



Financial Highlights and Operating Statistics
(UNAUDITED)

June 30, 2003

Reconciliation of Income (Loss) from Continuing Operations to Recurring Earnings
(UNAUDITED)

	2002					2003	
	1st Qtr***	2nd Qtr***	3rd Qtr***	4th Qtr***	Year***	1st Qtr***	2nd Qtr
<i>(Dollars in millions, except for per-share amounts)</i>							
Income (loss) from continuing operations	\$47.2	(\$331.8)	(\$165.2)	(\$142.3)	(\$592.1)	(\$38.8)	\$118.0
Preferred stock dividends	69.7	6.8	6.8	6.8	90.1	6.8	22.7
Income (loss) from continuing operations available to common stockholders	(\$22.5)	(\$338.6)	(\$172.0)	(\$149.1)	(\$682.2)	(\$45.6)	\$95.3
Income (loss) from continuing operations - diluted earnings per share	(\$0.05)	(\$0.65)	(\$0.33)	(\$0.29)	(\$1.32)	(\$0.09)	\$0.18
Nonrecurring items:							
<u>Energy Marketing & Trading</u>							
Hazleton plant expansion write-off	-	-	3.3	-	3.3	-	-
Strategic realignment-related charges	-	-	5.2	-	5.2	-	-
Impairments and loss accruals for commitments related to assets to have been used in power projects	-	81.8	11.5	50.8	144.1	-	-
Impairment of goodwill**	-	57.5	-	3.0	60.5	-	-
Reversal of Energy Capital Mezzanine Financing accrual	-	(7.0)	-	(6.2)	(13.2)	-	-
Write-off of costs associated with termination of certain projects	-	8.9	(1.0)	-	7.9	-	-
Early retirement expenses	-	4.2	-	-	4.2	-	-
Severance accrual	-	3.0	-	-	3.0	-	-
Worthington impairment	-	-	-	44.7	44.7	-	-
Capstone stock write-down**	-	-	-	2.0	2.0	-	-
Thermogas casualty and environmental costs and claim	-	-	-	4.0	4.0	-	-
Loss on Gulfmark JV dissolution	-	-	-	5.7	5.7	-	-
Accelerated compensation expense associated with workforce reductions	-	-	-	-	-	11.8	-
Loss accrual for regulatory issue**	-	-	-	-	-	-	20.0
Hedge accounting reclassifications	-	-	-	-	-	-	(34.1)
Energy trading asset adjustment	-	-	-	-	-	-	(46.6)
Gain on sale of Jackson EMC power contracts	-	-	-	-	-	-	(175.0)
Gain on sale of crude contracts and pipeline	-	-	-	-	-	-	(7.1)
Total EM&T nonrecurring items	-	148.4	19.0	104.0	271.4	11.8	(242.8)
<u>Gas Pipeline</u>							
Cross Bay write-off	-	-	1.6	-	1.6	-	-
Gain on sale of Northern Border Limited Partnership units	-	-	(8.7)	-	(8.7)	-	-
Net impairment on investment Alliance US sale	-	-	11.6	(1.2)	10.4	-	-
Loss on sale of Cove Point	-	-	3.7	-	3.7	-	-
Strategic realignment-related charges	-	-	4.5	-	4.5	-	-
Construction completion fee - received	-	(27.4)	-	-	(27.4)	-	-
Write-offs of terminated gas pipeline projects	-	12.3	-	-	12.3	-	-
Early retirement expenses	-	10.7	-	-	10.7	-	-
Loss accrual for regulatory issue	-	-	-	17.0	17.0	-	-
