

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report: July 23, 2003  
-----

(Date of earliest event reported)

The Williams Companies, Inc.  
-----

(Exact Name of Registrant as Specified in Charter)

Delaware  
-----

1-4174  
-----

73-0569878  
-----

(State or Other  
Jurisdiction of  
Incorporation)

(Commission File Number)

(IRS Employer  
Identification No.)

One Williams Center Tulsa, Oklahoma  
-----

74172  
-----

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code (918) 573-2000

Not Applicable

(Former name or former address, if changed since last report)

Item 5. Other Events

The Williams Companies, Inc. ("Williams") is filing with the Securities and Exchange Commission pro forma financial information reflecting its Texas Gas pipeline operations, its Williams Energy Partners segment, its Alaska refinery and related assets and its interest in the Gulf Liquids New River Project LLC as discontinued operations to supplement Williams' previously issued consolidated financial statements included in Williams' Annual Report on Form 10-K for the year ended December 31, 2002 and Williams' Quarterly Report on Form 10-Q for the quarter ended March 31, 2003. Williams has previously filed Form 8-Ks which included pro forma information reflecting Texas Gas and Williams Energy Partners as discontinued operations.

Item 7. Financial Statements and Exhibits

The Company files the following exhibits as part of this report:

- Exhibit 99.1 Pro forma Financial Information presenting Williams Energy Partners, Texas Gas Transmission Corporation, Alaskan operations and Gulf Liquids New River Project LLC as discontinued operations for the periods included in Williams' Annual Report on Form 10-K for the year ended December 31, 2002
- Exhibit 99.2 Pro forma Financial Information presenting Williams Energy Partners, Texas Gas Transmission Corporation, Alaskan operations and Gulf Liquids New River Project LLC as discontinued operations for the periods included in Williams' Quarterly Report on Form 10-Q for the quarter ended March 31, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

The Williams Companies, Inc.

Date: July 23, 2003

/s/ Brian K. Shore  
-----  
Name: Brian K. Shore  
Title: Corporate Secretary

INDEX TO EXHIBITS

Exhibit  
Number  
Description  
- - - - -  
- - - - -

-----  
Exhibit  
99.1 Pro  
forma  
Financial  
Information  
presenting  
Williams  
Energy  
Partners,  
Texas Gas  
Transmission  
Corporation,  
Alaskan  
operations  
and Gulf  
Liquids New  
River  
Project LLC  
as  
discontinued  
operations  
for the  
periods  
included in  
Williams'  
Annual  
Report on  
Form 10-K  
for the  
year ended  
December  
31, 2002  
Exhibit  
99.2 Pro  
forma  
Financial  
Information  
presenting  
Williams  
Energy  
Partners,  
Texas Gas  
Transmission  
Corporation,  
Alaskan  
operations  
and Gulf  
Liquids New  
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Project LLC  
as  
discontinued  
operations  
for the  
periods  
included in  
Williams'  
Quarterly  
Report on  
Form 10-Q  
for the  
quarter  
ended March  
31, 2003

PRO FORMA FINANCIAL INFORMATION PRESENTING WILLIAMS ENERGY PARTNERS, TEXAS GAS TRANSMISSION CORPORATION, ALASKAN OPERATIONS AND GULF LIQUIDS NEW RIVER PROJECT LLC AS DISCONTINUED OPERATIONS FOR THE PERIODS INCLUDED IN WILLIAMS' ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2002

