



Financial Highlights and Operating Statistics
(UNAUDITED)

September 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***	3rd Qtr	Year
Income (loss) from continuing operations (1)	\$46.5	(\$335.8)	(\$171.2)	(\$151.2)	(\$611.7)	(\$39.3)	\$116.2	\$22.8	\$99.7
Preferred stock dividends	69.7	6.8	6.8	6.8	90.1	6.8	22.7	-	29.5
Income (loss) from continuing operations available to common stockholder:	(\$23.2)	(\$342.6)	(\$178.0)	(\$158.0)	(\$701.8)	(\$46.1)	\$93.5	\$22.8	\$70.2
Income (loss) from continuing operations - diluted earnings per share	(\$0.05)	(\$0.65)	(\$0.34)	(\$0.31)	(\$1.35)	(\$0.09)	\$0.18	\$0.04	\$0.13
Nonrecurring items:									
<i>Power</i>									
Hazelton 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	-	0.6	-	0.6
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	-	-	11.8
Loss accrual for regulatory issue**	-	-	-	-	-	-	20.0	-	20.0
Hedge accounting reclassifications	-	-	-	-	-	-	(34.1)	-	(34.1)
Energy trading asset adjustment	-	-	-	-	-	-	(46.6)	-	(46.6)
Gain on sale of Jackson EMC power contracts	-	-	-	-	-	-	(175.0)	(13.0)	(188.0)
Gain on sale of crude contracts and pipeline	-	-	-	-	-	-	(7.1)	-	(7.1)
Gain on sale of eSpeed stock	-	-	-	-	-	-	-	(13.5)	(13.5)
<i>Total Power nonrecurring items</i>	-	148.4	19.0	104.0	271.4	11.8	(242.2)	(26.5)	(256.9)
<i>Gas Pipeline</i>									
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	-	25.5
Severance accrual	-	-	-	-	-	-	0.9	-	0.9
<i>Total Gas Pipeline nonrecurring items</i>	-	(4.4)	12.7	20.5	28.8	-	26.4	-	26.4
<i>Exploration & Production</i>									
(Gain) loss on sale of certain E&P properties	(3.9)	-	3.8	1.1	1.0	-	(91.5)	-	(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	-	-	-	-
<i>Total Exploration & Production nonrecurring items</i>	(3.9)	0.4	(140.0)	3.3	(140.2)	-	(91.5)	-	(91.5)
<i>Midstream Gas & Liquids</i>									
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	5.6	14.1
Early retirement expenses	-	0.8	-	-	0.8	-	-	-	-
La Maquina depreciable life adjustment	-	-	-	-	-	-	-	4.2	4.2
Gain on sale of West Texas LPG Pipeline, L.P.	-	-	-	-	-	-	-	(11.0)	(11.0)
<i>Total Midstream Gas & Liquids nonrecurring items</i>	-	5.6	5.0	115.0	125.6	-	8.5	(1.2)	7.3
<i>Other</i>									
Gain on sale of Mazeikiu Nafta	-	-	(58.5)	-	(58.5)	-	-	-	-
Strategic realignment-related charges	-	-	4.9	-	4.9	-	-	-	-
Early retirement expenses	-	6.5	-	-	6.5	-	-	-	-
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	-	49.6
Gain on sale of butane blending inventory	-	-	-	-	-	-	-	(9.2)	(9.2)
<i>Total Other nonrecurring items</i>	-	6.5	(51.5)	3.0	(42.0)	-	49.6	(9.2)	40.4
Nonrecurring items included in segment profit (loss)	(3.9)	156.5	(154.8)	245.8	243.6	11.8	(249.2)	(36.9)	(274.3)
Nonrecurring items below segment profit (loss)									
<i>Estimated loss on realization of amounts from</i>									
WilTel Communications Group, Inc. (Investing income (loss) - Corporate)	232.0	15.0	22.9	(1.2)	268.7	-	-	-	-
Costs associated with business & liquidity issue resolution (Interest accrued, minority interest, and other income (expense) - net - Various)	-	-	21.7	-	21.7	-	-	-	-
Strategic realignment-related charges (General corporate expenses)	-	-	3.6	-	3.6	-	-	-	-
Corporate asset impairments (Other income (expense) - net - Corporate)	-	-	4.0	-	4.0	-	-	-	-
Convertible preferred stock dividends** (Preferred stock dividends - Corporate)	69.4	-	-	-	69.4	-	13.8	-	13.8
Gain on disposition of Prudential shares received from demutualization (Other income (expense) - net - Gas Pipeline)	-	(11.0)	-	-	(11.0)	-	-	-	-
Early retirement expense (General corporate expenses)	-	6.2	-	-	6.2	-	-	-	-
Write-off of James River accrued dividends/investment (Other income (expense) - net - Corporate)	-	-	-	8.5	8.5	-	-	-	-
Impairment of cost based investments** (Investing income (loss) - Various)	-	-	-	-	-	-	19.1	2.3	21.4
Severance accrual - (General corporate expenses)	-	-	-	2.7	2.7	-	3.0	-	3.0
Executive retirement expenses (General corporate expenses)	-	-	-	2.2	2.2	-	-	-	-
Deferred stock award modification (General corporate expenses)	-	-	(1.1)	(1.1)	(1.1)	-	-	-	-
Impairment of Algar Telecom investment (Investing income (loss) - International)	-	-	-	-	-	12.0	-	1.2	13.2
Write-off of capitalized debt expense (Interest accrued - Corporate)	-	-	-	-	-	-	14.5	-	14.5
	301.4	10.2	52.2	11.1	374.9	12.0	50.4	3.5	65.9
Total nonrecurring items	297.5	166.7	(102.6)	256.9	618.5	23.8	(198.8)	(33.4)	(208.4)
Tax effect for above items	83.5	39.5	(39.2)	52.4	138.4	9.1	(104.0)	(13.7)	(108.6)
Recurring income (loss) from continuing operations	\$190.8	(\$215.4)	(\$241.4)	\$46.5	(\$221.7)	(\$31.4)	(\$1.3)	\$3.1	(\$29.6)
Recurring diluted earnings per common share	\$0.37	(\$0.41)	(\$0.47)	\$0.09	(\$0.43)	(\$0.06)	\$ -	\$0.01	(\$0.06)
Weighted-average shares - diluted (thousands)	521,240	520,427	516,901	517,104	516,793	517,652	534,839	524,711	523,938

