

ONEOK Announces Full-year 2012 and Fourth-quarter Financial Results; Reduces 2013 Earnings Guidance and Revises Three-year Financial Forecasts

February 25, 2013

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ONEOK, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)	Three Months Ended December 31,		Years Ended December 31,	
	2012	2011	2012	2011
	(Thousands of dollars, except per share amounts)			
Revenues	\$ 3,659,924	\$ 4,071,037	\$ 12,632,559	\$ 14,805,794
Cost of sales and fuel	3,055,604	3,372,012	10,281,718	12,425,435
Net margin	604,320	699,025	2,350,841	2,380,359
Operating expenses				
Operations and maintenance	203,032	238,008	806,087	813,666
Depreciation and amortization	86,415	78,057	335,844	312,160
Goodwill impairment	-	-	10,255	-
General taxes	21,420	17,765	102,891	94,657
Total operating expenses	310,867	333,830	1,255,077	1,220,483
Gain (loss) on sale of assets	6,133	(172)	6,736	(963)
Operating income	299,586	365,023	1,102,500	1,158,913
Equity earnings from investments	30,644	33,581	123,024	127,246
Allowance for equity funds used during construction	7,522	712	13,648	2,335
Other income	1,009	5,455	12,504	1,410
Other expense	(935)	(915)	(4,925)	(9,336)
Interest expense (net of capitalized interest of \$11,255, \$10,056, \$41,776 and \$23,960, respectively)	(83,591)	(68,320)	(302,305)	(297,006)
Income before income taxes	254,235	335,536	944,446	983,562
Income taxes	(58,360)	(71,795)	(215,195)	(226,048)
Income from continuing operations	195,875	263,741	729,251	757,514
Income from discontinued operations, net of tax	-	1,010	762	2,230
Gain on sale of discontinued operations, net of tax	-	-	13,517	-
Net income	195,875	264,751	743,530	759,744
Less: Net income attributable to noncontrolling interests	84,333	149,750	382,911	399,150
Net income attributable to ONEOK	\$ 111,542	\$ 115,001	\$ 360,619	\$ 360,594
Amounts attributable to ONEOK:				
Income from continuing operations	\$ 111,542	\$ 113,991	\$ 346,340	\$ 358,364
Income from discontinued operations	-	1,010	14,279	2,230
Net Income	\$ 111,542	\$ 115,001	\$ 360,619	\$ 360,594
Basic earnings per share:				
Income from continuing operations	\$ 0.55	\$ 0.55	\$ 1.68	\$ 1.71
Income from discontinued operations	-	0.01	0.07	0.01
Net Income	\$ 0.55	\$ 0.56	\$ 1.75	\$ 1.72
Diluted earnings per share:				
Income from continuing operations	\$ 0.53	\$ 0.55	\$ 1.64	\$ 1.67
Income from discontinued operations	-	-	0.07	0.01
Net Income	\$ 0.53	\$ 0.55	\$ 1.71	\$ 1.68
Average shares (thousands)				
Basic	204,648	206,054	206,140	209,344
Diluted	209,243	211,634	210,710	214,498
Dividends declared per share of common stock	\$ 0.33	\$ 0.28	\$ 1.27	\$ 1.08

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

<i>(Unaudited)</i>	December 31, 2012	December 31, 2011
Assets	<i>(Thousands of dollars)</i>	
Current assets		
Cash and cash equivalents	\$ 583,618	\$ 65,953
Accounts receivable, net	1,349,371	1,339,933
Gas and natural gas liquids in storage	517,014	549,915
Commodity imbalances	90,211	63,452
Energy marketing and risk management assets	48,577	40,280
Other current assets	175,869	185,143
Assets of discontinued operations	-	74,136
Total current assets	2,764,660	2,318,812
Property, plant and equipment		
Property, plant and equipment	13,088,991	11,177,934
Accumulated depreciation and amortization	2,974,651	2,733,601
Net property, plant and equipment	10,114,340	8,444,333
Investments and other assets		
Goodwill and intangible assets	996,206	1,014,127
Investments in unconsolidated affiliates	1,221,405	1,223,398
Other assets	758,664	695,965
Total investments and other assets	2,976,275	2,933,490
Total assets	\$ 15,855,275	\$ 13,696,635

