

ONE Gas, Inc.
STATEMENTS OF INCOME

<i>(Unaudited)</i>	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	<i>(Thousands of dollars, except per share amounts)</i>			
Revenues	\$ 440,753	\$ 389,149	\$ 1,427,232	\$ 1,547,692
Cost of natural gas	197,358	157,733	541,797	705,959
Net margin	243,395	231,416	885,435	841,733
Operating expenses				
Operations and maintenance	114,490	109,795	417,142	414,476
Depreciation and amortization	37,339	34,431	143,829	133,023
General taxes	13,033	13,287	55,344	55,105
Total operating expenses	164,862	157,513	616,315	602,604
Operating income	78,533	73,903	269,120	239,129
Other income	102	(788)	1,447	263
Other expense	(364)	27	(1,490)	(2,813)
Interest expense, net	(11,235)	(10,978)	(43,739)	(44,570)
Income before income taxes	67,036	62,164	225,338	192,009
Income taxes	(24,722)	(22,962)	(85,243)	(72,979)
Net income	\$ 42,314	\$ 39,202	\$ 140,095	\$ 119,030
Earnings per share				
Basic	\$ 0.81	\$ 0.75	\$ 2.67	\$ 2.26
Diluted	\$ 0.80	\$ 0.74	\$ 2.65	\$ 2.24
Average shares (thousands)				
Basic	52,455	52,431	52,453	52,578
Diluted	52,967	53,071	52,963	53,254
Dividends declared per share of stock	\$ 0.35	\$ 0.30	\$ 1.40	\$ 1.20

ONE Gas, Inc.
BALANCE SHEETS

<i>(Unaudited)</i>	December 31,	December 31,
	2016	2015
Assets	<i>(Thousands of dollars)</i>	
Property, plant and equipment		
Property, plant and equipment	\$ 5,404,168	\$ 5,132,682
Accumulated depreciation and amortization	1,672,548	1,620,771
Net property, plant and equipment	3,731,620	3,511,911
Current assets		
Cash and cash equivalents	14,663	2,433
Accounts receivable, net	290,944	216,343
Materials and supplies	34,084	33,325
Income tax receivable	1,397	38,877
Natural gas in storage	125,432	142,153
Regulatory assets	83,146	32,925
Other current assets	19,257	16,789
Total current assets	568,923	482,845
Goodwill and other assets		
Regulatory assets	440,522	435,863
Goodwill	157,953	157,953
Other assets	43,773	46,193
Total goodwill and other assets	642,248	640,009
Total assets	\$ 4,942,791	\$ 4,634,765

ONE Gas, Inc.
BALANCE SHEETS
(Continued)

<i>(Unaudited)</i>	December 31, 2016	December 31, 2015
Equity and Liabilities	<i>(Thousands of dollars)</i>	
Equity and long-term debt		
Common stock, \$0.01 par value: authorized 250,000,000 shares; issued 52,598,005 shares and outstanding 52,283,260 shares at December 31, 2016; issued 52,598,005 shares and outstanding 52,259,224 shares at December 31, 2015	\$ 526	\$ 526
Paid-in capital	1,749,574	1,764,875
Retained earnings	161,021	95,046
Accumulated other comprehensive income (loss)	(4,715)	(4,401)
Treasury stock, at cost: 314,745 shares at December 31, 2016 and 338,781 shares at December 31, 2015	(18,126)	(14,491)
Total equity	1,888,280	1,841,555
Long-term debt, excluding current maturities, and net of issuance costs of \$8,851 and \$9,645, respectively	1,192,446	1,191,660
Total equity and long-term debt	3,080,726	3,033,215
Current liabilities		
Current maturities of long-term debt	7	7
Notes payable	145,000	12,500
Accounts payable	131,988	107,482
Accrued interest	18,854	18,873
Accrued taxes other than income	42,571	37,249
Accrued liabilities	22,931	31,470
Customer deposits	61,209	60,325
Regulatory liabilities	11,922	24,615
Other current liabilities	9,451	11,700
Total current liabilities	443,933	304,221
Deferred credits and other liabilities		
Deferred income taxes	1,038,568	951,785
Employee benefit obligations	303,507	272,309
Other deferred credits	76,057	73,235
Total deferred credits and other liabilities	1,418,132	1,297,329
Commitments and contingencies		
Total liabilities and equity	\$ 4,942,791	\$ 4,634,765

