

**ONE Gas, Inc.**

**CONSOLIDATED STATEMENTS OF INCOME**

<i>(Unaudited)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	<i>(Thousands of dollars, except per share amounts)</i>			
<b>Revenues</b>				
Revenues from contracts with customers	\$ 235,757	\$ 244,402	\$ 1,162,162	\$ 1,054,595
Other revenues	2,523	2,740	7,103	22,644
<b>Total revenues</b>	<b>238,280</b>	247,142	<b>1,169,265</b>	1,077,239
Cost of natural gas	51,256	58,769	495,834	404,495
<b>Net margin</b>	<b>187,024</b>	188,373	<b>673,431</b>	672,744
<b>Operating expenses</b>				
Operations and maintenance	96,443	91,058	302,103	293,030
Depreciation and amortization	40,344	38,423	118,991	113,293
General taxes	13,996	13,799	44,763	43,518
<b>Total operating expenses</b>	<b>150,783</b>	143,280	<b>465,857</b>	449,841
<b>Operating income</b>	<b>36,241</b>	45,093	<b>207,574</b>	222,903
Other expense, net	(1,929)	(3,715)	(6,287)	(11,022)
Interest expense, net	(12,365)	(11,495)	(36,720)	(34,281)
Income before income taxes	21,947	29,883	164,567	177,600
Income taxes	(5,671)	(11,086)	(37,037)	(61,724)
<b>Net income</b>	<b>\$ 16,276</b>	\$ 18,797	<b>\$ 127,530</b>	\$ 115,876
<b>Earnings per share</b>				
Basic	\$ 0.31	\$ 0.36	\$ 2.42	\$ 2.21
Diluted	\$ 0.31	\$ 0.36	\$ 2.41	\$ 2.19
<b>Average shares (thousands)</b>				
Basic	52,736	52,488	52,678	52,539
Diluted	53,112	52,926	52,969	52,984
Dividends declared per share of stock	\$ 0.46	\$ 0.42	\$ 1.38	\$ 1.26

ONE Gas, Inc.

**CONSOLIDATED BALANCE SHEETS**

<i>(Unaudited)</i>	<b>September 30,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>
<b>Assets</b>	<i>(Thousands of dollars)</i>	
<b>Property, plant and equipment</b>		
Property, plant and equipment	\$ 5,964,287	\$ 5,713,912
Accumulated depreciation and amortization	1,768,381	1,706,327
Net property, plant and equipment	4,195,906	4,007,585
<b>Current assets</b>		
Cash and cash equivalents	12,430	14,413
Accounts receivable, net	132,436	298,768
Materials and supplies	40,363	39,672
Natural gas in storage	126,481	130,154
Regulatory assets	49,039	88,180
Other current assets	13,762	17,807
Total current assets	374,511	588,994
<b>Goodwill and other assets</b>		
Regulatory assets	375,059	405,189
Goodwill	157,953	157,953
Other assets	49,528	47,157
Total goodwill and other assets	582,540	610,299
Total assets	\$ 5,152,957	\$ 5,206,878

ONE Gas, Inc.

**CONSOLIDATED BALANCE SHEETS**

**(Continued)**

<i>(Unaudited)</i>	<b>September 30,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>
<i>(Thousands of dollars)</i>		
<b>Equity and Liabilities</b>		
<b>Equity and long-term debt</b>		
Common stock, \$0.01 par value: authorized 250,000,000 shares; issued 52,598,005 shares and outstanding 52,526,346 shares at September 30, 2018; issued 52,598,005 and outstanding 52,312,516 shares at December 31, 2017	\$ 526	\$ 526
Paid-in capital	1,725,361	1,737,551
Retained earnings	300,547	246,121
Accumulated other comprehensive income (loss)	(5,167)	(5,493)
Treasury stock, at cost: 71,659 shares at September 30, 2018 and 285,489 shares at December 31, 2017	(4,643)	(18,496)
<b>Total equity</b>	<b>2,016,624</b>	<b>1,960,209</b>
Long-term debt, excluding current maturities, and net of issuance costs of \$7,402 and \$8,033, respectively	<b>893,880</b>	<b>1,193,257</b>
<b>Total equity and long-term debt</b>	<b>2,910,504</b>	<b>3,153,466</b>
<b>Current liabilities</b>		
Current maturities of long-term debt	300,008	8
Notes payable	276,000	357,215
Accounts payable	68,332	143,681
Accrued interest	7,867	18,776
Accrued taxes other than income	48,760	41,324
Accrued liabilities	23,968	30,058
Regulatory liabilities	41,665	9,438
Customer deposits	61,569	60,811
Other current liabilities	7,858	12,019
<b>Total current liabilities</b>	<b>836,027</b>	<b>673,330</b>
<b>Deferred credits and other liabilities</b>		
Deferred income taxes	634,650	599,945
Regulatory liabilities	521,717	519,421
Employee benefit obligations	155,443	172,938
Other deferred credits	94,616	87,778
<b>Total deferred credits and other liabilities</b>	<b>1,406,426</b>	<b>1,380,082</b>
<b>Commitments and contingencies</b>		
<b>Total liabilities and equity</b>	<b>\$ 5,152,957</b>	<b>\$ 5,206,878</b>