* For \$20.2 million, no tax benefit

**No tax benefit

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

(1) Includes \$126.8 million positive valuation adjustment associated with agreement to terminate contract with Allegheny.

Consolidated Statement of Operations
(UNAUDITED)

	2002					2003			
	1st Qtr**	2nd Qtr**	3rd Qtr**	4th Qtr**	Year**	1st Qtr**	2nd Qtr**	3rd Qtr	Year
Revenues*	\$ 1,204.0	\$ 671.3	\$ 719.2	\$ 1,146.2	\$ 3,740.7	\$ 4,832.6	\$ 3,657.0	\$ 4,795.3	\$ 13,284.9
Segment costs and expenses:									
Costs and operating expenses*	524.7	542.4	527.3	648.3	2,242.7	4,473.5	3,064.9	4,434.7	11,973.1
Selling, general and administrative expenses	132.0	162.6	158.1	116.0	568.7	107.4	116.9	97.3	321.6
Other (income) expense - net	0.2	146.7	(109.8)	239.7	276.8	0.6	(225.1)	(24.8)	(249.3)
Total segment costs and expenses*	656.9	851.7	575.6	1,004.0	3,088.2	4,581.5	2,956.7	4,507.2	12,045.4
Equity earnings (losses)	7.3	53.6	19.1	(7.0)	73.0	4.4	1.0	6.8	12.2
Income (loss) from investments	-	(12.3)	55.1	(0.7)	42.1	-	(46.1)	17.6	(28.5)
Intercompany interest rate swaps	14.1	(83.0)	(71.0)	(1.5)	(141.4)	(5.9)	(16.7)	10.0	(12.6)
Total segment profit (loss)	568.5	(222.1)	146.8	133.0	626.2	249.6	638.5	322.5	1,210.6
Reclass equity (earnings) losses	(7.3)	(53.6)	(19.1)	7.0	(73.0)	(4.4)	(1.0)	(6.8)	(12.2)
Reclass (income) loss from investments	-	12.3	(55.1)	0.7	(42.1)	-	46.1	(17.6)	28.5
Reclass intercompany interest rate swaps	(14.1)	83.0	71.0	1.5	141.4	5.9	16.7	(10.0)	12.6
General corporate expenses	(38.2)	(34.1)	(44.1)	(26.4)	(142.8)	(22.9)	(21.8)	(17.8)	(62.5)
Operating income (loss)	508.9	(214.5)	99.5	115.8	509.7	228.2	678.5	270.3	1,177.0
Interest accrued	(204.0)	(253.7)	(341.5)	(360.4)	(1,159.6)	(352.8)	(406.0)	(276.3)	(1,035.1)
Interest capitalized	4.8	6.3	7.2	9.0	27.3	11.9	11.3	11.4	34.6
Interest rate swap income (loss)	10.2	(83.2)	(52.2)	1.0	(124.2)	(2.8)	(6.1)	2.5	(6.4)
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)	40.6	43.8
Minority interest in income and preferred returns of consolidated subsidiaries	(12.0)	(11.5)	(12.2)	(6.1)	(41.8)	(3.5)	(6.0)	(5.6)	(15.1)
Other income (expense) - net	(5.2)	23.7	0.5	5.3	24.3	22.1	13.9	3.7	39.7
Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principles	86.0	(494.4)	(243.4)	(225.6)	(877.4)	(50.6)	242.5	46.6	238.5
Provision (benefit) for income taxes	39.5	(158.6)	(72.2)	(74.4)	(265.7)	(11.3)	126.3	23.8	138.8
Income (loss) from continuing operations	46.5	(335.8)	(171.2)	(151.2)	(611.7)	(39.3)	116.2	22.8	99.7
Income (loss) from discontinued operations	61.2	(13.3)	(122.9)	(68.0)	(143.0)	(13.9)	153.5	83.5	223.1
