

ONE Gas, Inc.

STATEMENTS OF INCOME

<i>(Unaudited)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	<i>(Thousands of dollars, except per share amounts)</i>			
Revenues	\$ 279,689	\$ 245,923	\$ 830,097	\$ 754,288
Cost of natural gas	82,572	56,457	345,726	292,186
Net margin	197,117	189,466	484,371	462,102
Operating expenses				
Operations and maintenance	101,241	97,119	210,598	203,250
Depreciation and amortization	37,851	35,565	74,870	70,249
General taxes	13,973	13,161	29,719	28,908
Total operating expenses	153,065	145,845	315,187	302,407
Operating income	44,052	43,621	169,184	159,695
Other income	875	416	2,121	434
Other expense	(462)	(314)	(802)	(769)
Interest expense, net	(11,305)	(10,848)	(22,786)	(21,695)
Income before income taxes	33,160	32,875	147,717	137,665
Income taxes	(12,537)	(12,575)	(50,638)	(52,621)
Net income	\$ 20,623	\$ 20,300	\$ 97,079	\$ 85,044
Earnings per share				
Basic	\$ 0.39	\$ 0.39	\$ 1.85	\$ 1.62
Diluted	\$ 0.39	\$ 0.38	\$ 1.83	\$ 1.61
Average shares (thousands)				
Basic	52,553	52,386	52,565	52,452
Diluted	52,969	52,836	53,012	52,972
Dividends declared per share of stock	\$ 0.42	\$ 0.35	\$ 0.84	\$ 0.70

ONE Gas, Inc.
BALANCE SHEETS

<i>(Unaudited)</i>	June 30,	December 31,
	2017	2016
Assets	<i>(Thousands of dollars)</i>	
Property, plant and equipment		
Property, plant and equipment	\$ 5,545,302	\$ 5,404,168
Accumulated depreciation and amortization	1,710,509	1,672,548
Net property, plant and equipment	3,834,793	3,731,620
Current assets		
Cash and cash equivalents	5,113	14,663
Accounts receivable, net	152,278	290,944
Materials and supplies	36,876	34,084
Natural gas in storage	114,996	125,432
Regulatory assets	82,302	83,146
Other current assets	20,014	20,654
Total current assets	411,579	568,923
Goodwill and other assets		
Regulatory assets	421,094	440,522
Goodwill	157,953	157,953
Other assets	47,711	43,773
Total goodwill and other assets	626,758	642,248
Total assets	\$ 4,873,130	\$ 4,942,791

ONE Gas, Inc.
BALANCE SHEETS
(Continued)

<i>(Unaudited)</i>	June 30, 2017	December 31, 2016
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 52,267,296 shares at June 30, 2017; issued 52,598,005 and outstanding 52,283,260 shares at December 31, 2016	\$ 526	\$ 526
Paid-in capital	1,734,083	1,749,574
Retained earnings	224,570	161,021
Accumulated other comprehensive income (loss)	(4,457)	(4,715)
Treasury stock, at cost: 330,709 shares at June 30, 2017 and 314,745 shares at December 31, 2016	(21,426)	(18,126)
Total equity	1,933,296	1,888,280
Long-term debt, excluding current maturities, and net of issuance costs of \$8,445 and \$8,851, respectively	1,192,848	1,192,446
Total equity and long-term debt	3,126,144	3,080,726
Current liabilities		
Notes payable	79,000	145,000
Accounts payable	60,458	131,988
Accrued interest	18,958	18,854
Accrued taxes other than income	33,562	42,571
Accrued liabilities	16,202	22,931
Customer deposits	60,523	61,209
Other current liabilities	23,982	21,380
Total current liabilities	292,685	443,933
Deferred credits and other liabilities		
Deferred income taxes	1,077,992	1,038,568
Employee benefit obligations	296,881	303,507
Other deferred credits	79,428	76,057
Total deferred credits and other liabilities	1,454,301	1,418,132
Commitments and contingencies		
Total liabilities and equity	\$ 4,873,130	\$ 4,942,791

