

ONE Gas, Inc.

STATEMENTS OF INCOME

<i>(Unaudited)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	<i>(Thousands of dollars, except per share amounts)</i>			
Revenues	\$ 247,142	\$ 232,191	\$ 1,077,239	\$ 986,479
Cost of natural gas	58,769	52,253	404,495	344,439
Net margin	188,373	179,938	672,744	642,040
Operating expenses				
Operations and maintenance	95,371	99,402	305,969	302,652
Depreciation and amortization	38,423	36,241	113,293	106,490
General taxes	13,799	13,403	43,518	42,311
Total operating expenses	147,593	149,046	462,780	451,453
Operating income	40,780	30,892	209,964	190,587
Other income	1,042	911	3,163	1,345
Other expense	(444)	(357)	(1,246)	(1,126)
Interest expense, net	(11,495)	(10,809)	(34,281)	(32,504)
Income before income taxes	29,883	20,637	177,600	158,302
Income taxes	(11,086)	(7,900)	(61,724)	(60,521)
Net income	\$ 18,797	\$ 12,737	\$ 115,876	\$ 97,781
Earnings per share				
Basic	\$ 0.36	\$ 0.24	\$ 2.21	\$ 1.86
Diluted	\$ 0.36	\$ 0.24	\$ 2.19	\$ 1.85
Average shares (thousands)				
Basic	52,488	52,453	52,539	52,452
Diluted	52,926	52,942	52,984	52,962
Dividends declared per share of stock	\$ 0.42	\$ 0.35	\$ 1.26	\$ 1.05

ONE Gas, Inc.
BALANCE SHEETS

<i>(Unaudited)</i>	September 30,	December 31,
	2017	2016
Assets	<i>(Thousands of dollars)</i>	
Property, plant and equipment		
Property, plant and equipment	\$ 5,643,136	\$ 5,404,168
Accumulated depreciation and amortization	1,730,857	1,672,548
Net property, plant and equipment	3,912,279	3,731,620
Current assets		
Cash and cash equivalents	6,872	14,663
Accounts receivable, net	127,689	290,944
Materials and supplies	38,789	34,084
Natural gas in storage	157,641	125,432
Regulatory assets	99,548	83,146
Other current assets	15,014	20,654
Total current assets	445,553	568,923
Goodwill and other assets		
Regulatory assets	411,653	440,522
Goodwill	157,953	157,953
Other assets	43,625	43,773
Total goodwill and other assets	613,231	642,248
Total assets	\$ 4,971,063	\$ 4,942,791

ONE Gas, Inc.
BALANCE SHEETS
(Continued)

<i>(Unaudited)</i>	September 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 52,273,444 shares at September 30, 2017; issued 52,598,005 and outstanding 52,283,260 shares at December 31, 2016	\$ 526	\$ 526
Paid-in capital	1,735,638	1,749,574
Retained earnings	221,185	161,021
Accumulated other comprehensive income (loss)	(4,329)	(4,715)
Treasury stock, at cost: 324,561 shares at September 30, 2017 and 314,745 shares at December 31, 2016	(21,028)	(18,126)
Total equity	1,931,992	1,888,280
Long-term debt, excluding current maturities, and net of issuance costs of \$8,239 and \$8,851, respectively	1,193,052	1,192,446
Total equity and long-term debt	3,125,044	3,080,726
Current liabilities		
Notes payable	174,000	145,000
Accounts payable	68,184	131,988
Accrued interest	7,742	18,854
Accrued taxes other than income	44,658	42,571
Accrued liabilities	18,535	22,931
Customer deposits	59,643	61,209
Other current liabilities	19,466	21,380
Total current liabilities	392,228	443,933
Deferred credits and other liabilities		
Deferred income taxes	1,089,061	1,038,568
Employee benefit obligations	282,904	303,507
Other deferred credits	81,826	76,057
Total deferred credits and other liabilities	1,453,791	1,418,132
Commitments and contingencies		
Total liabilities and equity	\$ 4,971,063	\$ 4,942,791