Income (loss) before cumulative effect of change in accounting principles	107.7	(349.1)	(294.1)	(219.2)	(754.7)	(53.2)	269.7	106.3	322.8
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	106.3	(438.5)
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	\$ 106.3	\$ (468.0)
Diluted earnings (loss) per common share:									
Income (loss) from continuing operations	\$ (0.05)	\$ (0.65)	\$ (0.34)	\$ (0.31)	\$ (1.35)	\$ (0.09)	\$ 0.17	\$ 0.04	\$ 0.13
Income (loss) from discontinued operations	0.12	(0.03)	(0.24)	(0.13)	(0.28)	(0.03)	0.29	0.16	0.43
Income (loss) before cumulative effect of change in accounting principles	0.07	(0.68)	(0.58)	(0.44)	(1.63)	(0.12)	0.46	0.20	0.56
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	\$ 0.20	\$ (0.89)
Weighted-average number of shares used in computation (thousands)	521,240	520,427	516,901	517,104	516,793	517,652	534,839	524,711	523,938
Common shares outstanding at end of period (thousands)	516,216	516,404	516,516	516,731	516,731	517,538	517,677	517,961	517,961
Market price per common share (end of period)	\$ 23.56	\$ 5.99	\$ 2.26	\$ 2.70	\$ 2.70	\$ 4.58	\$ 7.90	\$ 9.42	\$ 9.42
Common dividends per share	\$ 0.20	\$ 0.20	\$ 0.01	\$ 0.01	\$ 0.42	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03
* 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**	3rd Qtr
Reported segment profit (loss):								
Power *	\$ 283.1	\$ (497.5)	\$ (387.6)	\$ (22.8)	\$ (624.8)	\$ (136.4)	\$ 348.0	\$ 43.9
Gas Pipeline	134.7	141.1	147.2	122.1	545.1	151.2	113.9	141.4
Exploration & Production	106.5	92.4	228.2	81.5	508.6	113.8	178.7	58.8
Midstream Gas & Liquids	53.0	45.6	111.6	(27.0)	183.2	116.2	49.6	74.3
Other	(8.8)	(3.7)	47.4	(20.8)	14.1	4.8	(51.7)	4.1
Total reported segment profit (loss)	\$ 568.5	\$ (222.1)	\$ 146.8	\$ 133.0	\$ 626.2	\$ 249.6	\$ 638.5	\$ 322.5
Nonrecurring adjustments:								
Power	\$ -	\$ 148.4	\$ 19.0	\$ 104.0	\$ 271.4	\$ 11.8	\$ (242.2)	\$ (26.5)
Gas Pipeline	-	(4.4)	12.7	20.5	28.8	-	26.4	-
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	(1.2)
Other	-	6.5	(51.5)	3.0	(42.0)	-	49.6	(9.2)
Total segment nonrecurring adjustments	\$ (3.9)	\$ 156.5	\$ (154.8)	\$ 245.8	\$ 243.6	\$ 11.8	\$ (249.2)	\$ (36.9)
Recurring segment profit (loss):								
Power *	\$ 283.1	\$ (349.1)	\$ (368.6)	\$ 81.2	\$ (353.4)	\$ (124.6)	\$ 105.8	\$ 17.4
Gas Pipeline	134.7	136.7	159.9	142.6	573.9	151.2	140.3	141.4
Exploration & Production	102.6	92.8	88.2	84.8	368.4	113.8	87.2	58.8
Midstream Gas & Liquids	53.0	51.2	116.6	88.0	308.8	116.2	58.1	73.1
Other	(8.8)	2.8	(4.1)	(17.8)	(27.9)	4.8	(2.1)	(5.1)
Total recurring segment profit (loss)	\$ 564.6	\$ (65.6)	\$ (8.0)	\$ 378.8	\$ 869.8	\$ 261.4	\$ 389.3	\$ 285.6