ONE Gas, Inc.
STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Six Months Ended	
	June 30,	
	2017	2016
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 97,079	\$ 85,044
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,870	70,249
Deferred income taxes	50,308	36,031
Share-based compensation expense	4,951	7,451
Provision for doubtful accounts	3,501	2,757
Changes in assets and liabilities:		
Accounts receivable	135,165	98,321
Materials and supplies	(2,792)	707
Natural gas in storage	10,436	38,412
Asset removal costs	(22,837)	(27,672)
Accounts payable	(68,992)	(42,897)
Accrued interest	104	53
Accrued taxes other than income	(9,009)	(5,573)
Accrued liabilities	(6,729)	(16,156)
Customer deposits	(686)	1,113
Regulatory assets and liabilities	19,782	(2,966)
Other assets and liabilities	(5,880)	31,341
Cash provided by operating activities	279,271	276,215
Investing activities		
Capital expenditures	(154,666)	(144,760)
Other	477	492
Cash used in investing activities	(154,189)	(144,268)
Financing activities		
Repayments of notes payable, net	(66,000)	(12,500)
Repurchase of common stock	(17,512)	(24,066)
Issuance of common stock	2,208	1,983
Dividends paid	(44,042)	(36,638)
Tax withholdings related to net share settlements of stock compensation	(9,286)	(8,902)
Cash used in financing activities	(134,632)	(80,123)
Change in cash and cash equivalents	(9,550)	51,824
Cash and cash equivalents at beginning of period	14,663	2,433
Cash and cash equivalents at end of period	\$ 5,113	\$ 54,257

ONE Gas, Inc.
INFORMATION AT A GLANCE

<i>(Unaudited)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<i>(Millions of dollars, except as noted)</i>				
<u>Financial</u>				
Net margin	\$ 197.2	\$ 189.5	\$ 484.4	\$ 462.1
Operating costs	\$ 115.2	\$ 110.4	\$ 240.3	\$ 232.2
Depreciation and amortization	\$ 37.9	\$ 35.5	\$ 74.9	\$ 70.2
Operating income	\$ 44.1	\$ 43.6	\$ 169.2	\$ 159.7
Capital expenditures	\$ 84.2	\$ 69.5	\$ 154.7	\$ 144.8
Net margin on natural gas sales	\$ 168.4	\$ 160.7	\$ 417.5	\$ 396.4
Transportation revenues	\$ 21.4	\$ 21.2	\$ 51.6	\$ 51.0
Net margin, excluding other revenues	\$ 189.8	\$ 181.9	\$ 469.1	\$ 447.4
<u>Volumes (Bcf)</u>				
Natural gas sales				
Residential	12.0	10.6	62.1	62.3
Commercial and industrial	5.0	4.3	19.2	18.8
Wholesale and public authority	0.3	0.3	1.0	1.3
Total volumes sold	17.4	15.2	82.3	82.4
Transportation	49.1	49.6	110.2	108.8
Total volumes delivered	66.4	64.8	192.5	191.2
<u>Average number of customers (in thousands)</u>				
Residential	1,997	1,984	2,001	1,987
Commercial and industrial	158	158	159	159
Wholesale and public authority	3	3	3	3
Transportation	12	12	12	12
Total customers	2,170	2,157	2,175	2,161
<u>Heating Degree Days</u>				
Actual degree days	556	527	4,563	5,066
Normal degree days	663	653	5,950	5,913
Percent colder (warmer) than normal weather	(16)%	(19)%	(23)%	(14)%
<u>Statistics by State</u>				
<u>Oklahoma</u>				
Average number of customers (in thousands)	872	867	875	870
Actual degree days	182	162	1,574	1,727
Normal degree days	191	191	1,966	1,966
Percent colder (warmer) than normal weather	(5)%	(15)%	(20)%	(12)%
<u>Kansas</u>				
Average number of customers (in thousands)	640	639	643	640
Actual degree days	345	320	2,331	2,440
Normal degree days	419	411	2,922	2,913
Percent colder (warmer) than normal weather	(18)%	(22)%	(20)%	(16)%
<u>Texas</u>				
Average number of customers (in thousands)	658	651	657	651
Actual degree days	29	45	658	899
Normal degree days	53	51	1,062	1,034
Percent colder (warmer) than normal weather	(45)%	(12)%	(38)%	(13)%

ONE Gas, Inc.**EARNINGS GUIDANCE***

<i>(Unaudited)</i>	Updated 2017 Guidance	Previous 2017 Guidance	Change
	<i>(Millions of dollars)</i>		
Operating income			
Net margin	\$ 925	\$ 924	\$ 1
Operations and maintenance	424	419	5
Depreciation and amortization	153	155	(2)
General taxes	57	57	—
Operating income	291	293	(2)
Other income (expense)	—	(1)	1
Interest expense	(46)	(45)	(1)
Income before income taxes	245	247	(2)
Income taxes	(87)	(90)	3
Net income	\$ 158	\$ 157	\$ 1

**Amounts shown are midpoints of ranges provided.*