford Financial Services Group, Inc.	2,303	2,649	15.0%	2,303	2,630	14.2%	↑ 0.9
International Paper Company	1,714	2,094	22.2%	1,949	2,343	20.2%	↑ 0.9
Hewlett-Packard Company	2,561	5,444	112.6%	2,967	5,994	102.0%	↑ 0.9
American International Group, Inc.	8,362	18,688	123.5%	8,934	18,793	110.4%	↑ 0.9
Merck & Co., Inc.	9,080	9,529	4.9%	9,054	9,450	4.4%	↑ 0.9
Anheuser-Busch Companies, Inc.	2,361	2,765	17.1%	2,336	2,682	14.8%	↑ 0.9
Clear Channel Communications, Inc.	610	1,748	186.6%	672	1,750	160.4%	↑ 0.9
Halliburton Company	1,029	1,562	51.8%	1,016	1,450	42.7%	↑ 0.8
H.J. Heinz Company	506	891	76.1%	552	896	62.5%	↑ 0.8
Amgen Inc.	1,480	2,249	52.0%	1,350	1,910	41.5%	↑ 0.8

Company Name	2001 Reported Operating Cash Flow	2002 Reported Operating Cash Flow	Percent Increase (Decrease)	2001 Adjusted Operating Cash Flow	2002 Adjusted Operating Cash Flow	Percent Increase (Decrease)	Change in Adj. CF divided by Change in Rep. CF
U.S. Bancorp	2,182	3,786	73.5%	2,625	4,113	56.7%	↑ 0.8
Rockwell International Corporation	335	476	42.1%	369	476	29.1%	↑ 0.7
The Coca-Cola Company	4,110	4,742	15.4%	4,296	4,741	10.4%	↑ 0.7
Colgate-Palmolive Company	1,600	1,611	0.7%	1,601	1,608	0.5%	↑ 0.7
The Boeing Company	3,814	4,375	14.7%	3,976	4,342	9.2%	↑ 0.6
Raytheon Company	193	1,039	438.3%	682	2,112	210.0%	↑ 0.5
American Express Company	5,324	8,674	62.9%	5,405	6,863	27.0%	↑ 0.4
Xerox Corporation	1,566	1,876	19.8%	2,046	2,219	8.5%	↑ 0.4
AT&T Corp.	10,005	10,483	4.8%	10,617	10,832	2.0%	↑ 0.4
HCA Inc.	1,413	2,750	94.6%	2,001	2,703	35.1%	↑ 0.4
Unisys Corporation	202	325	60.9%	300	356	18.5%	↑ 0.3
MedImmune, Inc.	251	264	5.2%	245	247	0.7%	↑ 0.1
Home Depot Inc.	5,963	4,802	-19.5%	4,801	4,764	-0.8%	↓ 0.0
EMC Corporation	1,631	1,446	-11.3%	1,410	1,376	-2.4%	↓ 0.2
Viacom Inc.	3,509	3,124	-11.0%	3,150	3,030	-3.8%	↓ 0.3
Burlington Northern Santa Fe Corporation	2,197	2,106	-4.1%	2,201	2,164	-1.7%	↓ 0.4
American Electric Power	2,759	1,677	-39.2%	2,199	1,789	-18.6%	↓ 0.5
Baker Hughes Incorporated	724	677	-6.5%	612	586	-4.3%	↓ 0.7
Alcoa Inc.	2,411	1,839	-23.7%	2,400	1,970	-17.9%	↓ 0.8
Harrah's Entertainment, Inc.	774	739	-4.5%	739	713	-3.6%	↓ 0.8
Medtronic, Inc.	1,832	1,590	-13.2%	1,998	1,793	-10.2%	↓ 0.8
The May Department Stores Company	1,644	1,460	-11.2%	1,631	1,481	-9.2%	↓ 0.8
United Technologies Corporation	2,885	2,853	-1.1%	2,920	2,893	-0.9%	↓ 0.8
Avon Products, Inc.	755	565	-25.2%	727	569	-21.7%	↓ 0.9
Sears, Roebuck and Co.	2,315	505	-78.2%	2,393	691	-71.1%	↓ 0.9
Pharmacia Corporation	1,901	1,353	-28.8%	2,185	1,593	-27.1%	↓ 0.9
Campbell Soup Company	1,106	1,017	-8.0%	1,104	1,021	-7.5%	↓ 0.9
El Paso Corporation	4,120	436	-89.4%	3,086	551	-82.1%	↓ 0.9
Wells Fargo & Company	(9,619)	(13,978)	-45.3%	(9,707)	(13,908)	-43.3%	↓ 1.0
Citigroup Inc.	26,761	26,029	-2.7%	26,486	25,756	-2.8%	↓ 1.0
The Goldman Sachs Group, Inc.	2,865	(10,077)	-451.7%	2,831	(10,077)	-456.0%	↓ 1.0
Exxon Mobil Corporation	22,889	21,268	-7.1%	22,624	20,993	-7.2%	↓ 1.0
Bristol-Myers Squibb Company	5,402	957	-82.3%	6,752	1,048	-84.5%	↓ 1.0
The Walt Disney Company	3,048	2,286	-25.0%	3,074	2,276	-26.0%	↓ 1.0
National Semiconductor Corporation	488	100	-79.5%	502	89	-82.4%	↓ 1.0
Boise Cascade Corp	408	308	-24.5%	430	316	-26.5%	↓ 1.1
Johnson & Johnson	8,864	8,176	-7.8%	8,870	8,113	-8.5%	↓ 1.1
The Limited, Inc.	1,005	795	-20.9%	1,075	795	-26.0%	↓ 1.2
The Williams Companies, Inc.	1,851	(542)	-129.3%	1,625	(828)	-151.0%	↓ 1.2
Computer Sciences	1,305	1,148	-12.0%	1,382	1,155	-16.5%	↓ 1.4
RadioShack Corporation	776	522	-32.7%	780	401	-48.6%	↓ 1.5
The AES Corporation	1,691	1,444	-14.6%	1,514	985	-34.9%	↓ 2.4
J.P. Morgan Chase & Co.	(3,107)	(25,134)	-708.9%	(1,012)	(24,212)	-2293.6%	↓ 3.2
E.I. du Pont De Nemours and Company	2,419	2,053	-15.1%	5,072	1,505	-70.3%	↓ 4.6
Entergy Corporation	2,216	2,182	-1.5%	2,252	1,875	-16.7%	↓ 10.9
The Gillette Company	2,092	2,077	-0.7%	2,175	1,924	-11.5%	↓ 16.1