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.

* Power'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.

Power

(UNAUDITED)

(Dollars in millions)	2002					2003		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Revenues:*								
Natural gas & power	\$ 208.3	\$ (206.7)	\$ (312.5)	\$ 116.5	\$ (194.4)	\$ 3,330.5	\$ 2,879.8	\$ 3,848.5
Crude & refined products	120.5	(73.7)	(42.4)	(18.6)	(14.2)	751.6	225.9	242.8
Other	26.2	1.8	64.7	30.7	123.4	(306.5)	(182.2)	(192.9)
Total revenues	355.0	(278.6)	(290.2)	128.6	(85.2)	3,775.6	2,923.5	3,898.4
Segment costs and expenses:								
Costs and operating expenses	14.9	16.2	17.8	20.0	68.9	3,874.1	2,704.2	3,849.4
Selling, general and administrative expenses	51.0	63.3	65.3	29.5	209.1	36.4	44.1	26.2
Other (income) expense - net	2.0	139.4	14.3	96.2	251.9	1.5	(172.8)	(21.1)
Total segment costs and expenses	67.9	218.9	97.4	145.7	529.9	3,912.0	2,575.5	3,854.5
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	43.9
Nonrecurring adjustments	-	148.4	19.0	104.0	271.4	11.8	(242.2)	(26.5)
Recurring segment profit (loss), pre-tax	\$ 283.1	\$ (349.1)	\$ (368.6)	\$ 81.2	\$ (353.4)	\$ (124.6)	\$ 105.8	\$ 17.4

* Power'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	2.4
Crude & refined products (MBPD)	1,225.6	1,246.8	566.2	303.2	832.2	144.4	37.3	60.0
Power (GWh)	110,536	97,463	137,553	59,160	404,711	40,536	35,589	53,054

Additional statistics

Value at risk		
	Quarter ended 9/30/03	
	(in Millions)	
One day VaR - 95% confidence level		
Trading	\$ 13.3MM	
Non-Trading	\$ 19.3MM	
Aggregate Earnings VaR	\$ 22.4MM	
	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	\$ 56.0
13-36 months	(44.0)
37-60 months	(19.0)
61-120 months	4.0
121+ months	2.0
Total Fair Value	(1.0)
Non-Trading MTM Derivatives	728.0
SFAS 133 Hedges	(156.0)
Non-Power Business Unit Hedges	(25.0)
Total Net Derivative Assets and Liabilities	\$ 546.0

