



Financial Highlights and Operating Statistics
(UNAUDITED)

Final

December 31, 2003

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

	2002					2003				
	1st Qtr ⁽¹⁾	2nd Qtr ⁽¹⁾	3rd Qtr ⁽¹⁾	4th Qtr ⁽¹⁾	Year ⁽¹⁾	1st Qtr ⁽¹⁾	2nd Qtr ⁽¹⁾	3rd Qtr	4th Qtr	Year
Income (loss) from continuing operations⁽²⁾	\$46.5	(\$335.8)	(\$171.2)	(\$151.2)	(\$611.7)	(\$39.3)	\$116.2	\$22.8	(\$84.5)	\$15.2
Preferred stock dividends	69.7	6.8	6.8	6.8	90.1	6.8	22.7	-	0.0	29.5
Income (loss) from continuing operations available to common stockholder	<u>(\$23.2)</u>	<u>(\$342.6)</u>	<u>(\$178.0)</u>	<u>(\$158.0)</u>	<u>(\$701.8)</u>	<u>(\$46.1)</u>	<u>\$93.5</u>	<u>\$22.8</u>	<u>(\$84.5)</u>	<u>(\$14.3)</u>
Income (loss) from continuing operations - diluted earnings per share	<u>(\$0.05)</u>	<u>(\$0.65)</u>	<u>(\$0.34)</u>	<u>(\$0.31)</u>	<u>(\$1.35)</u>	<u>(\$0.09)</u>	<u>\$0.18</u>	<u>\$0.04</u>	<u>(\$0.16)</u>	<u>(\$0.03)</u>
Nonrecurring items:										
<i>Power</i>										
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 ⁽³⁾	-	57.5	-	3.0	60.5	-	-	-	45.0	45.0
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 ⁽³⁾	-	-	-	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 ⁽⁵⁾	-	-	-	-	-	-	20.0	-	-	20.0
Prior period item correction ⁽⁴⁾	-	-	-	-	-	-	(105.0)	-	(12.0)	(117.0)
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)
Hazleton impairment	-	-	-	-	-	-	-	-	44.1	44.1
California rate refund and other accrual adjustments ⁽⁵⁾	-	-	-	-	-	-	-	-	33.3	33.3
Total Power nonrecurring items	-	148.4	19.0	104.0	271.4	11.8	(266.5)	(26.5)	110.4	(170.8)
<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	-	-	-	0.1	25.6
Write-off of Oneline information system project	-	-	-	-	-	-	25.5	-	-	0.9
Severance accrual	-	-	-	-	-	-	0.9	-	-	0.9
Total Gas Pipeline nonrecurring items	-	(4.4)	12.7	20.5	28.8	-	26.4	-	0.1	26.5
<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	-	-	-	-	-
Total Exploration & Production nonrecurring items	(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 ⁽³⁾	-	-	-	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)
Impairment of Canadian assets	-	-	-	-	-	-	-	-	41.7	41.7
Gain on sale of wholesale propane	-	-	-	-	-	-	-	-	(16.2)	(16.2)
Total Midstream Gas & Liquids nonrecurring items	-	5.6	5.0	115.0	125.6	-	8.5	(1.2)	25.5	32.8
<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 ⁽⁶⁾	-	-	-	-	-	-	49.6	-	-	49.6
Gain on sale of butane blending inventory	-	-	-	-	-	-	-	(9.2)	-	(9.2)
Total Other nonrecurring items	-	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	(273.5)	(36.9)	136.0	(162.6)
