SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 20, 2003

The Williams Companies, Inc.
(Exact name of registrant as specified in its charter)

Delaware	1-4174	73-0569878
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. 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. (NYSE:WMB) reported on February 20, 2003, a 2002 unaudited consolidated net loss of $736.5 million, or $1.60 per share. Prior year restated net loss was $477.7 million, or 95 cents per share.

Loss from continuing operations for 2002 was $483.3 million, or $1.11 per share, compared with restated income from continuing operations of $802.7 million, or $1.61 per share for 2001.

Unaudited recurring loss from continuing operations for 2002 was approximately $84 million, or 16 cents per share, compared with restated recurring earnings of approximately $1.033 billion, or $2.06 per share for 2001. A reconciliation of the loss from continuing operations to the recurring loss is included within Exhibit 99.1.

Item 7. Financial Statements and Exhibits.

Williams files the following exhibit as part of this report:

Exhibit 99.1 Copy of Williams' press release dated February 20, 2002, publicly announcing its 2002 financial results.

Item 9. Regulation FD Disclosure.

The Williams Companies, Inc. also wishes to disclose for Regulation FD purposes its press release dated February 20, 2003, filed herewith as Exhibit 99.2, announcing the sale of its ethanol business.

The Williams Companies, Inc. also wishes to disclose for Regulation FD purposes its slide presentation, filed herewith as Exhibit 99.3, utilized during a public conference call and webcast held the morning of February 20, 2003.

Finally, The Williams Companies, Inc. wishes to disclose for Regulation FD purposes that during a public conference call and webcast held the morning of February 20, 2003, to discuss Williams' 2002 earnings and 2003 guidance, it was stated that, in addition to the announced asset sales, other non-enumerated asset sales could also take place in 2003 although Williams could not comment on which assets might be involved, when those sales might occur or the net proceeds that might result. It was mentioned that Williams is in advanced discussions with a financially strong counterparty to sell or joint venture a significant portion of its Energy Marketing & Trading portfolio. It was also mentioned that Williams is pursuing sales of individual pieces of its Energy Marketing & Trading portfolio such as it did with Hoosier and in fact, has reached an agreement in principle to sell a sizeable portion in the East that it expects to announce within the upcoming weeks. It was also mentioned that the Federal Energy Regulatory Commission (FERC) has been investigating whether Transcontinental Gas Pipe Corporation (Transco) has complied with rules that govern the relationship between interstate natural gas pipelines and their marketing affiliates. In December the FERC staff outlined its concerns to Transco, and the company and FERC staff are currently engaged in confidential discussions in attempt to resolve this matter.

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

THE WILLIAMS COMPANIES, INC.

Date: February 20, 2003

/s/ Brian K. Shore

Name: Brian K. Shore

Title: Corporate Secretary

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
99.1	Copy of Williams' press release dated February 20, 2003, publicly announcing the matters reported herein.
99.2	Copy of Williams' press release dated February 20, 2003, publicly announcing the sale of its ethanol business.
99.3	Copy of Williams' slide presentation utilized during the February 20, 2003, public conference call and webcast.

EXHIBIT 99.1

[WILLIAMS LOGO]

NEWSRELEASE

NYSE: WMB

DATE: Feb. 20, 2003

CONTACT:

Kelly Swan	Travis Campbell	Richard George
Williams (media relations)	Williams (investor relations)	Williams (investor relations)
(918) 573-6932	(918) 573-2944	(918) 573-3679
kelly.swan@williams.com	travis.campbell@williams.com	richard.george@williams.com

WILLIAMS REPORTS UNAUDITED 2002 NET LOSS OF $737 MILLION; COMPANY SETS 10 A.M. EASTERN WEBCAST TO DISCUSS EARNINGS AND 2003 GUIDANCE

- Core Natural Gas Business Earnings Grew in 2002
- Company Outlines Strategy to Address Ongoing Liquidity Needs
- Strategy Supports Reduced Debt, Smaller Portfolio of Integrated Natural Gas Businesses

TULSA, Okla. - Williams (NYSE:WMB) today announced an unaudited 2002 net loss of $736.5 million, or $1.60 per share, compared with a restated net loss of $477.7 million, or 95 cents per share, for the same period last year.

Loss from continuing operations for 2002 was $483.3 million, or $1.11 per share, compared with restated income from continuing operations of $802.7 million, or $1.61 per share, for 2001.

The company reported a 2002 unaudited recurring loss from continuing operations of approximately $84 million, or 16 cents per share, compared with restated recurring earnings of approximately $1.033 billion, or $2.06 per share, in the same period last year. A reconciliation of the company's loss from continuing operations to its recurring loss accompanies this news release.

Consistent with previous guidance, the company's core asset businesses continued to perform well in 2002, achieving approximately $1.5 billion in recurring segment profit, compared with approximately $1.1 billion in 2001. A significant factor in the overall 2002 results was a $353 million recurring segment loss in its energy marketing and risk management business, though the fourth-quarter results from that business were significantly improved from the previous two quarters.

"Our core businesses continued to grow earnings in what was one of the most difficult years this 95-year-old company has ever faced. Our overall results for 2002 reflect the challenges of the past year - and some of the steps we took to address those issues," said Steve Malcolm, chairman, president and CEO.

"Our strategy for 2003 and beyond provides a clear, comprehensive plan designed to address ongoing liquidity needs, reduce debt and downsize our company to a portfolio of integrated natural gas businesses that we can grow in the future. We will accomplish this through asset sales - those we've previously announced plus others we're announcing today - and cost-cutting," Malcolm said.

"Our commitment to reduce the company's risk and liquidity requirements related to energy marketing and trading is unwavering. We've made progress, which includes receipt earlier this month of $67 million cash for the sale of a power plant and termination of an associated contract. Proceeds from any future transactions in this business area, however, would only add to the measures specified in the company's plan to meet liquidity needs," he said.

Included in the 2002 $253.2 million loss from discontinued operations are the after-tax operating results, including asset impairments, and gains or losses on the sale of businesses. These include Kern River Gas Transmission and Central natural gas pipelines, two natural gas liquids pipeline systems, the Memphis refining operations, retail petroleum TravelCenters, ethanol operations and the Colorado soda ash mining operation.

2002 RESULTS FOR CORE BUSINESSES

GAS PIPELINE, which provides natural gas transportation and storage services through systems that span the United States, reported 2002 segment profit of $669.3 million vs. $571.7 million on a restated basis for the previous year.

Segment profit increased primarily due to higher revenues from new expansion projects and the benefit of new transportation rates at Transco, rate-refund liability reductions and other adjustments related to the finalization of rate proceedings during 2002, and higher equity earnings that resulted largely from a $27.4 million construction- completion fee received by an equity affiliate of Williams for the Gulfstream project.

For the fourth quarter of 2002, Gas Pipeline reported segment profit of $163.3 million, compared with restated segment profit of $135.7 million during the same period of 2001. The increase was due to the new transportation rates at Transco and the absence of an $18.3 million 2001 royalty-claims charge.

EXPLORATION & PRODUCTION, which includes natural gas production, development and exploration in the U.S. Rocky Mountains, San Juan Basin and Midcontinent, reported 2002 segment profit of $520.5 million vs. $234.1 million for the same period last year.

This business experienced significantly higher production volumes, primarily the result of Williams' acquisition of Barrett Resources in August 2001 and the impact of a 99 percent success rate in the company's drilling program. The sale of the company's interest in the Jonah Field and Anadarko Basin natural gas properties also resulted in gains of approximately $142 million for the year.

For the fourth quarter of 2002, Exploration & Production reported segment profit of $87 million, compared with $68.7 million for 2001.

MIDSTREAM GAS & LIQUIDS, which provides gathering, processing, natural gas liquids fractionation, transportation and storage services, and olefins production, reported 2002 segment profit of $189.3 million vs. a restated segment profit of $171.9 million for the same period last year.

The increase resulted primarily from higher natural gas liquids margins in both domestic and Canadian operations, higher fractionation margins realized in Canada and earnings from deepwater gathering, transportation and processing projects placed in service during 2002. Also contributing were increased equity earnings, primarily from an investment in the Discovery pipeline project that realized increased transportation and liquids volumes. These were offset by $115 million of fourth-quarter impairment charges associated with its Canadian assets.

For the fourth quarter of 2002, Midstream reported a segment loss of $20.7 million, compared with segment profit of $45.5 million for the same quarter of 2001. Excluding the $115 million impairment charges previously noted, results for the quarter reflected significant benefit from improved natural gas liquids margins.

WILLIAMS ENERGY PARTNERS (NYSE:WEG), which includes the company's investment in the master limited partnership whose corporate structure is independent of Williams, reported 2002 segment profit of $99.3 million vs. restated segment profit of $101.2 million for the same period a year ago.

The slight decrease results from higher transportation and terminal revenues, offset by increased general and administrative costs associated with the acquisition of Williams Pipe Line and higher environmental expense accruals.

"These businesses achieved remarkable results in the face of overwhelming challenges throughout the year," Malcolm said. "This is a telling commentary about the spirit of our people, the quality of our assets and the company's ability to work through adversity."

2002 RESULTS FOR OTHER INVESTMENTS AND BUSINESSES

ENERGY MARKETING & TRADING reported a 2002 segment loss of $624.8 million vs. segment profit of $1.3 billion for the previous year.

The segment loss resulted in large part from this unit's continued limited ability to manage market risks for operations that were exposed to negative market conditions. The decline in 2002 reflects the impact of lower revenues from the natural gas and power portfolios, caused primarily by reduced spark spreads on certain power tolling positions, lower volatility and a significant decline in new origination activities.

Additionally, the 2002 loss includes charges totaling approximately $249 million for losses related to reducing activities in a distributed power services business, impairments of goodwill, impairment loss of turbines for a power generation project, and the fourth-quarter impairment loss based on the terms from the February 2003 sale of a power facility in Worthington, Ind.

For the fourth quarter of 2002, Energy Marketing & Trading reported a segment loss of $22.8 million, compared with segment profit of $161.4 million for 2001. The 2002 quarterly results include approximately $99 million from the impairments and writedowns noted above. Segment profit for 2002 also includes a favorable fourth-quarter net effect of approximately $85 million that resulted from a settlement with the state of California, the restructuring of associated energy contracts and the related improved credit situation during the quarter.

Also, Williams expects to record an after-tax charge of approximately $750 million to $800 million in the first quarter of 2003 for the adoption of new accounting rules under EITF 02-03. A substantial portion of the energy marketing and trading activities previously reported on a fair-value basis will now be reflected under the accrual method of accounting.

PETROLEUM SERVICES, which primarily includes Alaska refining, retail operations and the investment in the Trans Alaskan Pipeline System, reported 2002 segment profit of $40.8 million vs. restated segment profit of $145.7 million for the same period a year ago.

The decline in segment profit is primarily attributed to the absence of a $75.3 million gain that was recorded in 2001 for the sale of certain convenience stores and lower refining and marketing profits resulting from narrowing crack spreads - the price difference between refined and unrefined products. Also included in 2002 results are impairment losses of approximately $23 million, reducing the carrying cost of the Alaska facilities and certain other investments to management's estimate of fair market value.

Williams has previously announced that it is pursuing the sale of a significant portion of the assets in this business segment. In October 2002, Williams reached an agreement to sell its retail petroleum TravelCenters business to Pilot for approximately $190 million cash in a transaction that is expected to close by the end of February. In November, Williams announced it had reached an agreement to sell its Memphis refining operations to Premcor Inc. for approximately $465 million, with closing expected in March. Earlier today, Williams announced that it has signed an agreement to sell its ethanol business for $75 million. In addition, Williams is currently engaged in negotiations toward the sale of its Alaska operations.

2003 GUIDANCE

The company today also provided segment-profit guidance for 2003. Williams expects recurring segment profit of $1.3 billion to $1.8 billion for 2003. Income for 2003 before the cumulative effect of the EITF 02-03 accounting change is estimated at $250 million to $400 million, resulting in estimated earnings per share of 40 cents to 75 cents. Including the cumulative effect of the accounting change, the company expects a 2003 net loss of 70 cents to $1.10 per share.

Williams expects its core businesses to generate segment profit at these levels for 2003: Gas Pipeline, $500 million to $600 million; Exploration & Production, $300 million to $400 million; and Midstream Gas & Liquids, $200 million to $300 million.

Energy Marketing & Trading is expected to generate segment profit of between $200 million to $350 million.

"Our core natural gas businesses are healthy and viable. One example is our gas production business, which participated in drilling more than 1,300 wells in 2002 with a 99 percent success rate," Malcolm said. "Our gas wells, pipelines and midstream facilities generate substantial free cash flow, which is an important measure of our success as we execute our business strategy. These businesses are poised for growth in the years ahead."

CLEAR, STRAIGHTFORWARD STRATEGY

Williams is executing on these key objectives of its strategy to address liquidity needs, reduce debt and narrow the focus of its business:

- MAINTAINING ADEQUATE LIQUIDITY TO EXECUTE THE COMPANY'S BUSINESS STRATEGY. Williams expects to have sufficient liquidity to meet its debt-retirement obligations and operate its businesses. With additional asset sales and financings, the company expects to have cash of approximately $2.8 billion at year-end 2003 and approximately $1.6 billion at year-end 2004.

- COMPLETING THE SALE OF ASSETS PREVIOUSLY ANNOUNCED. Williams estimates gross proceeds, including assumption of debt, of approximately $1.9 billion for asset sales that have already been initiated or announced for sale. These businesses include the Memphis refinery operations, North Pole refinery and related Alaska operations, retail petroleum TravelCenters, ethanol, Canadian midstream operations and soda ash.

- IDENTIFYING AND SELLING ADDITIONAL ASSETS. Williams today announced it intends to sell an additional $2.5 billion in assets, properties and investments. The company is pursuing the sale of its general partnership position and limited-partner investment in Williams Energy Partners. In addition, Williams has targeted the sale of its 6,000-mile Texas Gas pipeline system. Williams also will pursue targeted asset sales amounting to less than 20 percent of the value in Exploration & Production and Midstream Gas & Liquids.

- RESTRUCTURING DEBT TO CREATE GREATER FINANCIAL FLEXIBILITY, WHILE MAKING PROGRESS ON OVERARCHING GOAL TO REDUCE DEBT. Williams expects year-end debt to be approximately $11 billion in 2003 and approximately $9.5 billion in 2004. Williams is exploring issuing subsidiary debt of $150 million to $300 million and also refinancing its Rocky Mountain reserves for $300 million to $800 million.