Calculating Sustainable Cash Flow

Company Name	2001 Reported Operating Cash Flow	2002 Reported Operating Cash Flow	Percent Increase (Decrease)	2001 Adjusted Operating Cash Flow	2002 Adjusted Operating Cash Flow	Percent Increase (Decrease)	Change in Adj. CF divided by Change in Rep. CF
Exelon Corporation	3,615	3,614	0.0%	3,424	3,135	-8.4%	↓ 304.8
International Business Machines Corporation	13,966	13,788	-1.3%	13,513	14,306	5.9%	↑ *
Ford Motor Company	21,891	18,633	-14.9%	21,001	24,956	18.8%	↑ *
Minnesota Mining and Manufacturing Company	3,078	2,992	-2.8%	3,165	3,179	0.4%	↑ *
General Electric Company	32,389	29,488	-9.0%	29,403	29,778	1.3%	↑ *
Toys "R" Us, Inc.	504	574	13.9%	575	574	-0.2%	↓ *
The Dow Chemical Co.	1,789	2,108	17.8%	2,250	2,178	-3.2%	↓ *
Texas Instruments Incorporated	1,819	1,992	9.5%	2,071	2,023	-2.3%	↓ *
Pepsico Inc.	4,201	4,627	10.1%	4,431	4,315	-2.6%	↓ *
Sara Lee Corporation	1,496	1,735	16.0%	1,872	1,767	-5.6%	↓ *
Tyco International Ltd.	6,430	6,876	6.9%	6,425	5,564	-13.4%	↓ *

Table Legend

- ↑ Increasing year-over-year change in reported and adjusted operating cash flow
- ↓ Decreasing year-over-year change in reported and adjusted operating cash flow
- 1.0 No meaningful difference in year-over-year change for reported and adjusted operating cash flow.
- * Directional difference in year-over-year change in operating cash flow for reported and adjusted operating cash flow. The up or down arrow represents the direction of the change in adjusted operating cash flow relative to reported cash flow.

