

ONE Gas, Inc.

STATEMENTS OF INCOME

<i>(Unaudited)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	<i>(Thousands of dollars, except per share amounts)</i>			
Revenues	\$ 256,786	\$ 296,838	\$ 933,317	\$ 1,063,016
Cost of natural gas	79,949	120,345	493,502	626,687
Net margin	176,837	176,493	439,815	436,329
Operating expenses				
Operations and maintenance	99,422	103,826	205,983	207,325
Depreciation and amortization	33,006	31,318	64,636	62,778
General taxes	13,139	14,537	28,921	30,061
Total operating expenses	145,567	149,681	299,540	300,164
Operating income	31,270	26,812	140,275	136,165
Other income	72	672	885	1,305
Other expense	(502)	(337)	(956)	(1,485)
Interest expense, net	(11,190)	(11,776)	(22,359)	(24,726)
Income before income taxes	19,650	15,371	117,845	111,259
Income taxes	(7,574)	(5,917)	(45,388)	(42,729)
Net income	\$ 12,076	\$ 9,454	\$ 72,457	\$ 68,530
Earnings per share				
Basic	\$ 0.23	\$ 0.18	\$ 1.37	\$ 1.32
Diluted	\$ 0.23	\$ 0.18	\$ 1.36	\$ 1.31
Average shares <i>(thousands)</i>				
Basic	52,767	51,797	52,737	52,065
Diluted	53,438	52,446	53,437	52,481
Dividends declared per share of stock	\$ 0.30	\$ 0.28	\$ 0.60	\$ 0.28

ONE Gas, Inc.
BALANCE SHEETS

<i>(Unaudited)</i>	June 30, 2015	December 31, 2014
Assets	<i>(Thousands of dollars)</i>	
Property, plant and equipment		
Property, plant and equipment	\$ 4,970,989	\$ 4,850,201
Accumulated depreciation and amortization	1,590,940	1,556,481
Net property, plant and equipment	3,380,049	3,293,720
Current assets		
Cash and cash equivalents	135,886	11,943
Accounts receivable, net	142,701	326,749
Materials and supplies	31,682	27,511
Income tax receivable	12,156	43,800
Natural gas in storage	119,891	185,300
Regulatory assets	21,360	50,193
Other current assets	13,843	22,005
Total current assets	477,519	667,501
Goodwill and other assets		
Regulatory assets	452,711	478,723
Goodwill	157,953	157,953
Other assets	57,728	51,313
Total goodwill and other assets	668,392	687,989
Total assets	\$ 4,525,960	\$ 4,649,210

ONE Gas, Inc.
BALANCE SHEETS
(Continued)

<i>(Unaudited)</i>	June 30, 2015	December 31, 2014
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 52,102,754 shares at June 30, 2015; issued and outstanding 52,083,859 shares at December 31, 2014	\$ 526	\$ 521
Paid-in capital	1,764,170	1,758,796
Retained earnings	80,273	39,894
Accumulated other comprehensive income (loss)	(4,892)	(5,174)
Treasury stock, at cost: 495,251 shares at June 30, 2015	(21,184)	—
Total equity	1,818,893	1,794,037
Long-term debt, excluding current maturities	1,201,308	1,201,311
Total equity and long-term debt	3,020,201	2,995,348
Current liabilities		
Current maturities of long-term debt	7	6
Notes payable	—	42,000
Accounts payable	67,819	159,064
Accrued interest	18,888	18,872
Accrued taxes other than income	34,199	44,742
Accrued liabilities	14,651	26,019
Customer deposits	59,179	60,003
Regulatory liabilities	37,354	32,467
Other current liabilities	14,839	9,260
Total current liabilities	246,936	392,433
Deferred credits and other liabilities		
Deferred income taxes	900,630	894,585
Employee benefit obligations	277,878	287,779
Other deferred credits	80,315	79,065
Total deferred credits and other liabilities	1,258,823	1,261,429
Commitments and contingencies		
Total liabilities and equity	\$ 4,525,960	\$ 4,649,210