Nonrecurring items below segment profit (loss)										
<i>Estimated loss on realization of amounts from</i>										
<i>WitTel Communications Group, Inc. (Investing income (loss) - Corporate)</i>	232.0	15.0	22.9	(1.2)	268.7	-	-	-	-	-
<i>Costs associated with business & liquidity issue resolution (Interest accrued, minority interest, and other income (expense) - net - Various)</i>	-	-	21.7	-	21.7	-	-	-	-	-
<i>Strategic realignment-related charges (General corporate expenses)</i>	-	-	3.6	-	3.6	-	-	-	-	-
<i>Corporate asset impairments (Other income (expense) - net - Corporate)</i>	-	-	4.0	-	4.0	-	-	-	-	-
<i>Convertible preferred stock dividends⁽³⁾ (Preferred stock dividends - Corporate)</i>	69.4	-	-	-	69.4	-	13.8	-	-	13.8
<i>Gain on disposition of Prudential shares received from demutualization (Other income (expense) - net - Gas Pipeline)</i>	-	(11.0)	-	-	(11.0)	-	-	-	-	-
<i>Early retirement expense (General corporate expenses)</i>	-	6.2	-	-	6.2	-	-	-	-	-
<i>Write-off of James River accrued dividends/investment (Other income (expense) - net - Corporate)</i>	-	-	-	8.5	8.5	-	-	-	-	-
<i>Impairment of cost based investments⁽³⁾ (Investing income (loss) - Various)</i>	-	-	-	-	-	-	19.1	2.3	-	21.4
<i>Severance accrual (General corporate expenses)</i>	-	-	-	2.7	2.7	-	3.0	-	-	3.0
<i>Executive retirement expenses (General corporate expenses)</i>	-	-	-	2.2	2.2	-	-	-	-	-
<i>Deferred stock award modification (General corporate expenses)</i>	-	-	-	(1.1)	(1.1)	-	-	-	-	-
<i>Impairment of Algar Telecom investment (Investing income (loss) - International)</i>	-	-	-	-	-	12.0	-	1.2	-	13.2
<i>Write-off of capitalized debt expense (Interest accrued - Corporate)</i>	-	-	-	-	-	-	14.5	-	-	14.5
<i>Debt tender offer premiums and adjustments (Other income (expense) - net - Corporate)</i>	-	-	-	-	-	-	-	-	66.8	66.8
	301.4	10.2	52.2	11.1	374.9	12.0	50.4	3.5	66.8	132.7
Total nonrecurring items	297.5	166.7	(102.6)	256.9	618.5	23.8	(223.1)	(33.4)	202.8	(29.9)
Tax effect for above items	83.5	39.5	(39.2)	52.4	138.4	9.1	(113.3)	(13.7)	56.7	(61.2)
Recurring income (loss) from continuing operations	<u>\$190.8</u>	<u>(\$215.4)</u>	<u>(\$241.4)</u>	<u>\$46.5</u>	<u>(\$221.7)</u>	<u>(\$31.4)</u>	<u>(\$16.3)</u>	<u>\$3.1</u>	<u>\$61.6</u>	<u>\$17.0</u>
Recurring diluted earnings per common share	<u>\$0.37</u>	<u>(\$0.41)</u>	<u>(\$0.47)</u>	<u>\$0.09</u>	<u>(\$0.43)</u>	<u>(\$0.06)</u>	<u>\$ (0.03)</u>	<u>\$0.01</u>	<u>\$0.12</u>	<u>\$0.03</u>
Weighted-average shares - diluted (thousands)	521,240	520,427	516,901	517,104	516,793	517,652	534,839	524,711	518,502	518,137

