

ADJUSTED KEY INDUSTRIAL FINANCIAL RATIOS

U.S. Industrial long term debt

Three-year (1998 to 2000) medians	AAA	AA	A	BBB	BB	B	CCC
EBIT int. cov. (x)	21.4	10.1	6.1	3.7	2.1	0.8	0.1
EBITDA int. cov. (x)	26.5	12.9	9.1	5.8	3.4	1.8	1.3
Free oper. cash flow/total debt (%)	84.2	25.2	15.0	8.5	2.6	(3.2)	(12.9)
FFO/total debt (%)	128.8	55.4	43.2	30.8	18.8	7.8	1.6
Return on capital (%)	34.9	21.7	19.4	13.6	11.6	6.6	1.0
Operating income/sales (%)	27.0	22.1	18.6	15.4	15.9	11.9	11.9
Long-term debt/capital (%)	13.3	28.2	33.9	42.5	57.2	69.7	68.8
Total debt/capital (incl. STD) (%)	22.9	37.7	42.5	48.2	62.6	74.8	87.7
Companies	8	29	136	218	273	281	22

Data for earlier years and in greater detail are available by subscribing to Standard & Poor's CreditStats.

KEY UTILITY FINANCIAL RATIOS

U.S. Electric Utility long-term debt

For 12 months ended Sept. 2001

	AA	A	BBB	BB
EBIT interest coverage (x)	4.2	3.4	2.8	1.9
Preferred dividend coverage (x)	4.1	3.3	2.7	1.8
Return on equity (%)	12.3	12.5	10.9	11.4
Common dividend payout (%)	92.3	81.7	81.6	33.9
Short term debt/capital (%)	8.2	10.4	11.2	6.2
Total debt/capital (%)	51.7	55.92	58.78	73.3
Preferred stock/capital (%)	2.3	3.0	2.7	4.5
Common stock/capital (%)	50.9	43.2	39.6	26.1
Funds from operations interest coverage	5.1	4.0	3.5	2.4
Funds from operations/total debt (%)	35.5	23.76	20.42	12.47
Net cash flow/capital expenditures (%)	97.5	74.8	80.6	65.2

EBIT—Earnings before interest and taxes.

EBITDA—Earnings before interest, taxes, depreciation, and amortization.

FORMULAS FOR KEY RATIOS

1. EBIT interest coverage =
$$\frac{\text{Earnings from continuing operations}^* \text{ before interest and taxes}}{\text{Gross interest incurred before subtracting capitalized interest and interest income}}$$
2. EBITDA interest coverage =
$$\frac{\text{Adjusted earnings from continuing operations}^{\dagger} \text{ before interest, taxes, and D\&A}}{\text{Gross interest incurred before subtracting capitalized interest and interest income}}$$
3. Funds from operations/total debt =
$$\frac{\text{Net income from continuing operations} + \text{D\&A} \\ \text{deferred income taxes, and other non-cash items}}{\text{Long-term debt}\$ + \text{current maturities, commercial paper, and other short-term borrowings}}$$
4. Free operating cash flow/total debt =
$$\frac{\text{FFO} - \text{capital expenditures} - (+) \text{increase (decrease) in working capital} \\ \text{(excluding changes in cash, marketable securities, and short-term debt)}}{\text{Long-term debt}\$ + \text{current maturities, commercial paper, and other short-term borrowings}}$$
5. Return on capital =
$$\frac{\text{EBIT}}{\text{Average of beginning of year and end of year capital, including short-term debt,} \\ \text{current maturities, long-term debt}\$, \text{non-current deferred taxes, and equity}}$$
6. Operating income/sales =
$$\frac{\text{Sales} - \text{cost of goods manufactured (before D\&A), SG\&A costs, and R\&D costs}}{\text{Sales}}$$
7. Long-term debt/capital =
$$\frac{\text{Long-term debt}\$}{\text{Long-term debt} + \text{shareholders' equity (including preferred stock)} + \text{minority interest}}$$
8. Total debt/capital =
$$\frac{\text{Long-term debt}\$ + \text{current maturities, commercial paper, and other short-term borrowings}}{\text{Long-term debt} + \text{current maturities, commercial paper, and other short-term borrowings} \\ + \text{shareholders' equity (including preferred stock)} + \text{minority interest}}$$

*Including interest income and equity earnings; excluding nonrecurring items.

[†]Excludes interest income, equity earnings, and nonrecurring items; also excludes rental expense that exceeds the interest equivalent.

[§]Including amount for operating lease debt equivalent.