DuPree Financial Analysis Lab
800 West Peachtree St. NW
Atlanta, GA 30332-0520
404-894-9473
http://www.dupree.gatech.edu/finlab

Dr. Charles W. Mulford, CPA, Director
Invesco Chair and Professor of Accounting
charles.mulford@mgt.gatech.edu

Michael L. Ely, MBA
Financial Analyst
michael.ely@mgt.gatech.edu

Adjusted Free Cash Flow and the Dividend Payout of the S&P 100

Executive Summary

Free Cash Dividend Payout, calculated by dividing common dividends by adjusted free cash flow, provides useful insight into the relationship between cash flow and dividends and a company's ability to pay them in the future. As the dividend payout increases consistently through time, it indicates that dividends are growing faster than adjusted free cash flow. In such instances, the dividend being paid might not be sustainable and is at risk for decline. When the dividend payout decreases, it indicates that adjusted free cash flow is growing faster than dividends. As a result, the dividend being paid is safer and is a potential candidate for increase.

This study calculates a dividend payout using adjusted free cash flow for the non-financial firms of the S&P 100 for the years 2000, 2001, and 2002. Adjusted free cash flow was calculated by subtracting capital expenditures and preferred dividends from operating cash flow adjusted for nonoperating and unsustainable items. Insights are provided into possible changes in corporate dividend policy at several firms.

December, 2003

DuPree Financial Analysis Lab
DuPree College of Management
Georgia Institute of Technology
Atlanta, GA 30332-0520

DuPree Financial Analysis Lab

The DuPree Financial Analysis Lab conducts unbiased stock market research. 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.

Contact Information

Charles Mulford. Invesco Chair, Professor of Accounting and the Lab's Director.
Phone: (404) 894-4395
Email: charles.mulford@mgt.gatech.edu

Michael L. Ely. MBA, Financial Analyst.
Phone: (404) 894-9473
Email: michael.ely@mgt.gatech.edu

Kerianne Maloney. Graduate research assistant and MBA student.
Mario Martins. Graduate research assistant and MBA student.
Raul Quiroz. Graduate research assistant and MBA student.

Website: http://www.dupree.gatech.edu/finlab

Dividend Payout Ratio and the S&P 100

Introduction

With passage of a new dividend tax policy, it is commonly believed that companies will place greater emphasis on implementation of a dividend payment or on increasing the dividends they currently pay on common stock. However, increased dividends without a corresponding increase in free cash flow is problematic, since a key factor in sustaining a dividend policy is the amount of free cash flow being generated.

By looking at a dividend payout using adjusted free cash flow, we can get a better picture of how easily a company can pay dividends out of available cash flow. A lower dividend payout indicates that a company is generating more adjusted free cash flow relative to its stated dividend. In such instances, future dividend payments are safer and the company is a potential candidate for a dividend increase. A higher dividend payout indicates that a company is generating less free cash flow relative to its stated dividend. In such instances, future dividend payments could be at risk if free cash flow is not increased.

Over time, companies should be expected to maintain a fairly stable relationship between free cash flow and dividends. When the two grow at different rates, reasons for the disparity should be investigated carefully.

Free Cash Dividend Payout

We calculated Free Cash Dividend Payout by dividing common dividends by adjusted free cash flow. Adjusted free cash flow was computed by subtracting capital expenditures and preferred dividends from adjusted operating cash flow. Adjustments to operating cash flow were made for nonrecurring and nonoperating items that cloud a firm's ability to generate sustainable cash flow. By calculating a dividend payout using adjusted free cash flow we obtained a clearer picture of the extent to which dividends declared were covered by discretionary cash flow.

Declines in Free Cash Dividend Payout

Declines in Free Cash Dividend Payout occur when adjusted free cash flow increases faster than, or decreases slower than, dividends. The first case, when adjusted free cash flow increases faster than dividends, signifies that a company could be a candidate for a dividend increase. The second case occurs when a dividend is reduced and usually occurs after adjusted free cash flow has been trending downward, or has been negative, in prior years.

Increases in Free Cash Dividend Payout

Increases in Free Cash Dividend Payout occur when adjusted free cash flow decreases faster than, or increases slower than, dividends. The first case, when adjusted free cash flow decreases faster than dividends, signifies that a dividend may be in jeopardy. The second case occurs when the dividend is raised and usually occurs after adjusted free cash flow has been trending upward in prior years.

