

ONEOK Announces Higher Fourth-quarter and Full-year 2016 Financial Results

Feb. 27, 2017

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ONEOK, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF INCOME

<i>(Unaudited)</i>	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	<i>(Thousands of dollars, except per share amounts)</i>			
Revenues				
Commodity sales	\$ 2,101,150	\$ 1,456,023	\$ 6,858,456	\$ 6,098,343
Services	553,311	474,879	2,062,478	1,664,863
Total revenues	2,654,461	1,930,902	8,920,934	7,763,206
Cost of sales and fuel (exclusive of items shown separately below)	2,021,470	1,333,286	6,496,124	5,641,052
Operations and maintenance	179,859	163,569	668,335	605,748
Depreciation and amortization	99,310	93,379	391,585	354,620
Impairment of long-lived assets	—	83,673	—	83,673
General taxes	24,320	21,217	88,849	87,583
Gain on sale of assets	(98)	(6,239)	(9,635)	(5,629)
Operating income	329,600	242,017	1,285,676	996,159
Equity in net earnings from investments	39,249	32,095	139,690	125,300
Impairment of equity investments	—	(180,583)	—	(180,583)
Allowance for equity funds used during construction	1	461	209	2,179
Other income	183	4,166	6,091	368
Other expense	(5,214)	(1,053)	(4,059)	(4,760)
Interest expense (net of capitalized interest of \$1,326, \$10,564, \$10,591 and \$36,572, respectively)	(114,188)	(110,730)	(469,651)	(416,787)
Income before income taxes	249,631	(13,627)	957,956	521,876
Income taxes	(54,870)	(12,652)	(212,406)	(136,600)
Income from continuing operations	194,761	(26,279)	745,550	385,276
Income (loss) from discontinued operations, net of tax	(296)	(1,937)	(2,051)	(6,081)
Net income	194,465	(28,216)	743,499	379,195
Less: Net income attributable to noncontrolling interests	103,960	(53,731)	391,460	134,218
Net income attributable to ONEOK	\$ 90,505	\$ 25,515	\$ 352,039	\$ 244,977
Amounts attributable to ONEOK:				
Income from continuing operations	\$ 90,801	\$ 27,452	\$ 354,090	\$ 251,058
Income (loss) from discontinued operations	(296)	(1,937)	(2,051)	(6,081)
Net income	\$ 90,505	\$ 25,515	\$ 352,039	\$ 244,977
Basic earnings per share:				
Income from continuing operations	\$ 0.43	\$ 0.13	\$ 1.68	\$ 1.19
Income (loss) from discontinued operations	—	—	(0.01)	(0.02)
Net income	\$ 0.43	\$ 0.13	\$ 1.67	\$ 1.17
Diluted earnings per share:				
Income from continuing operations	\$ 0.43	\$ 0.13	\$ 1.67	\$ 1.19
Income (loss) from discontinued operations	—	(0.01)	(0.01)	(0.03)
Net income	\$ 0.43	\$ 0.12	\$ 1.66	\$ 1.16
Average shares (<i>thousands</i>)				
Basic	211,398	210,417	211,128	210,208
Diluted	213,157	210,683	212,383	210,541
Dividends declared per share of common stock	\$ 0.615	\$ 0.615	\$ 2.46	\$ 2.43

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**ONEOK, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS**

<i>(Unaudited)</i>	December 31, 2016	December 31, 2015
Assets	<i>(Thousands of dollars)</i>	
Current assets		
Cash and cash equivalents	\$ 248,875	\$ 97,619
Accounts receivable, net	872,430	593,979
Materials and supplies	60,912	76,696
Natural gas and natural gas liquids in storage	140,034	128,084
Commodity imbalances	60,896	38,681
Other current assets	45,986	39,946
Assets of discontinued operations	551	205
Total current assets	1,429,684	975,210
Property, plant and equipment		
Property, plant and equipment	15,078,497	14,530,460
Accumulated depreciation and amortization	2,507,094	2,156,471
Net property, plant and equipment	12,571,403	12,373,989
Investments and other assets		
Investments in unconsolidated affiliates	958,807	948,221
Goodwill and intangible assets	1,005,359	1,017,258
Other assets	162,998	112,598
Assets of discontinued operations	10,500	18,835
Total investments and other assets	2,137,664	2,096,912
Total assets	\$ 16,138,751	\$ 15,446,111