⁽¹⁾ Amounts have been restated to reflect certain operations as discontinued operations.

⁽²⁾ Includes \$126.8 million positive valuation adjustment associated with agreement to terminate contract with Allegheny in second quarter 2003.

⁽³⁾ No tax benefit

⁽⁴⁾ Power recognized \$80.7 million of revenue in the second quarter of 2003 from a correction of the accounting treatment previously applied to certain third party derivative contracts during 2002 and 2001. Results for 2003 include \$117 million of revenue related to these prior period items, of which \$24 million was recorded prior to the second quarter correction, and \$12 million was subsequently reported in the fourth quarter.

⁽⁵⁾ For \$5.6 million, no tax benefit

⁽⁶⁾ For \$20.2 million, no tax benefit

Consolidated Statement of Operations
(UNAUDITED)

	2002					2003				
	1st Qtr**	2nd Qtr**	3rd Qtr**	4th Qtr**	Year**	1st Qtr**	2nd Qtr**	3rd Qtr	4th Qtr	Year
Revenues*	\$ 1,204.0	\$ 671.3	\$ 719.2	\$ 1,122.1	\$ 3,716.6	\$ 4,832.6	\$ 3,657.0	\$ 4,795.3	\$ 3,549.2	\$ 16,834.1
Segment costs and expenses:										
Costs and operating expenses*	524.7	542.4	527.3	624.2	2,218.6	4,473.5	3,064.9	4,434.7	3,183.7	15,156.8
Selling, general and administrative expenses	132.0	162.6	158.1	116.0	568.7	107.4	116.9	97.3	90.6	412.2
Other (income) expense - net	0.2	146.7	(109.8)	239.7	276.8	0.6	(225.1)	(24.8)	160.6	(88.7)
Total segment costs and expenses*	656.9	851.7	575.6	979.9	3,064.1	4,581.5	2,956.7	4,507.2	3,434.9	15,480.3
Equity earnings (losses)	7.3	53.6	19.1	(7.0)	73.0	4.4	1.0	6.8	8.1	20.3
Income (loss) from investments	-	(12.3)	55.1	(0.7)	42.1	-	(46.1)	17.6	3.2	(25.3)
Intercompany interest rate swaps	14.1	(83.0)	(71.0)	(1.5)	(141.4)	(5.9)	(16.7)	10.0	9.7	(2.9)
Total segment profit (loss)	568.5	(222.1)	146.8	133.0	626.2	249.6	638.5	322.5	135.3	1,345.9
Reclass equity (earnings) losses	(7.3)	(53.6)	(19.1)	7.0	(73.0)	(4.4)	(1.0)	(6.8)	(8.1)	(20.3)
Reclass (income) loss from investments	-	12.3	(55.1)	0.7	(42.1)	-	46.1	(17.6)	(3.2)	25.3
Reclass intercompany interest rate swaps	(14.1)	83.0	71.0	1.5	141.4	5.9	16.7	(10.0)	(9.7)	2.9
General corporate expenses	(38.2)	(34.1)	(44.1)	(26.4)	(142.8)	(22.9)	(21.8)	(17.8)	(24.5)	(87.0)
Operating income (loss)	508.9	(214.5)	99.5	115.8	509.7	228.2	678.5	270.3	89.8	1,266.8
Interest accrued	(204.0)	(253.7)	(341.5)	(360.4)	(1,159.6)	(352.8)	(406.0)	(276.3)	(251.3)	(1,286.4)
Interest capitalized	4.8	6.3	7.2	9.0	27.3	11.9	11.3	11.4	10.9	45.5
Interest rate swap income (loss)	10.2	(83.2)	(52.2)	1.0	(124.2)	(2.8)	(6.1)	2.5	4.2	(2.2)
Investing income (loss):										
Estimated loss on realization of amounts from Wiltel	(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	29.6	73.4
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)	(4.3)	(19.4)
Other income (expense) - net	(5.2)	23.7	0.5	5.3	24.3	22.1	13.9	3.7	(65.8)	(26.1)
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	(186.9)	51.6
Provision (benefit) for income taxes	39.5	(158.6)	(72.2)	(74.4)	(265.7)	(11.3)	126.3	23.8	(102.4)	36.4
Income (loss) from continuing operations	46.5	(335.8)	(171.2)	(151.2)	(611.7)	(39.3)	116.2	22.8	(84.5)	15.2
Income (loss) from discontinued operations	61.2	(13.3)	(122.9)	(68.0)	(143.0)	(13.9)	153.5	83.5	30.8	253.9
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	(53.7)	269.1
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	(53.7)	(492.2)
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	\$ (53.7)	\$ (521.7)
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	\$ (0.16)	\$ (0.03)
Income (loss) from discontinued operations	0.12	(0.03)	(0.24)	(0.13)	(0.28)	(0.03)	0.29	0.16	0.06	0.49
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	(0.10)	0.46
Cumulative effect of change in accounting principles	-	-	-	-	-	(1.47)	-	-	-	(1.47)
Net income (loss)	\$ 0.07	\$ (0.68)	\$ (0.58)	\$ (0.44)	\$ (1.63)	\$ (1.59)	\$ 0.46	\$ 0.20	\$ (0.10)	\$ (1.01)
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	518,502	518,137
Common shares outstanding at end of period (thousands)	516,216	516,404	516,516	516,731	516,731	517,538	517,677	517,961	518,232	518,232
Market price per common share (end of period)	\$ 23.56	\$ 5.99	\$ 2.26	\$ 2.70	\$ 2.70	\$ 4.58	\$ 7.90	\$ 9.42	\$ 9.82	\$ 9.82
Common dividends per share	\$ 0.20	\$ 0.20	\$ 0.01	\$ 0.01	\$ 0.42	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.04

