

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF INCOME

Three Months Ended

March 31,

(Unaudited)

2018

2017

(Thousands of dollars, except per share amounts)

	2018	2017
Revenues		
Revenues from contracts with customers	\$ 635,237	\$ 536,160
Other revenues	3,227	14,248
Total revenues	638,464	550,408
Cost of natural gas	350,419	263,154
Net margin	288,045	287,254
Operating expenses		
Operations and maintenance	102,665	105,044
Depreciation and amortization	38,890	37,019
General taxes	16,200	15,746
Total operating expenses	157,755	157,809
Operating income	130,290	129,445
Other expense, net	(2,164)	(3,407)
Interest expense, net	(12,352)	(11,481)
Income before income taxes	115,774	114,557
Income taxes	(24,939)	(38,101)
Net income	\$ 90,835	\$ 76,456
Earnings per share		
Basic	\$ 1.73	\$ 1.45
Diluted	\$ 1.72	\$ 1.44
Average shares (thousands)		
Basic	52,604	52,576
Diluted	52,897	53,056
Dividends declared per share of stock	\$ 0.46	\$ 0.42

ONE Gas, Inc.**CONSOLIDATED BALANCE SHEETS**

<i>(Unaudited)</i>	March 31,	December 31,
	2018	2017
Assets	<i>(Thousands of dollars)</i>	
Property, plant and equipment		
Property, plant and equipment	\$ 5,782,919	\$ 5,713,912
Accumulated depreciation and amortization	1,726,599	1,706,327
Net property, plant and equipment	4,056,320	4,007,585
Current assets		
Cash and cash equivalents	44,536	14,413
Accounts receivable, net	303,493	298,768
Materials and supplies	35,062	39,672
Natural gas in storage	50,556	130,154
Regulatory assets	49,295	88,180
Other current assets	18,754	17,807
Total current assets	501,696	588,994
Goodwill and other assets		
Regulatory assets	394,721	405,189
Goodwill	157,953	157,953
Other assets	48,403	47,157
Total goodwill and other assets	601,077	610,299
Total assets	\$ 5,159,093	\$ 5,206,878

ONE Gas, Inc.
CONSOLIDATED BALANCE SHEETS
(Continued)

<i>(Unaudited)</i>	March 31,	December 31,
	2018	2017
<i>(Thousands of dollars)</i>		
Equity and Liabilities		
Equity and long-term debt		
Common stock, \$0.01 par value: authorized 250,000,000 shares; issued 52,598,005 shares and outstanding 52,469,880 shares at March 31, 2018; issued 52,598,005 and outstanding 52,312,516 shares at December 31, 2017	\$ 526	\$ 526
Paid-in capital	1,721,701	1,737,551
Retained earnings	312,595	246,121
Accumulated other comprehensive income (loss)	(5,573)	(5,493)
Treasury stock, at cost: 128,125 shares at March 31, 2018 and 285,489 shares at December 31, 2017	(8,301)	(18,496)
Total equity	2,020,948	1,960,209
Long-term debt, excluding current maturities, and net of issuance costs of \$7,824 and \$8,033, respectively	893,463	1,193,257
Total equity and long-term debt	2,914,411	3,153,466
Current liabilities		
Current maturities of long-term debt	300,008	8
Notes payable	282,607	357,215
Accounts payable	77,566	143,681
Accrued interest	7,667	18,776
Accrued taxes other than income	47,471	41,324
Accrued liabilities	12,835	30,058
Regulatory liabilities	44,296	9,438
Customer deposits	61,861	60,811
Other current liabilities	10,395	12,019
Total current liabilities	844,706	673,330
Deferred credits and other liabilities		
Deferred income taxes	625,724	599,945
Regulatory liabilities	518,102	519,421
Employee benefit obligations	166,611	172,938
Other deferred credits	89,539	87,778
Total deferred credits and other liabilities	1,399,976	1,380,082
Commitments and contingencies		
Total liabilities and equity	\$ 5,159,093	\$ 5,206,878

ONE Gas, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Three Months Ended	
	March 31,	
	2018	2017
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 90,835	\$ 76,456
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	38,890	37,019
Deferred income taxes	24,077	37,461
Share-based compensation expense	1,945	2,421
Provision for doubtful accounts	2,722	2,281
Changes in assets and liabilities:		
Accounts receivable	(7,447)	39,508
Materials and supplies	4,610	(204)
Natural gas in storage	79,598	34,201
Asset removal costs	(7,436)	(10,387)
Accounts payable	(56,409)	(53,957)
Accrued interest	(11,109)	(11,187)
Accrued taxes other than income	6,147	(5,140)
Accrued liabilities	(17,223)	(10,457)
Customer deposits	1,050	736
Regulatory assets and liabilities	83,724	20,699
Other assets and liabilities	(10,690)	2,786
Cash provided by operating activities	223,284	162,236
Investing activities		
Capital expenditures	(86,599)	(70,471)
Other	—	61
Cash used in investing activities	(86,599)	(70,410)
Financing activities		
Repayments of notes payable, net	(74,608)	(59,600)
Repurchase of common stock	—	(2,469)
Dividends paid	(24,137)	(22,034)
Tax withholdings related to net share settlements of stock compensation	(7,817)	(9,180)
Cash used in financing activities	(106,562)	(93,283)
Change in cash and cash equivalents	30,123	(1,457)
Cash and cash equivalents at beginning of period	14,413	14,663
Cash and cash equivalents at end of period	\$ 44,536	\$ 13,206

ONE Gas, Inc.
INFORMATION AT A GLANCE

<i>(Unaudited)</i>	Three Months Ended	
	March 31,	
	2018	2017
	<i>(Millions of dollars, except as noted)</i>	
<u>Financial</u>		
Net margin	\$ 288.0	\$ 287.2
Operating costs	\$ 118.8	\$ 120.8
Depreciation and amortization	\$ 38.9	\$ 37.0
Operating income	\$ 130.3	\$ 129.4
Capital expenditures	\$ 86.6	\$ 70.5
Net margin on natural gas sales	\$ 245.6	\$ 249.1
Transportation revenues	\$ 33.5	\$ 30.2
Net margin, excluding other revenues	\$ 279.1	\$ 279.3
<u>Volumes (Bcf)</u>		
Natural gas sales		
Residential	61.0	44.2
Commercial and industrial	18.0	12.9
Wholesale and public authority	0.9	0.7
Total sales volumes delivered	79.8	57.7
Transportation	64.9	61.1
Total volumes delivered	144.8	118.8
<u>Average number of customers (in thousands)</u>		
Residential	2,016	2,003
Commercial and industrial	162	162
Wholesale and public authority	3	3
Transportation	12	12
Total customers	2,193	2,180
<u>Heating Degree Days</u>		
Actual degree days	5,262	4,007
Normal degree days	5,311	5,287
Percent colder (warmer) than normal weather	(1)%	(24)%
<u>Statistics by State</u>		
<u>Oklahoma</u>		
Average number of customers (in thousands)	883	878
Actual degree days	1,870	1,392
Normal degree days	1,775	1,775
Percent colder (warmer) than normal weather	5 %	(22)%
<u>Kansas</u>		
Average number of customers (in thousands)	647	645
Actual degree days	2,489	1,986
Normal degree days	2,528	2,503
Percent colder (warmer) than normal weather	(2)%	(21)%
<u>Texas</u>		
Average number of customers (in thousands)	663	657
Actual degree days	903	629
Normal degree days	1,008	1,009
Percent colder (warmer) than normal weather	(10)%	(38)%