

ONEOK Announces Higher Third-quarter 2012 Financial Results; Affirms 2012 Earnings Guidance Range

October 30, 2012

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ONEOK, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
(Thousands of dollars, except per share amounts)				
Revenues	\$ 3,028,775	\$ 3,529,359	\$ 8,972,635	\$ 10,734,757
Cost of sales and fuel	2,474,803	2,996,735	7,226,114	9,053,423
Net margin	553,972	532,624	1,746,521	1,681,334
Operating expenses				
Operations and maintenance	206,048	185,127	603,055	575,658
Depreciation and amortization	81,434	75,953	249,429	234,103
Goodwill impairment	-	-	10,255	-
General taxes	23,157	22,134	81,471	76,893
Total operating expenses	310,639	283,214	944,210	886,654
Gain (loss) on sale of assets	(420)	(69)	603	(791)
Operating income	242,913	249,341	802,914	793,889
Equity earnings from investments	28,591	32,029	92,380	93,665
Allowance for equity funds used during construction	3,302	759	6,126	1,625
Other income	5,049	184	11,495	1,069
Other expense	(919)	(13,285)	(3,990)	(13,535)
Interest expense (net of capitalized interest of \$11,802, \$6,469, \$30,521 and \$13,904, respectively)	(71,364)	(73,841)	(218,714)	(228,688)
Income before income taxes	207,572	195,187	690,211	648,025
Income taxes	(42,584)	(34,028)	(156,835)	(154,252)
Income from continuing operations	164,988	161,159	533,376	493,773
Income from discontinued operations, net of tax	-	(279)	762	1,219
Gain on sale of discontinued operations, net of tax	-	-	13,517	-
Net income	164,988	160,880	547,655	494,992
Less: Net income attributable to noncontrolling interests	99,769	100,559	298,578	249,399
Net income attributable to ONEOK	\$ 65,219	\$ 60,321	\$ 249,077	\$ 245,593
Amounts attributable to ONEOK:				
Income from continuing operations	\$ 65,219	\$ 60,600	\$ 234,798	\$ 244,374
Income from discontinued operations	-	(279)	14,279	1,219
Net income	\$ 65,219	\$ 60,321	\$ 249,077	\$ 245,593
Basic earnings per share:				
Income from continuing operations	\$ 0.32	\$ 0.29	\$ 1.14	\$ 1.16
Income from discontinued operations	-	-	0.07	0.01
Net income	\$ 0.32	\$ 0.29	\$ 1.21	\$ 1.17
Diluted earnings per share:				
Income from continuing operations	\$ 0.31	\$ 0.29	\$ 1.11	\$ 1.13
Income from discontinued operations	-	(0.01)	0.07	0.01
Net income	\$ 0.31	\$ 0.28	\$ 1.18	\$ 1.14
Average shares (thousands)				
Basic	205,005	206,606	206,638	210,440
Diluted	209,960	211,940	211,198	215,454
Dividends declared per share of common stock	\$ 0.33	\$ 0.28	\$ 0.94	\$ 0.80

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

<i>(Unaudited)</i>	September 30, 2012	December 31, 2011
Assets	<i>(Thousands of dollars)</i>	
Current assets		
Cash and cash equivalents	\$ 978,825	\$ 65,953
Accounts receivable, net	984,724	1,339,933
Gas and natural gas liquids in storage	644,719	549,915
Commodity imbalances	57,303	63,452
Energy marketing and risk management assets	70,324	40,280
Other current assets	220,135	185,143
Assets of discontinued operations	-	74,136
Total current assets	2,956,030	2,318,812
Property, plant and equipment		
Property, plant and equipment	12,404,878	11,177,934
Accumulated depreciation and amortization	2,914,496	2,733,601
Net property, plant and equipment	9,490,382	8,444,333
Investments and other assets		
Investments in unconsolidated affiliates	1,218,282	1,223,398
Goodwill and intangible assets	998,122	1,014,127
Other assets	701,491	695,965
Total investments and other assets	2,917,895	2,933,490
Total assets	\$ 15,364,307	\$ 13,696,635