- NARROWING ITS BUSINESS FOCUS TO A SMALLER PORTFOLIO OF DOMESTIC NATURAL GAS OPERATIONS. Williams plans to focus on assets within its Exploration & Production, Midstream Gas & Liquids and Gas Pipeline businesses that provide opportunities to grow operating cash flow and earnings with limited-scale, near-term capital investment. In 2003, the company expects to invest approximately $1 billion - primarily for maintenance and to satisfy existing commitments to customers - in core assets, which are generally located where Williams enjoys scale or cost-related market leadership. The company expects to invest another $500 million in these businesses in 2004.

- CONTINUING PROGRESS TOWARD SALES OF PARTS OR ALL OF THE ENERGY MARKETING AND TRADING BUSINESS. The objective is to reduce Williams' risk and liquidity requirements and recognize the value of this book of business.

- CONTINUING TO REDUCE ITS COST STRUCTURE. This includes reducing the size of its work force to align with the changing size of its asset base. Williams closed 2002 with a work force of about 10,000. The divestiture of businesses already identified for sale is expected to decrease the work force to about 6,000. Sales of additional assets announced today will further reduce the work force size and related support structure.

- FAVORABLY RESOLVING INVESTIGATIONS AND LITIGATION. Williams achieved a broad settlement of matters with the state of California and others at the end of 2002. The company also continues to work toward resolution of other matters that include a class-action shareholder lawsuit and an investigation related to the reporting of inaccurate information to a publication that publishes energy price indexes.

Malcolm concluded by saying, "We are a different company today than we were a year ago, and we are managing our company much differently today. We are proactively managing our cash, reducing our costs, allocating capital with strict discipline and are balancing financial performance measures focused on cash, return on investment and earnings.

"We've made significant, well-considered changes in our company - all in recognition of our financial condition and the kind of company we believe will be in the best position to create value for shareholders again."

ANALYST CALL

Williams' management will discuss the company's 2002 earnings and 2003 guidance during an analyst webcast from 10 a.m. to 1 p.m. Eastern today.

A live audio webcast and copies of the presentation slides will be available on www.williams.com. The slides will be available for downloading and printing at least one hour before the discussion.

Analysts also may participate via a live audio broadcast that can be accessed by dialing (800) 562-8369. International callers should dial (913) 981-5581. Callers should dial in at least 10 minutes prior to the start of the discussion.

Audio replays of the conference call will be available at 5 p.m. Eastern today through midnight on Feb. 26. To access the replay, dial (888) 203-1112. International callers should dial (719) 457-0820. The replay confirmation code is 215748.

ABOUT WILLIAMS (NYSE: WMB)

Williams, through its subsidiaries, primarily finds, produces, gathers, processes and transports natural gas. Williams' gas wells, pipelines and midstream facilities are concentrated in the Northwest, Rocky Mountains, Gulf Coast and Eastern Seaboard. More information is available at www.williams.com.

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[WILLIAMS LOGO]

FINANCIAL HIGHLIGHTS
(UNAUDITED)

(Millions, except per-share amounts)	Three months ended December 31, 2002	Three months ended December 31, 2001*	Years ended December 31, 2002	Years ended December 31, 2001*
Revenues	$ 1,702.7	$ 1,575.4	$ 5,608.4	$ 7,065.5
Income (loss) from continuing operations	$ (106.4)	$ (24.4)	$ (483.3)	$ 802.7
Loss from discontinued operations	$ (94.6)	$ (1,213.3)	$ (253.2)	$ (1,280.4)
Net loss	$ (201.0)	$ (1,237.7)	$ (736.5)	$ (477.7)
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	$ (.22)	$ (.05)	$ (1.11)	$ 1.62
Loss from discontinued operations	$ (.18)	$ (2.34)	$ (.49)	$

(2.58) Net
loss $
(.40) $
(2.39) $
(1.60) $
(.96)
Average
shares
(thousands)
517,104
518,071
516,793
496,935
Diluted
earnings
(loss) per
common
share:
Income
(loss) from
continuing
operations
$ (.22) $
(.05) $
(1.11) $
1.61 Loss
from
discontinued
operations
$ (.18) $
(2.34) $
(.49) $
(2.56) Net
loss $
(.40) $
(2.39) $
(1.60) $
(.95)
Average
shares
(thousands)
517,104
518,071
516,793
500,567
Shares
outstanding
at December
31
(thousands)
516,731
515,548

* Amounts have been restated as described in Note 1 of Notes to Consolidated Statement of Operations.

FOURTH QUARTER 2002

[WILLIAMS LOGO]

CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

(Millions, except per-share amounts)	Three months ended December 31, 2002	Three months ended December 31, 2001*	Years ended December 31, 2002	Years ended December 31, 2001*
REVENUES				
Energy Marketing & Trading	$ 130.1	$ 276.6	$ 56.2	$ 1,705.6
Gas Pipeline	397.4	377.5	1,503.8	1,426.0
Exploration & Production	222.1	205.0	899.9	615.2
Midstream Gas & Liquids	569.3	400.0	1,909.1	1,906.8
Williams Energy Partners	120.1	91.8	423.7	402.5
Petroleum Services	261.3	222.6	866.0	1,109.7
Other	15.7	20.3	65.9	80.3
Intercompany eliminations	(13.3)	(18.4)	(116.2)	(180.6)
Total revenues	1,702.7	1,575.4	5,608.4	7,065.5
SEGMENT Costs and operating expenses				

1,063.8 900.5
3,653.5
3,846.6 COSTS
AND Selling,
general and
administrative
expenses
156.0 208.7
723.9 793.0
EXPENSES
Other
(income)
expense - net
255.4 31.2
289.4 (16.1)
---------- --
-------- ----
------ ------
---- Total
segment costs
and expenses
1,475.2
1,140.4
4,666.8
4,623.5 -----
----- -------
--- ---------
- ----------
General
corporate
expenses 26.4
35.5 142.8
124.3 -------
--- ---------
- ----------

OPERATING
Energy
Marketing &
Trading
(13.6) 164.1
(471.7)
1,294.6
INCOME (LOSS)
Gas Pipeline
156.6 119.5
594.8 497.9
Exploration &
Production
85.4 69.9
516.8 219.5
Midstream Gas
& Liquids
(25.8) 48.0
171.7 185.9
Williams
Energy
Partners 29.5
17.6 99.3
101.2
Petroleum
Services 1.2
19.0 48.1
145.8 Other
(5.8) (3.1)
(17.4) (2.9)
General
corporate
expenses
(26.4) (35.5)
(142.8)
(124.3) -----
----- -------
--- ---------
- ----------
Total
operating
income 201.1
399.5 798.8
2,317.7 -----
----- -------

--- ---------
- ----------
Interest
accrued
(383.1)
(213.6)
(1,229.5)
(720.6)
Interest
capitalized
9.4 6.0 29.0
38.4 Interest
rate swap
gain (loss)
1.0 --
(124.2) --
Investing
income (loss)
17.9 (194.4)
(101.7)
(168.6)
Minority
interest in
income and
preferred
returns of
consolidated
subsidiaries
(18.6) (12.2)
(79.3) (80.7)
Other income
- net 5.9
13.9 26.4
26.1 --------
-- ---------
---------- --

Income (loss)
from
continuing
operations
before income
taxes (166.4)
(.8) (680.5)
1,412.3
Provision
(benefit) for
income taxes
(60.0) 23.6
(197.2) 609.6
---------- --
-------- ----
------ ------
---- Income
(loss) from
continuing
operations
(106.4)
(24.4)
(483.3) 802.7
Loss from
discontinued
operations
(94.6)
(1,213.3)
(253.2)
(1,280.4) ---
------- -----
----- -------
--- ---------
- Net loss
(201.0)
(1,237.7)
(736.5)
(477.7)
Preferred
stock
dividends 6.8
-- 90.1 -- --
-------- ----
------ ------

---- --------
-- Loss
applicable to
common stock
$ (207.8) $
(1,237.7) $
(826.6) $
(477.7)
==========
==========
==========
==========
EARNINGS
(LOSS) Basic
earnings
(loss) per
common share:
PER SHARE
Income (loss)
from
continuing
operations $
(.22) $ (.05)
$ (1.11) $
1.62 Loss
from
discontinued
operations
(.18) (2.34)
(.49) (2.58)
---------- --
-------- ----
------ ------
---- Net loss
$ (.40) $
(2.39) $
(1.60) $
(.96)
==========
==========
==========
==========
Diluted
earnings
(loss) per
common share:
Income (loss)
from
continuing
operations $
(.22) $ (.05)
$ (1.11) $
1.61 Loss
from
discontinued
operations
(.18) (2.34)
(.49) (2.56)
---------- --
-------- ----
------ ------
---- Net loss
$ (.40) $
(2.39) $
(1.60) $
(.95)
==========
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==========
==========

* Certain amounts have been restated or reclassified as described in Note 1 of Notes to Consolidated Statement of Operations.

See accompanying notes.

[WILLIAMS LOGO]

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

1. BASIS OF PRESENTATION

Discontinued operations

In accordance with the provisions related to discontinued operations within Statement of Financial Accounting Standard (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the results of operations for the following components have been reflected in the Consolidated Statement of Operations as discontinued operations (see Note 5):

- Kern River Gas Transmission (Kern River), previously one of Gas Pipeline's segments
- Central natural gas pipeline, previously one of Gas Pipeline's segments
- The Colorado soda ash mining operations, part of the previously reported International segment
- Two natural gas liquids pipeline systems, Mid-American Pipeline and Seminole Pipeline, previously part of the Midstream Gas & Liquids segment
- Refining and marketing operations in the Midsouth, including the Midsouth refinery, previously part of the Petroleum Services segment
- Retail travel centers concentrated in the Midsouth, previously part of the Petroleum Services segment
- Bio-energy operations, previously part of the Petroleum Services segment

Additionally, the results of operations of Williams Communications Group, Inc. (WCG) are also reflected in the Consolidated Statement of Operations.

Unless indicated otherwise, the information in the Notes to the Consolidated Statement of Operations relates to the continuing operations of Williams. Williams expects that other components of its business will be classified as discontinued operations in the future as the sales of those assets occur.

Segment reclassification of operations

Additionally, activities of certain of Williams' segments were realigned or changed due to certain transactions during 2002. These realignments include the following:

- During first-quarter 2002, management of APCO Argentina was transferred from the previously reported International segment to the Exploration & Production segment.
- On April 11, 2002, Williams Energy Partners L.P., a partially owned and consolidated entity of Williams, acquired Williams Pipe Line, an operation previously included within the Petroleum Services segment. Accordingly, Williams Pipe Line's operations have been transferred from the Petroleum Services segment to the Williams Energy Partners segment.
- Effective July 1, 2002, management of certain operations previously conducted by Energy Marketing & Trading, International and Petroleum Services segments was transferred to the Midstream Gas & Liquids segment. These operations included natural gas liquids trading, activities in Venezuela and a petrochemical plant, respectively.
- The remaining operations of the previously reported International segment have been included within Other as a result of the decrease in significance of that segment.

Any segment information in the Notes to the Consolidated Statement of Operations has been restated for all prior periods presented to reflect the changes noted above.

Certain prior year amounts have been reclassified to conform to current year classifications.

2. SEGMENT REVENUES AND PROFIT (LOSS)

Williams currently evaluates performance based upon segment profit (loss) from operations which includes revenues from external and internal customers, operating costs and expenses, depreciation, depletion and amortization, equity earnings (losses) and income (loss) from investments. Equity earnings (losses) and income (loss) from investments are reported in investing income (loss) in the Consolidated Statement of Operations.

In first-quarter 2002, Williams began managing its interest rate risk on an enterprise basis by the corporate parent. The more significant of these risks relate to its debt instruments and its energy risk management and trading portfolio. To facilitate the management of the risk, entities within Williams may enter into derivative instruments (usually swaps) with the corporate parent. The level, term and nature of derivative instruments entered into with external parties are determined by the corporate parent. Energy Marketing & Trading has entered into intercompany interest rate swaps with the corporate parent, the effect of which is included in Energy Marketing & Trading's segment revenues and segment profit (loss) as shown in the reconciliation within the following tables. The results of interest rate swaps with external counterparties are shown as interest rate swap gain (loss) in the Consolidated Statement of Operations below operating income.

FOURTH QUARTER 2002

[WILLIAMS LOGO]

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)
(UNAUDITED)

2. SEGMENT REVENUES AND PROFIT (LOSS) (continued)

Energy
Exploration
Midstream
Williams
Marketing
Gas & Gas &
Energy
(Millions)
& Trading
Pipeline
Production
Liquids
Partners -

- ---------
--- -------
----- -----
------- ---

THREE
MONTHS
ENDED
DECEMBER
31, 2002
SEGMENT
REVENUES:
EXTERNAL $
361.4 $
387.5 $ 4.3
$ 573.0 $
112.8
INTERNAL
(232.8)*
9.9 217.8
(3.7) 7.3 -

- ---------
--- -------
----- -----

TOTAL
SEGMENT
REVENUES
128.6 397.4
222.1 569.3
120.1 -----
------- ---
--------- -

- ---------
--- LESS
INTERCOMPANY
INTEREST
RATE SWAP
GAIN (LOSS)
(1.5) -- --
-- -- -----
------- ---
--------- -

- ---------
--- TOTAL
REVENUES $
130.1 $
397.4 $
222.1 $

569.3 $
120.1
============
============
============
============
============
SEGMENT
PROFIT
(LOSS) $
(22.8) $
163.3 $
87.0 $
(20.7) $
29.5 LESS:
EQUITY
EARNINGS
(LOSSES)
(5.7) 5.6
1.6 5.1 --
INCOME
(LOSS) FROM
INVESTMENTS
(2.0) 1.1 -
- -- --
INTERCOMPANY
INTEREST
RATE SWAP
GAIN (LOSS)
(1.5) -- --
-- -- -----
------- ---
--------- -

- ---------
--- SEGMENT
OPERATING
INCOME
(LOSS) $
(13.6) $
156.6 $
85.4 $
(25.8) $
29.5 ------
------ ----
-------- --

- ---------
--- GENERAL
CORPORATE
EXPENSES
TOTAL
OPERATING
INCOME
Three
months
ended
December
31, 2001
Segment
revenues:
External $
487.8 $
360.6 $
27.9 $
399.1 $
82.5
Internal
(211.2)*
16.9 177.1
.9 9.3 ----
-------- --

- ---------
--- -------
----- Total
segment
revenues

276.6 377.5
205.0 400.0
91.8 ------
------ ----
-------- --

- ---------
--- Less
intercompany
interest
rate swap
gain (loss)
-- -- -- --
-- --------
---- ------
------ ----
-------- --