Power Portfolio (Megawatts)	Quarter ended	
	9/30/2003	9/30/2002
Owned	207	1,896
Contracted	8,697	13,256
Total	8,904	15,152

Net Credit Exposure (in Millions)		
	Investment	Total
	Grade	
Gas and electric utilities	\$ 650.9	\$ 660.5
Energy marketers and traders	55.1	63.1
Financial Institutions	53.0	53.0
Other	4.0	7.8
	\$ 763.0	\$ 784.4
Credit Reserves		(50.2)
Net Credit Exposure from Derivative Contracts		\$ 734.2

Credit Support (in Millions)	
As of September 30, 2003	
Prepays	\$112
Margins	\$239
Adequate Assurance	\$120
(Provided by \$400 MM secured Letter of Credit facility)	

Gas Pipeline

(UNAUDITED)

(Dollars in millions)	2002					2003		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Revenues:								
Northwest Pipeline	\$ 71.6	\$ 73.2	\$ 73.0	\$ 79.7	\$ 297.5	\$ 79.6	\$ 81.4	\$ 79.4
Transcontinental Gas Pipe Line	229.7	214.8	249.2	242.6	936.3	243.6	230.6	237.1
Other	3.7	2.5	1.8	-	8.0	0.1	-	0.1
Total revenues	305.0	290.5	324.0	322.3	1,241.8	323.3	312.0	316.6
Segment costs and expenses:								
Costs and operating expenses*	156.1	142.6	138.8	148.4	585.9	141.9	144.9	154.3
Selling, general and administrative expenses*	35.1	46.3	43.4	40.3	165.1	31.7	30.0	33.7
Other (income) expense - net	(1.4)	(0.1)	3.5	18.2	20.2	0.3	25.3	(6.8)
Total segment costs and expenses	189.8	188.8	185.7	206.9	771.2	173.9	200.2	181.2
Equity earnings	19.5	51.7	11.6	5.6	88.4	1.8	2.0	6.0
Income (loss) from investments	-	(12.3)	(2.7)	1.1	(13.9)	-	0.1	-
Reported segment profit:								
Northwest Pipeline	35.9	32.3	40.1	40.8	149.1	45.3	17.2	37.5
Transcontinental Gas Pipe Line	79.7	60.4	104.9	76.4	321.4	106.0	97.1	99.5
Other	19.1	48.4	2.2	4.9	74.6	(0.1)	(0.4)	4.4
Total reported segment profit	134.7	141.1	147.2	122.1	545.1	151.2	113.9	141.4
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	-	0.9	-
Other	-	(27.4)	6.6	(1.2)	(22.0)	-	-	-
Total nonrecurring adjustments	-	(4.4)	12.7	20.5	28.8	-	26.4	-
Recurring segment profit:								
Northwest Pipeline	35.9	36.2	41.3	41.9	155.3	45.3	42.7	37.5
Transcontinental Gas Pipe Line	79.7	79.5	109.8	97.0	366.0	106.0	98.0	99.5
Other	19.1	21.0	8.8	3.7	52.6	(0.1)	(0.4)	4.4
Total recurring segment profit, pre-tax	\$ 134.7	\$ 136.7	\$ 159.9	\$ 142.6	\$ 573.9	\$ 151.2	\$ 140.3	\$ 141.4

Operating statistics

Northwest Pipeline								
Throughput (TBtu)	198.4	173.9	161.6	194.9	728.8	195.1	172.2	146.7
Average daily transportation volumes (TBtu)	2.2	1.9	1.8	2.1	2.0	2.2	1.9	1.6
Average daily firm reserved capacity (TBtu)	2.8	2.9	3.0	3.1	2.9	3.3	2.1	2.3
Transcontinental Gas Pipe Line								
Throughput (TBtu)	449.1	407.7	454.5	469.0	1,780.3	523.5	432.2	426.2
Average daily transportation volumes (TBtu)	5.0	4.5	4.9	4.1	4.9	5.8	4.7	4.6

* Certain amounts have been restated for periods prior to 2nd quarter 2003 to reflect changes in current classifications.