ONE Gas, Inc.
STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Six Months Ended June 30,	
	2015	2014
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 72,457	\$ 68,530
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,636	62,778
Deferred income taxes	13,152	1,880
Share-based compensation expense	3,684	3,649
Provision for doubtful accounts	2,099	3,711
Changes in assets and liabilities:		
Accounts receivable	181,949	161,173
Materials and supplies	(4,171)	2,375
Income tax receivable	31,644	—
Natural gas in storage	65,409	14,083
Asset removal costs	(20,902)	(21,557)
Accounts payable	(92,371)	(66,392)
Accrued interest	16	19,386
Accrued taxes other than income	(10,543)	6,215
Accrued liabilities	(11,368)	13,840
Customer deposits	(824)	(294)
Regulatory assets and liabilities	58,991	18,613
Other assets and liabilities	(11,306)	(26,294)
Cash provided by operating activities	342,552	261,696
Investing activities		
Capital expenditures	(125,425)	(148,617)
Cash used in investing activities	(125,425)	(148,617)
Financing activities		
Repayments of notes payable	(42,000)	—
Repurchase of common stock	(24,122)	—
Issuance of debt, net of discounts	—	1,199,994
Long-term debt financing costs	—	(11,058)
Cash payment to ONEOK upon separation	—	(1,130,000)
Issuance of common stock	4,471	693
Dividends paid	(31,533)	(14,553)
Cash provided by (used in) financing activities	(93,184)	45,076
Change in cash and cash equivalents	123,943	158,155
Cash and cash equivalents at beginning of period	11,943	3,171
Cash and cash equivalents at end of period	\$ 135,886	\$ 161,326

ONE Gas, Inc.
INFORMATION AT A GLANCE

<i>(Unaudited)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	<i>(Millions of dollars, except as noted)</i>			
Financial				
Net margin	\$ 176.8	\$ 176.5	\$ 439.8	\$ 436.3
Operating costs	\$ 112.5	\$ 118.4	\$ 234.9	\$ 237.3
Depreciation and amortization	\$ 33.0	\$ 31.3	\$ 64.6	\$ 62.8
Operating income	\$ 31.3	\$ 26.8	\$ 140.3	\$ 136.2
Capital expenditures	\$ 70.5	\$ 82.9	\$ 125.4	\$ 148.6
Net margin on natural gas sales	\$ 149.1	\$ 144.7	\$ 372.3	\$ 363.1
Transportation revenues	\$ 20.6	\$ 22.2	\$ 52.0	\$ 54.7
Net margin, excluding other revenues	\$ 169.7	\$ 166.9	\$ 424.3	\$ 417.8
Volumes (Bcf)				
Natural gas sales				
Residential	11.4	13.6	71.5	77.0
Commercial and industrial	4.6	4.7	21.8	23.0
Wholesale and public authority	0.4	0.4	1.5	1.2
Total volumes sold	16.4	18.7	94.8	101.2
Transportation	46.8	48.4	107.6	115.3
Total volumes delivered	63.2	67.1	202.3	216.6
Average number of customers (in thousands)				
Residential	1,973	1,959	1,977	1,966
Commercial and industrial	157	156	158	159
Wholesale and public authority	3	3	3	3
Transportation	13	12	13	12
Total customers	2,146	2,130	2,151	2,140
Heating Degree Days				
Actual degree days	487	700	6,007	6,699
Normal degree days	657	664	5,944	5,948
Percent colder (warmer) than normal weather	(25.9)%	5.4%	1.1%	12.6%
Statistics by State				
<u>Oklahoma</u>				
Average number of customers (in thousands)	863	855	865	858
Actual degree days	156	228	2,067	2,370
Normal degree days	195	195	1,998	1,998
Percent colder (warmer) than normal weather	(20.0)%	16.9%	3.5%	18.6%
<u>Kansas</u>				
Average number of customers (in thousands)	637	635	640	641
Actual degree days	300	409	2,815	3,288
Normal degree days	411	411	2,913	2,913
Percent colder (warmer) than normal weather	(27.0)%	(0.5)%	(3.4)%	12.9%
<u>Texas</u>				
Average number of customers (in thousands)	646	640	646	641
Actual degree days	31	63	1,125	1,041
Normal degree days	51	58	1,033	1,037
Percent colder (warmer) than normal weather	(39.2)%	8.6%	8.9%	0.4%