SCADA property write-off	-	-	-	4.7	4.7	-	-
Write-off of Oneline information system project	-	-	-	-	-	-	25.5
Total Gas Pipeline nonrecurring items	-	(4.4)	12.7	20.5	28.8	-	25.5
<u>Exploration & Production</u>							
(Gain) loss on sale of E&P properties	(3.9)	-	3.8	1.1	1.0	-	(91.5)
Gain on sale of Anadarko	-	-	(21.6)	0.2	(21.4)	-	-
Gain on sale of Jonah	-	-	(122.3)	2.0	(120.3)	-	-
Strategic realignment-related charges	-	-	0.1	-	0.1	-	-
Early retirement expenses	-	0.4	-	-	0.4	-	-
Total Exploration & Production nonrecurring items	(3.9)	0.4	(140.0)	3.3	(140.2)	-	(91.5)
<u>Midstream Gas & Liquids</u>							
Impairment of WS-1 building	-	-	2.4	-	2.4	-	-
Strategic realignment-related charges	-	-	1.5	-	1.5	-	-
Impairment of Canadian assets**	-	-	-	115.0	115.0	-	-
Impairment of Kansas-Hugoton facilities as assets held for sale	-	4.8	1.1	-	5.9	-	-
Impairment of investment in Aux Sable	-	-	-	-	-	-	8.5
Early retirement expenses	-	0.8	-	-	0.8	-	-
Total Midstream Gas & Liquids nonrecurring items	-	5.6	5.0	115.0	125.6	-	8.5
<u>Gain on sale of Mazeikiu Nafta</u>							
Estimated loss on realization of amounts from Witel Communications Group, Inc.	232.0	15.0	22.9	(1.2)	268.7	-	-
Costs associated with business & liquidity issue resolution	-	-	21.7	-	21.7	-	-
Strategic realignment-related charges	-	-	8.5	-	8.5	-	-
Corporate asset impairments	-	-	4.0	-	4.0	-	-
Convertible preferred stock dividends**	69.4	-	-	-	69.4	-	13.8
Gain on disposition of Prudential shares received from demutualization	-	(11.0)	-	-	(11.0)	-	-
Early retirement expenses	-	12.7	-	-	12.7	-	-
Impairment of Wiljet assets/investments	-	-	2.1	-	2.1	-	-
Impairment of Augusta refinery assets	-	-	-	3.0	3.0	-	-
Impairment of Longhorn and Aspen project *	-	-	-	-	-	-	49.6
Write-off of James River accrued dividends/investment	-	-	-	8.5	8.5	-	-
Impairment of cost based investments**	-	-	-	-	-	-	19.1
Severance accrual	-	-	-	2.7	2.7	-	4.5
Executive retirement expenses	-	-	-	2.2	2.2	-	-
Deferred stock award modification	-	-	-	(1.1)	(1.1)	-	-
Impairment of Algar Telecom investment	-	-	-	-	-	12.0	-
Write-off of capitalized debt expense	-	-	-	-	-	-	14.5
Total nonrecurring items	297.5	166.7	(102.6)	256.9	618.5	23.8	(198.8)
Tax effect for above items	83.5	39.5	(39.2)	52.4	138.4	9.1	(104.0)
Recurring income (loss) from continuing operations	\$191.5	(\$211.4)	(\$235.4)	\$55.4	(\$202.1)	(\$30.9)	\$0.5
Recurring diluted earnings per common share	\$0.37	(\$0.41)	(\$0.46)	\$0.11	(\$0.39)	(\$0.06)	\$0.00
Weighted-average shares - diluted (thousands)	521,240	520,427	516,901	517,104	516,793	517,652	534,839