Negative Free Cash Dividend Payout

A negative Free Cash Dividend Payout results when a company is paying dividends out of negative adjusted free cash flow. Companies in this category could have difficulties maintaining or continuing a stated dividend policy. Without adjusted free cash flow to support its dividend, a company must use alternate sources of cash including borrowed funds, equity raises, or cash on hand, to continue paying it. Such a dividend may be at risk for reduction. In this study, we have denoted negative Free Cash Dividend Payout years with a negative asterisk, " -*".

Zero Free Cash Dividend Payout

A Free Cash Dividend Payout of zero occurs when a company is not currently paying dividends. By looking closely at the adjusted free cash flow trend of these companies, we can identify candidates who have the cash flow wherewithal to begin paying a dividend.

Purpose of the study

Overall our purpose is several-fold, including: a) identify companies who are having trouble covering dividends with adjusted free cash flow, b) identify companies who are easily covering dividends and who have reported sizable increases in adjusted free cash flow suggesting they are well prepared for increased dividends, c) identify companies who are not paying dividends but who are generating ample and increasing amounts of adjusted free cash flow suggesting they are well prepared to institute a dividend, and d) examine trends for the sample as a whole and comment on what it may mean for overall future dividend policy.

Free Cash Dividend Payout and the S&P 100

We calculated Free Cash Dividend Payout for the 87 non-financial firms found in the S&P 100 for the years 2000, 2001, and 2002. We excluded financial firms because operating cash flow and resulting free cash flow is a less reliable indicator of operating performance for them than it is for the non-financials.

In order to calculate adjusted free cash flow, we examined the annual reports for the companies and manually adjusted operating cash flow for several items. The adjustments included cash overdrafts, trading securities, capitalized operating costs, taxes on non-operating gains and losses, tax benefits from stock options, accounts receivable securitizations, nonrecurring operating items such as restructuring and severance payments, cash provided or used by discontinued operations, and increased vendor reliance. Please see our October 2003 report titled *Calculating Sustainable Cash Flow: A Study of the S&P 100 Using 2002 Data* for a detailed explanation of the adjustments. The report is available to download from our website. Once we calculated adjusted operating cash flow, we subtracted capital expenditures and preferred dividends in order to compute adjusted free cash flow. We then took total dividends from the financing section of the statement of cash flows and subtracted preferred dividends in order to compute common dividends. The Free Cash Dividend Payout was calculated by dividing common dividends by adjusted free cash flow:

Free Cash Dividend Payout = (Adjusted operating cash flow – Capital expenditures – Preferred dividends) / Common dividends

Results

The results are presented in two tables. Table 1 shows Free Cash Dividend Payout for the years 2000 to 2002 for the 87 non-financial companies in the S&P 100. Table 2 provides the supporting data, adjusted free cash flow and common dividends, from which Table 1 was prepared.

Declines in Free Cash Dividend Payout

A large number of firms exhibited a decline in the Free Cash Dividend Payout over the sample period. As the dividend payout declines it indicates that adjusted free cash flow is growing faster than dividends. As a result, the dividend being paid is safer and is a candidate for a possible increase. We identified three companies for more careful scrutiny, The Black & Decker Corporation, Hewlett-Packard Company, and Verizon Communications, Inc.

At The Black & Decker Corporation, Free Cash Dividend Payout decreased from 19.3% in 2000, to 11.3% in 2001, and to 10.9% in 2002. Adjusted free cash flow at The Black & Decker Corporation increased from $150 million in 2000 to $355 million in 2002, or 136.9%, while dividends increased from $29 million in 2000 to $39 million in 2002, or 33.6%. With a large increase in adjusted free cash flow over the past few years, The Black & Decker Corporation had ample free cash flow to pay its dividend. With a Free Cash Dividend Payout of only 10.9% in 2002, the company was well positioned to increase its annual dividend. After our study period, the company did indeed increase its annual dividend by 75% in October 2003, from $.48 per share to $.84 per share.