Many companies saw improvements in the year-over-year change in operating cash flow when adjusted data were employed. For example, eleven companies saw a 50% or greater increase in operating cash flow between 2001 and 2002 using adjusted data versus reported data (i.e., a ratio of $\uparrow 1.5$ or greater). Five companies with declining operating cash flow saw a decline in operating cash flow using adjusted data that was 50% or more less than the decline calculated using reported cash flow (i.e., a ratio of $\downarrow .5$ or less)

Other companies saw a worsening in the year-over-year change in operating cash flow when adjusted data were employed. For example, seven companies saw an increase in operating cash flow that was 50% or less than the amount calculated using reported operating cash flow (i.e., a ratio of $\uparrow .5$ or less). Seven companies with declining operating cash flow saw a 50% or greater decline in operating cash flow between 2001 and 2002 when adjusted data were employed (i.e., ratio of $\downarrow 1.5$ or greater).

Again, the more interesting findings were with companies marked with an asterisk (*). For example, using reported operating cash flow, Ford Motor Company saw a decline of 14.9% in reported operating cash flow between 2001 and 2002. However, using adjusted data, Ford Motor Company saw operating cash flow increase by 18.8%. Sara Lee Corporation's results switched in the opposite way. Sara Lee saw reported operating cash flow increase by 16.0% between 2001

and 2002 while adjusted operating cash flow declined by 5.6%. Similarly, at Tyco International Ltd., reported operating cash flow increased by 6.9% between 2001 and 2002 while adjusted operating cash flow declined by 13.4%.

Highlights

2000 Top Movers Largest Percentage Improvements in 2000

#1 79.0% increase

Oracle Corporation	2000	2001	2002
Reported operating cash flow	\$ 2,923	\$ 2,179	\$ 3,243
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ (341)	\$ (1,149)	\$ (20)
Taxes on nonoperating gains / (losses)	\$ 2,657	\$ -	\$ -
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ -	\$ -
(Increased vendor reliance)	\$ -	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ (6)	\$ 6	\$ 17
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ -	\$ -	\$ -
Adjusted operating cash flow	<u>\$ 5,233</u>	<u>\$ 1,036</u>	<u>\$ 3,240</u>

Oracle Corporation had the largest percentage improvement in cash from the adjustments in 2000 with an increase of 79.0% over reported operating cash flow. In this case, the adjustments increased operating cash flow from \$2,923 million to \$5,233 million. Operating cash flow improved from an adjustment to add back taxes on nonoperating gains from equity securities which was offset slightly by subtracting tax benefits from stock options.

#2 74.8% increase

Toys "R" Us, Inc.	2000	2001	2002
Reported operating cash flow	\$ (151)	\$ 504	\$ 574
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ -	\$ -	\$ -
Taxes on nonoperating gains / (losses)	\$ 89	\$ -	\$ -
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ -	\$ -
(Increased vendor reliance)	\$ -	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ 24	\$ 71	\$ -
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ -	\$ -	\$ -
Adjusted operating cash flow	<u>\$ (38)</u>	<u>\$ 575</u>	<u>\$ 574</u>

Toys "R" Us, Inc. had the second largest percentage improvement in cash from the adjustments in 2000 with an increase of 74.8% over reported operating cash flow. In this case, the adjustments lessened a negative operating cash flow from -\$151 million to -\$38 million. Operating cash flow improved from adjustments to add back taxes on nonoperating gains from the IPO of Toys "R" Us Japan and from after tax nonrecurring cash restructuring charges.

Largest Percentage Declines in 2000

#1 –250.7% Decrease

The Williams Companies, Inc.	2000	2001	2002
Reported operating cash flow	\$ 584	\$ 1,851	\$ (542)
Adjustments:			
(Cash provided by discontinued operations)	\$ (260)	\$ (153)	\$ (257)
(Tax benefits from stock options)	\$ (37)	\$ (48)	\$ -
Taxes on nonoperating gains / (losses)	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ -	\$ -
(Increased vendor reliance)	\$ (1,137)	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ -	\$ -	\$ -
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ (30)	\$ (25)	\$ (29)
Adjusted operating cash flow	<u>\$ (880)</u>	<u>\$ 1,625</u>	<u>\$ (828)</u>

The Williams Companies, Inc. had the largest percentage decline in cash flow from the adjustments in 2000 with a decrease of 250.7% from reported operating cash flow. Increased vendor reliance was the main contributor to the \$1,464 million reduction as accounts payable increased 57% while revenues decreased 1% resulting in an adjustment of \$1,137 million that reduced operating cash flow. Cash provided by discontinued operations of \$260 million, tax benefits of stock options of \$37 million, and capitalized interest of \$30 million also contributed to the reduction in operating cash flow.