Exploration & Production

(UNAUDITED)

(Dollars in millions)	2002					2003		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Revenues:								
Production	\$ 178.6	\$ 152.1	\$ 160.8	\$ 152.1	\$ 643.6	\$ 174.3	\$ 142.1	\$ 133.3
Gas management	28.9	33.0	24.9	21.5	108.3	36.6	24.4	24.0
Mark-to-market basis derivative	-	7.0	7.2	12.4	26.6	8.3	15.0	1.1
International	6.4	6.8	6.8	7.8	27.8	7.6	8.1	8.4
Other	7.9	22.1	9.7	14.4	54.1	17.1	10.6	1.9
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>	<u>168.7</u>
Segment costs and expenses:								
Depreciation, depletion and amortization	41.0	50.0	45.7	47.1	183.8	46.8	44.5	42.4
Lease operating expenses	14.9	17.9	18.0	19.2	70.0	18.5	16.2	15.1
Operating taxes	9.8	10.8	11.8	10.5	42.9	16.9	15.2	16.4
Exploration expenses and property impairment	7.8	-	2.6	10.0	20.4	1.6	(0.1)	0.8
Selling, general and administrative expenses	14.0	15.8	16.5	17.9	64.2	15.5	15.1	12.9
Gas management expenses	28.9	33.3	24.7	20.9	107.8	35.6	24.0	23.7
Other (income) expense - net	(4.5)	(1.9)	(137.8)	1.0	(143.2)	(5.0)	(93.0)	(2.6)
International	3.0	3.7	1.2	1.7	9.6	2.3	2.1	3.7
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>	<u>112.4</u>
Equity earnings - International	(0.4)	1.0	1.5	1.6	3.7	2.1	2.5	2.5
Reported segment profit	106.5	92.4	228.2	81.5	508.6	113.8	178.7	58.8
Nonrecurring adjustments	(3.9)	0.4	(140.0)	3.3	(140.2)	-	(91.5)	-
Recurring segment profit, pre-tax	\$ 102.6	\$ 92.8	\$ 88.2	\$ 84.8	\$ 368.4	\$ 113.8	\$ 87.2	\$ 58.8

Operating statistics

Total Net Volumes (Bcfe)	49.2	51.1	48.5	46.4	195.2	45.3	45.7	42.4
Net volumes per day (MMcfe/d)	547	561	527	505	535	504	502	461
Net realized price (\$/Mcf) (1)	\$ 3.630	\$ 2.977	\$ 3.315	\$ 3.275	\$ 3.296	\$ 3.845	\$ 3.112	\$ 3.141
Production taxes per Mcfe	\$ 0.199	\$ 0.211	\$ 0.244	\$ 0.225	\$ 0.220	\$ 0.373	\$ 0.333	\$ 0.386
Lease operating expense per Mcfe	\$ 0.302	\$ 0.351	\$ 0.371	\$ 0.415	\$ 0.359	\$ 0.408	\$ 0.356	\$ 0.355

(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.

Midstream Gas & Liquids

(UNAUDITED)

