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WILLIAMS COMPANIES INC
Form 8-K
May 23, 2003

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

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

Date of Report: May 16, 2003
(Date of earliest event reported)

The Williams Companies, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware ----- (State or Other Jurisdiction of Incorporation)	1-4174 ----- (Commission File Number)	73-0569878 ----- (IRS Employer Identification No.)
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One Williams Center Tulsa, Oklahoma ----- (Address of Principal Executive Offices)	74172 ----- (Zip Code)
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Registrant's telephone number, including area code (918) 573-2000

Not Applicable
(Former name or former address, if changed since last report)

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Item 2. Acquisition or Disposition of Assets

On May 16, 2003, The Williams Companies, Inc. ("Williams") announced that it completed the sale of its Texas Gas Transmission pipeline to a subsidiary of Loews Corporation for approximately \$1.045 billion, which includes approximately \$795 million in cash and \$250 million in existing Texas Gas debt. The disposition is reflected in the Company's unaudited pro forma financial information filed as part of this report in Item 7.

Item 7. Financial Statements and Exhibits

- (a) Not Applicable
- (b) Pro forma financial information

The following unaudited pro forma consolidated balance sheet as of March 31, 2003 gives effect to the divestiture of Texas Gas as if it had occurred on March 31, 2003. The following unaudited pro forma consolidated statements of income for the year ended December 31, 2002 and the quarterly period ended March 31, 2003 give effect to the divestiture as if it had occurred on January 1, 2002.

The pro forma information below is provided for informational purposes only and is not necessarily indicative of what the actual financial position or results of operations of the Company would have been had the transaction actually occurred on the dates indicated, nor does it purport to indicate the future financial position or results of operations of the Company.

THE WILLIAMS COMPANIES, INC.
PRO FORMA CONSOLIDATED BALANCE SHEET
MARCH 31, 2003 (UNAUDITED)

(Dollars in millions, except per-share amounts)

	Historical	Adjustment to remove Texas Gas Balances	Other
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,501.1	\$ (.2)	\$
Restricted cash	323.1	--	
Accounts and notes receivable less allowance	2,589.4	(164.6)	
Inventories	383.4	(13.5)	
Derivative assets	7,772.8	--	
Margin deposits	853.5	--	
Assets of discontinued operations	205.9	--	

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Deferred income taxes	572.9	(15.2)	
Other current assets and deferred charges	410.3	(6.3)	
	-----	-----	-----
Total current assets	14,612.4	(199.8)	
Restricted cash	216.5	--	
Investments	1,511.0	(.2)	
Property plant and equipment at cost	19,036.6	(1,264.5)	
Less accumulated depreciation and depletion	(4,359.5)	216.9	
	-----	-----	-----
	14,677.1	(1,047.6)	
Derivative assets	2,415.2	--	
Goodwill	1,082.5	--	
Assets of discontinued operations	--	--	
Other assets and deferred charges	927.6	(155.9)	
	-----	-----	-----
Total assets	\$ 35,442.3	\$ (1,403.5)	\$
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Notes payable	\$ 967.6	\$ --	\$
Accounts payable	1,927.3	(16.1)	
Accrued liabilities	1,377.3	(83.9)	
Liabilities of discontinued operations	124.4	--	
Derivative liabilities	7,807.5	--	
Long-term debt due within one year	2,304.5	--	
	-----	-----	-----
Total current liabilities	14,508.6	(100.0)	
Long-term debt	10,491.1	(249.7)	
Deferred income taxes	2,799.5	(213.6)	
Derivative liabilities	2,023.0	--	
Other liabilities and deferred income	1,036.9	(79.5)	
Contingent liabilities and commitments			
Minority interests in consolidated subsidiaries	430.3	--	
Stockholders' equity:			
Preferred stock	271.3	--	
Common stock	520.8	--	
Capital in excess of par value	5,186.6	--	
Accumulated deficit	(1,710.8)	--	
Accumulated other comprehensive loss	(48.3)	--	
Other	(28.1)	--	
	-----	-----	-----
	4,191.5	--	
Less treasury stock (at cost)	(38.6)	--	
	-----	-----	-----
Total stockholders' equity	4,152.9	--	
	-----	-----	-----
Total liabilities and stockholders' equity	\$ 35,442.3	\$ (642.8)	\$
	=====	=====	=====

(a) Represents net cash proceeds

(b) Represents the settlement of intercompany receivable/payable.

(c) Represents the impairment charge recorded in first quarter 2003.