In April 2003, Williams' Board of Directors approved resolutions that authorized management to execute and deliver, in the name of the sellers, agreements for the sales of its general partner and limited partner interests in Williams Energy Partners and its 5,800-mile Texas Gas pipeline operations. In June 2003, Williams' Board of Directors approved resolutions that authorized management to execute and deliver, in the name of the sellers, agreements for the sales of the assets of Gulf Liquids New River Project LLC and Williams' operating assets located in the state of Alaska including, but not limited to the 220,000 barrels per day crude oil refinery located in North Pole, Alaska, the 29 company-owned convenience stores marketing under the "Williams Express" brand, a 3.0845% interest in the Trans Alaska Pipeline System ("TAPS") and other related assets. The following unaudited pro forma financial information is included to supplement Williams' previously issued consolidated financial statements included in Williams' Annual Report on Form 10-K for the year ended December 31, 2002, to present the operations of Williams Energy Partners, Texas Gas, the Alaskan businesses and Gulf Liquids New River Project LLC as discontinued operations. The combined revenues of these operations previously included in consolidated revenues as reported in Williams' Annual Report on Form 10-K were \$1,489.1 million, \$1,471.0 million and \$1,517.1 million for the years ended December 31, 2002, 2001 and 2000, respectively, and the combined net income of these entities previously included in income (loss) from continuing operations was \$83.4 million, \$153.2 million and \$156.6 million for the years ended December 31, 2002, 2001 and 2000, respectively. The unaudited pro forma consolidated statement of operations does not reflect any potential gain or loss (other than previously recorded impairment charges) related to the expected sales. Consistent with Williams' previously issued consolidated financial statements, other assets and/or businesses are also reported as discontinued operations, those being Kern River, Central, soda ash mining operations, Mid-America and Seminole Pipelines, Midsouth refinery and related assets, Williams travel centers, bio-energy facilities and Williams Communications Group, Inc.

For comparative purposes, income (loss) from continuing operations as reported in Williams' Form 10-K was a loss of \$501.5 million for the year ended December 31, 2002 and income of \$802.7 million and \$820.4 million for the years ended December 31, 2001 and 2000, respectively. Additionally, the reported loss from discontinued operations was \$253.2 million, \$1,280.4 million and \$296.1 million for the years ended December 31, 2002, 2001, and 2000, respectively.

The unaudited pro forma financial information on the following pages should be read in conjunction with the historical financial statements and notes thereto included in the Williams Annual Report on Form 10-K for the year ended December 31, 2002 and other information filed with the Securities and Exchange Commission.

THE WILLIAMS COMPANIES, INC.  
 PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS  
 (UNAUDITED)

(Millions,  
 except per-  
 share  
 amounts)  
 Years Ended  
 December 31,  
 -----  
 -----  
 -----  
 -----  
 -----  
 2002 2001  
 2000 -----  
 -----

Revenues:  
 Energy  
 Marketing &  
 Trading \$  
 56.2 \$  
 1,705.6 \$  
 1,295.1 Gas  
 Pipeline  
 1,241.8  
 1,180.8  
 1,310.3  
 Exploration &  
 Production  
 899.9 615.2  
 331.0  
 Midstream Gas  
 & Liquids  
 1,892.7  
 1,906.8  
 1,574.3  
 Petroleum  
 Services 58.2  
 239.0 561.2  
 Other 65.8  
 80.3 74.4  
 Intercompany  
 eliminations  
 (95.3)  
 (133.2)  
 (104.1) -----  
 -----

Total  
 revenues  
 4,119.3  
 5,594.5  
 5,042.2 -----  
 -----

Segment costs  
 and expenses:  
 Costs and  
 operating  
 expenses  
 2,578.5  
 2,787.7  
 2,704.1  
 Selling,  
 general and  
 administrative  
 expenses  
 568.7 660.5  
 486.8 Other  
 (income)  
 expense - net  
 276.9 (12.4)  
 82.5 -----  
 -----

-----		
Total segment costs and expenses		
3,424.1		
3,435.8		
3,273.4	-----	
-----		
-		
-----		
General corporate expenses		
142.8	124.3	
97.2	-----	
-----		
-		
-----		
Operating income (loss):		
Energy		
Marketing & Trading		
(471.7)		
1,294.6	968.2	
Gas Pipeline		
470.7	398.3	
467.1		
Exploration & Production		
516.8	219.5	
75.8		
Midstream Gas & Liquids		
196.4	185.9	
282.0		
Petroleum Services	.4	
63.3	(18.3)	
Other	(17.4)	
(2.9)	(6.0)	
General corporate expenses		
(142.8)		
(124.3)		
(97.2)	-----	
-----		
-		
-----		
Total operating income	552.4	
2,034.4		
1,671.6	-----	
-----		
-		
-----		
Interest accrued		
(1,159.6)		
(691.8)		
(620.8)		
Interest capitalized		
27.4	36.9	
32.1		
Interest rate swap loss	(124.2)	
--		
-----		
Investing income (loss)		
(113.1)		
(172.8)	83.0	
Minority interest in income and preferred returns of consolidated subsidiaries		
(41.8)	(71.7)	
(56.8)		
Other income		