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**ONEOK, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(Continued)**

<i>(Unaudited)</i>	December 31, 2016	December 31, 2015
	<i>(Thousands of dollars)</i>	
Liabilities and equity		
Current liabilities		
Current maturities of long-term debt	\$ 410,650	\$ 110,650
Short-term borrowings	1,110,277	546,340
Accounts payable	874,731	615,982
Commodity imbalances	142,646	74,460
Accrued interest	112,514	129,043
Other current liabilities	166,042	132,556
Liabilities of discontinued operations	19,841	29,235
Total current liabilities	2,836,701	1,638,266
Long-term debt, excluding current maturities	7,919,996	8,323,582
Deferred credits and other liabilities		
Deferred income taxes	1,623,822	1,436,715
Other deferred credits	321,846	264,248
Liabilities of discontinued operations	7,471	16,964
Total deferred credits and other liabilities	1,953,139	1,717,927
Commitments and contingencies		
Equity		
ONEOK shareholders' equity:		
Common stock, \$0.01 par value: authorized 600,000,000 shares; issued 245,811,180 shares and outstanding 210,681,661 shares at December 31, 2016; issued 245,811,180 shares and outstanding 209,731,028 shares at December 31, 2015	2,458	2,458
Paid-in capital	1,234,314	1,378,444
Accumulated other comprehensive loss	(154,350)	(127,242)
Retained earnings	—	—
Treasury stock, at cost: 35,129,519 shares at December 31, 2016, and 36,080,152 shares at December 31, 2015	(893,677)	(917,862)
Total ONEOK shareholders' equity	188,745	335,798
Noncontrolling interests in consolidated subsidiaries	3,240,170	3,430,538
Total equity	3,428,915	3,766,336
Total liabilities and equity	\$ 16,138,751	\$ 15,446,111

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Years Ended December 31,	
	2016	2015
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 743,499	\$ 379,195
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	391,585	354,620
Impairment charges	—	264,256
Equity in net earnings from investments	(139,690)	(125,300)
Distributions received from unconsolidated affiliates	144,673	122,003
Deferred income taxes	211,638	137,737
Share-based compensation expense	40,563	16,435
Pension and postretirement benefit expense, net of contributions	11,643	14,814
Allowance for equity funds used during construction	(209)	(2,179)
Gain on sale of assets	(9,635)	(5,629)
Changes in assets and liabilities:		
Accounts receivable	(285,806)	157,051
Natural gas and natural gas liquids in storage	(11,950)	6,050
Accounts payable	287,632	(205,143)
Commodity imbalances, net	45,971	(4,083)
Settlement of exit activities liabilities	(19,906)	(38,536)
Accrued interest	(16,529)	24,166
Risk-management assets and liabilities	(78,136)	(32,370)
Other assets and liabilities, net	36,271	(56,107)
Cash provided by operating activities	1,351,614	1,006,980
Investing activities		
Capital expenditures (less allowance for equity funds used during construction)	(624,634)	(1,188,312)
Contributions to unconsolidated affiliates	(68,275)	(27,540)
Distributions received from unconsolidated affiliates in excess of cumulative earnings	52,044	33,915
Proceeds from sale of assets	25,420	3,825
Other	—	(12,607)
Cash used in investing activities	(615,445)	(1,190,719)
Financing activities		
Dividends paid	(517,601)	(509,197)
Distributions to noncontrolling interests	(549,419)	(535,825)
Borrowing (repayment) of short-term borrowings, net	563,937	(508,956)
Issuance of long-term debt, net of discounts	1,000,000	1,291,506
Debt financing costs	(2,770)	(17,515)
Repayment of long-term debt	(1,108,040)	(7,753)
Issuance of common stock	21,971	20,669
Issuance of common units, net of issuance costs	—	375,660
Other	7,130	—
Cash provided by (used in) financing activities	(584,792)	108,589
Change in cash and cash equivalents	151,377	(75,150)
Change in cash and cash equivalents included in discontinued operations	(121)	(43)
Change in cash and cash equivalents from continuing operations	151,256	(75,193)
Cash and cash equivalents at beginning of period	97,619	172,812
Cash and cash equivalents at end of period	\$ 248,875	\$ 97,619
Supplemental cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 461,208	\$ 367,835
Cash paid (refunds received) for income taxes	\$ 361	\$ 3,324

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ONEOK, Inc. and Subsidiaries INFORMATION AT A GLANCE

