

ONE Gas, Inc.
STATEMENTS OF INCOME

<i>(Unaudited)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	<i>(Thousands of dollars, except per share amounts)</i>			
Revenues	\$ 296,838	\$ 311,608	\$ 1,063,016	\$ 947,541
Cost of natural gas	120,345	133,161	626,687	517,420
Net margin	176,493	178,447	436,329	430,121
Operating expenses				
Operations and maintenance	103,826	93,240	207,325	192,934
Depreciation and amortization	31,318	32,904	62,778	67,771
General taxes	14,537	12,996	30,061	28,271
Total operating expenses	149,681	139,140	300,164	288,976
Operating income	26,812	39,307	136,165	141,145
Other income	672	382	1,305	2,078
Other expense	(337)	(425)	(1,485)	(1,502)
Interest expense	(11,776)	(15,163)	(24,726)	(30,469)
Income before income taxes	15,371	24,101	111,259	111,252
Income taxes	(5,917)	(9,150)	(42,729)	(42,809)
Net income	\$ 9,454	\$ 14,951	\$ 68,530	\$ 68,443
Earnings per share				
Basic	\$ 0.18	\$ 0.29	\$ 1.32	\$ 1.31
Diluted	\$ 0.18	\$ 0.29	\$ 1.31	\$ 1.31
Average shares <i>(thousands)</i>				
Basic	51,797	52,319	52,065	52,319
Diluted	52,446	52,319	52,481	52,319
Dividends declared per share of stock	\$ 0.28	\$ —	\$ 0.28	\$ —

ONE Gas, Inc.
BALANCE SHEETS

<i>(Unaudited)</i>	June 30, 2014	December 31, 2013
Assets	<i>(Thousands of dollars)</i>	
Property, plant and equipment		
Property, plant and equipment	\$ 4,704,681	\$ 4,534,074
Accumulated depreciation and amortization	1,530,201	1,489,216
Net property, plant and equipment	3,174,480	3,044,858
Current assets		
Cash and cash equivalents	161,326	3,171
Accounts receivable, net	192,104	356,988
Natural gas in storage	152,045	166,128
Regulatory assets	31,561	21,657
Other current assets	33,892	54,240
Total current assets	570,928	602,184
Goodwill and other assets		
Regulatory assets	322,691	23,822
Goodwill	157,953	157,953
Other assets	57,758	17,658
Total goodwill and other assets	538,402	199,433
Total assets	\$ 4,283,810	\$ 3,846,475

ONE Gas, Inc.
BALANCE SHEETS
(Continued)

<i>(Unaudited)</i>	June 30, 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 51,992,547 shares at June 30, 2014; authorized 1,000 shares, issued and outstanding 100 shares at December 31, 2013	520	—
Paid-in capital	1,754,636	—
Accumulated other comprehensive income (loss)	(3,471)	—
Retained earnings	28,401	—
Owner's net investment	—	1,239,023
Total equity	1,780,086	1,239,023
Long-term debt, excluding current maturities	1,201,314	1,318
Long-term line of credit with ONEOK	—	1,027,631
Total equity and long-term debt	2,981,400	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	100,357	169,500
Accrued interest	19,515	129
Accrued taxes other than income	38,641	32,426
Customer deposits	57,066	57,360
Regulatory liabilities	17,983	17,796
Other current liabilities	34,794	24,497
Total current liabilities	268,362	769,077
Deferred credits and other liabilities		
Deferred income taxes	834,686	743,452
Other deferred credits	199,362	65,974
Total deferred credits and other liabilities	1,034,048	809,426
Commitments and contingencies		
Total liabilities and equity	\$ 4,283,810	\$ 3,846,475