- Total
revenues $
276.6 $
377.5 $
205.0 $
400.0 $
91.8
============
============
============
============
============
Segment
profit
(loss) $
161.4 $
135.7 $
68.7 $ 45.5
$ 17.6
Less:
Equity
earnings
(losses)
(2.7) 16.2
(1.2) (2.5)
-- Income
(loss) from
investments
-- -- -- --
--
Intercompany
interest
rate swap
gain (loss)
-- -- -- --
-- --------
---- ------
------ ----
-------- --

- Segment
operating
income
(loss) $
164.1 $
119.5 $
69.9 $ 48.0
$ 17.6 ----
-------- --

- ---------
--- -------

General
corporate
expenses
Total
operating
income

Petroleum
(Millions)
Services
Other
Eliminations
Total - ---
------- ---
--------- -

- ---------
--- THREE
MONTHS
ENDED
DECEMBER
31, 2002
SEGMENT
REVENUES:
EXTERNAL $
257.7 $ 6.0
$ -- $
1,702.7
INTERNAL
3.6 9.7
(11.8) -- -

- ---------
--- -------
----- TOTAL
SEGMENT
REVENUES
261.3 15.7
(11.8)
1,702.7 ---
--------- -

- ---------
--- LESS
INTERCOMPANY
INTEREST
RATE SWAP
GAIN (LOSS)
-- -- 1.5 -
- ---------
--- -------
----- -----
------- ---

TOTAL
REVENUES $
261.3 $
15.7 $
(13.3) $
1,702.7
============
============
============
============
SEGMENT
PROFIT
(LOSS) $
(5.0) $
(5.7) $ --
$ 225.6
LESS:
EQUITY
EARNINGS
(LOSSES)
(6.2) (.1)
-- .3
INCOME
(LOSS) FROM
INVESTMENTS
-- .2 --
(.7)
INTERCOMPANY
INTEREST
RATE SWAP
GAIN (LOSS)

-- -- --
(1.5) -----
------- ---
--------- -

- SEGMENT
OPERATING
INCOME
(LOSS) $
1.2 $ (5.8)
$ -- 227.5

- ---------
--- -------
----- -----

GENERAL
CORPORATE
EXPENSES
(26.4) ----

TOTAL
OPERATING
INCOME $
201.1
============
Three
months
ended
December
31, 2001
Segment
revenues:
External $
207.0 $
10.5 $ -- $
1,575.4
Internal
15.6 9.8
(18.4) -- -

- ---------
--- -------
----- Total
segment
revenues
222.6 20.3
(18.4)
1,575.4 ---
--------- -

- ---------
--- Less
intercompany
interest
rate swap
gain (loss)
-- -- -- --

- ---------
--- -------
----- -----

Total
revenues $
222.6 $
20.3 $
(18.4) $
1,575.4
============
============
============
============
Segment
profit
(loss) $
18.8 $
(11.8) $ --

$ 435.9
Less:
Equity
earnings
(losses)
(.2) (8.7)
-- .9
Income
(loss) from
investments
-- -- -- --
Intercompany
interest
rate swap
gain (loss)
-- -- -- --

- ---------
--- -------
----- -----

Segment
operating
income
(loss) $
19.0 $
(3.1) $ --
435.0 -----
------- ---
--------- -

- General
corporate
expenses
(35.5) ----

Total
operating
income $
399.5
============

* Energy Marketing & Trading intercompany cost of sales, which are netted in revenues consistent with fair-value accounting, exceed intercompany revenue.

FOURTH QUARTER 2002

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)
(UNAUDITED)

2. SEGMENT REVENUES AND PROFIT (LOSS) (continued)

```
   Energy
 Exploration
  Midstream
  Williams
  Marketing
 Gas & Gas &
   Energy
 (Millions)
  & Trading
  Pipeline
 Production
   Liquids
 Partners -
 ----------
 ----------
 - ---------
 --- -------
 ----- -----
 ------- ---
  ---------
 YEAR ENDED
  DECEMBER
  31, 2002
  SEGMENT
  REVENUES:
 EXTERNAL $
  977.8 $
 1,443.2 $
   62.7 $
 1,869.9 $
   386.7
  INTERNAL
(1,063.0)*
60.6 837.2
39.2 37.0 -
 ----------
 ----------
 - ---------
 --- -------
 ----- -----
   -------
   TOTAL
  SEGMENT
  REVENUES
   (85.2)
  1,503.8
   899.9
  1,909.1
423.7 -----
 ------- ---
 --------- -
 ----------
 ----------
 - ---------
  --- LESS
INTERCOMPANY
  INTEREST
  RATE SWAP
 GAIN (LOSS)
 (141.4) --
 -- -- -- --
 ----------
 ----------
 - ---------
 --- -------
 ----- -----
   -------
   TOTAL
 REVENUES $
   56.2 $
 1,503.8 $
  899.9 $
```

1,909.1 $
423.7
============
============
============
============
============
SEGMENT
PROFIT
(LOSS) $
(624.8) $
669.3 $
520.5 $
189.3 $
99.3 LESS:
EQUITY
EARNINGS
(LOSSES)
(9.7) 88.4
3.7 17.6 --
INCOME
(LOSS) FROM
INVESTMENTS
(2.0)
(13.9) -- -
- --
INTERCOMPANY
INTEREST
RATE SWAP
GAIN (LOSS)
(141.4) --
-- -- -- --

- ---------
--- -------
----- -----

SEGMENT
OPERATING
INCOME
(LOSS) $
(471.7) $
594.8 $
516.8 $
171.7 $
99.3 ------
------ ----
-------- --

- ---------
--- GENERAL
CORPORATE
EXPENSES
TOTAL
OPERATING
INCOME Year
ended
December
31, 2001
Segment
revenues:
External $
2,260.2 $
1,384.5 $
121.6 $
1,826.3 $
354.1
Internal
(554.6)*
41.5 493.6
80.5 48.4 -

- ---------
--- -------
----- -----

Total
segment

revenues
1,705.6
1,426.0
615.2
1,906.8
402.5 -----
------- ---
--------- -

- ---------
--- Less
intercompany
interest
rate swap
gain (loss)
-- -- -- --
-- --------
---- ------
------ ----
-------- --

- Total
revenues $
1,705.6 $
1,426.0 $
615.2 $
1,906.8 $
402.5
============
============
============
============
============
Segment
profit
(loss) $
1,270.0 $
571.7 $
234.1 $
171.9 $
101.2 Less:
Equity
earnings
(losses)
(1.3) 46.3
14.6 (14.0)
-- Income
(loss) from
investments
(23.3) 27.5
-- -- --
Intercompany
interest
rate swap
gain (loss)
-- -- -- --
-- --------
---- ------
------ ----
-------- --

- Segment
operating
income
(loss) $
1,294.6 $
497.9 $
219.5 $
185.9 $
101.2 -----
------- ---
--------- -

- ---------
--- General
corporate
expenses

Total
operating
income
Petroleum
(Millions)
Services
Other
Eliminations
Total - ---
------- ---
--------- -

- ---------
--- YEAR
ENDED
DECEMBER
31, 2002
SEGMENT
REVENUES:
EXTERNAL $
841.5 $
26.6 $ -- $
5,608.4
INTERNAL
24.5 39.3
25.2 -- ---
--------- -

- ---------
--- TOTAL
SEGMENT
REVENUES
866.0 65.9
25.2
5,608.4 ---
--------- -

- ---------
--- LESS
INTERCOMPANY
INTEREST
RATE SWAP
GAIN (LOSS)
-- -- 141.4
-- --------
---- ------
------ ----
-------- --

TOTAL
REVENUES $
866.0 $
65.9 $
(116.2) $
5,608.4
============
============
============
============
SEGMENT
PROFIT
(LOSS) $
40.8 $ 27.9
$ -- $
922.3 LESS:
EQUITY
EARNINGS
(LOSSES)
(6.6)
(13.4) --
80.0 INCOME
(LOSS) FROM
INVESTMENTS
(.7) 58.7 -
- 42.1
INTERCOMPANY
INTEREST
RATE SWAP

GAIN (LOSS)
-- -- --
(141.4) ---
--------- -

- ---------
--- SEGMENT
OPERATING
INCOME
(LOSS) $
48.1 $
(17.4) $ --
941.6 -----
------- ---
--------- -

- GENERAL
CORPORATE
EXPENSES
(142.8) ---

TOTAL
OPERATING
INCOME $
798.8
============
Year ended
December
31, 2001
Segment
revenues:
External $
1,077.8 $
41.0 $ -- $
7,065.5
Internal
31.9 39.3
(180.6) --

- ---------
--- -------
----- -----

Total
segment
revenues
1,109.7
80.3
(180.6)
7,065.5 ---
--------- -

- ---------
--- Less
intercompany
interest
rate swap
gain (loss)
-- -- -- --

- ---------
--- -------
----- -----

Total
revenues $
1,109.7 $
80.3 $
(180.6) $
7,065.5
============
============
============
============
Segment
profit
(loss) $
145.7 $

(25.7) $ --
$ 2,468.9
Less:
Equity
earnings
(losses)
(.1) (22.8)
-- 22.7
Income
(loss) from
investments
-- -- --
4.2
Intercompany
interest
rate swap
gain (loss)
-- -- -- --

- ---------
--- -------
----- -----

Segment
operating
income
(loss) $
145.8 $
(2.9) $ --
2,442.0 ---
--------- -

- ---------
--- General
corporate
expenses
(124.3) ---

Total
operating
income $
2,317.7
============

* Energy Marketing & Trading intercompany cost of sales, which are netted in
revenues consistent with fair-value accounting, exceed intercompany revenue.

FOURTH QUARTER 2002

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)
(UNAUDITED)

3. ASSET SALES, IMPAIRMENTS AND OTHER ACCRUALS

In first-quarter 2002, Williams offered an enhanced-benefit early retirement option to certain employee groups. The deadline for electing the early retirement option was April 26, 2002. The year ended December 31, 2002, reflects $30 million of expense associated with the early retirement option, of which $24 million is recorded in selling, general and administrative expenses and the remaining in general corporate expenses.

Significant gains or losses from asset sales, impairments and other accruals included in other (income) expense - net within segment costs and expenses are included in the following table:

Expense (Income)	Three months ended December 31,		Years ended December 31,	
(millions)	2002	2001	2002	2001
ENERGY MARKETING & TRADING				
Guarantee loss accruals and write-offs	$ (6.2)	$ --	$ 56.2	$ --
Impairment of Worthington generation facility	44.7	--	44.7	--
Loss accruals and impairment of other power related assets	50.8	--	82.6	--
Impairment of goodwill	3.6	--	61.1	--
Impairment of plant				

for terminated expansion	--	13.3	--	13.3
GAS PIPELINE				
Loss accrual for royalty claims	--	18.3	--	18.3
EXPLORATION & PRODUCTION				
Gain on sale of natural gas production properties in Wyoming	2.0	--	(120.3)	--
Gain on sale of natural gas production properties in Anadarko basin	.2	--	(21.4)	--
MIDSTREAM GAS & LIQUIDS				
Impairment of Canadian assets	115.0	--	115.0	--
Impairment of south Texas assets	--	(1.3)	--	13.8
PETROLEUM SERVICES				
Impairment of Alaska assets	18.4	--	18.4	--
Gain on sale of certain convenience stores	--	(3.2)	--	(75.3)
Impairment of end-to-end mobile computing systems business	--	.9	--	12.1

The guarantee loss accruals and write-offs within Energy Marketing & Trading of $56.2 million in 2002 includes accruals for commitments for certain assets that were previously planned to be used in power projects, write-offs associated with a terminated power plant project and a $13.2 million reversal of loss accruals related to the wind-down of its mezzanine lending business. The impairment of the Worthington generation facility was recorded pursuant to the sale of the facility in first-quarter 2003. The loss accruals and impairments of other power related assets were recorded pursuant to management's decision to exit the distributive power generation business. The impairment of goodwill includes a $57.5 million goodwill impairment loss in second-quarter 2002 reflecting a decline in the fair value from deteriorating market conditions in the merchant energy sector in which it operates and Energy Marketing & Trading's resulting announcement in June 2002 to scale back its own energy marketing and risk management business. The fair value of Energy Marketing & Trading used to calculate the goodwill impairment loss was based on the estimated fair value of the trading portfolio inclusive of the fair value of contracts with affiliates, which are not reflected at fair value in the financial statements. The fair value of these contracts was estimated using a discounted cash flow model with natural gas pricing assumptions based on current market information. The remaining goodwill was evaluated for impairment at the end of 2002 and an additional impairment of $3.0 million was required based on management's estimate of the fair value of Energy Marketing & Trading at December 31, 2002.

Approximately $38 million of the Canadian asset impairment reflects a reduction of carrying cost to management's estimate of fair market value, determined primarily from information available from efforts to sell these assets. The balance is associated with assets whose carrying cost were not fully recoverable and reduced to estimated fair value.

4. INVESTING INCOME (LOSS)

Investing income (loss) for the three months and the years ended December 31, 2002 and 2001, is as follows:

(millions)	Three months ended December 31, 2002	Three months ended December 31, 2001	Years ended December 31, 2002	Years ended December 31, 2001
Equity earnings (losses)*	$ .3	$ .9	$ 80.0	$ 22.7
Income (loss) from investments*	(.7)	--	42.1	4.2
Write-down of WCG common stock investment	--	(25.0)	--	(95.9)
Loss provision for WCG receivables (see Note 5)	1.2	(188.0)	(268.7)	(188.0)
Interest income and other	17.1	17.7	44.9	88.4

---- ------
---- ------
---- Total
$ 17.9 $
(194.4) $
(101.7) $
(168.6) ---
------- ---
------- ---
------- ---
----

*Item also included in segment profit.

Equity earnings for the year ended December 31, 2002, include a benefit of $27.4 million, reflecting a contractual construction completion fee received by an equity affiliate of Williams whose operations are accounted for under the equity method of accounting. This equity affiliate served as the general contractor on the Gulfstream pipeline project for Gulfstream Pipeline Natural Gas System (Gulfstream), an interstate natural gas pipeline subject to Federal Energy Regulatory Commission (FERC) regulations and an equity affiliate of Williams. The fee paid by Gulfstream, associated with the early completion during second-quarter of the construction of Gulfstream's pipeline, was capitalized by Gulfstream as property, plant and equipment and is included in Gulfstream's rate base to be recovered in future revenues.