(expense) -  
net 24.3 26.4  
(.5) -----  
-----  
-----  
Income (loss)  
from  
continuing  
operations  
before income  
taxes (834.6)  
1,161.4  
1,108.6  
Provision  
(benefit) for  
income taxes  
(249.8) 511.9  
444.8 -----  
-----

Income (loss)  
from  
continuing  
operations  
(584.8) 649.5  
663.8 Loss  
from  
discontinued  
operations  
(169.9)  
(1,127.2)  
(139.5) -----  
-----

Net income  
(loss)  
(754.7)  
(477.7) 524.3  
Preferred  
stock  
dividends  
90.1 -- -- --  
-----  
-----

- Income  
(loss)  
applicable to  
common stock  
\$ (844.8) \$  
(477.7) \$  
524.3

=====  
=====  
=====  
Basic  
earnings  
(loss) per  
common share:  
Income (loss)  
from  
continuing  
operations \$  
(1.30) \$ 1.31  
\$ 1.49 Loss  
from  
discontinued  
operations  
(.33) (2.27)  
(.31) -----  
-----

----- Net  
income (loss)  
\$ (1.63) \$  
(.96) \$ 1.18  
=====  
=====  
=====

Diluted  
earnings  
(loss) per  
common share:

Income (loss)	
from	
continuing	
operations \$	
(1.30) \$ 1.30	
\$ 1.48 Loss	
from	
discontinued	
operations	
(.33) (2.25)	
(.31) -----	
-- -----	
----- Net	
income (loss)	
\$ (1.63) \$	
(.95) \$ 1.17	
=====	
=====	
=====	



THE WILLIAMS COMPANIES, INC.  
 PRO FORMA CONSOLIDATED BALANCE SHEET  
 (UNAUDITED)

(Dollars in millions, except per-share amounts)  
 December 31,  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 2002 2001 ---  
 -----  
 --- ASSETS  
 Current assets: Cash and cash equivalents \$ 1,650.4 \$ 1,240.4  
 Restricted cash 102.8 --  
 Accounts and notes receivable, net of allowance of \$111.8 (\$251.8 in 2001) 2,415.4 2,659.6  
 Inventories 380.5 487.8  
 Energy risk management and trading assets 5,276.5 6,401.1  
 Margin deposits 804.8 171.4  
 Assets of discontinued operations 1,251.1 1,002.7  
 Deferred income taxes 569.2 440.6  
 Other current assets and deferred charges 435.4 421.4 -----  
 -----  
 Total current assets 12,886.1 12,825.0  
 Restricted cash 188.1 --  
 Investments 1,468.6 1,554.4  
 Property, plant and equipment - net 12,354.4 12,149.8  
 Energy risk management and trading

assets	
3,578.7	
4,030.4	
Goodwill	
1,059.5	
1,118.2	
Assets of	
discontinued	
operations	
2,612.6	
6,051.3	
Receivables	
from Williams	
Communications	
Group, Inc.	
(less	
allowance of	
\$103.2 in	
2001) 120.3	
137.2 Other	
assets and	
deferred	
charges 720.2	
747.9 -----	
-- -----	
Total assets	
\$34,988.5	
\$38,614.2	
=====	
=====	
LIABILITIES	
AND	
STOCKHOLDERS'	
EQUITY	
Current	
liabilities:	
Notes payable	
\$ 934.8 \$	
1,424.5	
Accounts	
payable	
1,939.8	
2,466.3	
Accrued	
liabilities	
1,411.8	
1,596.4	
Liabilities	
of	
discontinued	
operations	
532.1 836.6	
Energy risk	
management	
and trading	
liabilities	
5,359.6	
5,412.7	
Guarantees	
and payment	
obligations	
related to	
Williams	
Communications	
Group, Inc.	
47.7 645.6	
Long-term	
debt due	
within one	
year 1,082.7	
999.4 -----	
-- -----	
Total current	
liabilities	
11,308.5	
13,381.5	
Long-term	
debt 11,076.7	
8,287.8	
Deferred	
income taxes	