* For \$20.2 million, no tax benefit

**No tax benefit

***Amounts have been restated to reflect certain operations as discontinued operations.

Consolidated Statement of Operations

(UNAUDITED)

	2002					2003		
	1st Qtr**	2nd Qtr**	3rd Qtr**	4th Qtr**	Year**	1st Qtr**	2nd Qtr	Year
<i>(Dollars in millions, except per-share amounts)</i>								
Revenues*	\$ 1,271.9	\$ 747.1	\$ 798.5	\$ 1,262.4	\$ 4,079.9	\$ 4,949.7	\$ 3,763.8	\$ 8,713.5
Segment costs and expenses:								
Costs and operating expenses*	591.2	612.1	597.1	750.6	2,551.0	4,581.6	3,169.0	7,750.6
Selling, general and administrative expenses	132.0	162.6	158.1	116.0	568.7	115.4	116.8	232.2
Other (income) expense - net	0.2	146.7	(109.7)	239.7	276.9	0.6	(225.2)	(224.6)
Total segment costs and expenses*	<u>723.4</u>	<u>921.4</u>	<u>645.5</u>	<u>1,106.3</u>	<u>3,396.6</u>	<u>4,697.6</u>	<u>3,060.6</u>	<u>7,758.2</u>
Equity earnings (losses)	7.3	53.6	19.2	(7.1)	73.0	4.5	0.9	5.4
Income (loss) from investments	-	(12.3)	55.1	(0.7)	42.1	-	(46.1)	(46.1)
Intercompany interest rate swaps	14.1	(83.0)	(71.0)	(1.5)	(141.4)	(5.9)	(16.7)	(22.6)
Total segment profit (loss)	<u>569.9</u>	<u>(216.0)</u>	<u>156.3</u>	<u>146.8</u>	<u>657.0</u>	<u>250.7</u>	<u>641.3</u>	<u>892.0</u>
Reclass equity (earnings) losses	(7.3)	(53.6)	(19.2)	7.1	(73.0)	(4.5)	(0.9)	(5.4)
Reclass (income) loss from investments	-	12.3	(55.1)	0.7	(42.1)	-	46.1	46.1
Reclass intercompany interest rate swaps	(14.1)	83.0	71.0	1.5	141.4	5.9	16.7	22.6
General corporate expenses	(38.2)	(34.1)	(44.1)	(26.4)	(142.8)	(22.9)	(21.8)	(44.7)
Operating income (loss)	510.3	(208.4)	108.9	129.7	540.5	229.2	681.4	910.6
Interest accrued	(204.0)	(253.7)	(341.5)	(360.4)	(1,159.6)	(352.8)	(406.0)	(758.8)
Interest capitalized	4.8	6.3	7.3	9.0	27.4	12.0	11.2	23.2
Interest rate swap income (loss)	10.2	(83.2)	(52.2)	1.0	(124.2)	(2.8)	(6.1)	(8.9)
Investing income (loss):								
Estimated loss on realization of amounts from Williams Communications Group, Inc.	(232.0)	(15.0)	(22.9)	1.2	(268.7)	-	-	-
Other	15.3	53.5	78.2	8.6	155.6	46.3	(43.1)	3.2
Minority interest in income and preferred returns of consolidated subsidiaries	(12.0)	(11.5)	(12.2)	(6.1)	(41.8)	(3.5)	(6.0)	(9.5)
Other income (expense) - net	(5.3)	23.8	0.6	5.3	24.4	22.0	14.0	36.0
Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principles	87.3	(488.2)	(233.8)	(211.7)	(846.4)	(49.6)	245.4	195.8
Provision (benefit) for income taxes	40.1	(156.4)	(68.6)	(69.4)	(254.3)	(10.8)	127.4	116.6
Income (loss) from continuing operations	47.2	(331.8)	(165.2)	(142.3)	(592.1)	(38.8)	118.0	79.2
Income (loss) from discontinued operations	60.5	(17.3)	(128.9)	(76.9)	(162.6)	(14.4)	151.7	137.3
Income (loss) before cumulative effect of change in accounting principles	107.7	(349.1)	(294.1)	(219.2)	(754.7)	(53.2)	269.7	216.5
Cumulative effect of change in accounting principles	-	-	-	-	-	(761.3)	-	(761.3)
Net income (loss)	107.7	(349.1)	(294.1)	(219.2)	(754.7)	(814.5)	269.7	(544.8)
Preferred stock dividends	69.7	6.8	6.8	6.8	90.1	6.8	22.7	29.5
Income (loss) applicable to common stock	\$ 38.0	\$ (355.9)	\$ (300.9)	\$ (226.0)	\$ (844.8)	\$ (821.3)	\$ 247.0	\$ (574.3)
Diluted earnings (loss) per common share:								
Income (loss) from continuing operations	\$ (0.05)	\$ (0.65)	\$ (0.33)	\$ (0.29)	\$ (1.32)	\$ (0.09)	\$ 0.18	\$ 0.09
Income (loss) from discontinued operations	0.12	(0.03)	(0.25)	(0.15)	(0.31)	(0.03)	0.28	0.26
Income (loss) before cumulative effect of change in accounting principles	0.07	(0.68)	(0.58)	(0.44)	(1.63)	(0.12)	0.46	0.35
Cumulative effect of change in accounting principles	-	-	-	-	-	(1.47)	-	(1.45)
Net income (loss)	\$ 0.07	\$ (0.68)	\$ (0.58)	\$ (0.44)	\$ (1.63)	\$ (1.59)	\$ 0.46	\$ (1.10)
Weighted-average number of shares used in computation (thousands)	521,240	520,427	516,901	517,104	516,793	517,652	534,839	523,553
Common shares outstanding at end of period (thousands)	516,216	516,404	516,516	516,731	516,731	517,538	517,677	517,677
Market price per common share (end of period)	\$ 23.56	\$ 5.99	\$ 2.26	\$ 2.70	\$ 2.70	\$ 4.58	\$ 7.90	\$ 7.90
Common dividends per share	\$ 0.20	\$ 0.20	\$ 0.01	\$ 0.01	\$ 0.42	\$ 0.01	\$ 0.01	\$ 0.02

* Amounts have been reclassified to conform to the current classifications.

** Amounts have been restated to reflect certain operations as discontinued operations.

Note: The sum of earnings (loss) per share for the four quarters may not equal the total earnings (loss) per share for the year due to changes in the weighted-average number of common shares outstanding.

