

# ONEOK Announces Higher Second-quarter 2012 Financial Results; Updates 2012 Earnings Guidance

July 31, 2012

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## ONEOK, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
(Thousands of dollars, except per share amounts)				
<b>Revenues</b>	\$ 2,529,260	\$ 3,444,798	\$ 5,943,860	\$ 7,205,398
Cost of sales and fuel	1,980,298	2,925,965	4,751,311	6,056,688
Net margin	548,962	518,833	1,192,549	1,148,710
<b>Operating expenses</b>				
Operations and maintenance	204,126	197,772	397,007	390,531
Depreciation and amortization	84,586	78,793	167,995	158,150
Goodwill impairment	-	-	10,255	-
General taxes	27,137	25,837	58,314	54,759
Total operating expenses	315,849	302,402	633,571	603,440
Gain (loss) on sale of assets	966	(212)	1,023	(722)
<b>Operating income</b>	234,079	216,219	560,001	544,548
Equity earnings from investments	29,169	29,544	63,789	61,636
Allowance for equity funds used during construction	1,849	400	2,824	866
Other income	686	340	6,446	3,692
Other expense	(4,898)	(772)	(3,071)	(3,057)
Interest expense	(71,535)	(75,498)	(147,350)	(154,847)
Income before income taxes	189,350	170,233	482,639	452,838
Income taxes	(40,412)	(35,904)	(114,251)	(120,224)
Income from continuing operations	148,938	134,329	368,388	332,614
Income from discontinued operations, net of tax	-	437	762	1,498
Gain on sale of discontinued operations, net of tax	267	-	13,517	-
Net income	149,205	134,766	382,667	334,112
Less: Net income attributable to noncontrolling interests	88,212	79,624	198,809	148,840
<b>Net income attributable to ONEOK</b>	\$ 60,993	\$ 55,142	\$ 183,858	\$ 185,272
Amounts attributable to ONEOK:				
Income from continuing operations	\$ 60,726	\$ 54,705	\$ 169,579	\$ 183,774
Income from discontinued operations	267	437	14,279	1,498
Net income	\$ 60,993	\$ 55,142	\$ 183,858	\$ 185,272
Basic earnings per share:				
Income from continuing operations	\$ 0.29	\$ 0.26	\$ 0.82	\$ 0.87
Income from discontinued operations	-	-	0.07	-
Net income	\$ 0.29	\$ 0.26	\$ 0.89	\$ 0.87
Diluted earnings per share:				
Income from continuing operations	\$ 0.29	\$ 0.25	\$ 0.80	\$ 0.85
Income from discontinued operations	-	-	0.07	-
Net income	\$ 0.29	\$ 0.25	\$ 0.87	\$ 0.85
Average shares (thousands)				
Basic	207,292	210,674	207,454	212,358
Diluted	211,784	216,060	211,818	217,210
Dividends declared per share of common stock	\$ 0.330	\$ 0.260	\$ 0.635	\$ 0.520

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

<i>(Unaudited)</i>	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Assets</b>	<i>(Thousands of dollars)</i>	
<b>Current assets</b>		
Cash and cash equivalents	\$ 114,920	\$ 65,953
Accounts receivable, net	793,842	1,339,933
Gas and natural gas liquids in storage	561,802	549,915
Commodity imbalances	37,716	63,452
Energy marketing and risk management assets	90,335	40,280
Other current assets	208,704	185,143
Assets of discontinued operations	-	74,136
Total current assets	1,807,319	2,318,812
<b>Property, plant and equipment</b>		
Property, plant and equipment	11,953,916	11,177,934
Accumulated depreciation and amortization	2,855,863	2,733,601
Net property, plant and equipment	9,098,053	8,444,333
<b>Investments and other assets</b>		
Investments in unconsolidated affiliates	1,210,268	1,223,398
Goodwill and intangible assets	1,000,039	1,014,127
Other assets	701,512	695,965
Total investments and other assets	2,911,819	2,933,490
Total assets	\$ 13,817,191	\$ 13,696,635