#2 –129.8% Decrease

American Electric Power	2000	2001	2002
Reported operating cash flow	\$ 1,141	\$ 2,759	\$ 1,677
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ -	\$ -	\$ -
Taxes on nonoperating gains / (losses)	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ (560)	\$ 106
(Increased vendor reliance)	\$ (1,480)	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ -	\$ -	\$ 6
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ -	\$ -	\$ -
Adjusted operating cash flow	<u>\$ (339)</u>	<u>\$ 2,199</u>	<u>\$ 1,789</u>

American Electric Power had the second largest percentage decline in cash flow from the adjustments in 2000 with a decrease of 129.8% from reported operating cash flow. The only adjustment was subtracting the increased vendor reliance \$1,480 million, which reduced reported operating cash flow of \$1,141 million to the adjusted operating cash flow figure of -\$339 million. In this case, accounts payable increased 105% while revenues decreased 10%.

Largest \$ Adjustment Amounts 2000**#1 \$ Adjustment Improvement: \$2,310 million**

Oracle Corporation	2000	2001	2002
Reported operating cash flow	\$ 2,923	\$ 2,179	\$ 3,243
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ (341)	\$ (1,149)	\$ (20)
Taxes on nonoperating gains / (losses)	\$ 2,657	\$ -	\$ -
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ -	\$ -
(Increased vendor reliance)	\$ -	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ (6)	\$ 6	\$ 17
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ -	\$ -	\$ -
Adjusted operating cash flow	<u>\$ 5,233</u>	<u>\$ 1,036</u>	<u>\$ 3,240</u>

Oracle Corporation had the largest dollar adjustment improvement in 2000, which was also the largest percentage improvement for 2000. The main contributor to the increase of \$2,310 million was adding back the taxes on equity security gains of \$2,657 million. Tax benefits from stock options and a small after tax nonrecurring operating gain both reduced operating cash flow.

#1 \$ Adjustment Reduction: -\$6,690 million

Ford Motor Company	2000	2001	2002
Reported operating cash flow	\$ 33,367	\$ 21,891	\$ 18,633
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ -	\$ -	\$ -
Taxes on nonoperating gains / (losses)	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ -	\$ -
(Increased vendor reliance)	\$ -	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ 290	\$ 373	\$ 94
Net increase / (decrease) in trading investments in operating section	\$ (6,980)	\$ (1,263)	\$ 6,229
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ -	\$ -	\$ -
Adjusted operating cash flow	<u>\$ 26,677</u>	<u>\$ 21,001</u>	<u>\$ 24,956</u>

Ford Motor Company had the largest dollar adjustment reduction in 2000. The \$6,690 million reduction resulted mainly from the \$6,980 million trading securities adjustment. The trading securities adjustment was offset slightly by after tax nonrecurring cash restructuring charges of \$290 million.

2001 Top Movers

Largest Percentage Improvements in 2001

#1 253.1% increase

Raytheon Company	2000	2001	2002
Reported operating cash flow	\$ 980	\$ 193	\$ 1,039
Adjustments:			
(Cash provided by discontinued operations)	\$ 29	\$ 596	\$ 1,196
(Tax benefits from stock options)	\$ -	\$ -	\$ -
Taxes on nonoperating gains / (losses)	\$ 12	\$ 26	\$ 12
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ -	\$ -
(Increased vendor reliance)	\$ -	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ 73	\$ 16	\$ 4
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ (110)	\$ (149)	\$ (138)
(Capitalized interest)	\$ (1)	\$ (1)	\$ -
Adjusted operating cash flow	<u>\$ 983</u>	<u>\$ 682</u>	<u>\$ 2,112</u>

Raytheon Company had the largest percentage improvement in cash from the adjustments in 2001 with an increase of 253.1% over reported operating cash flow. While the improvement percentage is somewhat skewed by the small reported operating cash flow, the adjustments resulted in a boost to operating cash flow of \$489 million. The large size of the adjustments resulted mainly from adding back cash used by discontinued operations of \$596 million.

