

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF INCOME

<i>(Unaudited)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	<i>(Thousands of dollars, except per share amounts)</i>			
Revenues				
Revenues from contracts with customers	\$ 291,168	\$ 274,033	\$ 926,405	\$ 810,193
Other revenues	1,353	5,656	4,580	19,904
Total revenues	292,521	279,689	930,985	830,097
Cost of natural gas	94,159	82,572	444,578	345,726
Net margin	198,362	197,117	486,407	484,371
Operating expenses				
Operations and maintenance	102,995	96,928	205,660	201,972
Depreciation and amortization	39,757	37,851	78,647	74,870
General taxes	14,567	13,973	30,767	29,719
Total operating expenses	157,319	148,752	315,074	306,561
Operating income	41,043	48,365	171,333	177,810
Other expense, net	(2,194)	(3,900)	(4,358)	(7,307)
Interest expense, net	(12,003)	(11,305)	(24,355)	(22,786)
Income before income taxes	26,846	33,160	142,620	147,717
Income taxes	(6,427)	(12,537)	(31,366)	(50,638)
Net income	\$ 20,419	\$ 20,623	\$ 111,254	\$ 97,079
Earnings per share				
Basic	\$ 0.39	\$ 0.39	\$ 2.11	\$ 1.85
Diluted	\$ 0.39	\$ 0.39	\$ 2.10	\$ 1.83
Average shares (thousands)				
Basic	52,692	52,553	52,648	52,565
Diluted	52,899	52,969	52,898	53,012
Dividends declared per share of stock	\$ 0.46	\$ 0.42	\$ 0.92	\$ 0.84

ONE Gas, Inc.

CONSOLIDATED BALANCE SHEETS

<i>(Unaudited)</i>	June 30,	December 31,
	2018	2017
Assets	<i>(Thousands of dollars)</i>	
Property, plant and equipment		
Property, plant and equipment	\$ 5,870,814	\$ 5,713,912
Accumulated depreciation and amortization	1,745,124	1,706,327
Net property, plant and equipment	4,125,690	4,007,585
Current assets		
Cash and cash equivalents	12,580	14,413
Accounts receivable, net	163,967	298,768
Materials and supplies	36,124	39,672
Natural gas in storage	80,482	130,154
Regulatory assets	39,402	88,180
Other current assets	18,154	17,807
Total current assets	350,709	588,994
Goodwill and other assets		
Regulatory assets	385,564	405,189
Goodwill	157,953	157,953
Other assets	48,003	47,157
Total goodwill and other assets	591,520	610,299
Total assets	\$ 5,067,919	\$ 5,206,878

ONE Gas, Inc.
CONSOLIDATED BALANCE SHEETS
(Continued)

<i>(Unaudited)</i>	June 30, 2018	December 31, 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 52,516,828 shares at June 30, 2018; issued 52,598,005 and outstanding 52,312,516 shares at December 31, 2017	\$ 526	\$ 526
Paid-in capital	1,723,795	1,737,551
Retained earnings	308,652	246,121
Accumulated other comprehensive income (loss)	(5,370)	(5,493)
Treasury stock, at cost: 81,177 shares at June 30, 2018 and 285,489 shares at December 31, 2017	(5,259)	(18,496)
Total equity	2,022,344	1,960,209
Long-term debt, excluding current maturities, and net of issuance costs of \$7,614 and \$8,033, respectively	893,671	1,193,257
Total equity and long-term debt	2,916,015	3,153,466
Current liabilities		
Current maturities of long-term debt	300,008	8
Notes payable	185,000	357,215
Accounts payable	70,429	143,681
Accrued interest	19,028	18,776
Accrued taxes other than income	34,931	41,324
Accrued liabilities	20,724	30,058
Regulatory liabilities	47,867	9,438
Customer deposits	61,249	60,811
Other current liabilities	10,102	12,019
Total current liabilities	749,338	673,330
Deferred credits and other liabilities		
Deferred income taxes	628,532	599,945
Regulatory liabilities	521,717	519,421
Employee benefit obligations	160,382	172,938
Other deferred credits	91,935	87,778
Total deferred credits and other liabilities	1,402,566	1,380,082
Commitments and contingencies		
Total liabilities and equity	\$ 5,067,919	\$ 5,206,878