(Dollars in millions)	2002					2003		
	1st Qtr*	2nd Qtr*	3rd Qtr*	4th Qtr*	Year*	1st Qtr*	2nd Qtr*	3rd Qtr
Revenues:								
Domestic:								
Gathering	\$ 91.3	\$ 89.4	\$ 92.7	\$ 93.1	\$ 366.5	\$ 91.6	\$ 93.6	\$ 88.8
Processing	20.5	22.2	23.9	25.7	92.3	23.8	24.5	23.1
NGL sales	86.0	105.1	129.9	142.9	463.9	176.3	97.6	113.0
NGL trading	21.0	26.4	33.9	14.7	96.0	760.8	363.0	537.1
Canada	67.7	80.5	85.8	124.3	358.3	156.3	132.6	151.9
Venezuela	37.0	36.1	35.4	37.4	145.9	25.2	35.9	39.5
Other	25.2	27.9	28.8	33.0	114.9	41.9	42.6	42.6
Intrasegment eliminations	(19.8)	(25.6)	(24.9)	(18.2)	(88.5)	(262.2)	(158.9)	(155.0)
Total revenues	<u>328.9</u>	<u>362.0</u>	<u>405.5</u>	<u>452.9</u>	<u>1,549.3</u>	<u>1,013.7</u>	<u>630.9</u>	<u>841.0</u>
Segment costs and expenses:								
Costs and operating expenses	245.5	280.8	265.8	340.2	1,132.3	866.7	548.1	743.7
Selling, general and administrative expenses	28.5	29.6	29.7	23.5	111.3	23.8	26.0	24.3
Other (income) expense - net	3.5	9.6	5.7	121.3	140.1	3.8	0.7	3.0
Total segment costs and expenses	<u>277.5</u>	<u>320.0</u>	<u>301.2</u>	<u>485.0</u>	<u>1,383.7</u>	<u>894.3</u>	<u>574.8</u>	<u>771.0</u>
Equity earnings (losses)	1.6	3.6	7.3	5.1	17.6	(3.2)	(2.8)	(1.1)
Income (loss) from investments	-	-	-	-	-	-	(3.7)	5.4
Reported segment profit	53.0	45.6	111.6	(27.0)	183.2	116.2	49.6	74.3
Nonrecurring adjustments	-	5.6	5.0	115.0	125.6	-	8.5	(1.2)
Recurring segment profit, pre-tax	\$ 53.0	\$ 51.2	\$ 116.6	\$ 88.0	\$ 308.8	\$ 116.2	\$ 58.1	\$ 73.1

Operating statistics

Field services:								
Gathering volumes (TBtu)	511.0	511.1	549.6	541.3	2,113.0	547.9	551.1	559.4
Gathering margins (\$/MMBtu)	\$ 0.1786	\$ 0.1759	\$ 0.1836	\$ 0.1740	\$ 0.1747	\$ 0.1673	\$ 0.1698	\$ 0.1588
Processing volumes (TBtu)	139.9	148.3	154.7	163.0	605.9	163.3	152.9	195.0
Processing margins (\$/MMBtu)	\$ 0.1404	\$ 0.1455	\$ 0.1517	\$ 0.1561	\$ 0.1488	\$ 0.1436	\$ 0.1583	\$ 0.1169
Natural gas liquids sales (million gallons)	292.6	296.4	333.6	271.5	1,194.1	300.2	199.5	228.4
Processing margins - liquid sales based (\$/gallon)	\$ 0.0539	\$ 0.0761	\$ 0.1175	\$ 0.1275	\$ 0.0939	\$ 0.1712	\$ 0.0802	\$ 0.0618
Canadian natural gas liquids sales (million gallons)	377.2	338.1	299.7	346.4	1,361.4	276.9	396.1	324.2
Canadian net liquids margin (\$/gallon)	\$ 0.0233	\$ 0.0342	\$ 0.0746	\$ 0.0678	\$ 0.0486	\$ 0.0648	\$ 0.0381	\$ 0.3201
NGL Trading (MBPD)	371.8	296.6	215.1	240.0	272.4	254.8	168.8	205.5
Olefins ethylene production (thousand pounds)	88,667	130,651	100,077	51,686	371,081	100,026	99,884	98,527

