

ONE Gas, Inc.
CONSOLIDATED STATEMENTS OF INCOME

<i>(Unaudited)</i>	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	<i>(Thousands of dollars, except per share amounts)</i>			
Revenues	\$ 462,394	\$ 440,753	\$ 1,539,633	\$ 1,427,232
Cost of natural gas	210,006	197,358	614,501	541,797
Net margin	252,388	243,395	925,132	885,435
Operating expenses				
Operations and maintenance	110,573	114,490	416,542	417,142
Depreciation and amortization	38,596	37,339	151,889	143,829
General taxes	13,707	13,033	57,225	55,344
Total operating expenses	162,876	164,862	625,656	616,315
Operating income	89,512	78,533	299,476	269,120
Other income	1,054	102	4,217	1,447
Other expense	(244)	(364)	(1,490)	(1,490)
Interest expense, net	(11,784)	(11,235)	(46,065)	(43,739)
Income before income taxes	78,538	67,036	256,138	225,338
Income taxes	(31,419)	(24,722)	(93,143)	(85,243)
Net income	\$ 47,119	\$ 42,314	\$ 162,995	\$ 140,095
Earnings per share				
Basic	\$ 0.90	\$ 0.81	\$ 3.10	\$ 2.67
Diluted	\$ 0.89	\$ 0.80	\$ 3.08	\$ 2.65
Average shares (thousands)				
Basic	52,490	52,455	52,527	52,453
Diluted	52,965	52,967	52,979	52,963
Dividends declared per share of stock	\$ 0.42	\$ 0.35	\$ 1.68	\$ 1.40

ONE Gas, Inc.
CONSOLIDATED BALANCE SHEETS

<i>(Unaudited)</i>	December 31, 2017	December 31, 2016
Assets	<i>(Thousands of dollars)</i>	
Property, plant and equipment		
Property, plant and equipment	\$ 5,713,912	\$ 5,404,168
Accumulated depreciation and amortization	1,706,327	1,672,548
Net property, plant and equipment	4,007,585	3,731,620
Current assets		
Cash and cash equivalents	14,413	14,663
Accounts receivable, net	298,768	290,944
Materials and supplies	39,672	34,084
Natural gas in storage	130,154	125,432
Regulatory assets	88,180	83,146
Other current assets	17,807	20,654
Total current assets	588,994	568,923
Goodwill and other assets		
Regulatory assets	405,189	440,522
Goodwill	157,953	157,953
Other assets	47,157	43,773
Total goodwill and other assets	610,299	642,248
Total assets	\$ 5,206,878	\$ 4,942,791

ONE Gas, Inc.
CONSOLIDATED BALANCE SHEETS
(Continued)

<i>(Unaudited)</i>	December 31, 2017	December 31, 2016
<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 52,312,516 shares at December 31, 2017; issued 52,598,005 shares and outstanding 52,283,260 shares at December 31, 2016	\$ 526	\$ 526
Paid-in capital	1,737,551	1,749,574
Retained earnings	246,121	161,021
Accumulated other comprehensive income (loss)	(5,493)	(4,715)
Treasury stock, at cost: 285,489 shares at December 31, 2017 and 314,745 shares at December 31, 2016	(18,496)	(18,126)
Total equity	1,960,209	1,888,280
Long-term debt, excluding current maturities, and net of issuance costs of \$8,033 and \$8,851, respectively	1,193,257	1,192,446
Total equity and long-term debt	3,153,466	3,080,726
Current liabilities		
Notes payable	357,215	145,000
Accounts payable	143,681	131,988
Accrued interest	18,776	18,854
Accrued taxes other than income	41,324	42,571
Accrued liabilities	30,058	22,931
Customer deposits	60,811	61,209
Other current liabilities	21,465	21,380
Total current liabilities	673,330	443,933
Deferred credits and other liabilities		
Deferred income taxes	599,945	1,038,568
Regulatory liabilities	519,421	—
Employee benefit obligations	172,938	303,507
Other deferred credits	87,778	76,057
Total deferred credits and other liabilities	1,380,082	1,418,132
Commitments and contingencies		
Total liabilities and equity	\$ 5,206,878	\$ 4,942,791