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

<i>(Unaudited)</i>	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Liabilities and equity</b>	<i>(Thousands of dollars)</i>	
<b>Current liabilities</b>		
Current maturities of long-term debt	\$ 12,262	\$ 364,391
Notes payable	595,931	841,982
Accounts payable	911,977	1,341,718
Commodity imbalances	201,515	202,206
Energy marketing and risk management liabilities	138,028	137,680
Other current liabilities	396,964	345,383
Liabilities of discontinued operations	-	12,815
Total current liabilities	2,256,677	3,246,175
<b>Long-term debt, excluding current maturities</b>	5,224,623	4,529,551
<b>Deferred credits and other liabilities</b>		
Deferred income taxes	1,457,896	1,446,591
Other deferred credits	672,007	674,586
Total deferred credits and other liabilities	2,129,903	2,121,177
<b>Commitments and contingencies</b>		
<b>Equity</b>		
ONEOK shareholders' equity:		
Common stock, \$0.01 par value:		
authorized 600,000,000 shares; issued 245,811,180 shares and outstanding		
205,041,894 shares at June 30, 2012; issued 245,809,848 shares and		
outstanding 206,509,960 shares at December 31, 2011	2,458	2,458
Paid-in capital	1,326,204	1,417,185
Accumulated other comprehensive loss	(205,640)	(206,121)
Retained earnings	2,017,460	1,960,374
Treasury stock, at cost: 40,769,286 shares at June 30, 2012, and		
39,299,888 shares at December 31, 2011	(1,050,942)	(935,323)
Total ONEOK shareholders' equity	2,089,540	2,238,573
Noncontrolling interests in consolidated subsidiaries	2,116,448	1,561,159
Total equity	4,205,988	3,799,732
Total liabilities and equity	\$ 13,817,191	\$ 13,696,635

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**ONEOK, Inc. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(Unaudited)</i>	<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
	<i>(Thousands of dollars)</i>	
<b>Operating activities</b>		
Net income	\$ 382,667	\$ 334,112
Depreciation and amortization	168,003	158,215
Impairment of goodwill	10,255	-
Gain on sale of discontinued operations	(13,517)	-
Reclassified loss on energy price risk management assets and liabilities	29,861	-
Equity earnings from investments	(63,789)	(61,636)
Distributions received from unconsolidated affiliates	69,490	55,302
Deferred income taxes	111,172	108,504
Share-based compensation expense	16,928	29,615
Allowance for equity funds used during construction	(2,824)	(866)
Loss (gain) on sale of assets	(1,023)	722
Other	(1,308)	(1,013)
Changes in assets and liabilities:		
Accounts receivable	541,053	209,112
Gas and natural gas liquids in storage	(11,445)	134,760
Accounts payable	(404,006)	(20,199)
Commodity imbalances, net	25,045	(12,452)
Energy marketing and risk management assets and liabilities	(56,590)	(4,437)
Other assets and liabilities	(147,362)	(54,140)
Cash provided by operating activities	652,610	875,599
<b>Investing activities</b>		
Capital expenditures (less allowance for equity funds used during construction)	(780,697)	(523,772)
Proceeds from sale of discontinued operations, net of cash sold	32,008	-
Contributions to unconsolidated affiliates	(7,237)	(1,655)
Distributions received from unconsolidated affiliates	14,705	15,750
Proceeds from sale of assets	1,828	788
Other	942	-
Cash used in investing activities	(738,451)	(508,889)
<b>Financing activities</b>		
Borrowing (repayment) of notes payable, net	(246,051)	(30,222)
Issuance of debt, net of discounts	699,657	1,295,450
Long-term debt financing costs	(5,395)	(10,986)
Repayment of debt	(356,173)	(631,316)
Repurchase of common stock	(150,000)	(300,105)
Issuance of common stock	4,591	4,920
Issuance of common units, net of issuance costs	459,680	-
Dividends paid	(126,772)	(111,356)
Distributions to noncontrolling interests	(153,588)	(136,556)
Cash provided by financing activities	125,949	79,829
Change in cash and cash equivalents	40,108	446,539
Change in cash and cash equivalents included in discontinued operations	8,859	(4,701)
Change in cash and cash equivalents from continuing operations	48,967	441,838
Cash and cash equivalents at beginning of period	65,953	30,341
Cash and cash equivalents at end of period	\$ 114,920	\$ 472,179

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## ONEOK, Inc. and Subsidiaries INFORMATION AT A GLANCE

(Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
(Millions of dollars, except as noted)				
<b><u>ONEOK Partners</u></b>				
Net margin	\$ 401.5	\$ 359.5	\$ 822.6	\$ 689.1
Operating costs	\$ 123.4	\$ 113.6	\$ 239.2	\$ 222.3
Depreciation and amortization	\$ 51.0	\$ 43.7	\$ 100.3	\$ 86.4
Operating income	\$ 228.1	\$ 202.0	\$ 484.1	\$ 379.6
Capital expenditures	\$ 355.4	\$ 265.3	\$ 636.2	\$ 410.2
<b><u>Natural gas gathering and processing business (a)</u></b>				
Natural gas gathered (BBtu/d)	1,079	1,026	1,062	1,009
Natural gas processed (BBtu/d) (b)	823	682	796	661
NGL sales (MBbl/d)	57	47	55	45
Residue gas sales (BBtu/d)	385	300	371	287
Realized composite NGL net sales price (\$/gallon) (c)	\$ 1.01	\$ 1.09	\$ 1.05	\$ 1.09
Realized condensate net sales price (\$/Bbl) (c)	\$ 86.17	\$ 82.43	\$ 87.86	\$ 79.35
Realized residue gas net sales price (\$/MMBtu) (c)	\$ 3.79	\$ 5.77	\$ 3.77	\$ 5.95
Realized gross processing spread (\$/MMBtu) (c)	\$ 8.03	\$ 8.38	\$ 8.31	\$ 8.36
<b><u>Natural gas pipelines business (a)</u></b>				
Natural gas transportation capacity contracted (MDth/d)	5,236	5,295	5,394	5,466
Transportation capacity subscribed (e)	87%	88%	89%	90%
Average natural gas price				
Mid-Continent region (\$/MMBtu)	\$ 2.17	\$ 4.18	\$ 2.27	\$ 4.14
<b><u>Natural gas liquids business</u></b>				
NGL sales (MBbl/d)	506	482	508	480
NGLs fractionated (MBbl/d) (d)	529	541	557	518
NGLs transported-gathering lines (MBbl/d) (a)	523	432	511	415
NGLs transported-distribution lines (MBbl/d) (a)	478	462	481	462
Conway-to-Mont Belvieu OPIS average price differential				
Ethane in Ethane/Propane mix (\$/gallon)	\$ 0.23	\$ 0.20	\$ 0.24	\$ 0.17
(a) - For consolidated entities only.				
(b) - Includes volumes processed at company-owned and third-party facilities.				
(c) - Presented net of the impact of hedging activities and includes equity volumes only.				
(d) - Includes volumes fractionated from company-owned and third-party facilities.				
(e) - Prior periods have been recast to reflect current estimated capacity.				
<b><u>Natural Gas Distribution</u></b>				
Net margin	\$ 157.5	\$ 159.1	\$ 394.8	\$ 402.9
Operating costs	\$ 103.8	\$ 104.5	\$ 208.7	\$ 209.2
Depreciation and amortization	\$ 32.0	\$ 34.4	\$ 65.5	\$ 70.4
Operating income	\$ 21.7	\$ 20.2	\$ 120.6	\$ 123.3
Capital expenditures	\$ 72.9	\$ 61.9	\$ 131.4	\$ 109.0
Natural gas volumes (Bcf)				
Natural gas sales	15.3	17.4	81.0	93.0
Transportation	45.8	46.4	103.4	108.9
Natural gas margins				
Net margin on natural gas sales	\$ 130.6	\$ 130.5	\$ 331.6	\$ 334.6
Transportation margin	\$ 18.3	\$ 19.0	\$ 45.3	\$ 48.0
<b><u>Energy Services</u></b>				
Net margin	\$ (10.4)	\$ (0.4)	\$ (25.9)	\$ 55.5
Operating costs	\$ 4.6	\$ 5.3	\$ 9.4	\$ 13.3
Depreciation and amortization	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2
Goodwill impairment	\$ -	\$ -	\$ 10.3	\$ -
Operating income (loss)	\$ (15.1)	\$ (5.8)	\$ (45.8)	\$ 42.0
Natural gas marketed (Bcf)	150	192	368	452
Natural gas gross margin (\$/Mcf)	\$ (0.06)	\$ -	\$ (0.06)	\$ 0.13
Physically settled volumes (Bcf)	322	405	739	899

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**ONEOK, Inc. and Subsidiaries  
CONSOLIDATING INCOME STATEMENT**

<i>(Unaudited)</i>	<b>Three Months Ended June 30, 2012</b>			
	<b>ONEOK</b>	<b>ONEOK Partners</b>	<b>Consolidating Entries</b>	<b>Consolidated</b>
	<i>(Millions of dollars)</i>			
Operating income				
ONEOK Partners	\$ -	\$ 228	\$ -	\$ 228
Natural Gas Distribution	22	-	-	22
Energy Services	(15)	-	-	(15)
Other	(1)	-	-	(1)
Operating income	6	228	-	234
Equity in earnings of ONEOK Partners	118	-	(118)	-
Other income (expense)	(1)	28	-	27
Interest expense	(25)	(47)	-	(72)
Income taxes	(37)	(3)	-	(40)
Income from continuing operations	61	206	(118)	149
Income (loss) from discontinued operations, net of tax	-	-	-	-
Net Income	61	206	(118)	149
Less: Net income attributable to noncontrolling interests	-	-	88	88
Net income attributable to ONEOK	\$ 61	\$ 206	\$ (206)	\$ 61