3,353.6  
 3,689.9  
 Liabilities  
 and minority  
 interests of  
 discontinued  
 operations  
 1,258.0  
 1,503.3  
 Energy risk  
 management  
 and trading  
 liabilities  
 1,863.5  
 2,757.6  
 Guarantees  
 and payment  
 obligations  
 related to  
 Williams  
 Communications  
 Group, Inc. -  
 - 1,120.0  
 Other  
 liabilities  
 and deferred  
 income 995.5  
 782.7  
 Contingent  
 liabilities  
 and  
 commitments  
 Minority  
 interests in  
 consolidated  
 subsidiaries  
 83.7 71.0  
 Preferred  
 interests in  
 consolidated  
 subsidiaries  
 -- 976.4  
 Stockholders'  
 equity:  
 Preferred  
 stock, \$1 per  
 share par  
 value, 30  
 million  
 shares  
 authorized,  
 1.5 million  
 issued in  
 2002, none in  
 2001 271.3 --  
 Common stock,  
 \$1 per share  
 par value,  
 960 million  
 shares  
 authorized,  
 519.9 million  
 issued in  
 2002, 518.9  
 million  
 issued in  
 2001 519.9  
 518.9 Capital  
 in excess of  
 par value  
 5,177.2  
 5,085.1  
 Retained  
 earnings  
 (deficit)  
 (884.3) 199.6  
 Accumulated  
 other  
 comprehensive  
 income 33.8  
 345.1 Other

(30.3) (65.0)

-----

-----  
5,087.6  
6,083.7 Less  
treasury  
stock (at  
cost), 3.2  
million  
shares of  
common stock  
in 2002 and  
3.4 million  
in 2001

(38.6) (39.7)

-----

----- Total  
stockholders'  
equity

5,049.0  
6,044.0 -----

-----

- Total  
liabilities  
and  
stockholders'  
equity

\$34,988.5  
\$38,614.2

=====  
=====

THE WILLIAMS COMPANIES, INC.  
PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

(Millions) Years  
Ended December  
31, - -----

-----  
-----  
-- 2002 2001 2000  
-----

-----			
OPERATING			
ACTIVITIES:			
Income (loss)			
from continuing			
operations \$			
(584.8) \$ 649.5 \$			
663.8 Adjustments			
to reconcile to			
cash provided			
(used) by			
operations:			
Depreciation,			
depletion and			
amortization			
682.6 536.6 434.1			
Provision			
(benefit) for			
deferred income			
taxes (176.9)			
320.5 338.2			
Payments of			
guarantees and			
payment			
obligations			
related to			
Williams			
Communications			
Group, Inc.			
(753.9) -- --			
Provision for			
loss on property			
and other assets			
435.8 157.4 57.3			
Net gain on			
dispositions of			
assets (190.4)			
(91.2) (7.8)			
Provision for			
uncollectible			
accounts:			
Williams			
Communications			
Group, Inc. 268.7			
188.0 -- Other			
9.7 13.6 3.2			
Accrual for			
interest included			
in RMT note			
payable 32.2 -- -			
- Amortization of			
deferred set-up			
fee and fixed			
rate interest on			
RMT note payable			
110.9 -- --			
Minority interest			
in income and			
preferred returns			
of consolidated			
subsidiaries 41.8			
71.7 56.8 Tax			
benefit received			
and amortization			
of stock-based			
awards 32.3 48.4			
36.7 Cash			
provided (used)			

by changes in current assets and liabilities:		
Restricted cash	(4.0)	-- --
Accounts and notes receivable	225.6	335.9
	(1,486.6)	
Inventories	85.2	
	269.4	(244.0)
Margin deposits	(633.4)	559.5
(671.7) Other current assets and deferred charges	(337.3)	
	130.9	7.8
Accounts payable	(591.2)	(448.6)
1,245.4 Accrued liabilities	(244.9)	238.6
276.5 Changes in current energy risk management and trading assets and liabilities	1,071.4	(742.9)
	(218.8)	
Changes in noncurrent energy risk management and trading assets and liabilities	(442.4)	(806.1)
(485.2) Changes in noncurrent restricted cash	(104.1)	-- --
Other, including changes in noncurrent assets and liabilities	36.1	(31.8) 107.7
-----		
----- Net cash provided (used) by operating activities of continuing operations	(1,031.0)	1,399.4
113.4 Net cash provided by operating activities of discontinued operations	488.8	
451.6	470.4	-----
-----		
---- Net cash provided (used) by operating activities	(542.2)	1,851.0
583.8	-----	--
-----		
FINANCING ACTIVITIES:		
Proceeds from notes payable	913.0	1,830.0
2,190.4 Payments of notes payable	(2,024.4)	
(2,631.4) (723.9) Proceeds from long-term debt	3,481.5	3,377.1