FOURTH QUARTER 2002

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)
(UNAUDITED)

4. INVESTING INCOME (LOSS) (continued)

Income (loss) from investments for the year ended December 31, 2002, includes the following:

- $58.5 million gain on sale of Williams' investment in a Lithuanian oil refinery, pipeline and terminal complex, which was included in the previously reported International segment

- $12.3 million write-down of Gas Pipeline's investment in a pipeline project which was cancelled in 2002

- $10.4 ($1.2 million adjustment during fourth-quarter) million net write-down pursuant to the sale of Williams' equity interest in a Canadian and U.S. gas pipeline, which was included in the Gas Pipeline segment

- $8.7 million gain on sale of Williams' general partner equity interest in Northern Border Partners, L.P., which was included in the Gas Pipeline segment

Income (loss) from investments for the year ended December 31, 2001, includes the following:

- $27.5 million gain on the sale of Williams' limited partnership interest in Northern Border Partners, L.P., which was included in the Gas Pipeline segment

- $23.3 million of write-downs of certain other investments, which were included in the Energy Marketing & Trading segment

The common stock write-downs of the WCG investment resulted from a decline in the value of the WCG common stock which was determined to be other than temporary.

5. DISCONTINUED OPERATIONS

Summarized Financial Information

Summarized results of discontinued operations for the three months and years ended December 31, 2002 and 2001, are as follows:

	Three months ended December 31,		Years ended December 31,	
(millions)	2002	2001	2002	2001
2002 Transactions:				
Income from operations before income taxes	$ 19.2	$ 57.7	$ 115.0	$ 238.0
(Impairments) and gains and (losses)				

on sales
(172.0)
(184.7)
(512.6)
(184.7)
(Provision)
benefit for
income taxes
58.2 47.7
144.4 (20.6)
---------- -
--------- --
-------- ---

Income
(loss)
(94.6)
(79.3)
(253.2) 32.7
---------- -
--------- --
-------- ---
------- 2001
Transactions:
Loss from
operations
before
income taxes
-- -- --
(271.3)
Estimated
losses
attribu-
table to
probable
per-
formance on
WCG
guarantee
obligations
-- (1,839.2)
-- (1,839.2)
Benefit for
income taxes
-- 705.2 --
797.4 ------
---- -------
--- --------
-- ---------
- Loss --
(1,134.0) --
(1,313.1) --
-------- ---
------- ----
------ -----
----- Loss
from
discontinued
operations $
(94.6) $
(1,213.3) $
(253.2) $
(1,280.4)
==========
==========
==========
==========

2002 TRANSACTIONS

In accordance with the provisions related to discontinued operations within SFAS No. 144, the results of operations for the following asset and/or business sales have been reflected in the Consolidated Statement of Operations as discontinued operations:

KERN RIVER

On March 27, 2002, Williams completed the sale of its Kern River pipeline for $450 million in cash and the assumption by the purchaser of $510 million in debt. As part of the agreement, $32.5 million of the purchase price was contingent upon Kern River receiving a certificate from the FERC to construct and operate a future expansion. This certificate was received in July 2002 and the contingent payment plus interest was recognized as income from discontinued operations in third-quarter 2002. Included as a component of (impairments) and gains and (losses) on sales (included in the preceding table) is a pre-tax loss of $6.4 million for the year ended December 31, 2002. Kern River was a segment within Gas Pipeline.

FOURTH QUARTER 2002

5. DISCONTINUED OPERATIONS (continued)

CENTRAL

During third-quarter 2002, Williams' board of directors approved an agreement to sell one of its Gas Pipeline segments, Central natural gas pipeline, for $380 million in cash and the assumption by the purchaser of $175 million in debt. The sale closed November 15, 2002. The sales agreement resulted from efforts to market this asset through a reserve price auction process that was initiated during second-quarter 2002. Included as a component of (impairments) and gains and (losses) on sales (included in the preceding table) is a pre-tax loss of $91.3 million for the year ended December 31, 2002.

SODA ASH OPERATIONS

In March 2002, Williams announced its intentions to sell its soda ash mining facility located in Colorado, which was part of Williams' previously reported International segment and was previously written down by $170 million in fourth-quarter 2001 to estimated fair value at December 31, 2001. In April 2002, Williams initiated a reserve-auction process. As this process and negotiations with interested parties progressed throughout 2002, new information regarding estimated fair value became available. As a result, additional pre-tax impairment charges of $44.1 million, $48.2 million and $41.2 million were recognized in second, third and fourth quarters of 2002, respectively. During third-quarter 2002, Williams' board of directors approved a plan authorizing management to negotiate and facilitate a sale of its interest in the soda ash operations pursuant to terms of a proposed sales agreement. As a result of the board of directors' approval and management's expectation of consummation of a sale, these operations met the criteria within SFAS No. 144 to be held for sale at December 31, 2002. The impairment charges are recorded as a component of (impairments) and gains and (losses) on sales (included in the preceding table), and are reflective of management's estimate of fair value associated with revised terms of its negotiations to sell the operations.

MID-AMERICA AND SEMINOLE PIPELINES

On August 1, 2002, Williams completed the sale of 98 percent of its interest in Mid-America Pipeline and 98 percent of its 80 percent ownership interest in Seminole Pipeline for $1.2 billion. The sale generated net cash proceeds of $1.15 billion. Included as a component of (impairments) and gains (losses) on sales from discontinued operations (included in the preceding table) is a pre-tax gain of $301.7 million for the year ended December 31, 2002. Mid-America Pipeline is a 7,726-mile natural gas liquids pipeline system. Seminole Pipeline is a 1,281-mile natural gas liquids pipeline system. These assets were part of the Midstream Gas & Liquids segment.

MIDSOUTH REFINERY AND RELATED ASSETS

During the second quarter of 2002, management announced its intention to sell its refining operations within the Petroleum Services segment as part of the strategy to improve the company's financial position. On November 26, 2002 and pursuant to Board of Director approval, Williams announced it had reached an agreement to sell its refinery and other related operations located in Memphis, Tennessee. Impairments of $176.2 million and $64.6 million were recorded in the third and fourth quarters of 2002, respectively, to reduce the carrying cost to management's estimate of fair market value based on information available through the reserve auction process used to market the facilities. These impairments are recorded as components of (impairments) and gains and (losses) on sales (included in the preceding table) and were recorded pursuant to the sales agreement which is expected to close in March 2003.

WILLIAMS TRAVEL CENTERS

During the fourth quarter of 2002, Williams announced the sale of the travel centers which were included in the Petroleum Services segment. The travel centers have been identified as a business that does not fit into the new core focus and have been marketed for sale by a reserve-auction process. As a result of this process, information on the fair market value of these assets became available and it was determined impairments were required. A $27 million loss was recorded in second-quarter 2002 to recognize both an impairment charge and liability accruals associated with a residual value guarantee of certain travel centers under an operating lease. Additional impairments of $112.1 million and $7.5 million were recorded in the third and fourth quarters of 2002, respectively, to reduce the carrying cost to the estimated fair market value based on management's estimate of fair value, which was based largely upon the available information from the reserve auction process. The sale is expected to close by the end of February 2003.

FOURTH QUARTER 2002

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS (CONCLUDED)
(UNAUDITED)

5. DISCONTINUED OPERATIONS (continued)

BIO-ENERGY OPERATIONS

Williams' bio-energy operations, which were previously part of the Petroleum Services segment, have been identified as assets not related to the new, more narrowly focused business. Williams initiated a reserve-auction process for the sale of the facilities which are primarily engaged in the production and marketing of ethanol. During 2002, Williams Board of Director's approved a plan authorizing management to negotiate and facilitate a sale of its bio-energy operations. Impairments of $144.3 million and $51.4 million were recorded in the third and fourth quarters of 2002, respectively, to reduce the carrying cost to management's estimate of fair market value based on information from the reserve auction process. These impairments are recorded as components of (impairments) and gains and losses on sales (included in the preceding table).

2001 TRANSACTIONS

WILLIAMS COMMUNICATIONS GROUP, INC.

On March 30, 2001, Williams' Board of Directors approved a tax-free spinoff of WCG to Williams' shareholders. Williams distributed 398.5 million shares, or approximately 95 percent of the WCG common stock held by Williams, to holders of record on April 9, 2001, of Williams' common stock. Distribution of .822399 of a share of WCG common stock for each share of Williams common stock occurred on April 23, 2001. In accordance with APB Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions," the results of operations, financial position and cash flows for WCG have been reflected in the accompanying Consolidated Statement of Operations and related notes as discontinued operations.

At December 31, 2001, Williams had financial exposure from WCG of $375 million of receivables and $2.21 billion of guarantees and payment obligations. Receivables included a $106 million deferred payment for services provided to WCG prior to the spin-off and $269 million from the long-term lease to WCG of the Technology Center and aircraft. Disclosures and announcements by WCG, prior to the filing of Williams' 2001 Annual Report on Form 10-K on March 7, 2002, including WCG's announcement that it might seek to reorganize under the U.S. Bankruptcy Code, resulted in Williams concluding that it was probable that it would not fully realize the $375 million of receivables from WCG at December 31, 2001, nor recover its investment in WCG common stock. In addition, Williams determined that it was probable that it would be required to perform under the $2.21 billion of guarantees and payment obligations discussed above. Accordingly, Williams recorded a $2.05 billion charge in 2001 based on the estimated minimum amount of the range of loss to its WCG exposure. The $2.05 billion charge in 2001 is reported in the Consolidated Statement of Operations as a $1.84 billion pre-tax charge to discontinued operations and a $213 million pre-tax charge to investing income (loss) within continuing operations (see Note 4). The $213 million pre-tax charge included loss provisions consisting of $85 million and $103 million related to the assessment of recoverability of carrying amounts of the $106 million deferred payment for services and $269 million minimum lease payments receivable.

On April 22, 2002, WCG filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. On October 15, 2002, WCG consummated its Chapter 11 Plan of Reorganization (Plan). The Plan was confirmed by the United States Bankruptcy Court for the Southern District of New York (Court) on September 30, 2002. The Plan included a sale by Williams of its claims against WCG to Leucadia for $180 million in cash and the sale of the Technology Center to WCG for promissory notes. Both transactions closed in 2002. In 2002, Williams recorded in investing income (loss) within continuing operations (see Note 4) additional pre-tax charges of $268.7 million related to the recovery and settlement of these receivables and claims.

At December 31, 2002, Williams has a $121.5 million receivable from WCG for the promissory notes relating to the sale of the Technology Center. The notes were initially recorded at fair value based on contractual cash flows and an estimated discount rate considering the creditworthiness of WCG, the amount and timing of the cash flows and Williams' security in the Technology Center and certain other collateral.

6. PREFERRED DIVIDENDS

Concurrent with the sale of Kern River to Mid American Energy Holdings Company (MEHC), Williams issued approximately 1.5 million shares of 9 7/8 percent cumulative convertible preferred stock to MEHC for $275 million. The terms of the preferred stock allow the holder to convert, at any time, one share of preferred stock into 10 shares of Williams common stock at $18.75 per share. Preferred shares have a liquidation preference equal to the stated value of $187.50 per share plus any dividends accumulated and unpaid. Dividends on the preferred stock are payable quarterly.

Preferred dividends for the year ended December 31, 2002, include $69.4 million associated with the accounting for a preferred security that contains a conversion option that is beneficial to the purchaser at the time the security was issued. This is accounted for as a noncash dividend (reduction to retained earnings) and results from the conversion price being less than the market price of Williams common stock on the date the preferred stock was issued. The reduction in retained earnings was offset by an increase in capital in excess of par value.

WILLIAMS RECONCILIATION OF INCOME (LOSS) FROM CONTINUING OPERATIONS TO RECURRING EARNINGS
(UNAUDITED)

Three months ended December 31, ------- -------------------- - (Dollars in millions, except for per-share amounts) 2002 2001 - -------- -------------------- -------------------- --- ------------ --- --------- INCOME (LOSS) FROM CONTINUING OPERATIONS $ (106.4) $ (24.4) PREFERRED STOCK DIVIDENDS 6.8 -- ------------ ---- -------- INCOME (LOSS) FROM CONTINUING OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS $ (113.2) $ (24.4) ============ ============ INCOME (LOSS) FROM CONTINUING OPERATIONS - DILUTED EARNINGS PER SHARE $ (0.22) $ (0.05) ============ ============ NONRECURRING ITEMS: Energy Marketing & Trading Write-down of investments of eSpeed stock and Houston Street -- -- Impairments and loss accruals for commitments 50.8 -- related to assets to have been used in power projects Impairment of goodwill** 3.0 -- Reversal of Energy Capital Mezzanine Financing accrual (6.2) -- Impairment of plant for terminated expansion -- 13.3 Write-off of costs associated with termination of certain projects -- -- Early retirement expenses -- -- Hazelton plant expansion write-off -- -- Strategic realignment-related charges -- -- Impairment of Worthington plant 44.7 -- Loss on Gulfmark JV dissolution 5.7 -- Thermogas casualty and environmental costs and claims 4.0 -- Write-down of Capstone Stock** 2.0 -- ------------ ----

-------- Total EM&T
nonrecurring items
104.0 13.3 Gas
Pipeline
Construction
completion fee -
received -- --
Write-offs of
terminated gas
pipeline projects --
-- Early retirement
expenses -- -- Gain
on sale of Northern
Border LP interest -
- -- Cross Bay
write-off -- -- Gain
on sale of Northern
Border Limited
Partnership units --
-- Net impairment on
investment Alliance
US sale (1.2) --
Loss on sale Cove
Point -- --
Strategic
realignment-related
charges -- -- Loss
accrual for royalty
claim -- 18.3 Loss
accrual for
regulatory issue 9.0
-- Write-offs of
common SCADA system
5.9 -- ------------
------------ Total
Gas Pipeline
nonrecurring items
13.7 18.3
Exploration &
Production Early
retirement expenses
-- -- (Gain) loss on
sale of E&P
properties 1.1 --
Gain on sale of
Anadarko 0.2 -- Gain
on sale of Jonah 2.0
-- Strategic
realignment-related
charges -- -- ------
------ ------------
Total Exploration &
Production
nonrecurring items
3.3 -- Midstream Gas
& Liquids Early
retirement expenses
-- -- Impairment of
south Texas assets
as held for sale --
(1.3) Impairment of
Kansas-Hugoton
facilities as assets
held for sale -- --
Impairment of WS-1
building -- --
Impairment of
Canadian assets**
115.0 -- Strategic
realignment-related
charges -- -- ------
------ ------------
Total Midstream Gas
& Liquids
nonrecurring items
115.0 (1.3)
Petroleum Services
Early retirement
expenses -- -- Gain
on sale of
convenience stores -