The other two companies chosen for more careful review, have not, as yet, announced dividend increases. However, both firms appear to be well positioned to do so. At Hewlett-Packard Company, Free Cash Dividend Payout declined from 63.6% in 2000, to 36.1% in 2001, and to 18.4% in 2002. Adjusted free cash flow at the company increased from $1,004 million in 2000 to $4,359 million in 2002, or 334.4%, while dividends increased from $638 million in 2000 to $801 million in 2002, or 25.5%. In a similar way, Verizon Communication, Inc.'s Free Cash Dividend Payout decreased from 2,829.3% in 2000, to 162.5% in 2001, and to 41.5% in 2002. The company's adjusted free cash flow increased dramatically from $156 million in 2000 to $10,116 million in 2002, or 6,373.8%, while dividends decreased slightly from $4,421 million in 2000 to $4,200 million in 2002, or -5.0%.

Increases in Free Cash Dividend Payout

Some firms exhibited an increase in the Free Cash Dividend Payout over the 2000 to 2002 sample period. Increases in the dividend payout indicate that dividends are growing faster than adjusted free cash flow. In this case, the dividend being paid may not be sustainable and is at risk for decline. Alcoa, Inc., Boise Cascade Corp., and Exxon Mobil Corporation are three companies that had consistent increases in the Free Cash Dividend Payout over the study period.

The Free Cash Dividend Payout for Alcoa, Inc. increased from 24.3% in 2000, to 42.9% in 2001, and to 80.8% in 2002. Alcoa, Inc.'s adjusted free cash flow decreased from $1,714 million in 2000 to $627 million in 2002, or -63.4%, while dividends increased from $416 million in 2000 to $507 million in 2002, or 21.9%. At Boise Cascade Corp, Free Cash Dividend Payout decreased from 17.6% in 2000, to 16.5% in 2001, and increased to 61.9% in 2002. Adjusted free cash flow at the company decreased from $195 million in 2000 to $59 million in 2002, or -69.7%, while dividends increased slightly from $34 million in 2000 to $37 million in 2002, or 6.1%. Exxon Mobil Corporation's Free Cash Dividend Payout increased from 29.2% in 2000, to 44.5% in 2001, and to 49.2% in 2002. Exxon Mobil Corporation's adjusted free cash flow decreased from $20,980 million in 2000 to $12,624 million in 2002, or -39.8%, while dividends increased from $6,123 million in 2000 to $6,217 million in 2002, or 1.5%.

In 2002, the dividends of all three firms were still more than covered by adjusted free cash flow. However, the increasing trend of the Free Cash Dividend Payout is of concern and should be watched.

Negative Free Cash Dividend Payout

During at least one year of the three years covered by our study, several firms reported negative adjusted free cash flow while still paying a dividend, including The AES Corp., Delta Air Lines, Inc., Lucent Technologies, Inc., and The Williams Companies, Inc. Clearly, the dividends that these companies are, or in most cases were, paying cannot be maintained at existing levels if adjusted free cash flow remains negative for an extended period of time. Between 2000 and 2002, The AES Corp. and Lucent Technologies eliminated their dividends while The Williams Companies reduced its dividend. In 2003, after the study period, Delta Air Lines, Inc. also eliminated its dividend.

The AES Corporation had negative adjusted free cash flow of -$1,492 million in 2000, -$909 million in 2001, and -$563 million in 2002. While adjusted free cash flow did improve from year to year, it was still very negative, and helped result in an elimination of the annual dividend in 2001.

After experiencing negative adjusted free cash over the last three years, Delta Air Lines, Inc. eliminated its $1.00 per share annual dividend in July 2003. Adjusted free cash flow at the airline was -$675 million in 2000, -$2,505 million in 2001, and -$954 million in 2002.

Lucent Technologies, Inc. had negative adjusted free cash flow of -$2,852 million in 2000, -$4,170 million in 2001, and -$695 million in 2002. In the wake of continuing negative adjusted free cash flow and worsening business prospects, Lucent Technologies, Inc. eliminated its annual dividend in 2001.

The Williams Company, Inc. had negative adjusted free cash flow of -$2,324 million in 2000, -$235 million in 2001, and -$2,146 million in 2002. The company reduced its annual dividend from $.80 per share to $.04 per share in July 2002. However, even that reduced dividend amount was not covered by adjusted free cash flow in 2002.