984.6	Payments of		
	long-term debt		
	(2,538.1)		
(1,654.9)	(701.9)		
	Proceeds from		
	issuance of		
	common stock 5.2		
	1,388.5	64.1	
	Proceeds from		
	issuance of		
	preferred stock		
	271.3	--	--
	Dividends paid		
(230.8)	(341.0)		
	(265.8) Net		
	proceeds from		
	issuance of		
	preferred		
	interests of		
	consolidated		
	subsidiaries --		
	95.3	546.8	
	Retirement of		
	preferred		
	interest in		
	consolidated		
	subsidiary		
(135.0)	--	--	
	Redemption of		
	Williams		
	obligated		
	mandatorily		
	redeemable		
	preferred		
	securities of		
	Trust holding		
	only Williams		
	indentures --		
	(194.0)	--	
	Payments/dividends		
	to minority and		
	preferred		
	interests (48.0)		
(50.3)	(35.7)		
	Changes in		
	restricted cash		
(182.1)	--	--	
	Payments for debt		
	issuance costs		
(186.3)	(44.8)		
(3.9)	Changes in		
	cash overdrafts		
28.4	(28.8)		
(31.9)	Other -		
	net (8.4)	(.1)	
(.1)	-----	---	
	-----		
	Net cash provided		
	(used) by		
	financing		
	activities of		
	continuing		
	operations		
(653.7)	1,745.6		
2,022.7	Net cash		
	provided by		
	financing		
	activities of		
	discontinued		
	operations 526.6		
1,584.4	1,728.3	-	
	-----		
	-----		
	Net cash		
	provided (used)		
	by financing		
	activities \$		
(127.1)	\$3,330.0		
\$3,751.0	-----		
	-----		

Continued on the next page



(Millions) Years  
 Ended December 31, -  
 -----  
 -----  
 ----- 2002 2001  
 2000 -----

INVESTING

ACTIVITIES:

Property, plant and  
 equipment: Capital  
 expenditures  
 \$(1,687.2)  
 \$(1,467.6) \$ (996.8)  
 Proceeds from  
 dispositions 549.1  
 28.4 28.5  
 Acquisitions of  
 businesses  
 (primarily property,  
 plant and  
 equipment), net of  
 cash acquired --  
 (1,291.6) (726.4)  
 Purchases of  
 investments/advances  
 to affiliates  
 (308.7) (568.3)  
 (176.1) Proceeds  
 from sales of  
 businesses 2,300.4  
 163.7 -- Proceeds  
 from dispositions of  
 investments and  
 other assets 273.0  
 243.9 47.0 Proceeds  
 received on advances  
 to affiliates 75.0  
 95.0 -- Proceeds  
 received on sale of  
 claims against  
 Williams  
 Communications  
 Group, Inc. 180.0 --  
 -- Purchase of  
 assets subsequently  
 leased to seller --  
 (276.0) -- Other --  
 net 35.0 24.7 .7 ---  
 -----  
 ----- Net cash  
 provided (used) by  
 investing activities  
 of continuing  
 operations 1,416.6  
 (3,047.8) (1,823.1)  
 Net cash used by  
 investing activities  
 of discontinued  
 operations (312.4)  
 (1,946.3) (2,382.6)  
 -----  
 ----- Net cash  
 provided (used) by  
 investing activities  
 1,104.2 (4,994.1)  
 (4,205.7) -----  
 -----  
 Cash of discontinued  
 operations at  
 spinoff -- (96.5) --  
 -----  
 ----- Increase in  
 cash and cash  
 equivalents 434.9  
 90.4 129.1 Cash and  
 cash equivalents at  
 beginning of year  
 1,301.1 1,210.7

1,081.6 ----- --  
-----  
Cash and cash  
equivalents at end  
of year\* \$ 1,736.0 \$  
1,301.1 \$1,210.7 ---  
-----  
-----

\* Includes cash and cash equivalents of discontinued operations of \$85.6 million, \$60.7 million and \$249.5 million for 2002, 2001 and 2000, respectively.

