

ONE Gas, Inc.

STATEMENTS OF INCOME

<i>(Unaudited)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	<i>(Thousands of dollars, except per share amounts)</i>			
Revenues	\$ 225,226	\$ 241,522	\$ 1,158,543	\$ 1,304,538
Cost of natural gas	54,724	75,070	548,226	701,757
Net margin	170,502	166,452	610,317	602,781
Operating expenses				
Operations and maintenance	98,698	101,829	304,681	309,154
Depreciation and amortization	33,956	31,217	98,592	93,995
General taxes	12,897	14,287	41,818	44,348
Total operating expenses	145,551	147,333	445,091	447,497
Operating income	24,951	19,119	165,226	155,284
Other income	166	8	1,051	1,005
Other expense	(1,884)	(652)	(2,840)	(1,829)
Interest expense, net	(11,233)	(11,160)	(33,592)	(35,886)
Income before income taxes	12,000	7,315	129,845	118,574
Income taxes	(4,629)	(2,662)	(50,017)	(45,391)
Net income	\$ 7,371	\$ 4,653	\$ 79,828	\$ 73,183
Earnings per share				
Basic	\$ 0.14	\$ 0.09	\$ 1.52	\$ 1.40
Diluted	\$ 0.14	\$ 0.09	\$ 1.50	\$ 1.38
Average shares <i>(thousands)</i>				
Basic	52,408	52,361	52,627	52,353
Diluted	53,072	53,014	53,315	52,848
Dividends declared per share of stock	\$ 0.30	\$ 0.28	\$ 0.90	\$ 0.56

ONE Gas, Inc.
BALANCE SHEETS

<i>(Unaudited)</i>	September 30, 2015	December 31, 2014
Assets	<i>(Thousands of dollars)</i>	
Property, plant and equipment		
Property, plant and equipment	\$ 5,040,313	\$ 4,850,201
Accumulated depreciation and amortization	1,604,509	1,556,481
Net property, plant and equipment	3,435,804	3,293,720
Current assets		
Cash and cash equivalents	52,974	11,943
Accounts receivable, net	103,406	326,749
Materials and supplies	33,400	27,511
Income tax receivable	23,725	43,800
Natural gas in storage	159,912	185,300
Regulatory assets	31,703	50,193
Other current assets	12,227	22,005
Total current assets	417,347	667,501
Goodwill and other assets		
Regulatory assets	440,312	478,723
Goodwill	157,953	157,953
Other assets	54,905	51,313
Total goodwill and other assets	653,170	687,989
Total assets	\$ 4,506,321	\$ 4,649,210

ONE Gas, Inc.
BALANCE SHEETS
(Continued)

<i>(Unaudited)</i>	September 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 52,151,279 shares at September 30, 2015; issued and outstanding 52,083,859 shares at December 31, 2014	\$ 526	\$ 521
Paid-in capital	1,762,508	1,758,796
Retained earnings	71,746	39,894
Accumulated other comprehensive income (loss)	(4,751)	(5,174)
Treasury stock, at cost: 446,726 shares at September 30, 2015	(19,108)	—
Total equity	1,810,921	1,794,037
Long-term debt, excluding current maturities	1,201,306	1,201,311
Total equity and long-term debt	3,012,227	2,995,348
Current liabilities		
Current maturities of long-term debt	7	6
Notes payable	—	42,000
Accounts payable	57,240	159,064
Accrued interest	7,647	18,872
Accrued taxes other than income	40,429	44,742
Accrued liabilities	18,000	26,019
Customer deposits	58,331	60,003
Regulatory liabilities	41,337	32,467
Other current liabilities	10,478	9,260
Total current liabilities	233,469	392,433
Deferred credits and other liabilities		
Deferred income taxes	907,647	894,585
Employee benefit obligations	274,073	287,779
Other deferred credits	78,905	79,065
Total deferred credits and other liabilities	1,260,625	1,261,429
Commitments and contingencies		
Total liabilities and equity	\$ 4,506,321	\$ 4,649,210

ONE Gas, Inc.
STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Nine Months Ended	
	September 30,	
	2015	2014
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 79,828	\$ 73,183
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	98,592	93,995
Deferred income taxes	19,384	2,828
Share-based compensation expense	3,863	5,651
Provision for doubtful accounts	2,951	5,019
Changes in assets and liabilities:		
Accounts receivable	220,392	216,219
Materials and supplies	(5,889)	6,238
Income tax receivable	20,075	(4,862)
Natural gas in storage	25,388	(51,192)
Asset removal costs	(33,744)	(34,963)
Accounts payable	(104,948)	(70,063)
Accrued interest	(11,225)	7,521
Accrued taxes other than income	(4,313)	11,060
Accrued liabilities	(8,019)	15,977
Customer deposits	(1,672)	(43)
Regulatory assets and liabilities	64,368	23,308
Other assets and liabilities	(15,493)	(49,868)
Cash provided by operating activities	349,538	250,008
Investing activities		
Capital expenditures	(199,678)	(224,619)
Cash used in investing activities	(199,678)	(224,619)
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	—	(11,078)
Cash payment to ONEOK upon separation	—	(1,130,000)
Issuance of common stock	4,471	1,330
Dividends paid	(47,178)	(29,121)
Cash provided by (used in) financing activities	(108,829)	31,125
Change in cash and cash equivalents	41,031	56,514
Cash and cash equivalents at beginning of period	11,943	3,171
Cash and cash equivalents at end of period	\$ 52,974	\$ 59,685

