

ONE Gas, Inc.
STATEMENTS OF INCOME

<i>(Unaudited)</i>	Three Months Ended	
	March 31,	
	2014	2013
	<i>(Thousands of dollars, except per share amounts)</i>	
Revenues	\$ 766,178	\$ 635,933
Cost of natural gas	506,342	384,259
Net margin	259,836	251,674
Operating expenses		
Operations and maintenance	103,499	99,694
Depreciation and amortization	31,460	34,867
General taxes	15,524	15,275
Total operating expenses	150,483	149,836
Operating income	109,353	101,838
Other income	633	1,696
Other expense	(1,148)	(1,077)
Interest expense	(12,950)	(15,306)
Income before income taxes	95,888	87,151
Income taxes	(36,812)	(33,659)
Net income	\$ 59,076	\$ 53,492
Earnings per share		
Basic	\$ 1.13	\$ 1.02
Diluted	\$ 1.13	\$ 1.02
Average shares <i>(thousands)</i>		
Basic	52,334	52,319
Diluted	52,512	52,319

ONE Gas, Inc.
BALANCE SHEETS

<i>(Unaudited)</i>	March 31,	December 31,
	2014	2013
Assets	<i>(Thousands of dollars)</i>	
Property, plant and equipment		
Property, plant and equipment	\$ 4,628,598	\$ 4,534,074
Accumulated depreciation and amortization	1,516,458	1,489,216
Net property, plant and equipment	3,112,140	3,044,858
Current assets		
Cash and cash equivalents	178,646	3,171
Accounts receivable, net	398,809	356,988
Natural gas in storage	81,654	166,128
Regulatory assets	29,916	21,657
Other current assets	35,323	54,240
Total current assets	724,348	602,184
Goodwill and other assets		
Regulatory assets	333,201	23,822
Goodwill	157,953	157,953
Other assets	54,376	17,658
Total goodwill and other assets	545,530	199,433
Total assets	\$ 4,382,018	\$ 3,846,475

ONE Gas, Inc.
BALANCE SHEETS
(Continued)

<i>(Unaudited)</i>	March 31, 2014	December 31, 2013
Equity and Liabilities	<i>(Thousands of dollars)</i>	
Equity and long-term debt		
Preferred stock, \$0.01 par value: authorized 50,000,000 shares; no shares issued	\$ —	\$ —
Common stock, \$0.01 par value: authorized 250,000,000 shares; issued and outstanding 51,973,052 shares at March 31, 2014; authorized 1,000 shares, issued and outstanding 100 shares at December 31, 2013	520	—
Paid-in capital	1,752,105	—
Accumulated other comprehensive income (loss)	(3,393)	—
Retained earnings	33,500	—
Owner's net investment	—	1,239,023
Total equity	1,782,732	1,239,023
Long-term debt, excluding current maturities	1,201,316	1,318
Long-term line of credit with ONEOK	—	1,027,631
Total equity and long-term debt	2,984,048	2,267,972
Current liabilities		
Current maturities of long-term debt	6	6
Short-term note payable to ONEOK	—	444,960
Affiliate payable	—	22,403
Accounts payable	175,526	169,500
Current income taxes payable	18,965	—
Accrued taxes other than income	56,551	32,426
Customer deposits	58,784	57,360
Other current liabilities	54,155	42,422
Total current liabilities	363,987	769,077
Deferred credits and other liabilities		
Deferred income taxes	831,371	743,452
Other deferred credits	202,612	65,974
Total deferred credits and other liabilities	1,033,983	809,426
Commitments and contingencies		
Total liabilities and equity	\$ 4,382,018	\$ 3,846,475

ONE Gas, Inc.
STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Three Months Ended	
	March 31,	
	2014	2013
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 59,076	\$ 53,492
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,460	34,867
Deferred income taxes	152	33,658
Share-based compensation expense	1,794	—
Provision for doubtful accounts	891	618
Changes in assets and liabilities:		
Accounts receivable	(42,712)	(59,597)
Natural gas in storage	84,474	72,859
Asset removal costs	(8,107)	(11,093)
Affiliate payable	—	2,907
Accounts payable	6,091	(15,321)
Current income taxes payable	18,965	—
Accrued taxes other than income	24,125	930
Customer deposits	1,424	269
Regulatory assets and liabilities	11,066	26,350
Other assets and liabilities	(6,601)	17,756
Cash provided by operating activities	182,098	157,695
Investing activities		
Capital expenditures	(65,731)	(62,682)
Proceeds from sale of assets	—	2,549
Cash used in investing activities	(65,731)	(60,133)
Financing activities		
Settlement of short-term notes payable to ONEOK, net	—	(72,975)
Issuance of debt, net of discounts	1,199,994	—
Long-term debt financing costs	(10,903)	—
Cash payment to ONEOK upon separation	(1,130,000)	—
Issuance of common stock	17	—
Repayment of long-term debt	—	(58)
Distributions to ONEOK	—	(22,157)
Cash provided by (used in) financing activities	59,108	(95,190)
Change in cash and cash equivalents	175,475	2,372
Cash and cash equivalents at beginning of period	3,171	4,040
Cash and cash equivalents at end of period	\$ 178,646	\$ 6,412

ONE Gas, Inc.
INFORMATION AT A GLANCE

Three Months Ended
March 31,

(Unaudited)

2014 **2013**

(Millions of dollars, except as noted)

Financial

Net margin	\$	259.8	\$	251.7
Operating costs	\$	118.9	\$	115.0
Depreciation and amortization	\$	31.5	\$	34.9
Operating income	\$	109.4	\$	101.8
Capital expenditures	\$	65.7	\$	62.7
Net margin on natural gas sales	\$	218.4	\$	214.0
Transportation margin	\$	32.5	\$	29.3
Net margin, excluding other revenues	\$	250.9	\$	243.3

Volumes (Bcf)

Natural gas sales				
Residential		63.4		55.2
Commercial and industrial		18.3		15.2
Wholesale and public authority		0.8		2.5
Total volumes sold		82.5		73.0
Transportation		67.0		58.7
Total volumes delivered		149.5		131.7

Customers (in thousands)

Residential		1,974		1,956
Commercial and industrial		159		158
Wholesale and public authority		3		3
Transportation		12		12
Total customers		2,148		2,129

Heating Degree Days

Actual degree days		6,005		5,524
Normal degree days		5,302		5,305
Percent colder (warmer) than normal weather		13.3%		4.1%

Statistics by State

Oklahoma

Total number of customers <i>(in thousands)</i>		860		854
Actual degree days		2,142		1,901
Normal degree days		1,803		1,803
Percent colder (warmer) than normal weather		18.8%		5.4%

Kansas

Total number of customers <i>(in thousands)</i>		646		642
Actual degree days		2,879		2,570
Normal degree days		2,502		2,502
Percent colder (warmer) than normal weather		15.1%		2.7%

Texas

Total number of customers <i>(in thousands)</i>		642		633
Actual degree days		984		1,053
Normal degree days		997		1,000
Percent colder (warmer) than normal weather		(1.3)%		5.3%