* 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 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	4th Qtr	Year
Segment profit (loss):										
Power *	\$ 283.1	\$ (497.5)	\$ (387.6)	\$ (22.8)	\$ (624.8)	\$ (136.4)	\$ 348.0	\$ 43.9	* \$ (101.4)	* \$ 154.1
Gas Pipeline	134.7	141.1	147.2	122.1	545.1	151.2	113.9	141.4	148.4	554.9
Exploration & Production	106.5	92.4	228.2	81.5	508.6	113.8	178.7	58.8	50.1	401.4
Midstream Gas & Liquids	53.0	45.6	111.6	(27.0)	183.2	116.2	49.6	74.3	45.9	286.0
Other	(8.8)	(3.7)	47.4	(20.8)	14.1	4.8	(51.7)	4.1	(7.7)	(50.5)
Total segment profit (loss)	\$ 568.5	\$ (222.1)	\$ 146.8	\$ 133.0	\$ 626.2	\$ 249.6	\$ 638.5	\$ 322.5	\$ 135.3	\$ 1,345.9
Nonrecurring adjustments:										
Power	\$ -	\$ 148.4	\$ 19.0	\$ 104.0	\$ 271.4	\$ 11.8	\$ (266.5)	\$ (26.5)	\$ 110.4	\$ (170.8)
Gas Pipeline	-	(4.4)	12.7	20.5	28.8	-	26.4	-	0.1	26.5
Exploration & Production	(3.9)	0.4	(140.0)	3.3	(140.2)	-	(91.5)	-	-	(91.5)
Midstream Gas & Liquids	-	5.6	5.0	115.0	125.6	-	8.5	(1.2)	25.5	32.8
Other	-	6.5	(51.5)	3.0	(42.0)	-	49.6	(9.2)	-	40.4
Total segment nonrecurring adjustments	\$ (3.9)	\$ 156.5	\$ (154.8)	\$ 245.8	\$ 243.6	\$ 11.8	\$ (273.5)	\$ (36.9)	\$ 136.0	\$ (162.6)
Recurring segment profit (loss):										
Power *	\$ 283.1	\$ (349.1)	\$ (368.6)	\$ 81.2	\$ (353.4)	\$ (124.6)	\$ 81.5	\$ 17.4	\$ 9.0	\$ (16.7)
Gas Pipeline	134.7	136.7	159.9	142.6	573.9	151.2	140.3	141.4	148.5	581.4
Exploration & Production	102.6	92.8	88.2	84.8	368.4	113.8	87.2	58.8	50.1	309.9
Midstream Gas & Liquids	53.0	51.2	116.6	88.0	308.8	116.2	58.1	73.1	71.4	318.8
Other	(8.8)	2.8	(4.1)	(17.8)	(27.9)	4.8	(2.1)	(5.1)	(7.7)	(10.1)
Total recurring segment profit (loss)	\$ 564.6	\$ (65.6)	\$ (8.0)	\$ 378.8	\$ 869.8	\$ 261.4	\$ 365.0	\$ 285.6	\$ 271.3	\$ 1,183.3

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	4th Qtr	Year
Revenues:*										
Natural gas & power	\$ 208.3	\$ (206.7)	\$ (312.5)	\$ 116.5	\$ (194.4)	\$ 3,330.5	\$ 2,879.8	\$ 3,848.5	\$ 2,485.1	\$ 12,543.9
Crude & refined products	120.5	(73.7)	(42.4)	(18.6)	(14.2)	751.6	225.9	242.8	198.9	1,419.2
Other	26.2	1.8	64.7	30.7	123.4	(306.5)	(182.2)	(192.9)	(88.9)	(770.5)
Total revenues	355.0	(278.6)	(290.2)	128.6	(85.2)	3,775.6	2,923.5	3,898.4	2,595.1	\$ 13,192.6
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	2,562.3	12,990.0
Selling, general and administrative expenses	51.0	63.3	65.3	29.5	209.1	36.4	44.1	26.2	17.3	124.0
Other (income) expense - net	2.0	139.4	14.3	94.2	249.9	1.5	(172.8)	(8.9)	116.4	(63.8)
Total segment costs and expenses	67.9	218.9	97.4	143.7	527.9	3,912.0	2,575.5	3,866.7	2,696.0	13,050.2
Equity earnings (losses)	(4.0)	-	-	(5.7)	(9.7)	-	-	-	-	-
Income (loss) from investments	-	-	-	(2.0)	(2.0)	-	-	12.2	(0.5)	11.7
Reported segment profit (loss)	283.1	(497.5)	(387.6)	(22.8)	(624.8)	(136.4)	348.0	43.9	(101.4)	154.1
Nonrecurring adjustments	-	148.4	19.0	104.0	271.4	11.8	(266.5)	(26.5)	110.4	(170.8)
Recurring segment profit (loss), pre-tax	\$ 283.1	\$ (349.1)	\$ (368.6)	\$ 81.2	\$ (353.4)	\$ (124.6)	\$ 81.5	\$ 17.4	\$ 9.0	\$ (16.7)

* Power's segment profit includes the effect of intercompany interest rate swaps entered into with the corporate parent.

Operating statistics

Volumes	2002	2003	2003	2003	2003	2003	2003	2003	2003	
Natural gas (Bcfd)	4.5	3.6	3.8	3.4	3.8	3.5	2.5	2.4	2.4	2.7
Crude & refined products (MBPD)	1,225.6	1,246.8	566.2	303.2	832.2	144.4	37.3	60.0	66.0	77.0
Power (GWh)	110,536	97,463	137,553	59,160	404,711	40,536	35,589	53,054	36,729	165,908

Additional statistics

Value at risk

	Quarter ended 12/31/03 (in Millions)
One day VaR - 95% confidence level	
Trading	\$4.6MM
Non-Trading	\$18.4MM
Aggregate Earnings VaR	\$20.2MM
	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	\$ (2.9)
13-36 months	25.0
37-60 months	21.8
61-120 months	(5.5)
121+ months	0.5
Total Fair Value	38.9
Non-Trading MTM Derivatives	754.1
SFAS 133 Hedges	(267.7)
Non-Power Business Unit Hedges	(51.1)
Total Net Derivative Assets and Liabilities	\$ 474.2

Power Portfolio (Megawatts)