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

<i>(Unaudited)</i>	Years Ended December 31,	
	2017	2016
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 162,995	\$ 140,095
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	151,889	143,829
Deferred income taxes	92,393	86,788
Share-based compensation expense	8,876	11,219
Provision for doubtful accounts	7,323	5,427
Changes in assets and liabilities:		
Accounts receivable	(15,147)	(80,028)
Materials and supplies	(5,588)	(759)
Income tax receivable	—	37,480
Natural gas in storage	(4,722)	16,721
Asset removal costs	(52,376)	(53,430)
Accounts payable	1,945	27,596
Accrued interest	(78)	(19)
Accrued taxes other than income	(1,247)	5,322
Accrued liabilities	7,127	(8,539)
Customer deposits	(398)	884
Regulatory assets and liabilities	29,250	(49,472)
Employee benefit obligation	(118,095)	(25,666)
Other assets and liabilities	(10,347)	33,141
Cash provided by operating activities	253,800	290,589
Investing activities		
Capital expenditures	(356,361)	(309,071)
Other	618	492
Cash used in investing activities	(355,743)	(308,579)
Financing activities		
Borrowings (repayment) on notes payable, net	212,215	132,500
Repurchase of common stock	(17,512)	(24,066)
Issuance of common stock	4,457	4,017
Dividends paid	(87,951)	(73,209)
Tax withholdings related to net share settlements of stock compensation	(9,516)	(9,022)
Cash provided by financing activities	101,693	30,220
Change in cash and cash equivalents	(250)	12,230
Cash and cash equivalents at beginning of period	14,663	2,433
Cash and cash equivalents at end of period	\$ 14,413	\$ 14,663
Supplemental cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 44,436	\$ 42,129
Cash received for income taxes, net	\$ (1,389)	\$ (35,702)

ONE Gas, Inc.
INFORMATION AT A GLANCE

<i>(Unaudited)</i>	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	<i>(Millions of dollars, except as noted)</i>			
<u>Financial</u>				
Net margin	\$ 252.4	\$ 243.4	\$ 925.1	\$ 885.4
Operating costs	\$ 124.3	\$ 127.6	\$ 473.7	\$ 472.5
Depreciation and amortization	\$ 38.6	\$ 37.3	\$ 151.9	\$ 143.8
Operating income	\$ 89.5	\$ 78.5	\$ 299.5	\$ 269.1
Capital expenditures	\$ 107.3	\$ 77.7	\$ 356.4	\$ 309.0
Net margin on natural gas sales	\$ 217.2	\$ 209.8	\$ 794.6	\$ 758.3
Transportation revenues	\$ 27.8	\$ 25.9	\$ 100.9	\$ 98.1
Net margin, excluding other revenues	\$ 245.0	\$ 235.7	\$ 895.5	\$ 856.4
<u>Volumes (Bcf)</u>				
Natural gas sales				
Residential	36.4	34.3	99.9	102.0
Commercial and industrial	10.5	10.1	32.2	32.3
Wholesale and public authority	0.7	0.9	1.9	2.4
Total sales volumes delivered	47.6	45.3	134.0	136.6
Transportation	53.0	53.3	209.6	208.1
Total volumes delivered	100.6	98.5	343.6	344.8
<u>Average number of customers (in thousands)</u>				
Residential	1,989	1,975	1,993	1,980
Commercial and industrial	156	156	158	157
Wholesale and public authority	4	3	3	3
Transportation	12	12	12	12
Total customers	2,161	2,146	2,166	2,152
<u>Heating Degree Days</u>				
Actual degree days	3,604	3,208	8,184	8,314
Normal degree days	3,927	3,954	9,938	9,909
Percent colder (warmer) than normal weather	(8.2)%	(18.9)%	(17.6)%	(16.1)%
<u>Statistics by State</u>				
<u>Oklahoma</u>				
Average number of customers (in thousands)	871	863	871	865
Actual degree days	1,272	1,113	2,849	2,843
Normal degree days	1,296	1,296	3,264	3,264
Percent colder (warmer) than normal weather	(1.9)%	(14.1)%	(12.7)%	(12.9)%
<u>Kansas</u>				
Average number of customers (in thousands)	635	634	638	637
Actual degree days	1,744	1,557	4,088	4,016
Normal degree days	1,909	1,895	4,889	4,860
Percent colder (warmer) than normal weather	(8.6)%	(17.8)%	(16.4)%	(17.4)%
<u>Texas</u>				
Average number of customers (in thousands)	655	649	657	650
Actual degree days	588	538	1,247	1,455
Normal degree days	722	763	1,785	1,785
Percent colder (warmer) than normal weather	(18.6)%	(29.5)%	(30.1)%	(18.5)%