<i>(Unaudited)</i>	<b>Six Months Ended June 30, 2012</b>			
	<b>ONEOK</b>	<b>ONEOK Partners</b>	<b>Consolidating Entries</b>	<b>Consolidated</b>
	<i>(Millions of dollars)</i>			
Operating income				
ONEOK Partners	\$ -	\$ 484	\$ -	\$ 484
Natural Gas Distribution	121	-	-	121
Energy Services	(46)	-	-	(46)
Other	1	-	-	1
Operating income	76	484	-	560
Equity in earnings of ONEOK Partners	246	-	(246)	-
Other income (expense)	2	68	-	70
Interest expense	(47)	(100)	-	(147)
Income taxes	(107)	(7)	-	(114)
Income from continuing operations	170	445	(246)	369
Income (loss) from discontinued operations, net of tax	14	-	-	14
Net Income	184	445	(246)	383
Less: Net income attributable to noncontrolling interests	-	-	199	199
Net income attributable to ONEOK	\$ 184	\$ 445	\$ (445)	\$ 184

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**ONEOK, Inc. and Subsidiaries  
CONSOLIDATING INCOME STATEMENT**

<i>(Unaudited)</i>	<b>Three Months Ended June 30, 2011</b>			
	<b>ONEOK</b>	<b>ONEOK Partners</b>	<b>Consolidating Entries</b>	<b>Consolidated</b>
	<i>(Millions of dollars)</i>			
Operating income				
ONEOK Partners	\$ -	\$ 202	\$ -	\$ 202
Natural Gas Distribution	20	-	-	20
Energy Services	(6)	-	-	(6)
Other	-	-	-	-
Operating income	14	202	-	216
Equity in earnings of ONEOK Partners	91	-	(91)	-
Other income (expense)	-	30	-	30
Interest expense	(17)	(58)	-	(75)
Income taxes	(33)	(3)	-	(36)
Income from continuing operations	55	171	(91)	135
Income (loss) from discontinued operations, net of tax	-	-	-	-
Net Income	55	171	(91)	135
Less: Net income attributable to noncontrolling interests	-	-	80	80
Net income attributable to ONEOK	\$ 55	\$ 171	\$ (171)	\$ 55

<i>(Unaudited)</i>	<b>Six Months Ended June 30, 2011</b>			
	<b>ONEOK</b>	<b>ONEOK Partners</b>	<b>Consolidating Entries</b>	<b>Consolidated</b>
	<i>(Millions of dollars)</i>			
Operating income				
ONEOK Partners	\$ -	\$ 380	\$ -	\$ 380
Natural Gas Distribution	123	-	-	123
Energy Services	42	-	-	42
Other	-	-	-	-
Operating income	165	380	-	545
Equity in earnings of ONEOK Partners	173	-	(173)	-
Other income (expense)	(1)	64	-	63
Interest expense	(40)	(115)	-	(155)
Income taxes	(113)	(7)	-	(120)
Income from continuing operations	184	322	(173)	333
Income (loss) from discontinued operations, net of tax	1	-	-	1
Net Income	185	322	(173)	334
Less: Net income attributable to noncontrolling interests	-	-	149	149
Net income attributable to ONEOK	\$ 185	\$ 322	\$ (322)	\$ 185

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**ONEOK, Inc. and Subsidiaries**

**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE**

**ONEOK, Inc. Stand-Alone Cash Flow, Before Changes in Working Capital**

<i>(Unaudited)</i>	<b>Six Months Ended June 30, 2012</b>
	<i>(Millions of dollars)</i>
Net income	\$ 382.7
Net income attributable to noncontrolling interests	(198.8)
Equity in earnings of ONEOK Partners	(246.7)
Distributions received from ONEOK Partners	198.8
Depreciation, amortization and impairment	78.0
Deferred income taxes	107.4
Gain on sale of discontinued operations	(13.5)
Reclassified loss on energy price risk management assets and liabilities	29.9
Other	15.4
Cash flow, before changes in working capital	\$ 353.2

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**ONEOK, Inc. and Subsidiaries  
EARNINGS GUIDANCE\***