	Year Ended	
	12/31/2003	12/31/2002
Owned	222	377
Contracted	8,869	13,256
Total	9,091	13,633

Net Credit Exposure (in Millions)

	Investment	
	Grade	Total
Gas and electric utilities	\$ 606.1	\$ 629.4
Energy marketers and traders	52.1	376.3
Financial institutions	160.4	160.4
Other	-	0.2
	\$ 818.6	\$ 1,166.3
Credit Reserves		(39.8)
Net Credit Exposure from Derivative Contracts		\$ 1,126.5

Credit Support (in Millions)

As of December 31, 2003	
Prepays	\$151
Margins	\$408
Adequate Assurance	\$119
(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	4th Qtr	Year
Revenues:										
Northwest Pipeline	\$ 71.6	\$ 73.2	\$ 73.0	\$ 79.7	\$ 297.5	\$ 79.6	\$ 81.4	\$ 79.4	\$ 87.3	\$ 327.7
Transcontinental Gas Pipe Line	229.7	214.8	249.2	242.6	936.3	243.6	230.6	237.1	259.5	970.8
Other	3.7	2.5	1.8	-	8.0	0.1	-	0.1	0.3	0.5
Total revenues	305.0	290.5	324.0	322.3	1,241.8	323.3	312.0	316.6	347.1	1,299.0
Segment costs and expenses:										
Costs and operating expenses*	156.1	142.6	138.8	148.4	585.9	141.9	144.9	154.3	165.9	607.0
Selling, general and administrative expenses†	35.1	46.3	43.4	40.3	165.1	31.7	30.0	33.7	37.5	132.9
Other (income) expense - net	(1.4)	(0.1)	3.5	18.2	20.2	0.3	25.3	(6.8)	1.3	20.1
Total segment costs and expenses	189.8	188.8	185.7	206.9	771.2	173.9	200.2	181.2	204.7	760.0
Equity earnings	19.5	51.7	11.6	5.6	88.4	1.8	2.0	6.0	6.0	15.8
Income (loss) from investment:	-	(12.3)	(2.7)	1.1	(13.9)	-	0.1	-	-	0.1
Reported segment profit:										
Northwest Pipeline	35.9	32.3	40.1	40.8	149.1	45.3	17.2	37.5	46.3	146.3
Transcontinental Gas Pipe Line	79.7	60.4	104.9	76.4	321.4	106.0	97.1	99.5	96.9	399.5
Other	19.1	48.4	2.2	4.9	74.6	(0.1)	(0.4)	4.4	5.2	9.1
Total reported segment profit	134.7	141.1	147.2	122.1	545.1	151.2	113.9	141.4	148.4	554.9
Nonrecurring adjustments:										
Northwest Pipeline	-	3.9	1.2	1.1	6.2	-	25.5	-	0.1	25.6
Transcontinental Gas Pipe Line	-	19.1	4.9	20.6	44.6	-	0.9	-	-	0.9
Other	-	(27.4)	6.6	(1.2)	(22.0)	-	-	-	-	-
Total nonrecurring adjustments	-	(4.4)	12.7	20.5	28.8	-	26.4	-	0.1	26.5
Recurring segment profit:										
Northwest Pipeline	35.9	36.2	41.3	41.9	155.3	45.3	42.7	37.5	46.4	171.9
Transcontinental Gas Pipe Line	79.7	79.5	109.8	97.0	366.0	106.0	98.0	99.5	96.9	400.4
Other	19.1	21.0	8.8	3.7	52.6	(0.1)	(0.4)	4.4	5.2	9.1
Total recurring segment profit, pre-tax	\$ 134.7	\$ 136.7	\$ 159.9	\$ 142.6	\$ 573.9	\$ 151.2	\$ 140.3	\$ 141.4	\$ 148.5	\$ 581.4

Operating statistics

Northwest Pipeline										
Throughput (TBtu)	198.4	173.9	161.6	194.9	728.8	195.1	172.2	146.7	167.7	681.7
Average daily transportation volumes (TBtu)	2.2	1.9	1.8	2.1	2.0	2.2	1.9	1.6	1.8	1.9
Average daily firm reserved capacity (TBtu)	2.8	2.9	3.0	3.1	2.9	3.3	2.1	2.3	2.5	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	488.0	1,869.9
Average daily transportation volumes (TBtu)	5.0	4.5	4.9	4.1	4.9	5.8	4.7	4.6	5.3	5.1
Average daily firm reserved capacity (TBtu)	6.1	6.5	6.6	6.4	6.4	6.6	6.3	6.4	6.6	6.5

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

Exploration & Production
(UNAUDITED)