Zero Free Cash Dividend Payout

Many firms in the study did not pay dividends in 2002. By looking at their adjusted free cash flow amounts and the trend, we found a few companies who were well positioned from a cash flow perspective to initiate a dividend, including Amgen Inc., Cisco Systems, Inc., Harrah's Entertainment, Inc., and Microsoft Corp. These companies all consistently increased their adjusted free cash flow over the study period. With the strong ability of these companies to pay dividends in place, it was not a surprise that two of the companies, Harrah's Entertainment, Inc. and Microsoft Corp., initiated dividends in 2003.

Microsoft Corp. had one of the strongest consistent adjusted free cash flow growths in the study. Adjusted free cash flow increased from $5,605 million in 2000, to $10,745 million in 2001, to $12,143 in 2002, a 116.6% increase over the sample period. Microsoft Corp. initiated a $.16 per share annual dividend in 2003. Harrah's Entertainment, Inc. also had strong growth in adjusted free cash flow. Adjusted free cash flow increased from $198 million in 2000, to $244 million in 2001, to $381 million in 2002, a 92.4% increase over the period. Harrah's Entertainment, Inc. initiated a $1.20 annual dividend in 2003.

Amgen Inc. and Cisco Systems, Inc. both had continually improving adjusted free cash flow over the years of the study, but have not initiated dividends at this time. Adjusted free cash flow at Amgen Inc. increased from $746 million in 2000, to $916 million in 2001, to $1,227 million in 2002, a 64.5% increase from 2000 to 2002. Adjusted free cash flow at Cisco Systems, Inc. increased from $2,436 million in 2000, to $2,724 million in 2001, to $3,885 million in 2002, a 59.5% increase from 2000 to 2002. With ample and increasing adjusted free cash flow, both companies are well positioned to initiate a dividend policy.

Overall Trends

Generally, the ability of the non-financials to pay dividends over the past three years has improved. We can see that in two ways: a) an improvement in the adjusted free cash flow generated by the firms across the three years and b) a decline in the percentage of adjusted free cash flow paid out as dividends.

As seen in Table 2, we produced an Overall Free Cash Dividend Payout by dividing average dividends by average adjusted free cash flow for the 87 non-financial companies of the S&P 100. The trend is very compelling. The Overall Free Cash Dividend Payout decreases from 42.5% in 2000, to 36.9% in 2001, and to 29.1% in 2002. With the decline in the Overall Free

Cash Dividend Payout over this period, the sample companies as a whole are better positioned to cover their dividend requirements and consider increasing them.

The cause of the decline in the Overall Free Cash Dividend Payout is primarily the result of an increase in the adjusted free cash flow of the sample companies. The average adjusted free cash flow for the sample increased from $1,880 million in 2000 to $2,670 million in 2002, or 42.0%, while aveage common dividends paid slightly decreased from $799 million in 2000 to $777 million in 2002, or 2.8%.

We also calculated the median Free Cash Dividend Payout among companies with positive adjusted free cash flow paying dividends in 2002. As seen in Table 1, the payout declined over the three years, from 45.1% in 2000, to 40.9% in 2001, and to 34.9% in 2002.

Conclusions

Free Cash Dividend Payout, calculated by dividing common dividends by adjusted free cash flow, provides useful insight into the relationship between cash flow and dividends and a company's ability to pay them in the future. While there were exceptions, we found a general improvement in the ability of the non-financials in the S&P 100 to cover their dividends with adjusted free cash flow across the sample period of 2000-2002.

So far in 2003, we have already seen two companies, Harrah's Entertainment, Inc. and Microsoft Corp. initiate dividends, while Black & Decker Corporation greatly increased its dividend. With favorable tax legislation and increasing adjusted free cash flow, it would not be surprising to see other companies follow their lead.

