

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

Feb. 27, 2017

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ONEOK Partners, L.P. 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 unit amounts)</i>			
Revenues				
Commodity sales	\$ 2,101,150	\$ 1,456,023	\$ 6,858,456	\$ 6,098,343
Services	552,379	474,361	2,060,003	1,662,725
Total revenues	2,653,529	1,930,384	8,918,459	7,761,068
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	173,904	164,938	639,532	609,123
Depreciation and amortization	98,524	92,633	388,569	352,196
Impairment of long-lived assets	—	83,673	—	83,673
General taxes	24,137	20,376	88,026	83,053
Gain on sale of assets	(440)	(6,435)	(9,916)	(6,108)
Operating income	335,934	241,913	1,316,124	998,079
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	83	20	1,324	126
Other expense	(2,393)	(233)	(4,394)	(4,174)
Interest expense (net of capitalized interest of \$1,326, \$10,564, \$10,591 and \$36,572, respectively)	(88,450)	(85,044)	(366,789)	(338,911)
Income before income taxes	284,424	8,629	1,086,164	602,016
Income tax (expense) benefit	(5,821)	936	(13,900)	(4,144)
Net income	278,603	9,565	1,072,264	597,872
Less: Net income attributable to noncontrolling interests	1,129	2,348	5,497	8,330
Net income attributable to ONEOK Partners, L.P.	\$ 277,474	\$ 7,217	\$ 1,066,767	\$ 589,542
Limited partners' interest in net income:				
Net income attributable to ONEOK Partners, L.P.	\$ 277,474	\$ 7,217	\$ 1,066,767	\$ 589,542
General partner's interest in net income	(106,087)	(100,682)	(423,487)	(394,550)
Limited partners' interest in net income	\$ 171,387	\$ (93,465)	\$ 643,280	\$ 194,992
Limited partners' net income per unit, basic and diluted	\$ 0.60	\$ (0.33)	\$ 2.25	\$ 0.73
Number of units used in computation (<i>thousands</i>)	285,826	285,826	285,826	267,281

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**ONEOK Partners, L.P. and Subsidiaries
CONSOLIDATED BALANCE SHEETS**

<i>(Unaudited)</i>	December 31, 2016	December 31, 2015
<i>(Thousands of dollars)</i>		
Assets		
Current assets		
Cash and cash equivalents	\$ 406	\$ 5,079
Accounts receivable, net	872,310	593,448
Affiliate receivables	984	7,969
Natural gas and natural gas liquids in storage	140,034	128,084
Commodity imbalances	60,896	38,681
Materials and supplies	60,912	76,696
Other current assets	38,703	33,207
Total current assets	1,174,245	883,164
Property, plant and equipment		
Property, plant and equipment	14,854,696	14,307,546
Accumulated depreciation and amortization	2,392,004	2,050,755
Net property, plant and equipment	12,462,692	12,256,791
Investments and other assets		
Investments in unconsolidated affiliates	958,807	948,221
Goodwill and intangible assets	812,977	824,877
Other assets	60,626	14,533
Total investments and other assets	1,832,410	1,787,631
Total assets	\$ 15,469,347	\$ 14,927,586
Liabilities and equity		
Current liabilities		
Current maturities of long-term debt	\$ 407,650	\$ 107,650
Short-term borrowings	1,110,277	546,340
Accounts payable	862,436	605,431
Affiliate payables	68,233	27,137
Commodity imbalances	142,646	74,460
Accrued interest	87,130	102,615
Other current liabilities	146,004	116,667
Total current liabilities	2,824,376	1,580,300
Long-term debt, excluding current maturities	6,291,307	6,695,312
Deferred credits and other liabilities	175,844	154,631
Commitments and contingencies		
Equity		
ONEOK Partners, L.P. partners' equity:		
General partner	226,039	231,344
Common units: 212,837,980 units issued and outstanding at December 31, 2016, and December 31, 2015	4,821,397	5,014,952
Class B units: 72,988,252 units issued and outstanding at December 31, 2016, and December 31, 2015	1,133,828	1,200,204
Accumulated other comprehensive loss	(161,526)	(113,282)
Total ONEOK Partners, L.P. partners' equity	6,019,738	6,333,218
Noncontrolling interests in consolidated subsidiaries	158,082	164,125
Total equity	6,177,820	6,497,343
Total liabilities and equity	\$ 15,469,347	\$ 14,927,586

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ONEOK Partners, L.P. 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	\$ 1,072,264	\$ 597,872
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	388,569	352,196
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	12,070	4,765
Allowance for equity funds used during construction	(209)	(2,179)
Gain on sale of assets	(9,916)	(6,108)
Changes in assets and liabilities:		
Accounts receivable	(285,992)	147,767
Affiliate receivables	6,985	584
Natural gas and natural gas liquids in storage	(11,950)	6,050
Accounts payable	285,888	(199,895)
Affiliate payables	41,096	(8,969)
Commodity imbalances, net	45,971	(4,083)
Accrued interest	(15,485)	10,625
Risk-management assets and liabilities	(81,647)	(34,275)
Other assets and liabilities, net	34,150	(53,329)
Cash provided by operating activities	1,486,777	1,071,980
Investing activities		
Capital expenditures (less allowance for equity funds used during construction)	(621,722)	(1,186,123)
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	25,359	3,825
Other	—	(12,607)
Cash used in investing activities	(612,594)	(1,188,530)
Financing activities		
Cash distributions:		
General and limited partners	(1,332,003)	(1,230,475)
Noncontrolling interests	(7,500)	(11,690)
Borrowing (repayment) of short-term borrowings, net	563,937	(508,956)
Issuance of long-term debt, net of discounts	1,000,000	798,896
Debt financing costs	(2,770)	(7,676)
Repayment of long-term debt	(1,107,650)	(7,650)
Issuance of common units, net of issuance costs	—	1,025,660
Contribution from general partner	—	20,990
Other	7,130	—
Cash provided by (used in) financing activities	(878,856)	79,099
Change in cash and cash equivalents	(4,673)	(37,451)
Cash and cash equivalents at beginning of period	5,079	42,530
Cash and cash equivalents at end of period	\$ 406	\$ 5,079
Supplemental cash flow information:		
Cash paid for interest, net of amounts capitalized	361,635	307,036
Cash paid for income taxes	\$ 789	\$ 3,483

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ONEOK Partners, L.P. 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 our 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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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