(Dollars in millions)	2002					2003				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year
Revenues:										
Production	\$ 178.6	\$ 152.1	\$ 160.8	\$ 152.1	\$ 643.6	\$ 174.3	\$ 142.1	\$ 133.3	\$ 128.0	\$ 577.7
Gas management	28.9	33.0	24.9	21.5	108.3	36.6	24.4	24.0	26.8	111.8
Net nonqualified hedge derivative income (loss)	-	7.0	7.2	12.4	26.6	8.3	15.0	1.1	(0.3)	24.1
International	6.4	6.8	6.8	7.8	27.8	7.6	8.1	8.4	9.0	33.1
Other	7.9	22.1	9.7	14.4	54.1	17.1	10.6	1.9	3.4	33.0
Total revenues	221.8	221.0	209.4	208.2	860.4	243.9	200.2	168.7	166.9	779.7
Segment costs and expenses:										
Depreciation, depletion and amortization (including International)	41.0	50.0	45.7	47.1	183.8	46.8	44.5	42.4	40.2	173.9
Lease operating expenses	14.9	17.9	18.0	19.2	70.0	18.5	16.2	15.1	19.2	69.0
Operating taxes	9.8	10.8	11.8	10.5	42.9	16.9	15.2	16.4	13.1	61.6
Exploration expenses and property impairment	7.8	-	2.6	10.0	20.4	1.6	(0.1)	0.8	0.8	3.1
Selling, general and administrative expenses (including International)	14.0	15.8	16.5	17.9	64.2	15.5	15.1	12.9	13.4	56.9
Gas management expenses	28.9	33.3	24.7	20.9	107.8	35.6	24.0	23.7	26.7	110.0
Other (income) expense - net	(4.5)	(1.9)	(137.8)	1.0	(143.2)	(5.0)	(93.0)	(2.6)	0.4	(100.2)
International (excluding DD&A and SG&A)	3.0	3.7	1.2	1.7	9.6	2.3	2.1	3.7	4.8	12.9
Total segment costs and expenses	114.9	129.6	(17.3)	128.3	355.5	132.2	24.0	112.4	118.6	387.2
Equity earnings - International	(0.4)	1.0	1.5	1.6	3.7	2.1	2.5	2.5	1.8	8.9
Reported segment profit	106.5	92.4	228.2	81.5	508.6	113.8	178.7	58.8	50.1	401.4
Nonrecurring adjustments	(3.9)	0.4	(140.0)	3.3	(140.2)	-	(91.5)	-	-	(91.5)
Recurring segment profit, pre-tax	\$ 102.6	\$ 92.8	\$ 88.2	\$ 84.8	\$ 368.4	\$ 113.8	\$ 87.2	\$ 58.8	\$ 50.1	\$ 309.9

Operating statistics

Domestic:										
Total domestic net volumes (Bcfe)	49.2	51.1	48.5	46.4	195.2	45.3	45.7	42.4	41.1	174.5
Net domestic volumes per day (MMcfe/d)	547	561	527	505	535	504	502	461	447	478
Net domestic realized price (\$/Mcf) (1)	\$ 3.630	\$ 2.977	\$ 3.315	\$ 3.275	\$ 3.296	\$ 3.845	\$ 3.112	\$ 3.141	\$ 3.115	\$ 3.310
Production taxes per Mcfe	\$ 0.199	\$ 0.211	\$ 0.244	\$ 0.225	\$ 0.220	\$ 0.373	\$ 0.333	\$ 0.386	\$ 0.317	\$ 0.353
Lease operating expense per Mcfe	\$ 0.302	\$ 0.351	\$ 0.371	\$ 0.415	\$ 0.359	\$ 0.408	\$ 0.356	\$ 0.355	\$ 0.467	\$ 0.395
(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.										
International:										
Total volumes including Equity Investee (Bcfe)	5.1	5.0	5.1	5.1	20.3	4.9	5.2	5.4	5.4	20.9
Volumes per day (MMcfe/d)	57	55	55	55	56	54	57	59	59	57
Volumes net to Williams (after minority interest) (Bcfe)	3.9	3.8	3.8	3.8	15.3	3.7	3.8	4.2	4.1	15.8
Volumes net to Williams per day (Mmcfe/d)	43	42	41	41	42	41	42	46	44	43

Midstream Gas & Liquids

(UNAUDITED)