Reconciliation of Reported Segment Profit (Loss) to Recurring Segment Profit (Loss)

(UNAUDITED)

(Dollars in millions)	2002					2003	
	1st Qtr**	2nd Qtr**	3rd Qtr**	4th Qtr**	Year**	1st Qtr**	2nd Qtr
Reported segment profit (loss):							
Energy Marketing & Trading *	\$ 283.1	\$ (497.5)	\$ (387.6)	\$ (22.8)	\$ (624.8)	\$ (136.4)	\$ 348.0
Gas Pipeline	134.7	141.1	147.2	122.1	545.1	151.2	113.9
Exploration & Production	106.5	92.4	228.2	81.5	508.6	113.8	178.7
Midstream Gas & Liquids	54.3	51.7	121.2	(13.2)	214.0	117.3	52.4
Other	(8.7)	(3.7)	47.3	(20.8)	14.1	4.8	(51.7)
Total reported segment profit (loss)	\$ 569.9	\$ (216.0)	\$ 156.3	\$ 146.8	\$ 657.0	\$ 250.7	\$ 641.3
Nonrecurring adjustments:							
Energy Marketing & Trading	\$ -	\$ 148.4	\$ 19.0	\$ 104.0	\$ 271.4	\$ 11.8	\$ (242.8)
Gas Pipeline	-	(4.4)	12.7	20.5	28.8	-	25.5
Exploration & Production	(3.9)	0.4	(140.0)	3.3	(140.2)	-	(91.5)
Midstream Gas & Liquids	-	5.6	5.0	115.0	125.6	-	8.5
Other	-	7.2	(51.5)	3.0	(41.3)	12.0	49.6
Total segment nonrecurring adjustments	\$ (3.9)	\$ 157.2	\$ (154.8)	\$ 245.8	\$ 244.3	\$ 23.8	\$ (250.7)
Recurring segment profit (loss):							
Energy Marketing & Trading *	\$ 283.1	\$ (349.1)	\$ (368.6)	\$ 81.2	\$ (353.4)	\$ (124.6)	\$ 105.2
Gas Pipeline	134.7	136.7	159.9	142.6	573.9	151.2	139.4
Exploration & Production	102.6	92.8	88.2	84.8	368.4	113.8	87.2
Midstream Gas & Liquids	54.3	57.3	126.2	101.8	339.6	117.3	60.9
Other	(8.7)	3.5	(4.2)	(17.8)	(27.2)	16.8	(2.1)
Total recurring segment profit (loss)	\$ 566.0	\$ (58.8)	\$ 1.5	\$ 392.6	\$ 901.3	\$ 274.5	\$ 390.6

Note: Segment profit (loss) includes equity earnings (losses) and certain income (loss) from investments reported in investing income (loss) in the Consolidated Statement of Operations. Equity earnings (losses) are from investments accounted for under the equity method. Income (loss) from investments results from the management of investments in certain equity instruments.

* Energy Marketing & Trading's segment profit includes the effect of intercompany interest rate swaps entered into with the corporate parent.

** Amounts have been restated to reflect certain operations as discontinued operations.

Energy Marketing & Trading

(UNAUDITED)

(Dollars in millions)	2002					2003	
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr
Revenues:*							
Natural gas & power	\$ 208.3	\$ (206.7)	\$ (312.5)	\$ 116.5	\$ (194.4)	\$ 3,330.5	\$ 2,879.8
Crude & refined products	120.5	(73.7)	(42.4)	(18.6)	(14.2)	751.6	225.9
Other	26.2	1.8	64.7	30.7	123.4	(306.5)	(182.2)
Total revenues	355.0	(278.6)	(290.2)	128.6	(85.2)	3,775.6	2,923.5
Segment costs and expenses:							
Costs and operating expenses	14.9	16.2	17.8	20.0	68.9	3,874.1	2,704.2
Selling, general and administrative expenses	51.0	63.3	65.3	29.5	209.1	36.4	44.1
Other (income) expense - net	2.0	139.4	14.3	96.2	251.9	1.5	(172.8)
Total segment costs and expenses	67.9	218.9	97.4	145.7	529.9	3,912.0	2,575.5
Equity earnings (losses)	(4.0)	-	-	(5.7)	(9.7)	-	-
Reported segment profit (loss)	283.1	(497.5)	(387.6)	(22.8)	(624.8)	(136.4)	348.0
Nonrecurring adjustments	-	148.4	19.0	104.0	271.4	11.8	(242.8)
Recurring segment profit (loss), pre-tax	\$ 283.1	\$ (349.1)	\$ (368.6)	\$ 81.2	\$ (353.4)	\$ (124.6)	\$ 105.2

* Energy Marketing & Trading's segment profit includes the effect of intercompany interest rate swaps entered into with the corporate parent.