#2 109.7% increase

E.I. du Pont De Nemours and Company	2000	2001	2002
Reported operating cash flow	\$ 5,070	\$ 2,419	\$ 2,053
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ -	\$ -	\$ -
Taxes on nonoperating gains / (losses)	\$ -	\$ 2,148	\$ 9
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ (610)	\$ 142	\$ 23
(Increased vendor reliance)	\$ -	\$ -	\$ (582)
After tax nonrecurring operating items (gain) / loss	\$ 59	\$ 404	\$ 31
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ (45)	\$ (40)	\$ (29)
Adjusted operating cash flow	<u>\$ 4,474</u>	<u>\$ 5,072</u>	<u>\$ 1,505</u>

E.I. du Pont De Nemours and Company had the second largest percentage improvement in cash flow from the adjustments in 2001 with an increase of 109.7% over reported operating cash flow. The main adjustment came from taxes on nonoperating gains, which was the result of a gain on the sale of DuPont Pharmaceuticals. In addition, adjustments that increased operating cash flow included a decrease in A/R securitization and a restructuring charge, while capitalized interest decreased operating cash flow.

Largest Percentage Declines in 2001**#1 –230.5% Decrease**

Delta Air Lines, Inc.	2000	2001	2002
Reported operating cash flow	\$ 2,898	\$ 236	\$ 285
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ -	\$ -	\$ -
Taxes on nonoperating gains / (losses)	\$ 116	\$ -	\$ -
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ -	\$ (38)
(Increased vendor reliance)	\$ -	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ -	\$ (512)	\$ (72)
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ (28)	\$ (32)	\$ (15)
Adjusted operating cash flow	<u>\$ 2,986</u>	<u>\$ (308)</u>	<u>\$ 160</u>

In 2001, Delta Air Lines, Inc. had the largest percentage decline in cash flow from the adjustments with a decrease of 230.5% from reported operating cash flow. An adjustment for after tax nonrecurring cash restructuring charges of \$512 million was the main contributor to the decline.

#2 –52.4% Decrease

Oracle Corporation	2000	2001	2002
Reported operating cash flow	\$ 2,923	\$ 2,179	\$ 3,243
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ (341)	\$ (1,149)	\$ (20)
Taxes on nonoperating gains / (losses)	\$ 2,657	\$ -	\$ -
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ -	\$ -
(Increased vendor reliance)	\$ -	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ (6)	\$ 6	\$ 17
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ -	\$ -	\$ -
Adjusted operating cash flow	<u>\$ 5,233</u>	<u>\$ 1,036</u>	<u>\$ 3,240</u>

Oracle Corporation had the second largest percentage decline in cash flow from the adjustments in 2001 with a decrease of 52.4% from reported operating cash flow. The main adjustment was tax benefits from stock options, which resulted in subtracting \$1,149 million from operating cash flow.

Largest \$ Adjustment Amounts 2001

#1 \$ Adjustment Improvement: \$2,653 million

E.I. du Pont De Nemours and Company	2000	2001	2002
Reported operating cash flow	\$ 5,070	\$ 2,419	\$ 2,053
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ -	\$ -	\$ -
Taxes on nonoperating gains / (losses)	\$ -	\$ 2,148	\$ 9
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ (610)	\$ 142	\$ 23
(Increased vendor reliance)	\$ -	\$ -	\$ (582)
After tax nonrecurring operating items (gain) / loss	\$ 59	\$ 404	\$ 31
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ (45)	\$ (40)	\$ (29)
Adjusted operating cash flow	<u>\$ 4,474</u>	<u>\$ 5,072</u>	<u>\$ 1,505</u>

E.I. du Pont De Nemours and Company had the largest dollar adjustment improvement in 2001. The main adjustment of \$2,148 million resulted from the taxes on the gain on sale of DuPont Pharmaceuticals to Bristol-Myers Squibb Company. Adjustments for A/R securitization and severance payments increased operating cash flow, while the capitalized interest adjustment decreased cash flow.

#1 \$ Adjustment Reduction: -\$2,986 million

General Electric Company	2000	2001	2002
Reported operating cash flow	\$ 22,690	\$ 32,389	\$ 29,488
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ -	\$ -	\$ -
Taxes on nonoperating gains / (losses)	\$ 1,458	\$ 790	\$ 250
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ -	\$ -
(Increased vendor reliance)	\$ -	\$ (3,756)	\$ -
After tax nonrecurring operating items (gain) / loss	\$ -	\$ -	\$ 60
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ (25)	\$ (20)	\$ (20)
Adjusted operating cash flow	<u>\$ 24,123</u>	<u>\$ 29,403</u>	<u>\$ 29,778</u>

General Electric Company had the largest dollar adjustment reduction in 2001. Increased vendor reliance was the main contributor to the \$2,986 million reduction as accounts payable increased 22% while revenues decreased 3% resulting in an adjustment of \$3,756 million that reduced operating cash flow. An adjustment for taxes on gains on sales of securities increased operating cash flow, while the capitalized interest adjustment slightly decreased operating cash flow.