* 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*	3rd Qtr	
Capital expenditures:									
Power	\$ 10.5	\$ 13.6	\$ 4.0	\$ 107.7	\$ 135.8	\$ 0.2	\$ 0.1	\$ 1.1	
Gas Pipeline:									
Northwest Pipeline	19.8	38.5	56.5	67.0	181.8	56.0	77.1	117.7	
Transcontinental Gas Pipe Line	78.0	136.7	170.3	55.1	440.1	54.5	46.1	32.8	
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	150.5	
Exploration & Production	80.2	111.1	78.6	94.2	364.1	55.7	30.4	38.1	
Midstream Gas & Liquids	130.6	132.1	100.1	87.8	450.6	68.0	60.9	94.3	
Other	12.4	7.2	1.3	36.4	57.3	0.7	0.1	0.4	
Total	\$ 342.7	\$ 450.8	\$ 421.0	\$ 448.3	\$ 1,662.8	\$ 235.1	\$ 214.7	\$ 284.4	
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	6.0	
Other	21.2	30.1	8.9	-	60.2	0.5	1.2	1.3	
Total	\$ 149.9	\$ 139.4	\$ (6.0)	\$ 25.4	\$ 308.7	\$ 5.7	\$ 7.6	\$ 7.3	
Summary:									
Power	\$ 10.5	\$ 13.6	\$ 4.0	\$ 107.7	\$ 135.8	\$ 0.2	\$ 0.1	\$ 1.1	
Gas Pipeline	231.0	268.1	249.0	140.7	888.8	113.0	127.2	150.5	
Exploration & Production	80.2	111.1	78.6	101.1	371.0	57.5	30.4	38.1	
Midstream Gas & Liquids	137.3	160.1	73.2	87.8	458.4	68.9	63.3	100.3	
Other	33.6	37.3	10.2	36.4	117.5	1.2	1.3	1.7	
Total	\$ 492.6	\$ 590.2	\$ 415.0	\$ 473.7	\$ 1,971.5	\$ 240.8	\$ 222.3	\$ 291.7	
Cumulative summary:									
Power	\$ 10.5	\$ 24.1	\$ 28.1	\$ 135.8	\$ 135.8	\$ 0.2	\$ 0.3	\$ 1.4	
Gas Pipeline	231.0	499.1	748.1	888.8	888.8	113.0	240.2	390.7	
Exploration & Production	80.2	191.3	269.9	371.0	371.0	57.5	87.9	126.0	
Midstream Gas & Liquids	137.3	297.4	370.6	458.4	458.4	68.9	132.2	232.5	
Other	33.6	70.9	81.1	117.5	117.5	1.2	2.5	4.2	
Total	\$ 492.6	\$ 1,082.8	\$ 1,497.8	\$ 1,971.5	\$ 1,971.5	\$ 240.8	\$ 463.1	\$ 754.8	

* 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*	3rd Qtr
Depreciation, depletion and amortization:								
Power	\$ 6.5	\$ 7.4	\$ 8.6	\$ 10.6	\$ 33.1	\$ 7.8	\$ 7.5	\$ 9.7
Gas Pipeline:								
Northwest Pipeline	15.8	15.4	15.4	16.7	63.3	16.8	17.0	17.2
Transcontinental Gas Pipe Line	39.6	39.7	37.5	40.9	157.7	41.1	45.2	44.6
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	61.8
Exploration & Production	41.0	50.0	45.7	47.1	183.8	46.8	44.5	42.4
Midstream Gas & Liquids	42.5	44.9	44.7	49.4	181.5	48.8	49.7	49.9
Other	3.6	7.6	11.8	14.3	37.3	6.4	4.9	4.0
Total	<u>\$ 150.7</u>	<u>\$ 166.8</u>	<u>\$ 165.0</u>	<u>\$ 179.1</u>	<u>\$ 661.6</u>	<u>\$ 167.7</u>	<u>\$ 168.8</u>	<u>\$ 167.8</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	\$ 3,428.0
Total assets	\$ 40,117.5	\$ 37,565.6	\$ 35,867.7	\$ 34,988.5	\$ 34,988.5	\$ 35,442.3	\$ 33,853.0	\$ 30,301.7
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	\$ 1,919.9
Noncurrent	\$ 11,515.6	\$ 11,254.3	\$ 11,476.2	\$ 11,076.7	\$ 11,076.7	\$ 9,761.4	\$ 11,209.7	\$ 10,990.1
Stockholders' equity	\$ 6,042.5	\$ 5,618.3	\$ 5,369.0	\$ 5,049.0	\$ 5,049.0	\$ 4,152.9	\$ 4,001.5	\$ 4,195.4
Debt to debt-plus-equity ratio	70.0%	70.1%	71.8%	72.2%	72.2%	75.7%	76.5%	75.5%

(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.