**Exhibit A**

	<b>Updated 2012 Guidance</b>	<b>Previous 2012 Guidance</b>	<b>Change</b>
<i>(Millions of dollars)</i>			
<b>Operating income</b>			
ONEOK Partners	\$ 948	\$ 910	\$ 38
Distribution	215	223	(8)
Energy Services	(60)	-	(60)
Other	1	(1)	2
Operating income	1,104	1,132	(28)
Equity earnings from investments	129	127	2
Other income (expense)	18	16	2
Interest expense	(297)	(305)	8
Income before income taxes	954	970	(16)
Income taxes	(229)	(242)	13
Income from continuing operations	725	728	(3)
Income from discontinued operations, net of tax	14	12	2
Net income	739	740	(1)
Less: Net income attributable to noncontrolling interests	379	355	24
Net income attributable to ONEOK	\$ 360	\$ 385	\$ (25)
<b>Capital expenditures</b>			
ONEOK Partners	\$ 2,045	\$ 1,969	\$ 76
Distribution	272	270	2
Other	32	32	-
Total capital expenditures	\$ 2,349	\$ 2,271	\$ 78

*\*Amounts shown are midpoints of ranges provided.*

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**ONEOK, Inc. and Subsidiaries  
EARNINGS GUIDANCE\***

**Exhibit B**

	<b>Updated 2012 Guidance</b>	<b>Previous 2012 Guidance</b>	<b>Change</b>
<i>(Thousands of dollars, except Bcf and MMBtu/d amounts)</i>			
<b>Energy Services Financial Profile</b>			
<i>Net premium service fees</i>	\$ <b>45,900</b>	\$ 59,500	\$ (13,600)
Average storage capacity** (Bcf)	<b>73.2</b>	74.1	(0.9)
Assumed winter/summer spread*** – NYMEX (\$/MMBtu)	\$ <b>0.60</b>	\$ 0.99	\$ (0.39)
Storage costs (lease, variable, hedging and other) (\$/MMBtu)	\$ <b>1.24</b>	\$ 1.23	\$ 0.01
Net storage margin (\$/MMBtu)	\$ <b>(0.64)</b>	\$ (0.24)	\$ (0.40)
<i>Net storage margin</i>	\$ <b>(46,526)</b>	\$ (17,740)	\$ (28,786)
Long-term transportation capacity (Bcf/d)	<b>1.0</b>	1.1	(0.1)
Transportation gross margin (\$/MMBtu)	\$ <b>0.07</b>	\$ 0.09	\$ (0.02)
Transportation costs (\$/MMBtu)	\$ <b>0.19</b>	\$ 0.18	\$ 0.01
Transportation net margin (\$/MMBtu)	\$ <b>(0.12)</b>	\$ (0.09)	\$ (0.03)
<i>Net transportation margin</i>	\$ <b>(44,114)</b>	\$ (35,760)	\$ (8,354)
<i>Optimization</i>	\$ <b>14,218</b>	\$ 20,000	\$ (5,782)
<i>Financial trading</i>	\$ <b>1,152</b>	\$ -	\$ 1,152
Wholesale margin – subtotal	\$ <b>(29,370)</b>	\$ 26,000	\$ (55,370)
Wholesale general and administrative expense	\$ <b>20,375</b>	\$ 26,000	\$ 5,625
Goodwill impairment	\$ <b>10,255</b>	\$ -	\$ (10,255)
<b>Total Operating Income</b>	\$ <b>(60,000)</b>	\$ -	\$ (60,000)

\*Amounts shown are midpoints of ranges provided.

\*\*Annual average of 73.2 Bcf in contracted capacity reduced to 72.4 Bcf by year end.

\*\*\* Includes the winter/summer spread and capacity management.

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**ONEOK, Inc. and Subsidiaries  
EARNINGS GUIDANCE\***

**Exhibit C**

	<b>Updated 2012 Guidance</b>	<b>Previous 2012 Guidance</b>	<b>Change</b>
<i>(Millions of dollars)</i>			
<b>ONEOK, Inc. Stand-Alone Cash Flow, Before Changes in Working Capital</b>			
Net income	\$ <b>739</b>	\$ 740	\$ (1)
Net income attributable to noncontrolling interests	<b>(379)</b>	(355)	(24)
Gain on sale of discontinued operations	<b>(13)</b>	-	(13)
Equity in earnings of ONEOK Partners	<b>(503)</b>	(484)	(19)
Distributions received from ONEOK Partners	<b>437</b>	432	5
Depreciation, amortization and impairment	<b>143</b>	134	9
Deferred income taxes	<b>212</b>	234	(22)
Other	<b>59</b>	39	20
Cash flow, before changes in working capital	\$ <b>695</b>	\$ 740	\$ (45)

*\*Amounts shown are midpoints of ranges provided.*