Table 1
Free Cash Dividend Payout
for the S&P 100 Non-Financials, 2000 - 2002

Company Name	Div'd / Adj. FCF Payout Ratio 2000	Div'd / Adj. FCF Payout Ratio 2001	Div'd / Adj. FCF Payout Ratio 2002
The AES Corporation	-*	-*	0.0%
Alcoa Inc.	24.3%	42.9%	80.8%
Allegheny Technologies Inc.	77.3%	279.1%	32.4%
Altria Group	51.4%	72.5%	56.6%
American Electric Power	-*	213.7%	1564.0%
American Express Company	80.8%	9.4%	7.1%
Amgen Inc.	0.0%	0.0%	0.0%
Anheuser-Busch Companies, Inc.	48.6%	46.1%	34.9%
AOL Time Warner Inc.	0.0%	-*	0.0%
AT&T Corp.	68.0%	0.0%	7.8%
Avon Products, Inc.	136.9%	31.7%	43.7%
Baker Hughes Incorporated	104.2%	42.0%	44.6%
Baxter International Inc.	21.5%	131.4%	98.8%
The Black & Decker Corporation	19.3%	11.3%	10.9%
The Boeing Company	9.7%	20.9%	16.1%
Boise Cascade Corp	17.6%	16.5%	61.9%
Bristol-Myers Squibb Company	51.6%	37.7%	-*
Burlington Northern Santa Fe Corporation	22.7%	25.4%	22.5%
Campbell Soup Company	39.5%	40.9%	38.0%
Cisco Systems, Inc.	0.0%	0.0%	0.0%
Clear Channel Communications, Inc.	0.0%	0.0%	0.0%
The Coca-Cola Company	59.4%	50.9%	50.2%
Colgate-Palmolive Company	30.3%	30.2%	31.4%
Computer Sciences	0.0%	0.0%	0.0%
Delta Air Lines, Inc.	-*	-*	-*
The Dow Chemical Co.	434.1%	232.3%	198.9%
E.I. du Pont De Nemours and Company	45.1%	41.9%	340.4%
Eastman Kodak Company	161.2%	48.5%	31.8%
El Paso Corporation	-*	-*	-*
EMC Corporation	0.0%	0.0%	0.0%
Entergy Corporation	576.5%	31.7%	93.7%
Exelon Corporation	45.3%	44.8%	59.2%
Exxon Mobil Corporation	29.2%	44.5%	49.2%
FedEx Corporation	0.0%	0.0%	0.0%
Ford Motor Company	15.2%	14.1%	4.1%
General Dynamics Corporation	25.9%	26.6%	23.7%
General Electric Company	31.9%	29.9%	32.0%
General Motors Corporation	9.6%	25.9%	11.4%
The Gillette Company	78.7%	44.9%	45.0%
H.J. Heinz Company	173.2%	156.2%	80.1%
Halliburton Company	-*	64.6%	24.8%
Harrah's Entertainment, Inc.	0.0%	0.0%	0.0%
HCA Inc.	9.7%	6.9%	4.2%

Free Cash Dividend Payout = Common Dividends / Adjusted Free Cash Flow.

Legend: -* = Consumed FCF and Paid out dividend.

Table 1 (cont'd)
Free Cash Dividend Payout
for the S&P 100 Non-Financials, 2000 - 2002

Company Name	Div'd / Adj. FCF Payout Ratio 2000	Div'd / Adj. FCF Payout Ratio 2001	Div'd / Adj. FCF Payout Ratio 2002
Hewlett-Packard Company	63.6%	36.1%	18.4%
Home Depot Inc.	-*	25.0%	22.8%
Honeywell International Inc.	42.9%	46.3%	32.1%
Intel Corp.	8.0%	366.0%	10.9%
International Business Machines Corporation	38.3%	11.6%	10.8%
International Paper Company	31.1%	62.0%	38.8%
Johnson & Johnson	32.0%	28.1%	38.2%
The Limited, Inc.	34.0%	18.6%	30.7%
Lucent Technologies, Inc.	-*	-*	0.0%
The May Department Stores Company	36.8%	32.0%	41.9%
McDonald's Corporation	25.2%	25.4%	24.0%
MedImmune, Inc.	0.0%	0.0%	0.0%
Medtronic, Inc.	30.7%	15.5%	20.0%
Merck & Co., Inc.	63.3%	49.7%	45.0%
Microsoft Corp.	0.0%	0.0%	0.0%
Minnesota Mining and Manufacturing Company	68.9%	43.1%	41.9%
National Semiconductor Corporation	0.0%	0.0%	0.0%
Nextel Communications, Inc.	0.0%	0.0%	0.0%
Norfolk Southern Corporation	72.7%	53.1%	23.3%
Oracle Corporation	0.0%	0.0%	0.0%
Pepsico Inc.	29.6%	33.8%	35.9%
Pfizer Inc.	41.8%	38.9%	37.6%
Pharmacia Corporation	98.8%	67.1%	135.0%
The Procter and Gamble Co.	85.7%	45.7%	32.0%
RadioShack Corporation	-*	6.0%	11.6%
Raytheon Company	51.3%	131.4%	19.3%
Rockwell International Corporation	39.0%	85.3%	32.4%
Sara Lee Corporation	59.4%	34.3%	41.0%
SBC Communications Inc.	166.0%	90.9%	40.9%
Schlumberger N.V.	140.9%	-*	54.0%
Sears, Roebuck and Co.	19.1%	23.3%	-*
The Southern Company	642.9%	-*	970.1%
Texas Instruments Incorporated	264.5%	506.9%	12.7%
Toys "R" Us, Inc.	0.0%	0.0%	0.0%
Tyco International Ltd.	2.2%	2.0%	2.6%
Unisys Corporation	0.0%	0.0%	0.0%
United Technologies Corporation	24.7%	20.2%	20.4%
Verizon Communications Inc.	2829.3%	162.5%	41.5%
Viacom Inc.	0.0%	0.0%	0.0%
Wal-Mart Stores, Inc.	61.9%	56.9%	37.4%
The Walt Disney Company	16.4%	32.4%	30.3%
Weyerhauser Company	49.9%	64.1%	49.0%
The Williams Companies, Inc.	-*	-*	-*
Xerox Corporation	-*	5.1%	0.0%
Median Free Cash Dividend Payout ***	45.1%	40.9%	34.9%