(Unaudited)	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
<i>(Millions of dollars, except as noted)</i>				
<u>Natural Gas Liquids</u>				
Operating costs	\$ 90.9	\$ 80.4	\$ 327.6	\$ 314.5
Depreciation and amortization	\$ 41.1	\$ 40.7	\$ 163.3	\$ 158.7
Equity in net earnings from investments	\$ 13.3	\$ 11.1	\$ 54.5	\$ 38.7
Adjusted EBITDA	\$ 253.6	\$ 279.3	\$ 1,079.6	\$ 972.3
NGLs transported-gathering lines (MBbl/d) (a)	744	798	770	769
NGLs fractionated (MBbl/d) (b)	579	587	586	552
NGLs transported-distribution lines (MBbl/d) (a)	520	449	508	428
Average Conway-to-Mont Belvieu OPIS price differential - ethane in ethane/propane mix (\$/gallon)	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.02
Capital expenditures	\$ 20.4	\$ 40.7	\$ 105.9	\$ 226.1
(a) - Includes volumes for consolidated entities only.				
(b) - Includes volumes at company-owned and third-party facilities.				
<u>Natural Gas Gathering and Processing</u>				
Operating costs	\$ 77.2	\$ 78.5	\$ 285.6	\$ 272.4
Depreciation and amortization	\$ 45.2	\$ 41.0	\$ 178.5	\$ 150.0
Equity in net earnings from investments	\$ 2.7	\$ 4.4	\$ 10.7	\$ 17.9
Adjusted EBITDA	\$ 126.6	\$ 97.3	\$ 446.8	\$ 318.6
Natural gas gathered (BBtu/d) (a)	1,995	2,094	2,034	1,932
Natural gas processed (BBtu/d) (a) (b)	1,869	1,828	1,882	1,687
NGL sales (MBbl/d) (a)	156	148	156	129
Residue natural gas sales (BBtu/d) (a)	829	927	865	853
Realized composite NGL net sales price (\$/gallon) (a) (c) (d)	\$ 0.25	\$ 0.32	\$ 0.23	\$ 0.34
Realized condensate net sales price (\$/Bbl) (a) (c) (e)	\$ 42.60	\$ 46.88	\$ 38.31	\$ 37.81
Realized residue natural gas net sales price (\$/MMBtu) (a) (c) (e)	\$ 2.95	\$ 3.74	\$ 2.80	\$ 3.64
Average fee rate (\$/MMBtu) (a)	\$ 0.84	\$ 0.55	\$ 0.76	\$ 0.44
Capital expenditures	\$ 84.7	\$ 195.3	\$ 410.5	\$ 887.9
(a) - Includes volumes for consolidated entities only.				
(b) - Includes volumes at company-owned and third-party facilities.				
(c) - Includes the impact of hedging activities on ONEOK Partners' equity volumes.				
(d) - Net of transportation and fractionation costs.				
(e) - Net of transportation costs.				
<u>Natural Gas Pipelines</u>				
Operating costs	\$ 30.5	\$ 26.7	\$ 115.6	\$ 105.7
Depreciation and amortization	\$ 12.1	\$ 11.0	\$ 46.7	\$ 43.5
Equity in net earnings from investments	\$ 23.2	\$ 16.6	\$ 74.4	\$ 68.7
Adjusted EBITDA	\$ 89.9	\$ 73.9	\$ 313.1	\$ 275.0
Natural gas transportation capacity contracted (MDth/d) (a)	6,659	5,938	6,345	5,840
Transportation capacity contracted (a)	97%	93%	92%	92%
Capital expenditures	\$ 24.6	\$ 18.3	\$ 96.3	\$ 58.2
(a) - Includes volumes for consolidated entities only.				