ONE Gas, Inc.  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(Unaudited)</i>	<b>Nine Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<i>(Thousands of dollars)</i>	
<b>Operating activities</b>		
Net income	\$ 127,530	\$ 115,876
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	118,991	113,293
Deferred income taxes	36,637	61,329
Share-based compensation expense	6,195	6,930
Provision for doubtful accounts	6,758	4,508
Changes in assets and liabilities:		
Accounts receivable	159,574	158,747
Materials and supplies	(691)	(4,705)
Natural gas in storage	3,673	(32,209)
Asset removal costs	(39,195)	(37,928)
Accounts payable	(63,857)	(65,983)
Accrued interest	(10,909)	(11,112)
Accrued taxes other than income	7,436	2,087
Accrued liabilities	(6,090)	(4,396)
Customer deposits	758	(1,566)
Regulatory assets and liabilities	100,268	11,448
Other assets and liabilities	(10,310)	(13,915)
Cash provided by operating activities	<b>436,768</b>	<b>302,404</b>
<b>Investing activities</b>		
Capital expenditures	(279,346)	(249,057)
Other	—	617
Cash used in investing activities	<b>(279,346)</b>	<b>(248,440)</b>
<b>Financing activities</b>		
Repayments of notes payable, net	(81,215)	29,000
Repurchase of common stock	—	(17,512)
Issuance of common stock	2,390	2,208
Dividends paid	(72,432)	(65,996)
Tax withholdings related to net share settlements of stock compensation	(8,148)	(9,455)
Cash used in financing activities	<b>(159,405)</b>	<b>(61,755)</b>
Change in cash and cash equivalents	<b>(1,983)</b>	<b>(7,791)</b>
Cash and cash equivalents at beginning of period	14,413	14,663
Cash and cash equivalents at end of period	<b>\$ 12,430</b>	<b>\$ 6,872</b>

**ONE Gas, Inc.**  
**INFORMATION AT A GLANCE**

<i>(Unaudited)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<i>(Millions of dollars, except as noted)</i>			
<b><u>Financial</u></b>				
Net margin	\$ 187.0	\$ 188.3	\$ 673.4	\$ 672.7
Operating costs	\$ 110.5	\$ 104.8	\$ 346.8	\$ 336.5
Depreciation and amortization	\$ 40.3	\$ 38.4	\$ 119.0	\$ 113.3
Operating income	\$ 36.2	\$ 45.1	\$ 207.6	\$ 222.9
Capital expenditures	\$ 103.5	\$ 94.4	\$ 279.3	\$ 249.1
Net margin on natural gas sales	\$ 158.1	\$ 159.9	\$ 569.7	\$ 577.4
Transportation revenues	\$ 21.9	\$ 21.5	\$ 79.5	\$ 73.1
Net margin, excluding other revenues	\$ 180.0	\$ 181.4	\$ 649.2	\$ 650.5
<b><u>Volumes (Bcf)</u></b>				
Natural gas sales				
Residential	7.5	7.7	84.1	63.6
Commercial and industrial	3.9	3.9	27.8	21.7
Wholesale and public authority	0.3	0.2	1.5	1.2
Total sales volumes delivered	11.6	11.8	113.3	86.5
Transportation	45.9	46.4	162.6	156.6
Total volumes delivered	57.5	58.2	275.9	243.1
<b><u>Average number of customers (in thousands)</u></b>				
Residential	1,992	1,983	2,005	1,995
Commercial and industrial	156	156	159	158
Wholesale and public authority	3	3	3	3
Transportation	12	12	12	12
Total customers	2,163	2,154	2,179	2,168
<b><u>Heating Degree Days</u></b>				
Actual degree days	44	17	6,164	4,580
Normal degree days	60	61	6,035	6,011
Percent colder (warmer) than normal weather	(27)%	(72)%	2 %	(24)%
<b><u>Statistics by State</u></b>				
<b><u>Oklahoma</u></b>				
Average number of customers ( <i>in thousands</i> )	868	865	876	872
Actual degree days	11	3	2,218	1,577
Normal degree days	1	2	1,967	1,968
Percent colder (warmer) than normal weather	*	*	13 %	(20)%
<b><u>Kansas</u></b>				
Average number of customers ( <i>in thousands</i> )	634	633	641	639
Actual degree days	33	13	3,008	2,344
Normal degree days	58	58	3,005	2,980
Percent colder (warmer) than normal weather	*	*	— %	(21)%
<b><u>Texas</u></b>				
Average number of customers ( <i>in thousands</i> )	661	656	662	657
Actual degree days	0	1	938	659
Normal degree days	1	1	1,063	1,063
Percent colder (warmer) than normal weather	*	*	(12)%	(38)%

\*Not meaningful