ONE Gas, Inc.
INFORMATION AT A GLANCE

<i>(Unaudited)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	<i>(Millions of dollars, except as noted)</i>			
Financial				
Net margin	\$ 170.5	\$ 166.5	\$ 610.3	\$ 602.8
Operating costs	\$ 111.6	\$ 116.2	\$ 346.5	\$ 353.5
Depreciation and amortization	\$ 34.0	\$ 31.2	\$ 98.6	\$ 94.0
Operating income	\$ 24.9	\$ 19.1	\$ 165.2	\$ 155.3
Capital expenditures	\$ 74.3	\$ 76.0	\$ 199.7	\$ 224.6
Net margin on natural gas sales	\$ 143.2	\$ 138.3	\$ 515.5	\$ 501.4
Transportation revenues	\$ 20.9	\$ 20.2	\$ 72.9	\$ 74.9
Net margin, excluding other revenues	\$ 164.1	\$ 158.5	\$ 588.4	\$ 576.3
Volumes (Bcf)				
Natural gas sales				
Residential	7.5	7.8	79.0	84.8
Commercial and industrial	3.7	3.8	25.5	26.9
Wholesale and public authority	0.2	0.3	1.7	1.5
Total volumes sold	11.4	11.9	106.2	113.2
Transportation	43.1	43.7	150.6	159.0
Total volumes delivered	54.5	55.6	256.8	272.2
Average number of customers (in thousands)				
Residential	1,955	1,939	1,970	1,957
Commercial and industrial	154	154	157	157
Wholesale and public authority	3	3	3	3
Transportation	13	12	12	12
Total customers	2,125	2,108	2,142	2,129
Heating Degree Days				
Actual degree days	9	55	6,008	6,746
Normal degree days	67	67	6,000	6,002
Percent colder (warmer) than normal weather	(86.6)%	(17.9)%	0.1%	12.4%
Statistics by State				
<u>Oklahoma</u>				
Average number of customers (in thousands)	853	845	861	854
Actual degree days	0	11	2,067	2,381
Normal degree days	14	14	2,012	2,012
Percent colder (warmer) than normal weather	(100.0)%	(21.4)%	2.7%	18.3%
<u>Kansas</u>				
Average number of customers (in thousands)	629	625	636	635
Actual degree days	9	43	2,824	3,331
Normal degree days	52	52	2,965	2,965
Percent colder (warmer) than normal weather	(82.7)%	(17.3)%	(4.8)%	12.3%
<u>Texas</u>				
Average number of customers (in thousands)	643	638	645	640
Actual degree days	0	1	1,117	1,034
Normal degree days	1	1	1,023	1,025
Percent colder (warmer) than normal weather	(100.0)%	—%	9.2%	0.9%

ONE Gas, Inc.

EARNINGS GUIDANCE*

<i>(Unaudited)</i>	Updated 2015 Guidance	Previous 2015 Guidance	Change
<i>(Millions of dollars)</i>			
Operating income			
Net margin	\$ 840	\$ 845	\$ (5)
Operations and maintenance	417	422	(5)
Depreciation and amortization	133	135	(2)
General taxes	55	55	—
Operating income	235	233	2
Other income (expense)	(2)	(2)	—
Interest expense	(45)	(47)	2
Income before income taxes	188	184	4
Income taxes	(72)	(71)	(1)
Net income	\$ 116	\$ 113	\$ 3
Capital expenditures			
System integrity and replacements	\$ 208	\$ 213	\$ (5)
Customer growth	62	55	7
Other	30	32	(2)
Total capital expenditures	\$ 300	\$ 300	\$ —

	Updated 2015 Guidance	Previous 2015 Guidance	Change
<i>(Millions of dollars)</i>			
Cash Flow			
Net income	\$ 116	\$ 113	\$ 3
Depreciation and amortization	133	135	(2)
Deferred taxes	23	(8)	31
Other	10	13	(3)
Cash flow from operations before changes in working capital	\$ 282	\$ 253	\$ 29

*Amounts shown are midpoints of ranges provided.