Operating statistics

Volumes

Natural gas (Bcfd)	4.5	3.6	3.8	3.4	3.8	3.5	2.5
Crude & refined products (MBPD)	1,225.6	1,246.8	566.2	303.2	832.2	144.4	37.3
Power (GWh)	110,536	97,463	137,553	59,160	404,711	40,536	35,589

Additional statistics

Value at risk

	Quarter ended 6/30/03 (in Millions)	
One day VaR - 95% confidence level		
Trading	\$7 MM	
Non-Trading	\$24 MM	
Aggregate Earnings VaR	\$31 MM	
	Quarter ended 3/31/03 (in Millions)	
One day VaR - 95% confidence level		
Trading	\$29 MM	
Non-Trading	\$27 MM	
Aggregate Earnings VaR	\$30 MM	

Fair Value Of Mark-to-Market Derivatives (in Millions)

Period the value of mark-to-market derivatives is expected to be realized:	
1-12 months	\$ (20.4)
13-36 months	(43.8)
37-60 months	2.6
61-120 months	11.6
121+ months	-
Total Fair Value	(50.0)
Non-Trading MTM Derivatives	803.1
SFAS 133 Hedges	(281.9)
Non-EM&T Business Unit Hedges	(24.9)
Total Net Derivative Assets and Liabilities	\$ 446.3

Net Credit Exposure (in Millions)

	Investment	
	Grade	Total
Gas and electric utilities	\$ 662.0	\$ 663.9
Energy marketers and traders	127.6	406.7
Financial Institutions	45.6	45.6
Other	7.6	14.1
	<u>\$ 842.8</u>	<u>\$ 1,130.3</u>
Credit Reserves		(62.9)
Net Credit Exposure from Derivative Contracts		<u>\$ 1,067.4</u>

Power Portfolio (Megawatts)

	Quarter ended	
	6/30/2003	6/30/2002
Owned	207	1,896
Contracted	8,697	13,256
Total	8,904	15,152

Credit Support (in Millions)

As of June 30, 2003	
Prepays	(\$165MM)
Margins	(\$306MM)
Adequate Assurance (Provided by \$400 MM secured Letter of Credit facility)	(\$162MM)

Gas Pipeline

(UNAUDITED)

(Dollars in millions)	2002					2003	
	1st Qtr*	2nd Qtr*	3rd Qtr*	4th Qtr*	Year*	1st Qtr*	2nd Qtr
Revenues:							
Northwest Pipeline	\$ 71.6	\$ 73.2	\$ 73.0	\$ 79.7	\$ 297.5	\$ 79.6	\$ 81.4
Transcontinental Gas Pipe Line	229.7	214.8	249.2	242.6	936.3	243.6	230.6
Other	3.7	2.5	1.8	-	8.0	0.1	-
Total revenues	305.0	290.5	324.0	322.3	1,241.8	323.3	312.0
Segment costs and expenses:							
Costs and operating expenses	152.5	139.4	135.4	144.8	572.1	138.3	148.5
Selling, general and administrative expenses	38.7	49.5	46.8	43.9	178.9	35.3	26.4
Other (income) expense - net	(1.4)	(0.1)	3.4	18.3	20.2	0.2	25.3
Total segment costs and expenses	189.8	188.8	185.6	207.0	771.2	173.8	200.2
Equity earnings	19.5	51.7	11.6	5.6	88.4	1.7	2.1
Income (loss) from investments	-	(12.3)	(2.8)	1.2	(13.9)	-	-
Reported segment profit:							
Northwest Pipeline	35.9	32.3	40.1	40.8	149.1	45.3	17.2
Transcontinental Gas Pipe Line	79.7	60.4	104.9	76.4	321.4	106.0	97.1
Other	19.1	48.4	2.2	4.9	74.6	(0.1)	(0.4)
Total reported segment profit	134.7	141.1	147.2	122.1	545.1	151.2	113.9
Nonrecurring adjustments:							
Northwest Pipeline	-	3.9	1.2	1.1	6.2	-	25.5
Transcontinental Gas Pipe Line	-	19.1	4.9	20.6	44.6	-	-
Other	-	(27.4)	6.6	(1.2)	(22.0)	-	-
Total nonrecurring adjustments	-	(4.4)	12.7	20.5	28.8	-	25.5
Recurring segment profit:							
Northwest Pipeline	35.9	36.2	41.3	41.9	155.3	45.3	42.7
Transcontinental Gas Pipe Line	79.7	79.5	109.8	97.0	366.0	106.0	97.1
Other	19.1	21.0	8.8	3.7	52.6	(0.1)	(0.4)
Total recurring segment profit, pre-tax	\$ 134.7	\$ 136.7	\$ 159.9	\$ 142.6	\$ 573.9	\$ 151.2	\$ 139.4

Operating statistics

Northwest Pipeline							
Throughput (TBtu)	198.4	173.9	161.6	194.9	728.8	195.1	172.2
Average daily transportation volumes (TBtu)	2.2	1.9	1.8	2.1	2.0	2.2	1.9
Average daily firm reserved capacity (TBtu)	2.8	2.9	3.0	3.1	2.9	3.3	2.1
Transcontinental Gas Pipe Line							
Throughput (TBtu)	449.1	407.7	454.5	469.0	1,780.3	523.5	432.2
Average daily transportation volumes (TBtu)	5.0	4.5	4.9	4.1	4.9	5.8	4.7

* Amounts have been restated to reflect certain operations as discontinued operations.