PRO FORMA FINANCIAL INFORMATION PRESENTING WILLIAMS ENERGY PARTNERS, TEXAS GAS TRANSMISSION CORPORATION, ALASKAN OPERATIONS AND GULF LIQUIDS NEW RIVER PROJECT LLC AS DISCONTINUED OPERATIONS FOR THE PERIODS INCLUDED IN WILLIAMS' QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2003

In April 2003, Williams, Board of Directors approved resolutions that authorized management to execute and deliver, in the name of the sellers, agreements for the sales of its general partner and limited partner interests in Williams Energy Partners and its 5,800-mile Texas Gas pipeline system. In June 2003, Williams Board of Directors approved resolutions that authorized management to execute and deliver, in the name of the sellers, agreements for the sales of the assets of Gulf Liquids New River Project LLC and Williams' operating assets located in the state of Alaska including, but not limited to the 220,000 barrels per day crude oil refinery located in North Pole, Alaska, the 29 company-owned convenience stores marketing under the "Williams Express" brand, a 3.0845% interest in the Trans Alaska Pipeline System ("TAPS") and other related assets. The following unaudited pro forma financial information is included to supplement Williams' previously issued consolidated statements of operations and balance sheets included in Williams' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003, to present the operations of Williams Energy Partners, Texas Gas, the Alaskan businesses and Gulf Liquids New River Project LLC as discontinued operations. The combined revenues of these operations previously included in consolidated revenues as reported in Williams' Quarterly Report on Form 10-Q were \$410.5 million and \$344.3 million for the three months ended March 31, 2003 and 2002, respectively and the combined net loss of these entities previously included in income (loss) from continuing operations was \$26.4 million for the three months ended March 31, 2003 and the combined net income of these entities previously included in income (loss) from continuing operations was \$51.3 million for the three months ended March 31, 2002. The unaudited pro forma consolidated statement of operations does not reflect any potential gain or loss (other than previously recorded impairment charges) related to the expected sales. Consistent with Williams' previously issued consolidated financial statements, other assets and/or businesses are also reported as discontinued operations, those being Kern River, Central, soda ash mining operations, Mid-America and Seminole Pipelines, Midsouth refinery and related assets, Williams travel centers, and bio-energy facilities.

For comparative purposes, income (loss) from continuing operations as reported in Williams' Form 10-Q was a loss of \$57.7 million for the three months ended March 31, 2003 and income of \$98.4 million for the three months ended March 31, 2002. Additionally, the reported income from discontinued operations was \$4.5 million and \$9.3 million for the three months ended March 31, 2003 and 2002, respectively.

The unaudited pro forma financial information on the following pages should be read in conjunction with the historical financial statements and notes thereto included in the Williams' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003 and other information filed with the Securities and Exchange Commission. Amounts in the December 31, 2002 balance sheet have been reclassified to be consistent with the presentation within the March 31, 2003 balance sheet included in the Form 10-Q for items affected by Emerging Issues Task Force Issue No. 02-3.

THE WILLIAMS COMPANIES, INC.  
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS  
(UNAUDITED)

(Dollars in millions,  
except per-share amounts)  
Three months ended March  
31, - -----  
-----  
-----  
-----  
----- 2003  
2002 -----  
-----  
-- Revenues:  
Energy  
Marketing & Trading \$  
3,781.5 \$  
340.9 Gas Pipeline  
323.3 305.0  
Exploration & Production  
266.4 227.7  
Midstream Gas & Liquids  
1,130.7 400.0  
Petroleum Services 14.0  
9.8 Other  
14.0 16.8  
Intercompany eliminations  
(580.2)  
(22.5) -----  
-----  
---- Total revenues  
4,949.7  
1,277.7 -----  
-----  
----- Segment costs and expenses:  
Costs and operating expenses  
4,569.4 597.3  
Selling, general and administrative expenses  
115.3 132.0  
Other expense - net .6 .1 -  
----- -  
-----  
Total segment costs and expenses  
4,685.3 729.4  
----- -  
-----  
General corporate expenses 22.9  
38.2 -----  
-----  
-- Operating income (loss):  
Energy