(Dollars in millions)	2002					2003				
	1st Qtr*	2nd Qtr*	3rd Qtr*	4th Qtr*	Year*	1st Qtr*	2nd Qtr*	3rd Qtr	4th Qtr	Year
Revenues:										
Domestic:										
Gathering	\$ 91.3	\$ 89.4	\$ 92.7	\$ 93.1	\$ 366.5	\$ 91.6	\$ 93.6	\$ 88.8	\$ 89.7	\$ 363.7
Processing	20.5	22.2	23.9	25.7	92.3	23.8	24.5	23.1	22.8	94.2
NGL sales	86.0	105.1	129.9	142.9	463.9	176.3	97.6	113.0	159.1	546.0
NGL trading	21.0	26.4	33.9	(9.4)	71.9	760.8	363.0	537.1	591.2	2,252.1
Canada	67.7	80.5	85.8	124.3	358.3	156.3	132.6	151.9	135.1	575.9
Venezuela	37.0	36.1	35.4	37.4	145.9	25.2	35.9	39.5	36.1	136.7
Other	25.2	27.9	28.8	33.0	114.9	41.9	42.6	42.6	32.5	159.6
Intrasegment eliminations	(19.8)	(25.6)	(24.9)	(18.2)	(88.5)	(262.2)	(158.9)	(155.0)	(232.9)	(809.0)
Total revenues	328.9	362.0	405.5	428.8	1,525.2	1,013.7	630.9	841.0	833.6	3,319.2
Segment costs and expenses:										
Costs and operating expenses	245.5	280.8	265.8	316.1	1,108.2	866.7	548.1	743.7	723.7	2,882.2
Selling, general and administrative expense:	28.5	29.6	29.7	23.5	111.3	23.8	26.0	24.3	22.8	96.9
Other (income) expense - net	3.5	9.6	5.7	121.3	140.1	3.8	0.7	3.0	46.9	54.4
Total segment costs and expenses	277.5	320.0	301.2	460.9	1,359.6	894.3	574.8	771.0	793.4	3,033.5
Equity earnings (losses)	1.6	3.6	7.3	5.1	17.6	(3.2)	(2.8)	(1.1)	1.4	(5.7)
Income (loss) from investments	-	-	-	-	-	-	(3.7)	5.4	4.3	6.0
Reported segment profit (loss)	53.0	45.6	111.6	(27.0)	183.2	116.2	49.6	74.3	45.9	286.0
Nonrecurring adjustments	-	5.6	5.0	115.0	125.6	-	8.5	(1.2)	25.5	32.8
Recurring segment profit, pre-tax	\$ 53.0	\$ 51.2	\$ 116.6	\$ 88.0	\$ 308.8	\$ 116.2	\$ 58.1	\$ 73.1	\$ 71.4	\$ 318.8

Operating statistics

Field services:										
Gathering volumes (TBtu)	511.0	511.1	549.6	541.3	2,113.0	547.9	551.1	559.4	549.1	2,207.5
Gathering margins (\$/MMBtu)	\$ 0.1786	\$ 0.1759	\$ 0.1836	\$ 0.1740	\$ 0.1747	\$ 0.1673	\$ 0.1698	\$ 0.1588	\$ 0.1618	\$ 0.1644
Processing volumes (TBtu)	139.9	148.3	154.7	163.0	605.9	163.3	152.9	195.0	182.5	693.7
Processing margins (\$/MMBtu)	\$ 0.1404	\$ 0.1455	\$ 0.1517	\$ 0.1561	\$ 0.1488	\$ 0.1436	\$ 0.1583	\$ 0.1169	\$ 0.1231	\$ 0.1341
Natural gas liquids sales (million gallons)	292.6	296.4	333.6	271.5	1,194.1	300.2	199.5	228.4	296.7	1,024.8
Processing margins - liquid sales based (\$/gallon)	\$ 0.0539	\$ 0.0761	\$ 0.1175	\$ 0.1275	\$ 0.0939	\$ 0.1712	\$ 0.0802	\$ 0.0618	\$ 0.1070	\$ 0.1106
Canadian natural gas liquids sales (million gallons)	377.2	338.1	299.7	346.4	1,361.4	276.9	396.1	324.2	334.8	1,332.0
Canadian net liquids margin (\$/gallon)	\$ 0.0233	\$ 0.0342	\$ 0.0746	\$ 0.0678	\$ 0.0486	\$ 0.0378	** \$ 0.0334	** \$ 0.0280	** \$ 0.0341	\$ 0.0333
NGL Trading (MBPD)	371.8	296.6	215.1	240.0	272.4	254.8	168.8	205.5	260.9	222.5
Olefins ethylene production (thousand pounds)	88,667	130,651	100,077	51,686	371,081	100,026	99,884	98,527	92,560	390,997