2002 Top Movers

Largest Percentage Improvements in 2002

#1 204.6% increase

Lucent Technologies, Inc.	2000	2001	2002
Reported operating cash flow	\$ (703)	\$ (3,421)	\$ (756)
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ (399)	\$ (18)	\$ -
Taxes on nonoperating gains / (losses)	\$ 139	\$ 796	\$ -
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ (286)	\$ 271
(Increased vendor reliance)	\$ -	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ 11	\$ 359	\$ 1,280
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ (13)	\$ (10)	\$ (4)
Adjusted operating cash flow	<u>\$ (964)</u>	<u>\$ (2,580)</u>	<u>\$ 791</u>

Lucent Technologies, Inc. had the largest percentage improvement in cash from the adjustments in 2002 with an increase of 204.6% over reported operating cash flow. The adjustments resulted from a large decrease in the A/R securitization program adding back \$271 million to operating cash flow and the after tax nonrecurring cash restructuring charges of \$1,280 million.

#2 103.3% increase

Raytheon Company	2000	2001	2002
Reported operating cash flow	\$ 980	\$ 193	\$ 1,039
Adjustments:			
(Cash provided by discontinued operations)	\$ 29	\$ 596	\$ 1,196
(Tax benefits from stock options)	\$ -	\$ -	\$ -
Taxes on nonoperating gains / (losses)	\$ 12	\$ 26	\$ 12
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ -	\$ -
(Increased vendor reliance)	\$ -	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ 73	\$ 16	\$ 4
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ (110)	\$ (149)	\$ (138)
(Capitalized interest)	\$ (1)	\$ (1)	\$ -
Adjusted operating cash flow	<u>\$ 983</u>	<u>\$ 682</u>	<u>\$ 2,112</u>

Raytheon Company had the second largest percentage improvement in cash flow from the adjustments in 2002 with an increase of 103.3% over reported operating cash flow. The large size of the adjustments resulted mainly from adding back cash used by discontinued operations of \$1,196 million.

Largest Percentage Declines in 2002

#1 –52.8% Decrease

The Williams Companies, Inc.	2000	2001	2002
Reported operating cash flow	\$ 584	\$ 1,851	\$ (542)
Adjustments:			
(Cash provided by discontinued operations)	\$ (260)	\$ (153)	\$ (257)
(Tax benefits from stock options)	\$ (37)	\$ (48)	\$ -
Taxes on nonoperating gains / (losses)	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ -	\$ -
(Increased vendor reliance)	\$ (1,137)	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ -	\$ -	\$ -
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ (30)	\$ (25)	\$ (29)
Adjusted operating cash flow	<u>\$ (880)</u>	<u>\$ 1,625</u>	<u>\$ (828)</u>

The Williams Companies, Inc. had the largest percentage decline in cash flow from the adjustments in 2002 with a decrease of 52.8% from reported operating cash flow. The large size of the adjustments resulted mainly from subtracting cash provided by discontinued operations of \$257 million.

#2 –43.9% Decrease

Delta Air Lines, Inc.	2000	2001	2002
Reported operating cash flow	\$ 2,898	\$ 236	\$ 285
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ -	\$ -	\$ -
Taxes on nonoperating gains / (losses)	\$ 116	\$ -	\$ -
A/R securitization (increase) / decrease – CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease – Note	\$ -	\$ -	\$ (38)
(Increased vendor reliance)	\$ -	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ -	\$ (512)	\$ (72)
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ (28)	\$ (32)	\$ (15)
Adjusted operating cash flow	<u>\$ 2,986</u>	<u>\$ (308)</u>	<u>\$ 160</u>

Delta Air Lines, Inc. had the second largest percentage decline in cash flow from the adjustments in 2002 with a decrease of 43.9% from reported operating cash flow. Adjustments that reduced operating cash flow were made for an increase in A/R securitization, after tax nonrecurring cash restructuring charges, and capitalized interest.