ONE Gas, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Six Months Ended	
	June 30,	
	2018	2017
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 111,254	\$ 97,079
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	78,647	74,870
Deferred income taxes	30,546	50,308
Share-based compensation expense	4,080	4,951
Provision for doubtful accounts	4,071	3,501
Changes in assets and liabilities:		
Accounts receivable	130,730	135,165
Materials and supplies	3,548	(2,792)
Natural gas in storage	49,672	10,436
Asset removal costs	(25,774)	(22,837)
Accounts payable	(68,428)	(68,992)
Accrued interest	252	104
Accrued taxes other than income	(6,393)	(9,009)
Accrued liabilities	(9,334)	(6,729)
Customer deposits	438	(686)
Regulatory assets and liabilities	105,967	19,782
Other assets and liabilities	(9,319)	(5,880)
Cash provided by operating activities	399,957	279,271
Investing activities		
Capital expenditures	(175,834)	(154,666)
Other	—	477
Cash used in investing activities	(175,834)	(154,189)
Financing activities		
Repayments of notes payable, net	(172,215)	(66,000)
Repurchase of common stock	—	(17,512)
Issuance of common stock	2,390	2,208
Dividends paid	(48,272)	(44,042)
Tax withholdings related to net share settlements of stock compensation	(7,859)	(9,286)
Cash used in financing activities	(225,956)	(134,632)
Change in cash and cash equivalents	(1,833)	(9,550)
Cash and cash equivalents at beginning of period	14,413	14,663
Cash and cash equivalents at end of period	\$ 12,580	\$ 5,113

ONE Gas, Inc.
INFORMATION AT A GLANCE

<i>(Unaudited)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	<i>(Millions of dollars, except as noted)</i>			
<u>Financial</u>				
Net margin	\$ 198.4	\$ 197.2	\$ 486.4	\$ 484.4
Operating costs	\$ 117.6	\$ 110.9	\$ 236.4	\$ 231.7
Depreciation and amortization	\$ 39.8	\$ 37.9	\$ 78.7	\$ 74.9
Operating income	\$ 41.0	\$ 48.4	\$ 171.3	\$ 177.8
Capital expenditures	\$ 89.2	\$ 84.2	\$ 175.8	\$ 154.7
Net margin on natural gas sales	\$ 166.0	\$ 168.4	\$ 411.6	\$ 417.5
Transportation revenues	\$ 24.1	\$ 21.4	\$ 57.6	\$ 51.6
Net margin, excluding other revenues	\$ 190.1	\$ 189.8	\$ 469.2	\$ 469.1
<u>Volumes (Bcf)</u>				
Natural gas sales				
Residential	15.6	11.7	76.6	55.9
Commercial and industrial	5.9	4.9	23.9	17.8
Wholesale and public authority	0.4	0.3	1.2	1.0
Total sales volumes delivered	21.8	16.9	101.7	74.7
Transportation	51.8	49.1	116.7	110.2
Total volumes delivered	73.6	66.0	218.4	184.8
<u>Average number of customers (in thousands)</u>				
Residential	2,008	1,997	2,013	2,001
Commercial and industrial	159	158	159	159
Wholesale and public authority	3	3	3	3
Transportation	12	12	12	12
Total customers	2,182	2,170	2,187	2,175
<u>Heating Degree Days</u>				
Actual degree days	858	556	6,120	4,563
Normal degree days	664	663	5,975	5,950
Percent colder (warmer) than normal weather	29 %	(16)%	2 %	(23)%
<u>Statistics by State</u>				
<u>Oklahoma</u>				
Average number of customers (<i>in thousands</i>)	877	872	880	875
Actual degree days	337	182	2,207	1,574
Normal degree days	191	191	1,966	1,966
Percent colder (warmer) than normal weather	76 %	(5)%	12 %	(20)%
<u>Kansas</u>				
Average number of customers (<i>in thousands</i>)	642	640	644	643
Actual degree days	486	345	2,975	2,331
Normal degree days	419	419	2,947	2,922
Percent colder (warmer) than normal weather	16 %	(18)%	1 %	(20)%
<u>Texas</u>				
Average number of customers (<i>in thousands</i>)	663	658	663	657
Actual degree days	35	29	938	658
Normal degree days	54	53	1,062	1,062
Percent colder (warmer) than normal weather	(35)%	(45)%	(12)%	(38)%

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

<i>(Unaudited)</i>	Updated 2018 Guidance	Previous 2018 Guidance	Change
	<i>(Millions of dollars)</i>		
Operating income			
Net margin	\$ 921	\$ 908	\$ 13
Operations and maintenance	420	411	9
Depreciation and amortization	161	164	(3)
General taxes	59	61	(2)
Operating income	281	272	9
Other income (expense)	(8)	(12)	4
Interest expense	(50)	(51)	1
Income before income taxes	223	209	14
Income taxes	(51)	(47)	(4)
Net income	\$ 172	\$ 162	\$ 10

**Amounts shown are midpoints of ranges provided.*