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ONEOK, Inc. Stand-alone

CASH FLOW AVAILABLE FOR DIVIDENDS

<i>(Unaudited)</i>	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	<i>(Millions of dollars)</i>			
Distributions from ONEOK Partners – declared	\$ 197.5	\$ 197.5	\$ 790.0	\$ 735.3
Interest expense	(25.8)	(25.7)	(102.9)	(77.9)
Released contracts from the former energy services business	(3.8)	(7.4)	(18.8)	(34.3)
Corporate expenses, excluding certain noncash items	(2.3)	(2.1)	(12.6)	(6.9)
Equity compensation reimbursed by ONEOK Partners	6.2	5.1	26.8	27.3
Total cash flows	171.8	167.4	682.5	643.5
Capital expenditures	(0.7)	(0.8)	(2.5)	(2.2)
Cash flow available for dividends	171.1	166.6	680.0	641.3
Dividends declared	(129.4)	(129.0)	(517.6)	(510.5)
Free cash flow	\$ 41.7	\$ 37.6	\$ 162.4	\$ 130.8
Dividend coverage ratio	1.32	1.29	1.31	1.26

ONEOK, Inc. Stand-alone

RECONCILIATION OF CASH FLOW AVAILABLE FOR DIVIDENDS

AND FREE CASH FLOW TO NET INCOME

<i>(Unaudited)</i>	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	<i>(Millions of dollars)</i>			
Net income attributable to ONEOK	\$ 90.5	\$ 25.5	\$ 352.0	\$ 245.0
Depreciation and amortization	0.7	0.7	3.0	2.4
Deferred income taxes	49.4	12.7	199.6	133.0
Equity in earnings of ONEOK Partners	(174.6)	(63.3)	(680.8)	(463.7)
Distributions from ONEOK Partners - declared	197.5	197.5	790.0	735.3
Equity compensation reimbursed by ONEOK Partners	6.2	5.1	26.8	27.3
Energy services realized working capital	(3.5)	(7.7)	(17.7)	(38.7)
Other	5.6	(3.1)	9.6	2.9
Total cash flows	171.8	167.4	682.5	643.5
Capital expenditures	(0.7)	(0.8)	(2.5)	(2.2)
Cash flow available for dividends	171.1	166.6	680.0	641.3
Dividends declared	(129.4)	(129.0)	(517.6)	(510.5)
Free cash flow	\$ 41.7	\$ 37.6	\$ 162.4	\$ 130.8

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ONEOK, Inc. and Subsidiaries

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

<i>(Unaudited)</i>	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Reconciliation of Net Income to Adjusted EBITDA	<i>(Thousands of dollars)</i>			
Net income from continuing operations	\$ 194,761	\$ (26,279)	\$ 745,550	\$ 385,276
Add:				
Interest expense, net of capitalized interest	114,188	110,730	469,651	416,787
Depreciation and amortization	99,310	93,379	391,585	354,620
Income taxes	54,870	12,652	212,406	136,600
Impairment charges	—	264,256	—	264,256
Allowance for equity funds used during construction and other	5,898	(6,365)	9,482	2,762
Adjusted EBITDA	\$ 469,027	\$ 448,373	\$ 1,828,674	\$ 1,560,301

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ONEOK Partners, L.P. and Subsidiaries

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

<i>(Unaudited)</i>	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	<i>(Thousands of dollars, except per unit amounts)</i>			
Reconciliation of Net Income to Adjusted EBITDA and Distributable Cash Flow				
Net income	\$ 278,603	\$ 9,565	\$ 1,072,264	\$ 597,872
Interest expense, net of capitalized interest	88,450	85,044	366,789	338,911
Depreciation and amortization	98,524	92,633	388,569	352,196
Impairment charges	—	264,256	—	264,256
Income tax (benefit) expense	5,821	(936)	13,900	4,144
Allowance for equity funds used during construction and other	(879)	(314)	(1,254)	8,126
Adjusted EBITDA	470,519	450,248	1,840,268	1,565,505
Interest expense, net of capitalized interest	(88,450)	(85,044)	(366,789)	(338,911)
Maintenance capital	(46,039)	(30,534)	(112,364)	(115,631)
Equity in net earnings from investments	(39,249)	(32,095)	(139,690)	(125,300)
Distributions received from unconsolidated affiliates	47,318	38,765	196,717	155,918
Other	(4,592)	(1,535)	(5,236)	(4,845)
Distributable cash flow	\$ 339,507	\$ 339,805	\$ 1,412,906	\$ 1,136,736
Distributions to general partner	(107,198)	(107,198)	(428,792)	(408,115)
Distributable cash flow to limited partners	\$ 232,309	\$ 232,607	\$ 984,114	\$ 728,621
Distributions declared per limited partner unit	\$ 0.79	\$ 0.79	\$ 3.16	\$ 3.16
Coverage ratio	1.03	1.03	1.09	0.86
Number of units used in computation <i>(thousands)</i>	285,826	285,826	285,826	267,281