Exploration & Production

(UNAUDITED)

(Dollars in millions)	2002					2003	
	1st Qtr*	2nd Qtr*	3rd Qtr*	4th Qtr*	Year*	1st Qtr*	2nd Qtr
Revenues:							
Production	\$ 178.6	\$ 152.1	\$ 160.8	\$ 152.1	\$ 643.6	\$ 174.3	\$ 142.1
Gas management	28.9	33.0	24.9	21.5	108.3	36.6	24.4
Mark-to-market basis derivative	-	7.0	7.2	12.4	26.6	8.3	15.0
International	6.4	6.8	6.8	7.8	27.8	7.6	8.1
Other	7.9	22.1	9.7	14.4	54.1	17.1	10.6
Total revenues	<u>221.8</u>	<u>221.0</u>	<u>209.4</u>	<u>208.2</u>	<u>860.4</u>	<u>243.9</u>	<u>200.2</u>
Segment costs and expenses:							
Depreciation, depletion and amortization	41.0	50.0	45.7	47.1	183.8	46.8	44.5
Lease operating expenses	14.9	17.9	18.0	19.2	70.0	18.5	16.2
Operating taxes	9.8	10.8	11.8	10.5	42.9	16.9	15.2
Exploration expenses and property impairment	7.8	-	2.6	10.0	20.4	1.6	(0.1)
Selling, general and administrative expenses	14.0	15.8	16.5	17.9	64.2	15.5	15.1
Gas management expenses	28.9	33.3	24.7	20.9	107.8	35.6	24.0
Other (income) expense - net	(4.5)	(1.9)	(137.8)	1.0	(143.2)	(5.0)	(93.0)
International	3.0	3.7	1.2	1.7	9.6	2.3	2.1
Total segment costs and expenses	<u>114.9</u>	<u>129.6</u>	<u>(17.3)</u>	<u>128.3</u>	<u>355.5</u>	<u>132.2</u>	<u>24.0</u>
Equity earnings - International	<u>(0.4)</u>	<u>1.0</u>	<u>1.5</u>	<u>1.6</u>	<u>3.7</u>	<u>2.1</u>	<u>2.5</u>
Reported segment profit	106.5	92.4	228.2	81.5	508.6	113.8	178.7
Nonrecurring adjustments	<u>(3.9)</u>	<u>0.4</u>	<u>(140.0)</u>	<u>3.3</u>	<u>(140.2)</u>	<u>-</u>	<u>(91.5)</u>
Recurring segment profit, pre-tax	<u>\$ 102.6</u>	<u>\$ 92.8</u>	<u>\$ 88.2</u>	<u>\$ 84.8</u>	<u>\$ 368.4</u>	<u>\$ 113.8</u>	<u>\$ 87.2</u>

Operating statistics

Total Net Volumes (Bcfe)	49.2	51.1	48.5	46.4	195.2	45.3	45.7
Net volumes per day (MMcfe/d)	547	561	527	505	535	504	502
Net realized price (\$/Mcf) (1)	\$ 3.630	\$ 2.977	\$ 3.315	\$ 3.275	\$ 3.296	\$ 3.845	\$ 3.112
Production taxes per Mcfe	\$ 0.199	\$ 0.211	\$ 0.244	\$ 0.225	\$ 0.220	\$ 0.373	\$ 0.333
Lease operating expense per Mcfe	\$ 0.302	\$ 0.351	\$ 0.371	\$ 0.415	\$ 0.359	\$ 0.408	\$ 0.356

(1) Net realized price is calculated the following way: production revenues (including hedging activities and incremental margins related to gas management activities) divided by net volumes.

* Amounts have been restated to reflect certain operations as discontinued operations.

Midstream Gas & Liquids

(UNAUDITED)