- (3.2) Accrued liability for royalty oil claim - 1995-99 -- -- Impairment of Touchstar business to fair value -- 0.9 Other -- 1.3 Impairment of Wiljet assets -- -- Impairment of Wiljet investment -- -- Strategic realignment-related charges -- -- Impairment of Alaska assets 18.4 -- Impairment of Augusta refinery assets 3.0 -- ------ ------ ----------- Total Petroleum Services nonrecurring items 21.4 (1.0) Gain on sale of Mazeikiu Nafta -- -- Convertible preferred stock dividends** -- -- Estimated loss on realization of amounts from Williams Communications Group, Inc. (1.2) 188.0 Transaction costs - Amortization of 1998 MAPCO merger-related costs -- -- Interest accrued on Transco royalty claim -- 19.1 Gain on disposition of Prudential shares received from demutualization -- -- Early retirement expenses -- -- Write-down of investment in WCG stock** -- 25.0 Settlement from former coal operations -- -- Costs associated with business & liquidity issue resolution -- -- Strategic realignment-related charges -- -- Corporate asset impairments -- -- Write-off of James River accrued dividends/investment 8.5 -- Other 3.8 (2.2) ------------ ----------- TOTAL NONRECURRING ITEMS 268.5 259.2 Tax effect for above items 56.8 92.1 ------------ ----------- RECURRING EARNINGS (LOSS) $ 98.5 $ 142.7 ============ ============ RECURRING DILUTED

EARNINGS (LOSS) PER
COMMON SHARE $ 0.19
$ 0.28 ============
============
WEIGHTED-AVERAGE
SHARES - DILUTED
(THOUSANDS) 517,104
518,071
Years ended December
31, ----------------

(Dollars in
millions, except for
per-share amounts)
2002 2001 - --------

--- ------------ ---
--------- INCOME
(LOSS) FROM
CONTINUING
OPERATIONS $ (483.3)
$ 802.7 PREFERRED
STOCK DIVIDENDS 90.1
-- ------------ ----
-------- INCOME
(LOSS) FROM
CONTINUING
OPERATIONS AVAILABLE
TO COMMON
STOCKHOLDERS $
(573.4) $ 802.7
============
============ INCOME
(LOSS) FROM
CONTINUING
OPERATIONS - DILUTED
EARNINGS PER SHARE $
(1.11) $ 1.61
============
============
NONRECURRING ITEMS:
Energy Marketing &
Trading Write-down
of investments of
eSpeed stock and
Houston Street --
23.3 Impairments and
loss accruals for
commitments 144.1 --
related to assets to
have been used in
power projects
Impairment of
goodwill** 60.5 --
Reversal of Energy
Capital Mezzanine
Financing accrual
(13.2) -- Impairment
of plant for
terminated expansion
-- 13.3 Write-off of
costs associated
with termination of
certain projects 7.9
-- Early retirement
expenses 4.2 --
Hazelton plant
expansion write-off
3.3 -- Strategic
realignment-related
charges 8.2 --
Impairment of
Worthington plant
44.7 -- Loss on
Gulfmark JV
dissolution 5.7 --
Thermogas casualty
and environmental
costs and claims 4.0
-- Write-down of

Capstone Stock** 2.0
-- ------------ ----
-------- Total EM&T
nonrecurring items
271.4 36.6 Gas
Pipeline
Construction
completion fee -
received (27.4) --
Write-offs of
terminated gas
pipeline projects
12.3 -- Early
retirement expenses
10.7 -- Gain on sale
of Northern Border
LP interest --
(27.5) Cross Bay
write-off 1.6 --
Gain on sale of
Northern Border
Limited Partnership
units (8.7) -- Net
impairment on
investment Alliance
US sale 10.4 -- Loss
on sale Cove Point
3.7 -- Strategic
realignment-related
charges 7.3 -- Loss
accrual for royalty
claim -- 18.3 Loss
accrual for
regulatory issue 9.0
-- Write-offs of
common SCADA system
5.9 -- ------------
------------ Total
Gas Pipeline
nonrecurring items
24.8 (9.2)
Exploration &
Production Early
retirement expenses
0.4 -- (Gain) loss
on sale of E&P
properties 1.0 --
Gain on sale of
Anadarko (21.4) --
Gain on sale of
Jonah (120.3) --
Strategic
realignment-related
charges 0.1 -- -----
------- -----------
Total Exploration &
Production
nonrecurring items
(140.2) -- Midstream
Gas & Liquids Early
retirement expenses
0.8 -- Impairment of
south Texas assets
as held for sale --
13.8 Impairment of
Kansas-Hugoton
facilities as assets
held for sale 5.9 --
Impairment of WS-1
building 2.4 --
Impairment of
Canadian assets**
115.0 -- Strategic
realignment-related
charges 1.5 -- -----
------- -----------
Total Midstream Gas
& Liquids
nonrecurring items
125.6 13.8 Petroleum
Services Early

retirement expenses
1.2 -- Gain on sale
of convenience
stores -- (75.3)
Accrued liability
for royalty oil
claim - 1995-99 --
7.5 Impairment of
Touchstar business
to fair value --
12.1 Other -- 1.3
Impairment of Wiljet
assets 1.4 --
Impairment of Wiljet
investment 0.7 --
Strategic
realignment-related
charges 0.2 --
Impairment of Alaska
assets 18.4 --
Impairment of
Augusta refinery
assets 3.0 -- ------
------ ------------
Total Petroleum
Services
nonrecurring items
24.9 (54.4) Gain on
sale of Mazeikiu
Nafta (58.5) --
Convertible
preferred stock
dividends** 69.4 --
Estimated loss on
realization of
amounts from
Williams
Communications
Group, Inc. 268.7
188.0 Transaction
costs - Amortization
of 1998 MAPCO
merger-related costs
-- 1.5 Interest
accrued on Transco
royalty claim --
19.1 Gain on
disposition of
Prudential shares
received from
demutualization
(11.0) -- Early
retirement expenses
12.2 -- Write-down
of investment in WCG
stock** -- 95.9
Settlement from
former coal
operations -- 9.7
Costs associated
with business &
liquidity issue
resolution 21.7 --
Strategic
realignment-related
charges 8.3 --
Corporate asset
impairments 4.0 --
Write-off of James
River accrued
dividends/investment
8.5 -- Other 3.8 2.8
------------ -------
----- TOTAL
NONRECURRING ITEMS
633.6 303.8 Tax
effect for above
items 144.1 73.1 ---
--------- ----------
-- RECURRING
EARNINGS (LOSS) $

(83.9) $ 1,033.4
============
============
RECURRING DILUTED
EARNINGS (LOSS) PER
COMMON SHARE $
(0.16) $ 2.06
============
============
WEIGHTED-AVERAGE
SHARES - DILUTED
(THOUSANDS) 516,793
500,567

**NO TAX BENEFIT

EXHIBIT 99.2

[WILLIAMS LOGO]

NEWS RELEASE

NYSE: WMB

DATE: Feb. 20, 2003

CONTACT:

Kelly Swan	Travis Campbell	Richard George
Williams (media relations)	Williams (investor relations)	Williams (investor relations)
(918) 573-6932	(918) 573-2944	(918) 573-3679
kelly.swan@williams.com	travis.campbell@williams.com	richard.george@williams.com

WILLIAMS REACHES AGREEMENT TO SELL ETHANOL BUSINESS
TRANSACTION TO YIELD $75 MILLION

TULSA, Okla. - Williams (NYSE:WMB) announced today that it has signed a definitive agreement to sell its equity interest in Williams Bio-Energy L.L.C. for approximately $75 million to a new company formed by Morgan Stanley Capital Partners.

Williams Bio-Energy owns and operates an ethanol production plant in Pekin, Ill., holds a 78.4 percent interest in another plant in Aurora, Neb., and has various agreements to market ethanol from third-party plants. The Pekin and Aurora facilities produce about 135 million gallons of ethanol per year.

Steve Malcolm, chairman, president and chief executive officer, said, "We're continuing to raise cash, reduce working capital requirements and reshape our company around natural gas. Every divestiture and every new dollar is a building block toward putting us in a better position to meet our future obligations."

The sale is projected to close in the second quarter, subject to completion of necessary closing conditions and Hart-Scott-Rodino review. Based on the terms of the sale, Williams expects to record an additional pre-tax loss in the fourth quarter of approximately $51 million.

Roughly 240 Williams employees support the ethanol operations. Williams originally acquired the Pekin plant in 1995. Ethanol is a domestic, renewable fuel that is used as a high-quality octane enhancer.

Banc of America Securities LLC acted as financial advisor to Williams in connection with this transaction.

ABOUT WILLIAMS (NYSE: WMB)

Williams, through its subsidiaries, primarily finds, produces, gathers, processes and transports natural gas. Williams' gas wells, pipelines and midstream facilities are concentrated in the Northwest, Rocky Mountains, Gulf Coast and Eastern Seaboard. More information is available at www.williams.com.

ABOUT MORGAN STANLEY CAPITAL PARTNERS (NYSE: MWD)

Morgan Stanley Capital Partners is the private equity business of Morgan Stanley. Since its founding 18 years ago, Morgan Stanley Capital Partners has invested over $7 billion of capital across a broad range of sectors including industrials, healthcare, financial services, consumer products, media/communications and energy. For more information, please visit www.morganstanley.com/privateequity.

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Exhibit 99.3

Williams Analyst Webcast

February 20, 2003

Forward-looking statements

Williams' reports, filings, and other public announcements might contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" with in the meaning of Private Securities Litigation Reform Act of 1995. You typically can identify forward-looking statements by the use of forward-looking words, such as "anticipate," believe," "could," "continue," "estimate," "expect," "forecast," "may," "plan," "potential," "project," "schedule," "will," and other similar words. These statements are based on our intentions, beliefs, and assumptions about future events and are subject to risks, uncertainties, and other factors. Actual results could differ materially from those contemplated by the forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with such statements, other factors could cause our actual results to differ materially from the results expressed or implied in any forward-looking statements. Those factors include, among others:

- changes in general economic conditions and changes in the industries in which Williams conducts business;
- changes in federal or state laws and regulations to which Williams is subject, including tax, environmental and employment laws and regulations;
- the cost and outcomes of legal and administrative claims proceedings, investigations, or inquiries;
- the results of financing efforts, including our ability to obtain financing on favorable terms, which can be affected by various factors, including our credit ratings and general economic conditions;
- the level of creditworthiness of counterparties to our transactions;
- the amount of collateral required to be posted from time to time in our transactions;
- the effect of changes in accounting policies;
- the ability to control costs;
- the ability of each business unit to successfully implement key systems, such as order entry systems and service delivery systems;
- the impact of future federal and state regulations of business activities, including allowed rates of return, the pace of deregulation in retail natural gas and electricity markets, and the resolution of other regulatory matters;
- changes in environmental and other laws and regulations to which Williams and its subsidiaries are subject or other external factors over which we have no control;
- changes in foreign economies, currencies, laws and regulations, and political climates, especially in Canada, Argentina, Brazil, and Venezuela, where Williams has direct investments;
- the timing and extent of changes in commodity prices, interest rates, and foreign currency exchange rates;
- the weather and other natural phenomena;
- the ability of Williams to develop or access expanded markets and product offerings as well as their ability to maintain existing markets;
- the ability of Williams and its subsidiaries to obtain governmental and regulatory approval of various expansion projects;
- future utilization of pipeline capacity, which can depend on energy prices, competition from other pipelines and alternative fuels, the general level of natural gas and petroleum product demand, decisions by customers not to renew expiring natural gas transportation contracts;
- the accuracy of estimated hydrocarbon reserves and seismic data; and
- global and domestic economic repercussions from terrorist activities and the government's response to such terrorist activities.

In light of these risks, uncertainties, and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time that we have described. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Williams Analyst Webcast

Steve Malcolm

Chairman, President and CEO

Agenda

Williams

- 2002 results
- 2003-2004
  - Guidance for 2003
  - Liquidity management strategy
  - Business outlook
- 2004 and beyond
  - Creating shareholder value
  - Comprehensive response
  - Key elements
- Questions and answers

Overall 2002 results

Dollars in millions except per-share amounts

	Unaudited		
		Year	
	4Q 2002	2002	2001
Income (loss) continuing operations	(106)	(483)	803
Loss discontinued operations	(95)	(253)	(1,280)
Net loss	(201)	(736)	(478)
Loss per share	(0.40)	(1.60)	(0.95)

Core assets performed well

Williams

- $1.4 billion recurring segment profit from core asset businesses vs. $983 million in 2001

Dollars in millions	**Recurring**		**Reported**	
	2002	2001	2002	2001
Exploration & Production	380	234	521	234
Midstream Gas & Liquids	315	186	189	172
Gas Pipeline	694	563	669	572

2002 – other factors

- Recurring
  - Energy Marketing & Trading
    - Recurring loss results of ($353 million) in 2002 vs. $1.3 billion in 2001
    - 4th-quarter 2002 recurring results of $81 million were improvement over previous two quarters
- Non-Recurring
  - Telecom-related obligations
    - ($269 million)
  - Impairments, gains and losses related to value of assets sold or held for sale
    - ($469 million)

2002 recurring results

Dollars in millions except per-share amounts

		Year	
	4Q 2002	**2002**	**2001**
Recurring Earnings (Loss)	$99	($84)	$1,033
Recurring Earnings (Loss) per Share	$0.19	($0.16)	$2.06

Recurring results exclude discontinued operations.

2002 cash information

Unaudited

Dollars in millions

Sources (Uses)

	4th quarter 2002	Full-year 2002
Beginning cash	1,293	1,301
Cash flow from operations	845	(534)
Capital expenditures/purchase of investments	(498)	(2,130)
Other – net	33	(295)
Net sources/(uses)	380	(2,959)
Debt repayments	(1,080)	(5,321)
Asset sales	658	3,132
Cash before financings	1,251	(3,847)
Debt proceed	485	5,583
Ending cash	1,736	1,736

2002 progress on key issues

Williams

- Liquidity/balance sheet
  - Refinanced company under deadline pressure
  - Sold $5.2 billion in assets; another $1.7 billion sales in progress
  - Instituted enhanced cash-management process
- EM&T
  - Settled with California
  - Worked to reduce portfolio risk and liquidity requirements
  - Reduced work force 62%
- Cost reductions
  - Cut quarterly SG&A by $66 million – 4th quarter 2002 vs. 4th quarter 2001
  - Reduced work force 25% – 9,284 at February 14, 2003
- Retained assets that support long-term earnings, debt repayment
  - Grew profits in core businesses

Williams in 2003-2004

Next two years

- Strategy
- Guidance for 2003
- Liquidity through 2004
- Clear, straightforward plan

Strategy

Commercial

- Natural gas assets in key growth markets where we enjoy the competitive advantages of scale, low-cost position and market leadership

Financial

- Create and maintain adequate liquidity from all available sources to fully support business strategy
- De-leverage through combination of asset sales, refinancing, cost-cutting
- Develop balance sheet capable of supporting and ultimately growing high-return assets

Financial discipline

Williams

- We are managing this company differently
  - Proactively managing cash
  - Reducing costs
  - Allocating capital with strict discipline
  - Managing to balanced financial-performance metrics
  - Managing business as a portfolio

Business-unit position

- Exploration & Production
  - Generates free cash flow; primary growth segment
- Midstream Gas & Liquids
  - Generates free cash flow; decreasing volatility
- Gas Pipelines
  - Generates substantial free cash flow
- Energy Marketing & Trading
  - Continue to reduce risk, limit liquidity requirements and preserve portfolio value until sale is completed

2003 guidance

- Business units
  - Cash flow from operations
  - Segment profit
- Consolidated
  - Cash flow from operations
  - Free cash flow
  - Net income
  - EPS
- Liquidity

2003 guidance – business units

Dollars in millions

	2003	
	Segment profit	**Cash flow from operations**
Exploration & Production	300 – 400	300 – 350
Midstream Gas & Liquids	200 – 300	300 – 350
Gas Pipeline	500 – 600	600 – 650
Energy Marketing & Trading	200 – 350	(100) – 0
Other	100 – 150	(300) – (200)

2003 guidance – consolidated

Dollars in millions, except per-share amounts

	2003
Segment profit	1,300 – 1,800
Cash flow from operations	800 – 1,050
Net income	250 – 400
Earnings per share	0.40 – 0.75

Excludes cumulative effect of change in accounting principle.