ONE Gas, Inc.
STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Nine Months Ended September 30,	
	2017	2016
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 115,876	\$ 97,781
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	113,293	106,490
Deferred income taxes	61,329	59,771
Share-based compensation expense	6,930	9,341
Provision for doubtful accounts	4,508	3,521
Changes in assets and liabilities:		
Accounts receivable	158,747	107,762
Materials and supplies	(4,705)	3,227
Natural gas in storage	(32,209)	(2,077)
Asset removal costs	(37,928)	(40,715)
Accounts payable	(65,983)	(32,923)
Accrued interest	(11,112)	(11,182)
Accrued taxes other than income	2,087	2,670
Accrued liabilities	(4,396)	(13,658)
Customer deposits	(1,566)	100
Regulatory assets and liabilities	11,448	(18,726)
Other assets and liabilities	(13,915)	19,053
Cash provided by operating activities	302,404	290,435
Investing activities		
Capital expenditures	(249,057)	(231,336)
Other	617	492
Cash used in investing activities	(248,440)	(230,844)
Financing activities		
Borrowings (repayments) of notes payable, net	29,000	28,500
Repurchase of common stock	(17,512)	(24,066)
Issuance of common stock	2,208	1,983
Dividends paid	(65,996)	(54,923)
Tax withholdings related to net share settlements of stock compensation	(9,455)	(9,005)
Cash used in financing activities	(61,755)	(57,511)
Change in cash and cash equivalents	(7,791)	2,080
Cash and cash equivalents at beginning of period	14,663	2,433
Cash and cash equivalents at end of period	\$ 6,872	\$ 4,513

ONE Gas, Inc.
INFORMATION AT A GLANCE

<i>(Unaudited)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<i>(Millions of dollars, except as noted)</i>				
<u>Financial</u>				
Net margin	\$ 188.3	\$ 179.9	\$ 672.7	\$ 642.0
Operating costs	\$ 109.1	\$ 112.7	\$ 349.4	\$ 344.9
Depreciation and amortization	\$ 38.4	\$ 36.3	\$ 113.3	\$ 106.5
Operating income	\$ 40.8	\$ 30.9	\$ 210.0	\$ 190.6
Capital expenditures	\$ 94.4	\$ 86.5	\$ 249.1	\$ 231.3
Net margin on natural gas sales	\$ 159.9	\$ 152.1	\$ 577.4	\$ 548.5
Transportation revenues	\$ 21.5	\$ 21.2	\$ 73.1	\$ 72.2
Net margin, excluding other revenues	\$ 181.4	\$ 173.3	\$ 650.5	\$ 620.7
<u>Volumes (Bcf)</u>				
Natural gas sales				
Residential	7.4	7.4	69.6	69.7
Commercial and industrial	3.8	3.6	23.0	22.4
Wholesale and public authority	0.2	0.3	1.2	1.5
Total volumes sold	11.5	11.3	93.8	93.6
Transportation	46.4	46.0	156.6	154.9
Total volumes delivered	57.9	57.3	250.4	248.5
<u>Average number of customers (in thousands)</u>				
Residential	1,983	1,970	1,994	1,982
Commercial and industrial	156	155	158	158
Wholesale and public authority	3	3	3	3
Transportation	12	13	13	12
Total customers	2,154	2,141	2,168	2,155
<u>Heating Degree Days</u>				
Actual degree days	17	24	4,580	5,088
Normal degree days	61	55	6,011	5,967
Percent colder (warmer) than normal weather	(72)%	(56)%	(24)%	(15)%
<u>Statistics by State</u>				
<u>Oklahoma</u>				
Average number of customers (in thousands)	865	859	872	866
Actual degree days	3	3	1,577	1,730
Normal degree days	2	2	1,968	1,968
Percent colder (warmer) than normal weather	*	*	(20)%	(12)%
<u>Kansas</u>				
Average number of customers (in thousands)	633	632	639	638
Actual degree days	13	19	2,344	2,459
Normal degree days	58	52	2,980	2,965
Percent colder (warmer) than normal weather	*	*	(21)%	(17)%
<u>Texas</u>				
Average number of customers (in thousands)	656	650	657	651
Actual degree days	1	2	659	899
Normal degree days	1	1	1,063	1,034
Percent colder (warmer) than normal weather	*	*	(38)%	(13)%

*Not meaningful