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

** Restated

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	4th Qtr	Year
Capital expenditures:										
Power	\$ 10.5	\$ 13.6	\$ 4.0	\$ 107.7	\$ 135.8	\$ 0.2	\$ 0.1	\$ 1.1	\$ (0.4)	\$ 1.0
Gas Pipeline:										
Northwest Pipeline	19.8	38.5	56.5	67.0	181.8	56.0	77.1	117.7	43.8	294.6
Transcontinental Gas Pipe Line	78.0	136.7	170.3	55.1	440.1	54.5	46.1	32.8	57.2	190.6
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	101.0	485.2
Exploration & Production	80.2	111.1	78.6	94.2	364.1	55.7	30.4	38.1	77.8	202.0
Midstream Gas & Liquids	130.6	132.1	100.1	87.8	450.6	68.0	60.9	94.3	42.9	266.1
Other	12.4	7.2	1.3	36.4	57.3	0.7	0.1	0.4	1.3	2.5
Total	\$ 342.7	\$ 450.8	\$ 421.0	\$ 448.3	\$ 1,662.8	\$ 235.1	\$ 214.7	\$ 284.4	\$ 222.6	\$ 956.8
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	-	-	6.5
Total	122.0	81.3	12.0	18.5	233.8	2.5	4.0	-	-	6.5
Exploration & Production	-	-	-	6.9	6.9	1.8	-	-	-	1.8
Midstream Gas & Liquids	6.7	28.0	(26.9)	-	7.8	0.9	2.4	6.0	127.3	136.6
Other	21.2	30.1	8.9	-	60.2	0.5	1.2	1.3	2.5	5.5
Total	\$ 149.9	\$ 139.4	\$ (6.0)	\$ 25.4	\$ 308.7	\$ 5.7	\$ 7.6	\$ 7.3	\$ 129.8	\$ 150.4
Summary:										
Power	\$ 10.5	\$ 13.6	\$ 4.0	\$ 107.7	\$ 135.8	\$ 0.2	\$ 0.1	\$ 1.1	\$ (0.4)	\$ 1.0
Gas Pipeline	231.0	268.1	249.0	140.7	888.8	113.0	127.2	150.5	101.0	491.7
Exploration & Production	80.2	111.1	78.6	101.1	371.0	57.5	30.4	38.1	77.8	203.8
Midstream Gas & Liquids	137.3	160.1	73.2	87.8	458.4	68.9	63.3	100.3	170.2	402.7
Other	33.6	37.3	10.2	36.4	117.5	1.2	1.3	1.7	3.8	8.0
Total	\$ 492.6	\$ 590.2	\$ 415.0	\$ 473.7	\$ 1,971.5	\$ 240.8	\$ 222.3	\$ 291.7	\$ 352.4	\$ 1,107.2
Cumulative summary:										
Power	\$ 10.5	\$ 24.1	\$ 28.1	\$ 135.8	\$ 135.8	\$ 0.2	\$ 0.3	\$ 1.4	\$ 1.0	\$ 1.0
Gas Pipeline	231.0	499.1	748.1	888.8	888.8	113.0	240.2	390.7	491.7	491.7
Exploration & Production	80.2	191.3	269.9	371.0	371.0	57.5	87.9	126.0	203.8	203.8
Midstream Gas & Liquids	137.3	297.4	370.6	458.4	458.4	68.9	132.2	232.5	402.7	402.7
Other	33.6	70.9	81.1	117.5	117.5	1.2	2.5	4.2	8.0	8.0
Total	\$ 492.6	\$ 1,082.8	\$ 1,497.8	\$ 1,971.5	\$ 1,971.5	\$ 240.8	\$ 463.1	\$ 754.8	\$ 1,107.2	\$ 1,107.2

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	4th Qtr	Year
Depreciation, depletion and amortization:										
Power	\$ 6.5	\$ 7.4	\$ 8.6	\$ 10.6	\$ 33.1	\$ 7.8	\$ 7.5	\$ 9.7	\$ 6.5	\$ 31.5
Gas Pipeline:										
Northwest Pipeline	15.8	15.4	15.4	16.7	63.3	16.8	17.0	17.2	20.0	71.0
Transcontinental Gas Pipe Line	39.6	39.7	37.5	40.9	157.7	41.1	45.2	44.6	45.3	176.2
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	61.8	65.3	247.2
Exploration & Production	41.0	50.0	45.7	47.1	183.8	46.8	44.5	42.4	40.2	173.9
Midstream Gas & Liquids	42.5	44.9	44.7	49.4	181.5	48.8	49.7	49.9	50.5	198.9
Other	3.6	7.6	11.8	14.3	37.3	6.4	4.9	4.0	4.4	19.7
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>	<u>\$ 166.9</u>	<u>\$ 671.2</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	\$ 2,315.7	\$ 2,315.7
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	\$ 27,021.8	\$ 27,021.8
Capital structure:										
Debt										
Current (1)	\$ 2,690.1	\$ 2,009.4	\$ 2,300.9	\$ 2,079.0	\$ 2,079.0	\$ 3,243.5	\$ 1,877.8	\$ 1,981.4	\$ 939.7	\$ 939.7
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	\$ 11,039.8	\$ 11,039.8
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	\$ 4,102.1	\$ 4,102.1
Debt to debt-plus-equity ratio	70.2%	70.2%	72.0%	72.3%	72.3%	75.8%	76.6%	75.6%	74.5%	74.5%

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