ONE Gas, Inc.
STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Years Ended December 31,	
	2016	2015
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 140,095	\$ 119,030
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	143,829	133,023
Deferred income taxes	86,788	63,789
Share-based compensation expense	11,219	9,187
Provision for doubtful accounts	5,427	4,520
Changes in assets and liabilities:		
Accounts receivable	(80,028)	105,886
Materials and supplies	(759)	(5,814)
Income tax receivable	37,480	4,923
Natural gas in storage	16,721	43,147
Asset removal costs	(53,430)	(51,608)
Accounts payable	27,596	(59,635)
Accrued interest	(19)	1
Accrued taxes other than income	5,322	(7,493)
Accrued liabilities	(8,539)	5,451
Customer deposits	884	322
Regulatory assets and liabilities	(49,472)	50,658
Employee benefit obligation	(25,666)	(15,033)
Other assets and liabilities	24,119	(6,147)
Cash provided by operating activities	281,567	394,207
Investing activities		
Capital expenditures	(309,071)	(294,320)
Other	492	—
Cash used in investing activities	(308,579)	(294,320)
Financing activities		
Borrowings (repayment) on notes payable, net	132,500	(29,500)
Repurchase of common stock	(24,066)	(24,122)
Issuance of common stock	4,017	7,051
Dividends paid	(73,209)	(62,826)
Cash provided by (used in) financing activities	39,242	(109,397)
Change in cash and cash equivalents	12,230	(9,510)
Cash and cash equivalents at beginning of period	2,433	11,943
Cash and cash equivalents at end of period	\$ 14,663	\$ 2,433
Supplemental cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 42,129	\$ 42,980
Cash (received) paid for income taxes, net	\$ (35,702)	\$ (5,423)

ONE Gas, Inc.
INFORMATION AT A GLANCE

<i>(Unaudited)</i>	Three Months Ended December 31,		Years Ended December 31,	
	2016	2015	2016	2015
	<i>(Millions of dollars, except as noted)</i>			
<u>Financial</u>				
Net margin	\$ 243.4	\$ 231.4	\$ 885.4	\$ 841.7
Operating costs	\$ 127.6	\$ 123.1	\$ 472.5	\$ 469.6
Depreciation and amortization	\$ 37.3	\$ 34.4	\$ 143.8	\$ 133.0
Operating income	\$ 78.5	\$ 73.9	\$ 269.1	\$ 239.1
Capital expenditures	\$ 77.7	\$ 94.6	\$ 309.0	\$ 294.3
Net margin on natural gas sales	\$ 209.8	\$ 196.4	\$ 758.3	\$ 711.9
Transportation revenues	\$ 25.9	\$ 25.9	\$ 98.1	\$ 98.8
Net margin, excluding other revenues	\$ 235.7	\$ 222.3	\$ 856.4	\$ 810.7
<u>Volumes (Bcf)</u>				
Natural gas sales				
Residential	35.8	36.5	105.5	115.5
Commercial and industrial	10.7	10.4	33.1	35.9
Wholesale and public authority	0.9	0.9	2.4	2.6
Total volumes sold	47.4	47.8	141.0	154.0
Transportation	53.2	54.2	208.1	204.8
Total volumes delivered	100.6	102.0	349.1	358.8
<u>Average number of customers (in thousands)</u>				
Residential	1,975	1,963	1,980	1,968
Commercial and industrial	156	156	157	157
Wholesale and public authority	3	3	3	3
Transportation	12	12	12	12
Total customers	2,146	2,134	2,152	2,140
<u>Heating Degree Days</u>				
Actual degree days	3,208	3,124	8,314	9,114
Normal degree days	3,954	3,964	9,909	9,962
Percent colder (warmer) than normal weather	(18.9)%	(21.2)%	(16.1)%	(8.5)%
<u>Statistics by State</u>				
<u>Oklahoma</u>				
Average number of customers (in thousands)	863	859	865	861
Actual degree days	1,113	1,068	2,843	3,135
Normal degree days	1,296	1,305	3,264	3,317
Percent colder (warmer) than normal weather	(14.1)%	(18.2)%	(12.9)%	(5.5)%
<u>Kansas</u>				
Average number of customers (in thousands)	634	632	637	635
Actual degree days	1,557	1,440	4,016	4,264
Normal degree days	1,895	1,895	4,860	4,860
Percent colder (warmer) than normal weather	(17.8)%	(24.0)%	(17.4)%	(12.3)%
<u>Texas</u>				
Average number of customers (in thousands)	649	643	650	644
Actual degree days	538	616	1,455	1,715
Normal degree days	763	764	1,785	1,785
Percent colder (warmer) than normal weather	(29.5)%	(19.4)%	(18.5)%	(3.9)%