Largest \$ Adjustment Amounts 2002**#1 \$ Adjustment Improvement: \$6,323 million**

Ford Motor Company	2000	2001	2002
Reported operating cash flow	\$ 33,367	\$ 21,891	\$ 18,633
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ -	\$ -	\$ -
Taxes on nonoperating gains / (losses)	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ -	\$ -
(Increased vendor reliance)	\$ -	\$ -	\$ -
After tax nonrecurring operating items (gain) / loss	\$ 290	\$ 373	\$ 94
Net increase / (decrease) in trading investments in operating section	\$ (6,980)	\$ (1,263)	\$ 6,229
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ -	\$ -	\$ -
Adjusted operating cash flow	<u>\$ 26,677</u>	<u>\$ 21,001</u>	<u>\$ 24,956</u>

Ford Motor Company had the largest dollar adjustment improvement in 2002. The \$6,323 million improvement resulted mainly from the \$6,229 million trading securities adjustment. The trading securities adjustment was increased slightly by after tax nonrecurring cash restructuring charges of \$94 million.

#1 \$ Adjustment Reduction: -\$1,811 million

American Express Company	2000	2001	2002
Reported operating cash flow	\$ 6,353	\$ 5,324	\$ 8,674
Adjustments:			
(Cash provided by discontinued operations)	\$ -	\$ -	\$ -
(Tax benefits from stock options)	\$ -	\$ -	\$ -
Taxes on nonoperating gains / (losses)	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - CF	\$ -	\$ -	\$ -
A/R securitization (increase) / decrease - Note	\$ -	\$ -	\$ -
(Increased vendor reliance)	\$ -	\$ -	\$ (2,045)
After tax nonrecurring operating items (gain) / loss	\$ (65)	\$ 81	\$ 234
Net increase / (decrease) in trading investments in operating section	\$ -	\$ -	\$ -
(Increase) / decrease in overdrafts in operating section	\$ -	\$ -	\$ -
(Capitalized operating costs) in investing section	\$ -	\$ -	\$ -
(Capitalized interest)	\$ -	\$ -	\$ -
Adjusted operating cash flow	<u>\$ 6,288</u>	<u>\$ 5,405</u>	<u>\$ 6,863</u>

American Express Company had the largest dollar adjustment reduction in 2002. The main contributor to the \$1,811 million reduction resulted from increased vendor reliance as accounts payable increased 35% while revenues increased just 5%. An adjustment for after tax nonrecurring cash restructuring charges increased operating cash flow slightly.

Conclusions

It is difficult to overstate the importance of corporate cash flow, in particular, operating cash flow, to overall corporate financial health and valuation. Operating cash flow is viewed as a more sustainable and discretionary source of cash that can be used for such designated purposes as debt service, reinvestment, stock buybacks, dividends and the like. Indeed, fundamental concepts of finance and valuation are based on projections of cash flow. Typically these projections of cash flow use free cash flow, typically defined as operating cash flow adjusted for capital expenditures and preferred dividends. Thus, our very concept of firm value is linked inextricably to measures of operating cash flow.

With this in mind, the results of the study indicated that the process of adjusting of operating cash flow was a worthwhile exercise. A significant number of companies were affected as the adjustments changed reported operating cash flow results by 5% or greater for 49 companies in 2000, 49 companies in 2001, and 40 companies in 2002. With the adjustments changing cash flow by more than 50% for nine companies in 2000, five companies in 2001, and three companies in 2002, using the reported operating cash flow figure to support an earnings figure or for use in valuation is a risky proposition.

As forecasted last year, the overall results for 2002 did look similar to the findings for 2001. Since the economy continued to sputter in 2002, companies implemented restructuring plans in order to stay competitive continuing a trend that led to a major adjustment in 2001. Furthermore, the stock market continued to slide throughout 2002 reducing the number of companies that had the downward adjustments from large tax benefits from stock options that affected 2000.

Looking forward, there is reason to expect that the results for 2003 will look different from the findings for 2001 and 2002. Since the economy showed signs of life in 2003, companies seemed to announce fewer restructuring plans than in the past two years, which should lessen the impact of what was a major adjustment in 2001 and 2002. In addition, the stock market bounced back in 2003 enhancing the possibility that companies will incur the downward adjustments from larger tax benefits from stock options and investment gains.