Marketing & Trading		
(130.5)	273.0	
Gas Pipeline		
149.4	115.2	
Exploration & Production		
124.0	106.7	
Midstream Gas & Liquids		
120.5	52.7	
Petroleum Services	1.4	
2.2	Other	
(0.4)	(1.5)	
General corporate expenses		
(22.9)	(38.2)	
-----	-----	
	Total operating income	241.5
510.1	-----	
---	Interest accrued	(352.8)
	(204.0)	
	Interest capitalized	12.0
	4.8	
Interest rate swap income (loss)	(2.8)	
10.2		
Investing income (loss)	46.3	(216.7)
Minority interest in income and preferred returns of consolidated subsidiaries	(3.5)	(12.0)
Other income (expense) - net	22.0	
(5.3)	-----	
---	Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principles	(37.3)
	87.1	
Provision (benefit) for income taxes	(6.0)	40.0
-----	-----	
	Income (loss) from continuing operations	(31.3)
	47.1	
Income (loss) from discontinued operations	(21.9)	60.6

Income (loss) before cumulative effect of change in accounting principles (53.2) 107.7 Cumulative effect of change in accounting principles (761.3) -- --

Net income (loss) (814.5) 107.7 Preferred stock dividends 6.8 69.7

Income (loss) applicable to common stock \$ (821.3) \$ 38.0

Basic and diluted earnings (loss) per common share: Income (loss) from continuing operations \$ (.08) \$ (.05) Income (loss) from discontinued operations (.04) .12

Income (loss) before cumulative effect of change in accounting principles (.12) .07 Cumulative effect of change in accounting principles (1.47) -- --

Net income (loss) \$ (1.59) \$ .07

Basic weighted-average shares (thousands) 517,652 519,224 Diluted weighted-average

shares  
(thousands)  
517,652  
519,224

THE WILLIAMS COMPANIES, INC.  
PRO FORMA CONSOLIDATED BALANCE SHEET  
(UNAUDITED)

(Dollars in  
millions,  
except per-  
share  
amounts)

March 31,  
December 31,

-----  
-----  
-----  
-----  
2003 2002 --  
-----  
-----

ASSETS

Current

assets: Cash  
and cash  
equivalents

\$ 1,403.2 \$  
1,650.4

Restricted  
cash 323.1  
102.8

Accounts and  
notes  
receivable  
less

allowance of  
\$114.2

(\$111.8 in  
2002)  
2,441.7  
2,415.4

Inventories  
304.9 380.5

Energy risk  
management  
and trading  
assets --  
296.7

Derivative  
assets  
7,772.8  
5,024.3

Margin  
deposits  
853.5 804.8

Assets of  
discontinued  
operations  
545.7

Deferred  
income taxes  
572.9 569.2

Other  
current  
assets and  
deferred  
charges  
394.6 390.9

-----  
-----

Total  
current  
assets

14,612.4  
12,886.1

Restricted  
cash 216.4  
188.1

Investments  
1,504.1



1,468.6  
Property,  
plant and  
equipment,  
at cost  
16,166.2  
16,053.5  
Less  
accumulated  
depreciation  
and  
depletion  
(3,716.8)  
(3,699.1) --  
-----

-----  
12,449.4  
12,354.4  
Energy risk  
management  
and trading  
assets --  
1,821.6  
Derivative  
assets  
2,415.2  
1,865.1  
Goodwill  
1,059.5  
1,059.5  
Assets of  
discontinued  
operations  
2,448.9  
2,612.6  
Other assets  
and deferred  
charges  
736.4 732.5  
-----

-----  
Total assets  
\$ 35,442.3 \$  
34,988.5  
=====

LIABILITIES  
AND  
STOCKHOLDERS'

EQUITY  
Current  
liabilities:  
Notes  
payable \$  
967.6 \$  
934.8  
Accounts  
payable  
1,840.6  
1,939.8  
Accrued  
liabilities  
1,248.9  
1,406.4  
Liabilities  
of  
discontinued  
operations  
429.6 532.1  
Energy risk  
management  
and trading  
liabilities  
-- 244.4  
Derivative  
liabilities  
7,807.5  
5,168.3  
Long-term  
debt due  
within one

year 2,214.4

1,082.7 -----

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(1,710.8)	
(884.3)	
Accumulated	
other	
comprehensive	
income	
(loss)	
(48.3)	33.8
Other (28.1)	
(30.3)	-----
-----	-----
4,191.5	
5,087.6	Less
treasury	
stock (at	
cost), 3.2	
million	
shares of	
common stock	
in 2003 and	
2002 (38.6)	
(38.6)	-----
-----	-----
Total	
stockholders'	
equity	
4,152.9	
5,049.0	-----
-----	-----
Total	
liabilities	
and	
stockholders'	
equity \$	
35,442.3	\$
34,988.5	
=====	
=====	