ONE Gas, Inc.
STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Six Months Ended June 30,	
	2014	2013
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 68,530	\$ 68,443
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	62,778	67,771
Deferred income taxes	1,880	42,775
Share-based compensation expense	3,649	—
Provision for doubtful accounts	3,711	2,666
Changes in assets and liabilities:		
Accounts receivable	161,173	85,514
Natural gas in storage	14,083	(1,570)
Asset removal costs	(21,557)	(22,874)
Affiliate payable	—	(3,871)
Accounts payable	(66,392)	(43,279)
Accrued interest	19,386	—
Accrued taxes other than income	6,215	(67)
Customer deposits	(294)	(1,975)
Regulatory assets and liabilities	18,613	47,872
Other assets and liabilities	(10,079)	(16,396)
Cash provided by operating activities	261,696	225,009
Investing activities		
Capital expenditures	(148,617)	(130,049)
Proceeds from sale of assets	—	3,104
Cash used in investing activities	(148,617)	(126,945)
Financing activities		
Settlement of short-term notes payable to ONEOK, net	—	(85,756)
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	693	—
Dividends paid	(14,553)	—
Repayment of long-term debt	—	(59)
Distributions to ONEOK	—	(12,495)
Cash provided by (used in) financing activities	45,076	(98,310)
Change in cash and cash equivalents	158,155	(246)
Cash and cash equivalents at beginning of period	3,171	4,040
Cash and cash equivalents at end of period	\$ 161,326	\$ 3,794

ONE Gas, Inc.
INFORMATION AT A GLANCE

<i>(Unaudited)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	<i>(Millions of dollars, except as noted)</i>			
<u>Financial</u>				
Net margin	\$ 176.5	\$ 178.4	\$ 436.3	\$ 430.1
Operating costs	\$ 118.4	\$ 106.2	\$ 237.3	\$ 221.2
Depreciation and amortization	\$ 31.3	\$ 32.9	\$ 62.8	\$ 67.8
Operating income	\$ 26.8	\$ 39.3	\$ 136.2	\$ 141.1
Capital expenditures	\$ 82.9	\$ 67.3	\$ 148.6	\$ 130.0
Net margin on natural gas sales	\$ 144.7	\$ 147.6	\$ 363.1	\$ 361.6
Transportation margin	\$ 22.2	\$ 22.8	\$ 54.7	\$ 52.1
Net margin, excluding other revenues	\$ 166.9	\$ 170.4	\$ 417.8	\$ 413.7
<u>Volumes (Bcf)</u>				
Natural gas sales				
Residential	13.6	16.4	77.0	71.6
Commercial and industrial	4.7	5.8	23.0	21.0
Wholesale and public authority	0.4	0.3	1.2	2.8
Total volumes sold	18.7	22.5	101.2	95.4
Transportation	48.4	49.8	115.3	108.5
Total volumes delivered	67.1	72.3	216.6	204.0
<u>Customers (in thousands)</u>				
Residential	1,959	1,951	1,966	1,953
Commercial and industrial	156	156	159	157
Wholesale and public authority	3	3	3	3
Transportation	12	12	12	12
Total customers	2,130	2,122	2,140	2,125
<u>Heating Degree Days</u>				
Actual degree days	700	1,052	6,699	6,548
Normal degree days	664	658	5,948	5,951
Percent colder (warmer) than normal weather	5.4%	59.9%	12.6%	10.0%
<u>Statistics by State</u>				
<u>Oklahoma</u>				
Total number of customers <i>(in thousands)</i>	855	849	858	852
Actual degree days	228	381	2,370	2,282
Normal degree days	195	195	1,998	1,998
Percent colder (warmer) than normal weather	16.9%	95.4%	18.6%	14.2%
<u>Kansas</u>				
Total number of customers <i>(in thousands)</i>	635	637	641	639
Actual degree days	409	586	3,288	3,156
Normal degree days	411	411	2,913	2,913
Percent colder (warmer) than normal weather	(0.5)%	42.6%	12.9%	8.3%
<u>Texas</u>				
Total number of customers <i>(in thousands)</i>	640	636	641	634
Actual degree days	63	85	1,041	1,110
Normal degree days	58	52	1,037	1,040
Percent colder (warmer) than normal weather	8.6%	63.5%	0.4%	6.7%