2003 guidance – consolidated

Dollars in millions, except per-share amounts

	2003
Segment profit	1,300 – 1,800
Cash flow from operations	800 – 1,050
Net income before accounting change	250 – 400
Accounting change – EITF 02-03	(750) – (800)
Loss per share	(1.10) – (0.70)

Liquidity management summary

Williams

Sources (Uses)	2003	2004
	Dollars in millions	
Beginning cash	1,700	2,800
Cash flow from operations	900	1,050
Capital expenditures	(1,000)	(500)
Margin calls	(350)	(350)
Other – net	(100)	0
Net sources/(uses)	(550)	200
Debt repayments	(2,300)	(1,600)
Cash collateralizations of LC facilities	(500)	0
Announced asset sales	1,700	0
Cash before additional sources	50	1,400
Additional asset sales	2,000	250
Additional financings	750	0
Ending cash	2,800	1,650

Total cash at August 1, 2003: $1.8 billion to $2.4 billion
Total cash at April 1, 2004: $800 million to $1.1 billion

Sales announced/in progress

Williams

- Gross value of $1.9 billion includes $1.7 billion cash
- Assets
  - Memphis Refinery – closing March 3, 2003
  - TravelCenters – closing February 27, 2003
  - Ethanol – closing expected 2nd quarter 2003
  - Canadian midstream
  - Alaska – refinery, terminal, retail, TAPS interest
  - Soda Ash
  - Other

Liquidity solution is straightforward

- Strategy provides additional $2.5 billion – $3 billion liquidity over the next 15 months
- Sell additional assets that are fully valued in the marketplace
- Additional sources of liquidity
  - Issue subsidiary debt
  - Sell additional EM&T contracts and free up cash and letters of credit
  - Continue cutting costs

$2.5 billion in new asset sales

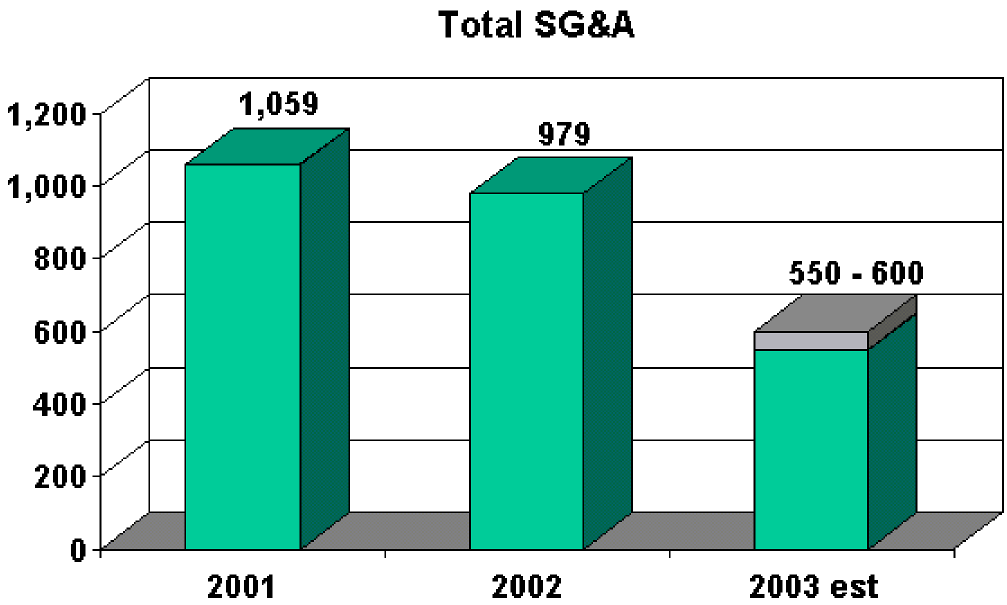
- Williams Energy Partners (WEG)
- Gas Pipelines – targeted sale of Texas Gas
- Assets totaling less than 20% of value of these businesses
  - Exploration & Production – identified properties
  - Midstream Gas & Liquids – identified assets
- Resolution of EM&T would provide additional liquidity

Financing opportunities

Williams

- Subsidiary debt
  - Gas Pipeline financings - $150 million to $300 million
  - Refinance Rocky Mountain reserves - $300 million to $800 million

Cost-cutting



Next 15 to 24 months

- Financial
  - Execute the liquidity management plan
  - De-lever
- Cost reductions
  - Cut costs
  - Further reduce work force
- Sufficient assets to support long-term earnings, debt repayment
  - Continue to grow profits in core businesses
  - Disciplined investment in core businesses
- EM&T
  - Continue to reduce risk, limit liquidity requirements and preserve portfolio value until sale is completed

Business outlook

Williams

- Energy Marketing & Trading
- Exploration & Production
- Midstream Gas & Liquids
- Gas Pipeline

Williams

Energy Marketing & Trading

Bill Hobbs

Senior Vice President

EM&T

Shrinking impact

- Favorably settled California
- Dramatically reduced earnings volatility
- Capital expenditures reduced from $136 million to $1 million
- Work force reduced from 900 to 340
- SG&A reduced from $334 million to $119 million
- 2003 operating profit drops to 15% of WMB total

EM&T

Focus

- Pursue joint venture or sales to capture value of portfolio
- 10,000 MW power business
- Market 550 BBtud of E&P gas
- Purchase 700 BBtud for Midstream gas plants
- Transition out of Transco firm service (FS) business
- Continue to right-size work force

EM&T

Risks

- Margin liquidity
  - Commodity - $250 million
  - Interest rates - $100 million
- Additional credit support may be required
- Talent retention
- Ongoing litigation and investigations

EM&T

EITF 02-03 impact

- Adopt effective January 1, 2003
- $750 million to $800 million after-tax charge
- No cash implications
- No loss of economic value
- Earnings volatility reduced

EM&T

Summary

- Significantly reduced scope of business
- Correlation between power hedges and E&P hedges reduces liquidity requirements for 2003-2004
- West power position good outlet for equity production
- Additional credit support not likely
- Higher interest rates increase earnings and cash
- Volatility of earnings dramatically reduced

Exploration & Production

Ralph Hill

Senior Vice President

Exploration & Production

Key 2002 metrics

- 2.8 Tcfe proved reserves
- More than 550 MMcfe per day production
- 157% reserves replacement rate
- $0.36/Mcfe lease operating expense
- $0.83/Mcfe 3-year average F&D cost
- Drilled 1,357 wells with a 99% success rate
- Cash flow from operations of $539 million

Positioned for growth

Williams

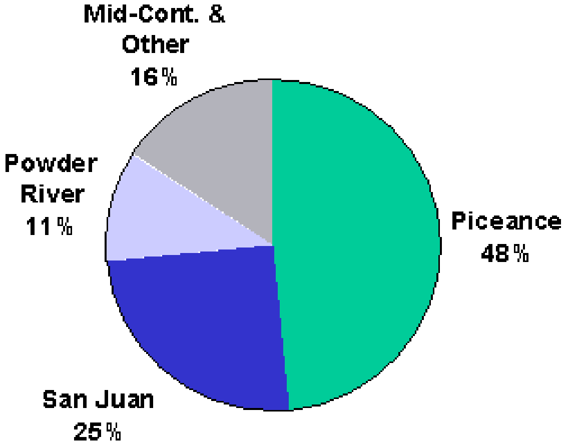
- Leadership positions in top Rockies basins
- 52% of proved reserves are undeveloped
- Significant probable reserves inventory
- 10+ year low-risk high-return development drilling inventory
- Expect 10-15% annual production growth with typical capital expenditures
- Self-funding, generates free cash flow

Hedging and pricing strategy

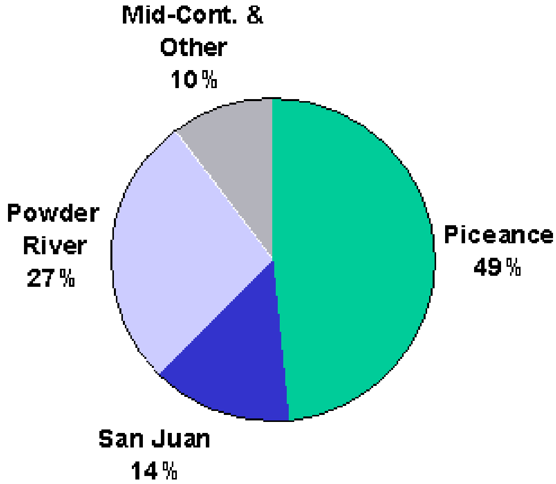
- 2003 and 2004 hedged at 85%, above $4
- Future strategy for level of hedging is function of Williams' portfolio
- Historical hedging range of 40% - 85%
- Rockies producer, not Rockies "price taker"

2002 year-end reserves

Proved Reserves

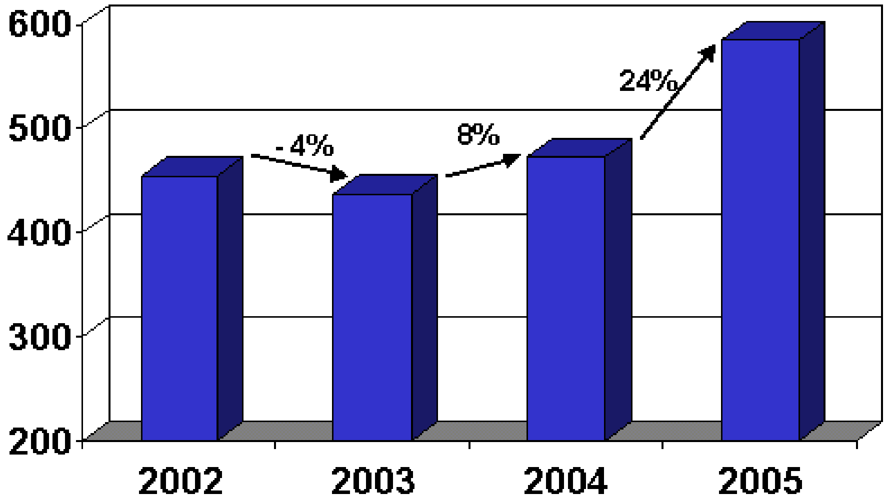


Proved + Probable



Average yearly production

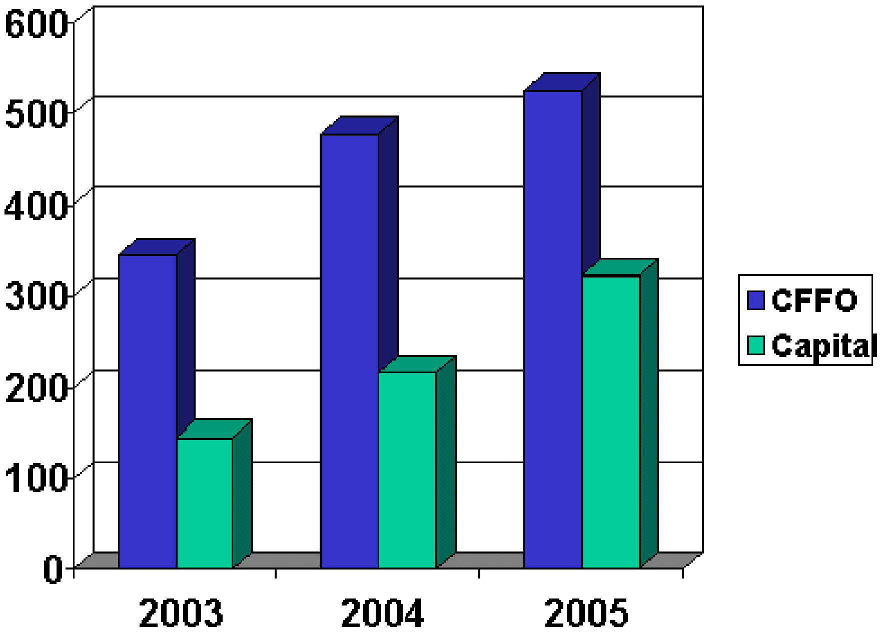
Production from Retained Properties



Note: '02 & '03 adjusted for asset sales

Cash flow vs. capital spending

$ in Millions



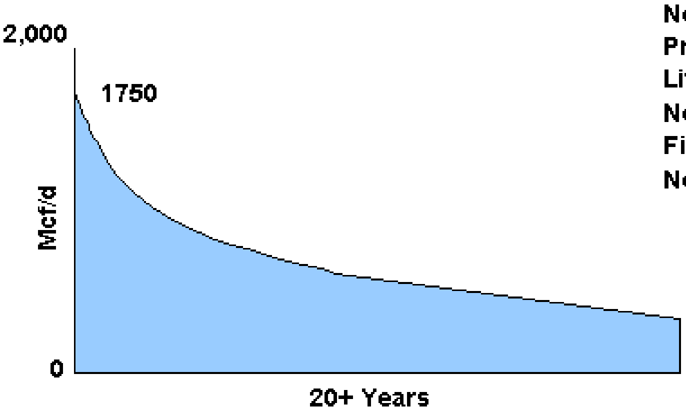
Exploration & Production

Piceance Basin economics

Typical Well (Mesaverde)

Finding Costs

Drill & Complete	$1,000,000
Total Well Cost, $	$1,000,000
Reserves, Mcf	1,240,000
Finding & Development Cost	$0.81



Illustrative Economics

NYMEX Gas Price (MMbtu)	$4.00
Basis Adjustment *	- 0.77
Rocky Mountain Gas Price (per MMbtu)	$3.23
BTU Adjustment - 1060 MMbtu/Mcf	+0.19
Fuel Shrinkage – 2.5%	- 0.08
Transportation/Gathering/Compression	- 0.09
Net Realized Gas Price - Mcf	$3.25
Production taxes - 7%	- 0.23
Lifting Costs - $650/well/month	- 0.13
Net Cash Flow - Mcf	$2.89
Finding & Development Cost	- 0.81
Net Margin	$2.08

After-Tax IRR 40%

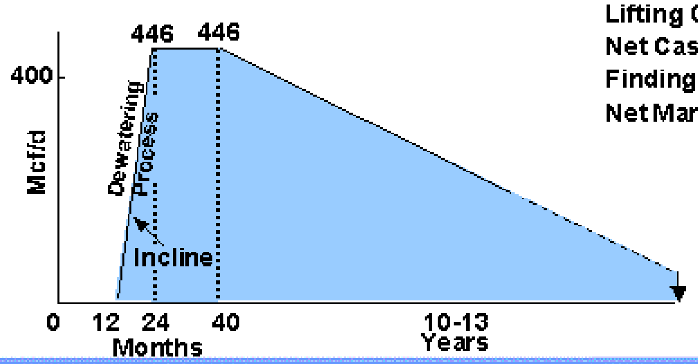
Powder River Basin economics

Williams.