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- (d) Adjustments for deferred income, ad valorem and other accrued taxes retained by Williams.
- (e) Adjustments for other liabilities that will remain with Williams.

THE WILLIAMS COMPANIES, INC.
 PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
 YEAR ENDED DECEMBER 31, 2002 (UNAUDITED)

(Dollars in millions, except per-share amounts)

	Historical	Adjustments (a)	Other A
	-----	-----	-----
Revenues	\$ 5,608.4	\$ (262.0)	\$
Segment costs and expenses:			
Costs and operating expenses	3,653.5	(105.0)	
Selling, general & administrative expenses	723.9	(45.7)	
Other expense - net	297.4	.5	
	-----	-----	-----
Total segment costs and expenses	4,674.8	(150.2)	
General corporate expenses	142.8	(6.6)	
	-----	-----	-----
Total operating income	790.8	(105.2)	
Interest accrued	(1,229.5)	21.4	
Interest capitalized	29.0	(.9)	
Interest rate swap loss	(124.2)	--	
Investing loss	(109.7)	(1.5) (e)	
Minority interest in income and preferred returns of consolidated subsidiaries	(79.3)	--	
Other income - net	26.4	(2.1)	
	-----	-----	-----
Loss from continuing operations before income taxes and cumulative effect of change in accounting principles	(696.5)	(88.3)	
Benefit for income taxes	(195.0)	(34.8) (b)	
	-----	-----	-----
Loss from continuing operations	\$ (501.5)	\$ (53.5)	\$
	=====	=====	=====
Loss per share from continuing operations:			
Basic	\$ (1.14)		
Diluted	\$ (1.14)		
Basic weighted-average shares (thousands)	516,793		
Diluted weighted-average shares (thousands)	516,793		

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- (a) Adjustments in this column represent Texas Gas' results to be removed from Williams.
- (b) Income taxes calculated using 39.4 percent rate.
- (c) Adjustments relate to intercompany revenues of Texas Gas that were previously eliminated.
- (d) General corporate expenses allocated to Texas Gas will not necessarily be directly impacted as a result of the sale of Texas Gas, therefore, these expenses are assumed to remain with Williams.
- (e) Adjustment represents intercompany interest income of Texas Gas.

THE WILLIAMS COMPANIES, INC.
 PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
 THREE MONTHS ENDED MARCH 31, 2003 (UNAUDITED)

(Dollars in millions, except per-share amounts)

	Historical -----	Adjustments (a) -----	Other -----
Revenues	\$ 5,360.2	\$ (83.0)	\$
Segment costs and expenses:			
Costs and operating expenses	4,847.7	(25.0)	
Selling, general & administrative expenses	149.4	(6.9)	
Other expense - net	113.1	.2	
	-----	-----	-----
Total segment costs and expenses	5,110.2	(31.7)	
General corporate expenses	22.9	(1.1)	
	-----	-----	-----
Total operating income	227.1	(50.2)	
Interest accrued	(372.8)	5.0	
Interest capitalized	12.1	(.2)	
Interest rate swap loss	(2.8)	--	
Investing income	48.0	(1.2) (f)	
Minority interest in income of consolidated subsidiaries	(16.1)	--	
Other income - net	22.5	(.5)	
	-----	-----	-----
Loss from continuing operations before income taxes and cumulative effect of change in accounting principles	(82.0)	(47.1)	
Benefit for income taxes	(24.3)	(18.6) (b)	
	-----	-----	-----
Loss from continuing operations	\$ (57.7)	\$ (28.5)	\$
	=====	=====	=====

Loss per share from continuing operations:

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Basic	\$	(.13)
Diluted	\$	(.13)
Basic weighted-average shares (thousands)		517,652
Diluted weighted-average shares (thousands)		517,652

- (a) Adjustments in this column represent Texas Gas' results to be removed from Williams.
- (b) Income taxes calculated using 39.4 percent rate.
- (c) Adjustments relate to intercompany revenues of Texas Gas (other companies' costs) that were previously eliminated.
- (d) Represents the impairment charge recorded in the first quarter of 2003 related to Texas Gas.
- (e) General corporate expenses allocated to Texas Gas will not necessarily be directly impacted as a result of the sale of Texas Gas, therefore, these expenses are assumed to remain with Williams.
- (f) Adjustment represents intercompany interest income of Texas Gas.

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

The Williams Companies, Inc.

Date: May 22, 2003

/s/ Brian K. Shore

Name: Brian K. Shore

Title: Corporate Secretary