Continuing Research

With the study resulting in some very interesting findings, we will continue to research the operating cash flow adjustments in the future. We plan on updating the results as new financial statements become available and will continue to analyze the latest trends in corporate cash flow. We will release the results on an annual basis, likely in the early fall.

Reconciliations

A complete list of reconciliations, which reconcile operating cash flow to adjusted operating cash flow, for all of the S & P 100 companies can be found at:

http://www.dupree.gatech.edu/fac_research/centers_initiatives/finlab_reports.html

In the file, the reconciliations are presented alphabetically by ticker symbol.

S & P 100 Company List

Company Name	Symbol	Company Name	Symbol
Alcoa Inc.	AA	Intel Corp.	INTC
American Electric Power	AEP	International Paper Company	IP
The AES Corporation	AES	Johnson & Johnson	JNJ
American International Group, Inc.	AIG	J.P. Morgan Chase & Co.	JPM
Amgen Inc.	AMGN	The Coca-Cola Company	KO
AOL Time Warner Inc.	AOL	Lehman Brothers Holdings Inc.	LEH
Allegheny Technologies Inc.	ATI	The Limited, Inc.	LTD
Avon Products, Inc.	AVP	Lucent Technologies, Inc.	LU
American Express Company	AXP	The May Department Stores Company	MAY
The Boeing Company	BA	McDonald's Corporation	MCD
Bank of America Corporation	BAC	MedImmune, Inc.	MEDI
Baxter International Inc.	BAX	Medtronic, Inc.	MDT
Boise Cascade Corp	BCC	Merrill Lynch & Co., Inc.	MER
The Black & Decker Corporation	BDK	Minnesota Mining and Manufacturing Company	MMM
Baker Hughes Incorporated	BHI	Merck & Co., Inc.	MRK
Bristol-Myers Squibb Company	BMJ	Philip Morris Companies Inc.	MO
Burlington Northern Santa Fe Corporation	BNI	Microsoft Corp.	MSFT
Anheuser-Busch Companies, Inc.	BUD	Morgan Stanley Dean Witter & Co.	MWD
Citigroup Inc.	C	Norfolk Southern Corporation	NSC
Clear Channel Communications, Inc.	CCU	National Semiconductor Corporation	NSM
CIGNA Corporation	CI	Nextel Communications, Inc.	NXTL
Colgate-Palmolive Company	CL	Bank One Corporation	ONE
Campbell Soup Company	CPB	Oracle Corporation	ORCL
Computer Sciences	CSC	Pepsico Inc.	PEP
Cisco Systems, Inc.	CSCO	Pfizer Inc.	PFE
Delta Air Lines, Inc.	DAL	The Procter and Gamble Co.	PG
E.I. du Pont De Nemours and Company	DD	Pharmacia Corporation	PHA
The Walt Disney Company	DIS	Rockwell International Corporation	ROK
The Dow Chemical Co.	DOW	RadioShack Corporation	RSH
Eastman Kodak Company	EK	Raytheon Company	RTN
EMC Corporation	EMC	Sears, Roebuck and Co.	S
El Paso Corporation	EP	SBC Communications Inc.	SBC
Entergy Corporation	ETR	Schlumberger N.V.	SLB
Exelon Corporation	EXC	Sara Lee Corporation	SLE
Ford Motor Company	F	The Southern Company	SO
FedEx Corporation	FDX	AT&T Corp.	T
The Gillette Company	G	Toys "R" Us, Inc.	TOY
General Dynamics Corporation	GD	Texas Instruments Incorporated	TXN
General Electric Company	GE	Tyco International Ltd.	TYC
General Motors Corporation	GM	Unisys Corporation	UIS
The Goldman Sachs Group, Inc.	GS	U.S. Bancorp	USB
Halliburton Company	HAL	United Technologies Corporation	UTX
HCA Inc.	HCA	Viacom Inc.	VIA.B
Home Depot Inc.	HD	Verizon Communications Inc.	VZ
Harrah's Entertainment, Inc.	HET	Wells Fargo & Company	WFC
The Hartford Financial Services Group, Inc.	HIG	The Williams Companies, Inc.	WMB
H.J. Heinz Company	HNZ	Wal-Mart Stores, Inc.	WMT
Honeywell International Inc.	HON	Weyerhaeuser Company	WY
Hewlett-Packard Company	HPQ	Exxon Mobil Corporation	XOM
International Business Machines Corporation	IBM	Xerox Corporation	XRX