*** The Median Free Cash Dividend Payout does not include -* companies or companies that did not pay a dividend.

Free Cash Dividend Payout = Common Dividends / Adjusted Free Cash Flow.

Legend: -* = Consumed FCF and Paid out dividend.

Table 2
Adjusted Free Cash Flow and Common Dividends Paid
for the S&P 100 Non-Financials, 2000 - 2002

Dividend Payout Source Data ($ Millions)

Company Name	2000 Adjusted Free Cash Flow	2000 Common Dividends Paid		2001 Adjusted Free Cash Flow	2001 Common Dividends Paid		2002 Adjusted Free Cash Flow	2002 Common Dividends Paid
Alcoa Inc.	1,714	416		1,202	516		627	507
American Electric Power	(2,123)	794		357	763		50	782
The AES Corporation	(1,492)	55		(909)	15		(563)	0
Amgen Inc.	746	0		916	0		1,227	0
AOL Time Warner Inc.	(3,346)	0		(48)	4		3,302	0
Allegheny Technologies Inc.	85	66		23	64		164	53
Avon Products, Inc.	130	178		573	182		438	191
American Express Company	5,469	4,421		4,487	424		6,084	430
The Boeing Company	5,192	504		2,785	582		3,544	571
Baxter International Inc.	390	84		259	341		353	349
Boise Cascade Corp	195	34		210	35		59	37
The Black & Decker Corporation	150	29		246	28		355	39
Baker Hughes Incorporated	146	152		368	154		347	155
Bristol-Myers Squibb Company	3,742	1,930		5,666	2,137		(53)	2,168
Burlington Northern Santa Fe Corporation	908	206		749	190		813	183
Anheuser-Busch Companies, Inc.	1,174	571		1,331	614		1,859	650
Clear Channel Communications, Inc.	947	0		115	0		1,287	0
Colgate-Palmolive Company	1,193	361		1,242	375		1,246	391
Campbell Soup Company	972	384		914	374		753	286
Computer Sciences	(34)	0		676	0		513	0
Cisco Systems, Inc.	2,436	0		2,724	0		3,885	0
Delta Air Lines, Inc.	(675)	27		(2,505)	26		(954)	24
E.I. du Pont De Nemours and Company	3,228	1,455		3,458	1,450		409	1,391
The Walt Disney Company	2,654	434		1,351	438		1,413	428
The Dow Chemical Co.	208	904		458	1,063		612	1,217
Eastman Kodak Company	338	545		1,326	643		1,648	525
EMC Corporation	942	0		500	0		894	0
El Paso Corporation	(2,635)	243		(745)	387		(657)	470
Entergy Corporation	47	271		848	269		319	299
Exelon Corporation	346	157		1,302	583		952	563
Ford Motor Company	18,024	2,736		13,605	1,914		17,569	728
FedEx Corporation	(5)	0		151	0		613	0
The Gillette Company	851	670		1,527	686		1,523	685
General Dynamics Corporation	781	202		822	219		995	236
General Electric Company	16,948	5,401		21,248	6,358		22,394	7,157
General Motors Corporation	12,326	1,184		4,255	1,102		9,829	1,121
Halliburton Company	(401)	221		333	215		882	219
HCA Inc.	455	44		607	42		952	40
Home Depot Inc.	(667)	371		1,586	396		2,157	492
Harrah's Entertainment, Inc.	198	0		244	0		381	0
H.J. Heinz Company	282	488		330	515		677	543
Honeywell International Inc.	1,397	599		1,316	609		1,912	614
Hewlett-Packard Company	1,004	638		1,719	621		4,359	801
International Business Machines Corporation	2,373	909		8,247	956		9,336	1,005