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

<i>(Unaudited)</i>	September 30, 2012	December 31, 2011
Liabilities and equity	<i>(Thousands of dollars)</i>	
Current liabilities		
Current maturities of long-term debt	\$ 11,140	\$ 364,391
Notes payable	676,747	841,982
Accounts payable	1,153,750	1,341,718
Commodity imbalances	213,367	202,206
Energy marketing and risk management liabilities	25,856	137,680
Other current liabilities	358,253	345,383
Liabilities of discontinued operations	-	12,815
Total current liabilities	2,439,113	3,246,175
Long-term debt, excluding current maturities	6,517,464	4,529,551
Deferred credits and other liabilities		
Deferred income taxes	1,539,960	1,446,591
Other deferred credits	692,211	674,586
Total deferred credits and other liabilities	2,232,171	2,121,177
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		
204,598,717 shares at September 30, 2012; issued 245,809,848 shares and		
outstanding 206,509,960 shares at December 31, 2011	2,458	2,458
Paid-in capital	1,337,045	1,417,185
Accumulated other comprehensive loss	(240,476)	(206,121)
Retained earnings	2,015,008	1,960,374
Treasury stock, at cost: 41,212,463 shares at September 30, 2012, and		
39,299,888 shares at December 31, 2011	(1,048,329)	(935,323)
Total ONEOK shareholders' equity	2,065,706	2,238,573
Noncontrolling interests in consolidated subsidiaries	2,109,853	1,561,159
Total equity	4,175,559	3,799,732
Total liabilities and equity	\$ 15,364,307	\$ 13,696,635

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Nine Months Ended September 30,	
	2012	2011
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 547,655	\$ 494,992
Depreciation and amortization	249,437	234,201
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	(92,380)	(93,665)
Distributions received from unconsolidated affiliates	92,996	87,151
Deferred income taxes	170,657	200,961
Share-based compensation expense	35,970	39,297
Allowance for equity funds used during construction	(6,126)	(1,625)
Loss (gain) on sale of assets	(603)	791
Other	(1,770)	(1,260)
Changes in assets and liabilities:		
Accounts receivable	350,350	194,631
Gas and natural gas liquids in storage	(94,362)	26,975
Accounts payable	(156,483)	(401)
Commodity imbalances, net	17,310	(63,159)
Energy marketing and risk management assets and liabilities	(205,008)	(12,705)
Other assets and liabilities	(171,383)	(76,565)
Cash provided by operating activities	762,859	1,029,619
Investing activities		
Capital expenditures (less allowance for equity funds used during construction)	(1,238,908)	(862,310)
Proceeds from sale of discontinued operations, net of cash sold	32,946	-
Contributions to unconsolidated affiliates	(21,284)	(51,686)
Distributions received from unconsolidated affiliates	25,756	16,158
Proceeds from sale of assets	1,918	951
Other	988	-
Cash used in investing activities	(1,198,584)	(896,887)
Financing activities		
Borrowing (repayment) of notes payable, net	(165,235)	93,145
Issuance of debt, net of discounts	1,994,693	1,295,450
Long-term debt financing costs	(15,030)	(10,986)
Repayment of debt	(359,251)	(724,405)
Repurchase of common stock	(150,000)	(300,108)
Issuance of common stock	7,068	7,142
Issuance of common units, net of issuance costs	459,680	-
Dividends paid	(194,443)	(169,337)
Distributions to noncontrolling interests	(237,744)	(206,260)
Cash provided by (used in) financing activities	1,339,738	(15,359)
Change in cash and cash equivalents	904,013	117,373
Change in cash and cash equivalents included in discontinued operations	8,859	1,898
Change in cash and cash equivalents from continuing operations	912,872	119,271
Cash and cash equivalents at beginning of period	65,953	30,341
Cash and cash equivalents at end of period	\$ 978,825	\$ 149,612

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ONEOK, Inc. and Subsidiaries INFORMATION AT A GLANCE

(Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
(Millions of dollars, except as noted)				
<u>ONEOK Partners</u>				
Net margin	\$ 419.7	\$ 394.0	\$ 1,242.3	\$ 1,083.1
Operating costs	\$ 121.1	\$ 106.3	\$ 360.4	\$ 328.6
Depreciation and amortization	\$ 49.8	\$ 45.2	\$ 150.0	\$ 131.7
Operating income	\$ 248.4	\$ 242.4	\$ 732.5	\$ 622.0
Capital expenditures	\$ 375.3	\$ 252.2	\$ 1,011.5	\$ 662.4
<u>Natural gas gathering and processing business (a)</u>				
Natural gas gathered (BBtu/d)	1,149	1,044	1,091	1,021
Natural gas processed (BBtu/d) (b)	906	723	833	682
NGL sales (MBbl/d)	62	50	57	47
Residue gas sales (BBtu/d)	416	348	386	308
Realized composite NGL net sales price (\$/gallon) (c)	\$ 1.10	\$ 1.09	\$ 1.07	\$ 1.09
Realized condensate net sales price (\$/Bbl) (c)	\$ 86.54	\$ 87.89	\$ 87.72	\$ 81.63
Realized residue gas net sales price (\$/MMBtu) (c)	\$ 3.69	\$ 5.25	\$ 3.74	\$ 5.63
Realized gross processing spread (\$/MMBtu) (c)	\$ 8.14	\$ 8.17	\$ 8.23	\$ 8.30
<u>Natural gas pipelines business (a)</u>				
Natural gas transportation capacity contracted (MDth/d)	5,249	5,132	5,345	5,353
Transportation capacity subscribed (e)	87%	85%	88%	88%
Average natural gas price				
Mid-Continent region (\$/MMBtu)	\$ 2.75	\$ 4.02	\$ 2.43	\$ 4.10
<u>Natural gas liquids business</u>				
NGL sales (MBbl/d)	615	485	544	481
NGLs fractionated (MBbl/d) (d)	581	529	565	522
NGLs transported-gathering lines (MBbl/d) (a)	530	443	517	424
NGLs transported-distribution lines (MBbl/d) (a)	504	457	489	460
Conway-to-Mont Belvieu OPIS average price differential				
Ethane in ethane/propane mix (\$/gallon)	\$ 0.16	\$ 0.27	\$ 0.21	\$ 0.21
<u>Natural Gas Distribution</u>				
Net margin	\$ 151.0	\$ 145.4	\$ 545.8	\$ 548.3
Operating costs	\$ 103.4	\$ 95.3	\$ 312.1	\$ 304.6
Depreciation and amortization	\$ 32.0	\$ 30.3	\$ 97.5	\$ 100.6
Operating income	\$ 15.7	\$ 19.8	\$ 136.2	\$ 143.1
Capital expenditures	\$ 74.3	\$ 67.5	\$ 205.7	\$ 176.5
Natural gas volumes (Bcf)				
Natural gas sales	11.6	11.4	92.6	104.4
Transportation	45.8	44.3	149.2	153.2
Natural gas margins				
Net margin on natural gas sales	\$ 123.4	\$ 118.0	\$ 454.9	\$ 452.7
Transportation margin	\$ 19.9	\$ 19.3	\$ 65.2	\$ 67.3
<u>Energy Services</u>				
Net margin	\$ (17.3)	\$ (7.4)	\$ (43.1)	\$ 48.1
Operating costs	\$ 4.4	\$ 5.2	\$ 13.9	\$ 18.6
Depreciation and amortization	\$ 0.1	\$ 0.1	\$ 0.3	\$ 0.3
Goodwill impairment	\$ -	\$ -	\$ 10.3	\$ -
Operating income (loss)	\$ (21.8)	\$ (12.7)	\$ (67.6)	\$ 29.2
Natural gas marketed (Bcf)	162	187	530	639
Natural gas gross margin (\$/Mcf)	\$ (0.10)	\$ (0.03)	\$ (0.08)	\$ 0.08
Physically settled volumes (Bcf)	338	395	1,077	1,294