THE WILLIAMS COMPANIES, INC.  
PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

(Millions) Three  
months ended March  
31, - ----- --  
-----  
----- 2003 2002 -  
-----  
---- OPERATING  
ACTIVITIES: Income  
(loss) from  
continuing  
operations \$ (31.3)  
\$ 47.1 Adjustments  
to reconcile to cash  
provided (used) by  
operations:  
Depreciation,  
depletion and  
amortization 173.5  
155.6 Provision  
(benefit) for  
deferred income  
taxes (17.0) 26.2  
Payments of  
guarantees and  
payment obligations  
related to WilTel --  
(753.9) Provision  
for loss on property  
and other assets  
12.0 9.3 Provision  
for uncollectible  
accounts: WilTel --  
232.0 Other 5.8 1.6  
Minority interest in  
income and preferred  
returns of  
consolidated  
subsidiaries 3.5  
12.0 Amortization  
and taxes associated  
with stock-based  
awards 11.1 8.0  
Accrual for fixed  
rate interest  
included in the RMT  
note payable 33.0 --  
Amortization of  
deferred set-up fee  
and fixed rate  
interest on RMT note  
payable 64.3 -- Cash  
provided (used) by  
changes in current  
assets and  
liabilities:  
Restricted cash 2.5  
-- Accounts and  
notes receivable  
(62.7) (124.0)  
Inventories 34.4  
(66.9) Margin  
deposits (48.7)  
(43.1) Other current  
assets and deferred  
charges (68.4)  
(99.7) Accounts  
payable (76.4) 120.5  
Accrued liabilities  
(157.4) (291.3)  
Changes in current  
derivative and  
energy risk  
management and

trading assets and liabilities 1,083.3  
 58.3 Changes in noncurrent derivative and energy risk management and trading assets and liabilities (1,094.2) (347.0)  
 Other, including changes in noncurrent assets and liabilities (60.7) (35.0) -----

-----  
 Net cash used by operating activities of continuing operations (193.4)  
 (1,090.3) Net cash provided by operating activities of discontinued operations 96.7 92.4  
 -----  
 ----- Net cash used by operating activities (96.7)  
 (997.9) -----  
 -----

FINANCING

ACTIVITIES: Payments of notes payable (.1) (1,337.5)  
 Proceeds from long-term debt 176.5 3,075.2  
 Payments of long-term debt (360.5) (277.1)  
 Proceeds from issuance of common stock -- 13.1  
 Proceeds from issuance of preferred stock -- 272.3  
 Dividends paid (12.0) (103.5)  
 Payments of debt issuance costs (6.9) (95.3)  
 Payments/dividends to minority and preferred interests (.4) (10.1)  
 Changes in restricted cash (250.6) --  
 Changes in cash overdrafts (31.9) (6.2)  
 Other-- net .1 (.4) -----  
 -----

Net cash provided (used) by financing activities of continuing operations (485.8)  
 1,530.5 Net cash used by financing activities of discontinued operations (80.5)  
 (1.1) -----  
 ----- Net cash provided (used) by financing activities (566.3) 1,529.4 -----  
 -----

- INVESTING

ACTIVITIES:

Property, plant and equipment: Capital

expenditures (237.3)	
(351.8) Proceeds	
from dispositions	
43.4 84.7 Purchases	
of	
investments/advances	
to affiliates (5.7)	
(149.9) Proceeds	
from sales of	
businesses 636.2	
423.2 Other--net 4.1	
.4 -----	
----- Net cash	
provided by	
investing activities	
of continuing	
operations 440.7 6.6	
Net cash used by	
investing activities	
of discontinued	
operations (12.1)	
(136.2) -----	
----- Net	
cash provided (used)	
by investing	
activities 428.6	
(129.6) -----	
-----	
Increase (decrease)	
in cash and cash	
equivalents (234.4)	
401.9 Cash and cash	
equivalents at	
beginning of period*	
1,736.0 1,301.1 ----	
-----	
- Cash and cash	
equivalents at end	
of period* \$ 1,501.6	
\$ 1,703.0	
=====	
=====	

\* Includes cash and cash equivalents of discontinued operations of \$98.4 million, \$85.6 million, \$33.3 million and \$60.7 million at March 31, 2003, December 31, 2002, March 31, 2002 and December 31, 2001, respectively.