Table 2 (cont'd.)
Adjusted Free Cash Flow and Common Dividends Paid
for the S&P 100 Non-Financials, 2000 - 2002

Dividend Payout Source Data ($ Millions)

Company Name	2000 Adjusted Free Cash Flow	2000 Common Dividends Paid	2001 Adjusted Free Cash Flow	2001 Common Dividends Paid	2002 Adjusted Free Cash Flow	2002 Common Dividends Paid
Intel Corp.	5,847	470	147	538	4,883	533
International Paper Company	1,437	447	777	482	1,243	482
Johnson & Johnson	5,380	1,724	7,296	2,047	6,233	2,381
The Coca-Cola Company	2,836	1,685	3,519	1,791	3,960	1,987
The Limited, Inc.	376	128	695	129	489	150
Lucent Technologies, Inc.	(2,852)	255	(4,170)	176	(695)	0
The May Department Stores Company	778	286	869	278	652	273
McDonald's Corporation	1,116	281	1,131	288	1,237	297
MedImmune, Inc.	165	0	227	0	171	0
Medtronic, Inc.	617	190	1,550	241	1,395	279
Minnesota Mining and Manufacturing Company	1,333	918	2,200	948	2,311	968
Merck & Co., Inc.	4,421	2,798	6,332	3,145	7,085	3,192
Altria Group	8,756	4,500	6,582	4,769	8,948	5,068
Microsoft Corp.	5,605	0	10,745	0	12,143	0
Norfolk Southern Corporation	421	306	175	93	433	101
National Semiconductor Corporation	340	0	251	0	(70)	0
Nextel Communications, Inc.	(2,920)	0	(2,521)	0	615	0
Oracle Corporation	4,976	0	717	0	2,945	0
Pepsico Inc.	3,188	945	2,931	990	2,886	1,037
Pfizer Inc.	5,256	2,197	6,976	2,715	8,433	3,168
The Procter and Gamble Co.	1,961	1,681	3,985	1,822	6,166	1,971
Pharmacia Corporation	616	609	951	638	517	698
Rockwell International Corporation	493	192	199	170	376	122
RadioShack Corporation	(6)	40	649	39	301	35
Raytheon Company	530	272	214	281	1,662	321
Sears, Roebuck and Co.	1,683	322	1,296	302	(871)	293
SBC Communications Inc.	2,059	3,418	3,801	3,456	8,699	3,557
Schlumberger N.V.	303	427	(964)	430	801	433
Sara Lee Corporation	796	473	1,385	475	1,156	474
The Southern Company	133	855	(251)	904	97	941
AT&T Corp.	4,481	3,047	4,199	0	7,073	555
Toys "R" Us, Inc.	(464)	0	(201)	0	176	0
Texas Instruments Incorporated	53	141	29	147	1,158	147
Tyco International Ltd.	3,988	86	4,536	90	3,791	100
Unisys Corporation	6	0	66	0	103	0
United Technologies Corporation	1,566	387	2,092	423	2,267	462
Viacom Inc.	1,062	0	2,585	0	2,436	0
Verizon Communications Inc.	156	4,421	2,565	4,168	10,116	4,200
The Williams Companies, Inc.	(2,324)	266	(235)	341	(2,146)	141
Wal-Mart Stores, Inc.	1,728	1,070	2,194	1,249	3,548	1,328
Weyerhauser Company	727	363	547	351	721	353
Exxon Mobil Corporation	20,980	6,123	14,047	6,254	12,624	6,217
Xerox Corporation	(696)	533	1,563	79	1,753	0
Averages	1,880	799	2,041	753	2,670	777
Overall Free Cash Dividend Payout		42.5%		36.9%		29.1%