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

<i>(Unaudited)</i>	Three Months Ended September 30, 2012			
	ONEOK	ONEOK Partners	Consolidating Entries	Consolidated
	<i>(Millions of dollars)</i>			
Operating income				
ONEOK Partners	\$ -	\$ 248	\$ -	\$ 248
Natural Gas Distribution	16	-	-	16
Energy Services	(22)	-	-	(22)
Other	1	-	-	1
Operating income	(5)	248	-	243
Equity in earnings of ONEOK Partners	132	-	(132)	-
Other income (expense)	2	34	-	36
Interest expense	(23)	(48)	-	(71)
Income taxes	(41)	(2)	-	(43)
Income from continuing operations	65	232	(132)	165
Income (loss) from discontinued operations, net of tax	-	-	-	-
Net Income	65	232	(132)	165
Less: Net income attributable to noncontrolling interests	-	-	100	100
Net income attributable to ONEOK	\$ 65	\$ 232	\$ (232)	\$ 65

<i>(Unaudited)</i>	Nine Months Ended September 30, 2012			
	ONEOK	ONEOK Partners	Consolidating Entries	Consolidated
	<i>(Millions of dollars)</i>			
Operating income				
ONEOK Partners	\$ -	\$ 732	\$ -	\$ 732
Natural Gas Distribution	136	-	-	136
Energy Services	(68)	-	-	(68)
Other	3	-	-	3
Operating income	71	732	-	803
Equity in earnings of ONEOK Partners	380	-	(380)	-
Other income (expense)	3	103	-	106
Interest expense	(71)	(148)	-	(219)
Income taxes	(148)	(9)	-	(157)
Income from continuing operations	235	678	(380)	533
Income (loss) from discontinued operations, net of tax	14	-	-	14
Net Income	249	678	(380)	547
Less: Net income attributable to noncontrolling interests	-	-	298	298
Net income attributable to ONEOK	\$ 249	\$ 678	\$ (678)	\$ 249

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

<i>(Unaudited)</i>	Three Months Ended September 30, 2011			
	ONEOK	ONEOK Partners	Consolidating Entries	Consolidated
	<i>(Millions of dollars)</i>			
Operating income				
ONEOK Partners	\$ -	\$ 242	\$ -	\$ 242
Natural Gas Distribution	20	-	-	20
Energy Services	(13)	-	-	(13)
Other	-	-	-	-
Operating income	7	242	-	249
Equity in earnings of ONEOK Partners	109	-	(109)	-
Other income (expense)	(6)	26	-	20
Interest expense	(18)	(56)	-	(74)
Income taxes	(32)	(2)	-	(34)
Income from continuing operations	60	210	(109)	161
Income (loss) from discontinued operations, net of tax	-	-	-	-
Net Income	60	210	(109)	161
Less: Net income attributable to noncontrolling interests	-	-	101	101
Net income attributable to ONEOK	\$ 60	\$ 210	\$ (210)	\$ 60

<i>(Unaudited)</i>	Nine Months Ended September 30, 2011			
	ONEOK	ONEOK Partners	Consolidating Entries	Consolidated
	<i>(Millions of dollars)</i>			
Operating income				
ONEOK Partners	\$ -	\$ 622	\$ -	\$ 622
Natural Gas Distribution	143	-	-	143
Energy Services	29	-	-	29
Other	-	-	-	-
Operating income	172	622	-	794
Equity in earnings of ONEOK Partners	283	-	(283)	-
Other income (expense)	(7)	90	-	83
Interest expense	(58)	(171)	-	(229)
Income taxes	(145)	(9)	-	(154)
Income from continuing operations	245	532	(283)	494
Income (loss) from discontinued operations, net of tax	1	-	-	1
Net Income	246	532	(283)	495
Less: Net income attributable to noncontrolling interests	-	-	249	249
Net income attributable to ONEOK	\$ 246	\$ 532	\$ (532)	\$ 246

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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>	Nine Months Ended September 30, 2012
	<i>(Millions of dollars)</i>
Net income	\$ 547.7
Net income attributable to noncontrolling interests	(298.6)
Equity in earnings of ONEOK Partners	(379.3)
Distributions received from ONEOK Partners	313.9
Depreciation, amortization and impairment	109.7
Deferred income taxes	164.8
Gain on sale of discontinued operations	(13.5)
Reclassified loss on energy price risk management assets and liabilities	29.9
Other	34.0
Cash flow, before changes in working capital	\$ 508.6