Typical Big George Well

Finding Costs

Drill & Complete	$65,000
Hook-up	$70,000
Total Well Cost	$135,000
Leasehold Cost	10,000
Total Development Cost	$145,000
Reserves, Mcf	538,000
Finding & Development Cost	$0.27



Illustrative Economics

NYMEX Gas Price (MMbtu)	$4.00
Basis Adjustment *	- 0.56
Rocky Mountain Gas Price (per MMbtu)	$3.44
BTU Adjustment - 940 MMbtu/Mcf	- 0.20
Fuel Shrinkage - 7%	- 0.24
Transportation/Gathering/Compression	- 0.49
Net Realized Gas Price - Mcf	$2.51
Production taxes - 12.5%	- 0.31
Lifting Costs - $700/well/month	- 0.18
Net Cash Flow - Mcf	$2.02
Finding & Development Cost	- 0.27
Net Margin	$1.75

After-Tax IRR 58%

San Juan Basin economics

Williams

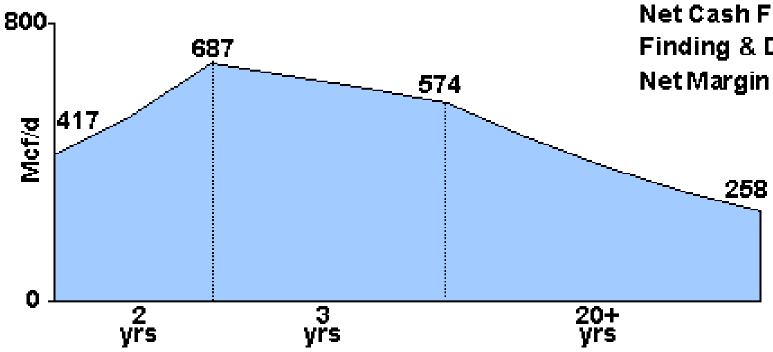
Typical San Juan Well (Fruitland Coal)

Finding Costs

Drill & Complete	$600,000
Total Well Cost, $	$600,000
Reserves, Mcf	2,200,000
Finding & Development Cost	$0.27

Illustrative Economics

NYMEX Gas Price (MMbtu)	$4.00
Basis Adjustment *	- 0.41
Rocky Mountain Gas Price (per MMbtu)	$3.59
BTU Adjustment - 930 MMbtu/Mcf	-0.25
F&S/Transport/Gathering/Compression	- 0.64
Net Realized Gas Price - Mcf	$2.70
Production taxes – 9.1%	- 0.25
Lifting Costs - $8,100/well/month	- 0.58
Net Cash Flow - Mcf	$1.87
Finding & Development Cost	- 0.27
Net Margin	$1.60
After-Tax IRR	51%



Exploration & Production

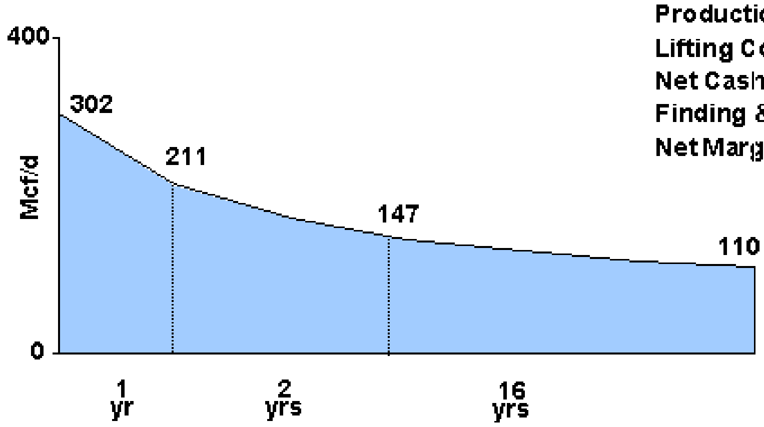
Arkoma Basin economics

Arkoma Basin

Typical Arkoma PUD Well (Lona Valley)

Finding Costs

D & C	$350,000
Total Well Cost, $	$350,000
Reserves, Mcf	790,000
Finding & Development Cost	$0.44



Illustrative Economics

NYMEX Gas Price (MMbtu)	$4.00
Basis Adjustment *	- 0.14
Mid Continent Gas Price (per MMbtu)	$3.86
BTU Adjustment - 993 MMbtu/Mcf	-0.03
F&S/Gathering	- 0.28
Net Realized Gas Price - Mcf	$3.55
Production taxes - 7%	- 0.25
Lifting Costs-$2,500/well/month	- 0.42
Net Cash Flow - Mcf	$2.88
Finding & Development Cost	- 0.44
Net Margin	$2.44

After-Tax IRR	41%

Exploration & Production

Self-funding, primary growth

- 1,400 wells per year
- 99% success rate
- Average annual production growth of 10-15%
- Free cash flow generator
- Long-term, low-risk, high-return drilling portfolio

Midstream Gas & Liquids

Alan Armstrong

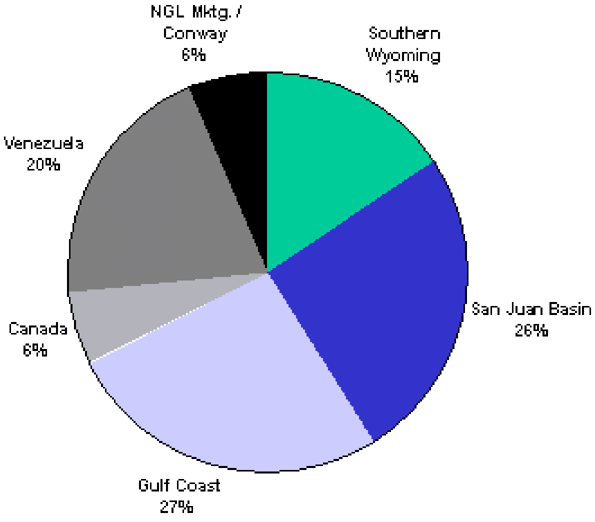
Senior Vice President

Midstream

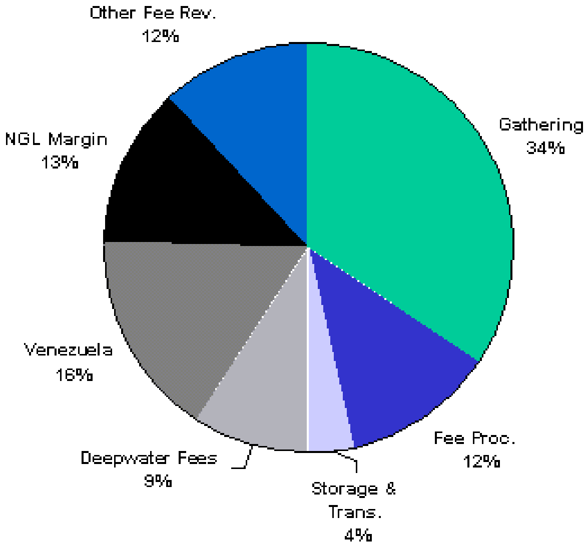
Overview

- Well-positioned assets
  - Growth basins
  - Scale in these basins
- Operational health
  - Metrics improving
  - Continued focus on operational excellence
- Future cash flow
  - Drastic improvement
  - Strong incremental return
  - Invest for return, not operating profit

Midstream
2003 snapshot



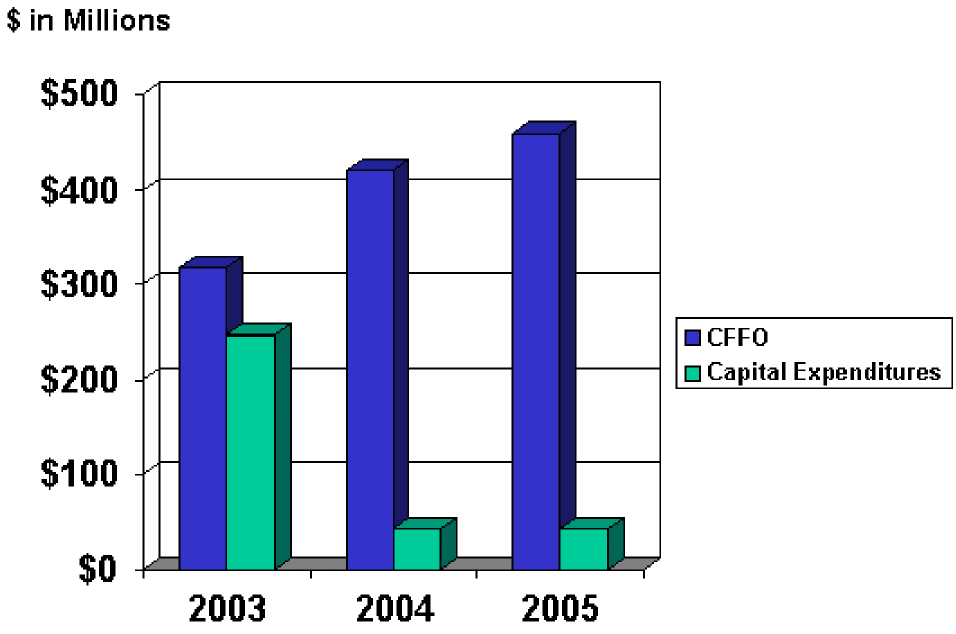
Geographic Cash Flows



Net Revenue Components

Midstream

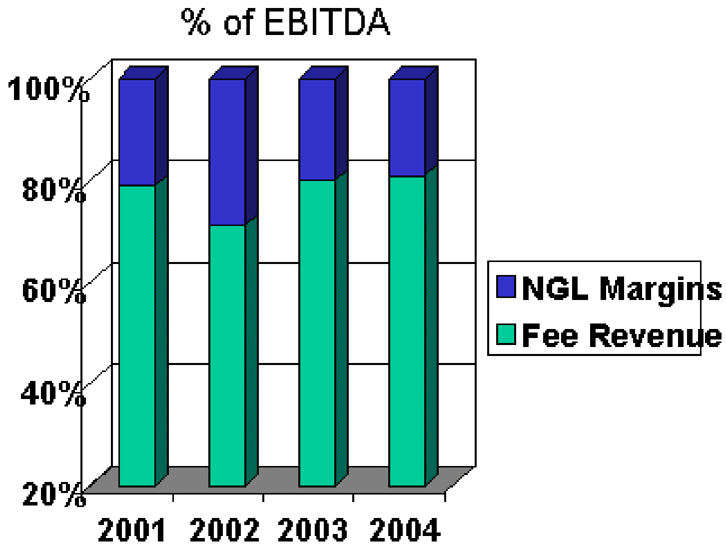
Cash flow vs. capital spending



Midstream

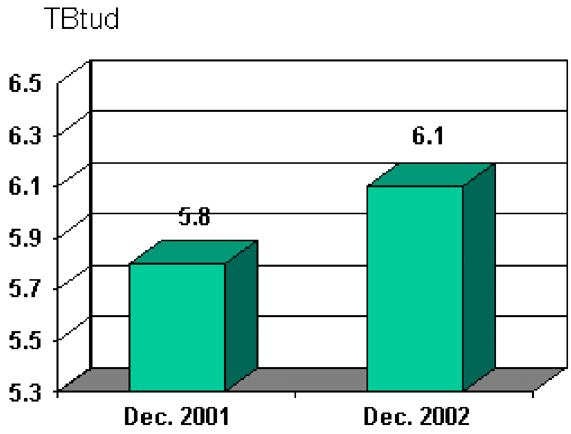
Reducing volatility

- Fee revenue increases to 81% of EBITDA in 2004
- Deepwater fees grow to $150 million in 2004
- Loss of pipeline fee revenue being made up by deepwater