(Dollars in millions)	2002					2003	
	1st Qtr	2nd Qtr	3rd Qtr*	4th Qtr*	Year*	1st Qtr*	2nd Qtr
Revenues:							
Domestic:							
Gathering	\$ 91.3	\$ 89.4	\$ 92.7	\$ 93.1	\$ 366.5	\$ 91.6	\$ 93.6
Processing	20.5	22.2	23.9	25.7	92.3	23.8	24.5
NGL sales	86.0	105.1	129.9	142.9	463.9	176.3	97.6
NGL trading	21.0	26.4	33.9	14.7	96.0	760.8	363.0
Canada	135.4	157.9	165.9	240.4	699.6	292.5	243.9
Venezuela	37.0	36.1	35.4	37.4	145.9	25.2	35.9
Other	25.2	27.9	28.8	33.0	114.9	41.9	42.6
Intrasegment eliminations	(16.4)	(27.0)	(24.9)	(18.1)	(86.4)	(281.4)	(163.3)
Total revenues	400.0	438.0	485.6	569.1	1,892.7	1,130.7	737.8
Segment costs and expenses:							
Costs and operating expenses	315.2	350.7	336.3	442.6	1,444.8	974.8	643.6
Selling, general and administrative expenses	28.6	29.6	29.7	23.5	111.4	31.6	26.0
Other (income) expense - net	3.5	9.6	5.7	121.3	140.1	3.8	9.3
Total segment costs and expenses	347.3	389.9	371.7	587.4	1,696.3	1,010.2	678.9
Equity earnings (losses)	1.6	3.6	7.3	5.1	17.6	(3.2)	(2.8)
Income (loss) from investments	-	-	-	-	-	-	(3.7)
Reported segment profit	54.3	51.7	121.2	(13.2)	214.0	117.3	52.4
Nonrecurring adjustments	-	5.6	5.0	115.0	125.6	-	8.5
Recurring segment profit, pre-tax	\$ 54.3	\$ 57.3	\$ 126.2	\$ 101.8	\$ 339.6	\$ 117.3	\$ 60.9

Operating statistics

Field services:							
Gathering volumes (TBtu)	511.0	511.1	549.6	541.3	2,113.0	550.0	475.7
Gathering margins (\$/MMBtu)	\$ 0.1786	\$ 0.1759	\$ 0.1836	\$ 0.1740	\$ 0.1747	\$ 0.1680	\$ 0.1958
Processing volumes (TBtu)	139.9	148.3	154.7	163.0	605.9	163.3	152.9
Processing margins (\$/MMBtu)	\$ 0.1404	\$ 0.1455	\$ 0.1517	\$ 0.1561	\$ 0.1488	\$ 0.1436	\$ 0.1583
Natural gas liquids sales (million gallons)	292.6	296.4	333.6	271.5	1,194.1	300.2	199.5
Processing margins - liquid sales based (\$/gallon)	\$ 0.0539	\$ 0.0761	\$ 0.1175	\$ 0.1275	\$ 0.0939	\$ 0.1712	\$ 0.0802
Canadian processing volumes (TBtu)	14.7	21.1	24.7	25.6	86.1	25.7	24.3
Canadian processing margins (\$/MMBtu)	\$ 0.4233	\$ 0.5194	\$ 0.4996	\$ 0.5821	\$ 0.5293	\$ 0.5931	\$ 0.4754
Canadian liquid product sales (million gallons)	377.2	338.1	299.7	346.4	1,361.4	276.9	396.1
Canadian net liquids margin (\$/gallon)	\$ 0.0233	\$ 0.0342	\$ 0.0746	\$ 0.0678	\$ 0.0486	\$ 0.0648	\$ 0.0381
NGL Trading (MBPD)	371.8	296.6	215.1	240.0	272.4	254.8	168.8
Olefins ethylene production (thousand pounds)	88,667	130,651	100,077	51,686	371,081	100,026	99,884

* Amounts have been restated to reflect certain operations as discontinued operations.

Capital Expenditures and Investments

(UNAUDITED)

(Dollars in millions)	2002					2003	
	1st Qtr*	2nd Qtr*	3rd Qtr*	4th Qtr*	Year*	1st Qtr*	2nd Qtr
Capital expenditures:							
Energy Marketing & Trading	\$ 10.5	\$ 13.6	\$ 4.0	\$ 107.7	\$ 135.8	\$ 0.2	\$ 0.1
Gas Pipeline:							
Northwest Pipeline	19.8	38.5	56.5	67.0	181.8	56.0	77.1
Transcontinental Gas Pipe Line	78.0	136.7	170.3	55.1	440.1	54.5	46.1
Other	11.2	11.6	10.2	0.1	33.1	-	-
Total	109.0	186.8	237.0	122.2	655.0	110.5	123.2
Exploration & Production	80.2	111.1	78.6	94.2	364.1	55.7	30.4
Midstream Gas & Liquids	131.6	137.4	101.8	88.3	459.1	68.5	62.7
Other	12.4	7.2	1.3	36.4	57.3	0.7	0.1
Total	\$ 343.7	\$ 456.1	\$ 422.7	\$ 448.8	\$ 1,671.3	\$ 235.6	\$ 216.5
Purchase of investments:							
Gas Pipeline:							
Transcontinental Gas Pipe Line	\$ -	\$ 0.2	\$ -	\$ -	\$ 0.2	\$ -	\$ -
Other	122.0	81.1	12.0	18.5	233.6	2.5	4.0
Total	122.0	81.3	12.0	18.5	233.8	2.5	4.0
Exploration & Production	-	-	-	6.9	6.9	1.8	-
Midstream Gas & Liquids	6.7	28.0	(26.9)	-	7.8	0.9	2.4
Other	21.2	30.1	8.9	-	60.2	0.5	1.2
Total	\$ 149.9	\$ 139.4	\$ (6.0)	\$ 25.4	\$ 308.7	\$ 5.7	\$ 7.6
Summary:							
Energy Marketing & Trading	\$ 10.5	\$ 13.6	\$ 4.0	\$ 107.7	\$ 135.8	\$ 0.2	\$ 0.1
Gas Pipeline	231.0	268.1	249.0	140.7	888.8	113.0	127.2
Exploration & Production	80.2	111.1	78.6	101.1	371.0	57.5	30.4
Midstream Gas & Liquids	138.3	165.4	74.9	88.3	466.9	69.4	65.1
Other	33.6	37.3	10.2	36.4	117.5	1.2	1.3
Total	\$ 493.6	\$ 595.5	\$ 416.7	\$ 474.2	\$ 1,980.0	\$ 241.3	\$ 224.1
Cumulative summary:							
Energy Marketing & Trading	\$ 10.5	\$ 24.1	\$ 28.1	\$ 135.8	\$ 135.8	\$ 0.2	\$ 0.3
Gas Pipeline	231.0	499.1	748.1	888.8	888.8	113.0	240.2
Exploration & Production	80.2	191.3	269.9	371.0	371.0	57.5	87.9
Midstream Gas & Liquids	138.3	303.7	378.6	466.9	466.9	69.4	134.5
Other	33.6	70.9	81.1	117.5	117.5	1.2	2.5
Total	\$ 493.6	\$ 1,089.1	\$ 1,505.8	\$ 1,980.0	\$ 1,980.0	\$ 241.3	\$ 465.4

* Amounts have been restated to reflect certain operations as discontinued operations.

Depreciation, Depletion and Amortization and Other Selected Financial Data

(UNAUDITED)

(Dollars in millions)	2002					2003	
	1st Qtr*	2nd Qtr*	3rd Qtr*	4th Qtr*	Year*	1st Qtr*	2nd Qtr
Depreciation, depletion and amortization:							
Energy Marketing & Trading	\$ 6.5	\$ 7.4	\$ 8.6	\$ 10.6	\$ 33.1	\$ 7.8	\$ 7.5
Gas Pipeline:							
Northwest Pipeline	15.8	15.4	15.4	16.7	63.3	16.8	17.0
Transcontinental Gas Pipe Line	39.6	39.7	37.5	40.9	157.7	41.1	45.2
Other	1.7	1.8	1.3	0.1	4.9	-	-
Total	57.1	56.9	54.2	57.7	225.9	57.9	62.2
Exploration & Production	41.0	50.0	45.7	47.1	183.8	46.8	44.5
Midstream Gas & Liquids	43.8	46.3	46.1	50.9	187.1	50.3	51.3
Other	3.6	7.6	11.8	14.3	37.3	6.4	4.9
Total	<u>\$ 152.0</u>	<u>\$ 168.2</u>	<u>\$ 166.4</u>	<u>\$ 180.6</u>	<u>\$ 667.2</u>	<u>\$ 169.2</u>	<u>\$ 170.4</u>
Other selected financial data:							
Cash and cash equivalents	\$ 1,669.7	\$ 702.0	\$ 1,232.1	\$ 1,650.4	\$ 1,650.4	\$ 1,403.2	\$ 3,227.1
Total assets	\$ 40,117.5	\$ 37,565.6	\$ 35,867.7	\$ 34,988.5	\$ 34,988.5	\$ 35,442.3	\$ 33,853.0
Capital structure:							
Debt							
Current (1)	\$ 2,601.7	\$ 1,921.0	\$ 2,212.5	\$ 2,017.5	\$ 2,017.5	\$ 3,182.0	\$ 1,816.3
Noncurrent	\$ 11,515.6	\$ 11,254.3	\$ 11,476.2	\$ 11,076.7	\$ 11,076.7	\$ 9,761.4	\$ 11,209.7
Stockholders' equity	\$ 6,042.5	\$ 5,618.3	\$ 5,369.0	\$ 5,049.0	\$ 5,049.0	\$ 4,152.9	\$ 4,001.5
Debt to debt-plus-equity ratio	70.0%	70.1%	71.8%	72.2%	72.2%	75.7%	76.5%

(1) Current includes notes payable, commercial paper and the current portion of long-term debt.

* Amounts have been restated to reflect certain operations as discontinued operations.