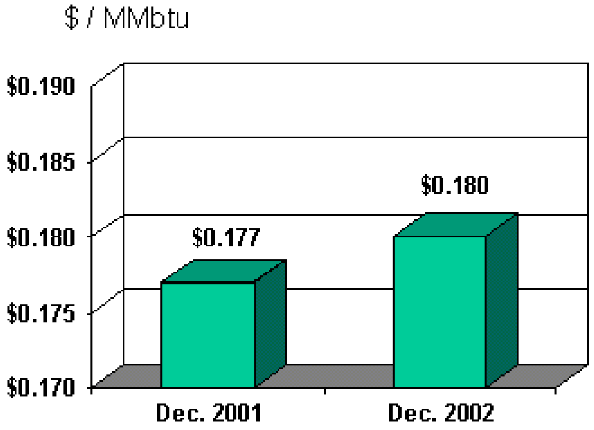


Midstream

Operational health



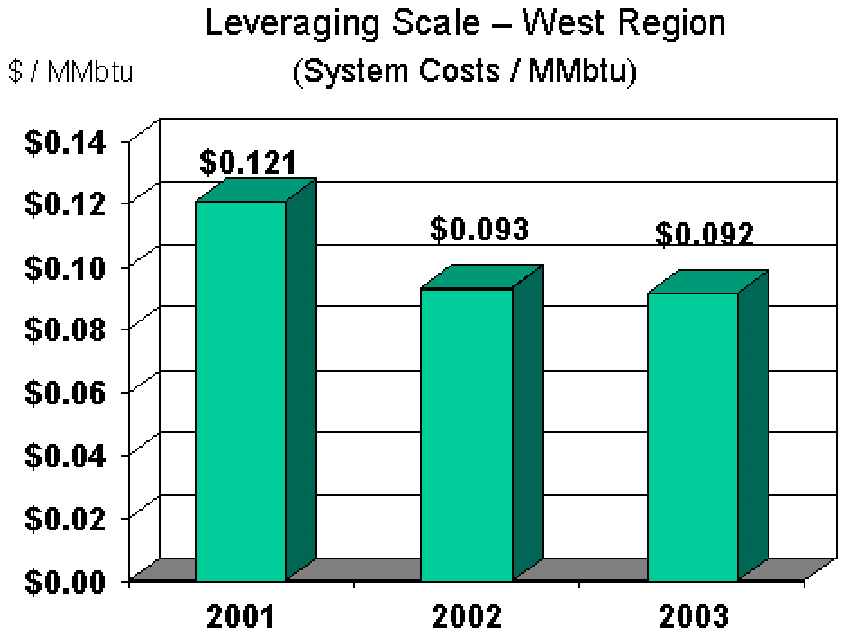
Gathering Volume



Gathering Rate

Midstream

Operational health

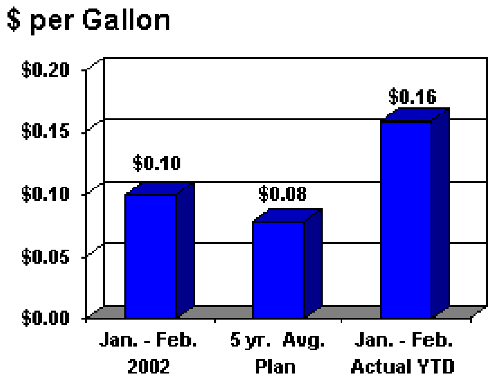


Midstream

Projected commodity values

- Projections assume 5-year average realized margins
- Year-to-date results exceeding last year's and 5-year average results

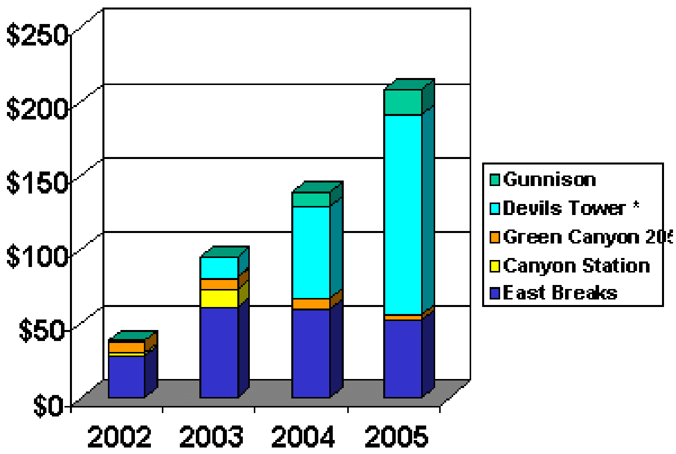
Composite NGL Margins



Projected deepwater EBITDA

- East Breaks
  - Placed in service 4th Qtr. 2001
  - EBITDA
    - 2002 = $30 MM (actuals)
    - 2003 = $60 MM
  - Kerr McGee production exceeding original estimates
    - Original Projection for 2003 = 172MMcfd
    - Jan. 2003 Actual = 336 MMcfd
- Canyon Station
  - Placed in service 3rd Qtr. 2002
  - Production exceeding estimates by 30+ MMcfd
- Green Canyon
  - Placed in service 1st Qtr. 1999
  - Inception to date production is 15% above original projection

$ Millions



* Reflects 100% equity

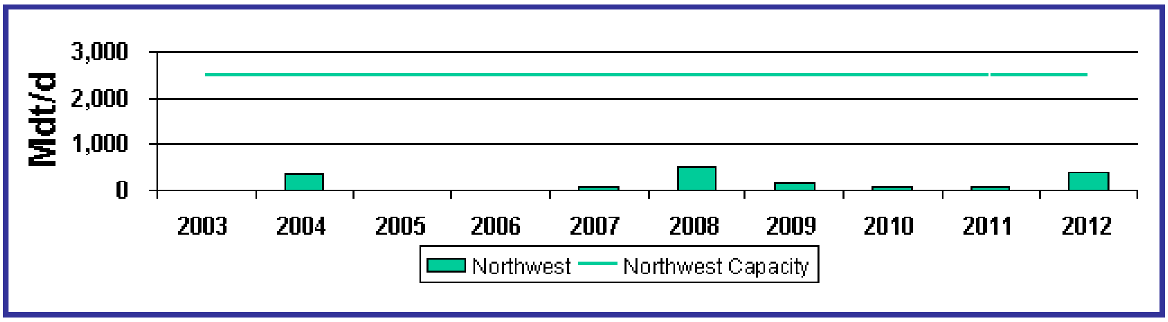
Gas Pipeline

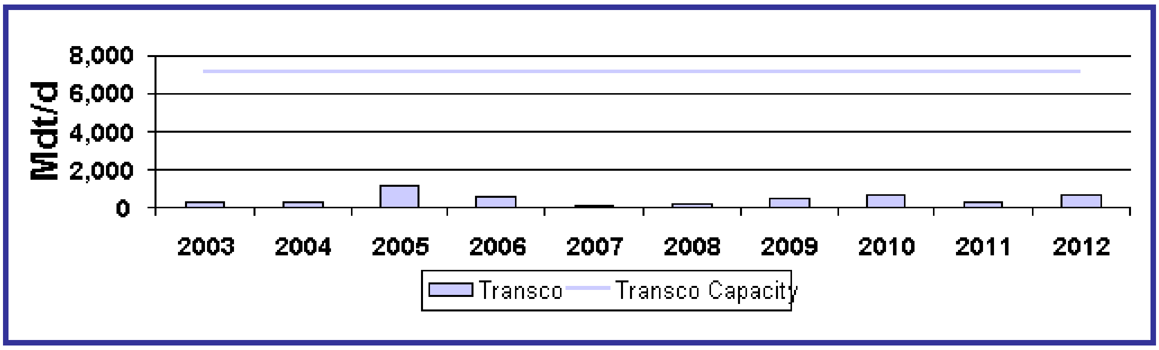
Doug Whisenant

Senior Vice President

Gas Pipeline Assets

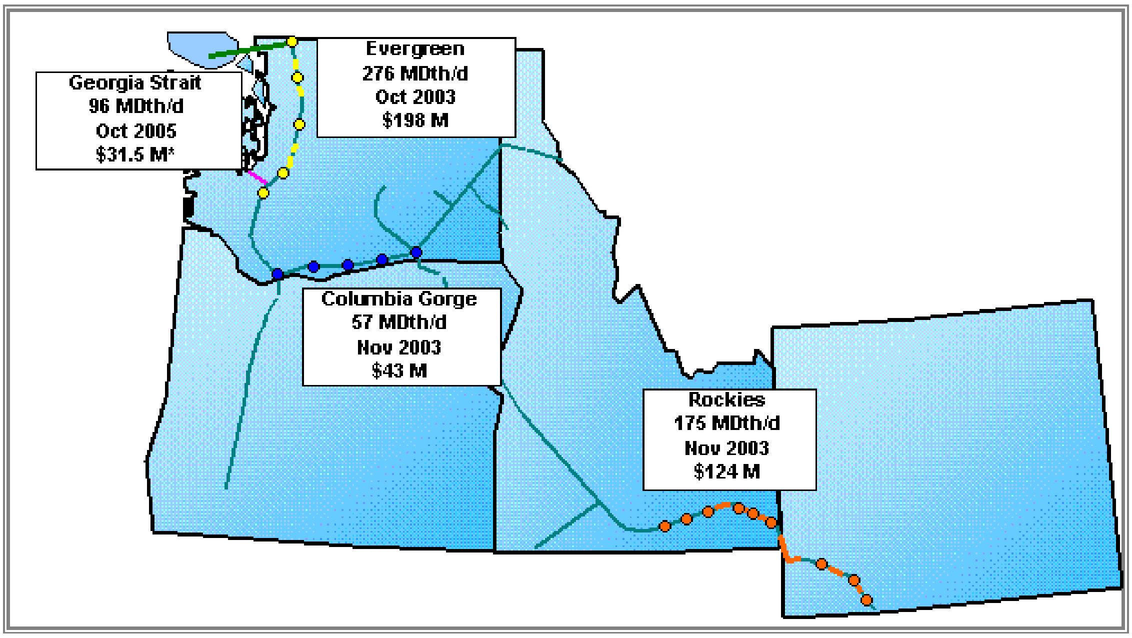
Few expiring long-term contracts





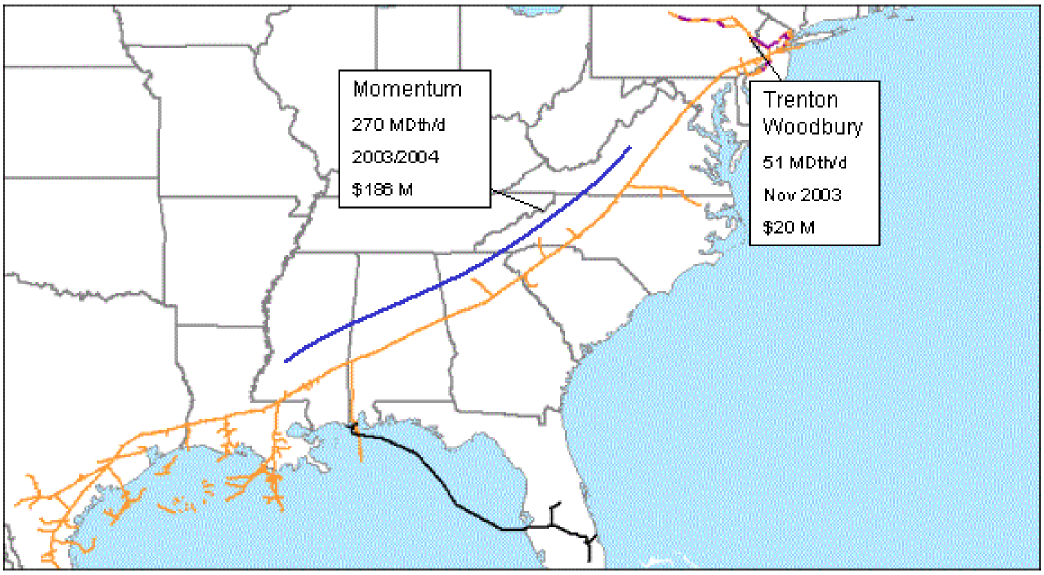
Gas Pipeline

Northwest expansion projects



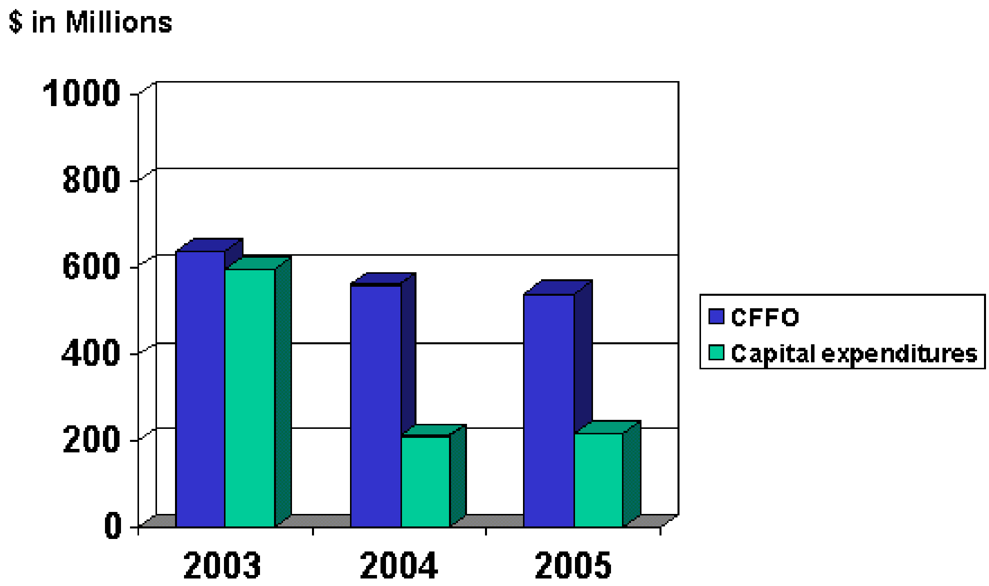
* WMB's net investment when project is placed in–service assuming 70/30 project financing and 50% ownership

Transco expansion projects



Gas Pipeline

Cash flow vs. capital spending



Gas Pipeline

Key issues

- Smooth implementation of 1Line
- Basis differentials
- Compliance with marketing affiliate rules
- Timing of future rate cases

Investment highlights

- Significant free cash flows supported by long-term contracts with high-quality customers
- Limited expansion capital required beyond 2003
- Principal provider in primary markets
- Low-cost provider
- Flexible pipeline operations with diversified natural gas supplies

2004 and beyond – creating shareholder value

Steve Malcolm

Chairman, President & CEO

Building Williams' future

Williams

- Core businesses – continued profitability
- Turn more assets into cash
- Continue to reduce risk and liquidity impact of EM&T
- Reduce costs and work force to align with remaining base of core assets
- Create financial flexibility by refinancing; reduce debt level on our own terms
- Invest limited dollars in core businesses with focus on balancing portfolio risk, free cash flow

2003 - 2005 outlook

Dollars in millions

	2003	2004	2005
Cash flow from operations	800 - 1,050	950 - 1,050	1,450 - 1,650
Capital expenditures	900 - 1,050	400 - 550	500 - 600
Free cash flow	(100) - 0	400 - 650	850 - 1,150
Return on capital employed	6.0% - 7.0%	5.5% - 6.5%	6.0% - 7.0%
Cash flow return on capital employed	4.5% - 5.5%	6.0% - 7.0%	9.5% - 10.5%
Free cash flow return on capital employed	(5.0%) - 0%	2.5% - 4.0%	5.5% - 7.0%

Key elements

- $4 billion in announced and new asset divestitures
- Substantial free cash flow generation growing to more than $1 billion in 2005
- Prioritize reduced capital expenditures
- Opportunistic financings with continuing goal of de-levering company
- Continued cost reductions

Plan is comprehensive response

Williams

- Addresses all near-term and medium-term liquidity issues
- De-levers the company with objective of return to investment grade in 2005
- Downsizes to portfolio of appropriately capitalized core businesses
- Creates shareholder value

Questions & Answers