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

<i>(Unaudited)</i>	December 31, 2012	December 31, 2011
Liabilities and equity	<i>(Thousands of dollars)</i>	
Current liabilities		
Current maturities of long-term debt	\$ 10,855	\$ 364,391
Notes payable	817,170	841,982
Accounts payable	1,333,489	1,341,718
Commodity imbalances	272,436	202,206
Energy marketing and risk management liabilities	9,990	137,680
Other current liabilities	369,054	345,383
Liabilities of discontinued operations	-	12,815
Total current liabilities	2,812,994	3,246,175
Long-term debt, excluding current maturities	6,515,372	4,529,551
Deferred credits and other liabilities		
Deferred income taxes	1,592,802	1,446,591
Other deferred credits	701,657	674,586
Total deferred credits and other liabilities	2,294,459	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		
204,935,043 shares at December 31, 2012; issued 245,809,848 shares and		
outstanding 206,509,960 shares at December 31, 2011	2,458	2,458
Paid-in capital	1,324,698	1,417,185
Accumulated other comprehensive loss	(216,798)	(206,121)
Retained earnings	2,059,024	1,960,374
Treasury stock, at cost: 40,876,137 shares at December 31, 2012 and		
39,299,888 shares at December 31, 2011	(1,039,773)	(935,323)
Total ONEOK shareholders' equity	2,129,609	2,238,573
Noncontrolling interests in consolidated subsidiaries	2,102,841	1,561,159
Total equity	4,232,450	3,799,732
Total liabilities and equity	\$ 15,855,275	\$ 13,696,635

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Years Ended December 31,	
	2012	2011
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 743,530	\$ 759,744
Depreciation and amortization	335,852	312,288
Impairment of goodwill	10,255	-
Gain on sale of discontinued operations	(13,517)	-
Equity earnings from investments	(123,024)	(127,246)
Distributions received from unconsolidated affiliates	120,442	132,741
Deferred income taxes	229,398	256,688
Share-based compensation expense	36,692	66,371
Allowance for equity funds used during construction	(13,648)	(2,335)
Loss (gain) on sale of assets	(6,736)	963
Other	27,982	(1,471)
Changes in assets and liabilities:		
Accounts receivable	(14,774)	(55,861)
Gas and natural gas liquids in storage	33,343	65,845
Accounts payable	(30,981)	102,621
Commodity imbalances, net	43,471	(54,886)
Energy marketing and risk management assets and liabilities	(174,953)	(31,999)
Fair value of firm commitments	(6,003)	(22,252)
Pension and postretirement benefits	(57,073)	(29,863)
Other assets and liabilities	(149,313)	(11,376)
Cash provided by operating activities	990,943	1,359,972
Investing activities		
Capital expenditures (less allowance for equity funds used during construction)	(1,866,153)	(1,336,067)
Proceeds from sale of discontinued operations, net of cash sold	32,946	-
Contributions to unconsolidated affiliates	(30,768)	(64,491)
Distributions received from unconsolidated affiliates	35,299	23,644
Proceeds from sale of assets	12,240	1,288
Other	2,237	4,000
Cash used in investing activities	(1,814,199)	(1,371,626)
Financing activities		
Borrowing (repayment) of notes payable, net	(24,812)	285,127
Issuance of debt, net of discounts	1,994,693	1,295,450
Long-term debt financing costs	(15,036)	(10,986)
Repayment of debt	(361,464)	(727,562)
Repurchase of common stock	(150,000)	(300,108)
Issuance of common stock	15,969	17,906
Issuance of common units, net of issuance costs	459,587	-
Dividends paid	(261,969)	(227,020)
Distributions to noncontrolling interests	(324,906)	(277,375)
Cash provided by financing activities	1,332,062	55,432
Change in cash and cash equivalents	508,806	43,778
Change in cash and cash equivalents included in discontinued operations	8,859	(8,166)
Change in cash and cash equivalents from continuing operations	517,665	35,612
Cash and cash equivalents at beginning of period	65,953	30,341
Cash and cash equivalents at end of period	\$ 583,618	\$ 65,953
Supplemental cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 439,398	\$ 278,162
Cash paid (refunds received) for income taxes	\$ 872	\$ (68,696)

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ONEOK, Inc. and Subsidiaries INFORMATION AT A GLANCE

(Unaudited)	Three Months Ended December 31,		Years Ended December 31,	
	2012	2011	2012	2011
(Millions of dollars, except as noted)				
<u>ONEOK Partners</u>				
Net margin	\$ 399.5	\$ 494.3	\$ 1,641.8	\$ 1,577.4
Operating costs	\$ 122.1	\$ 130.7	\$ 482.5	\$ 459.4
Depreciation and amortization	\$ 53.1	\$ 45.9	\$ 203.1	\$ 177.5
Operating income	\$ 230.5	\$ 317.5	\$ 962.9	\$ 939.5
Capital expenditures	\$ 549.0	\$ 401.0	\$ 1,560.5	\$ 1,063.4
<u>Natural gas gathering and processing business (a)</u>				
Natural gas gathered (BBtu/d)	1,201	1,057	1,119	1,030
Natural gas processed (BBtu/d) (b)	964	758	866	713
NGL sales (MBbl/d)	70	51	61	48
Residue gas sales (BBtu/d)	430	345	397	317
Realized composite NGL net sales price (\$/gallon) (c)	\$ 1.05	\$ 1.06	\$ 1.06	\$ 1.08
Realized condensate net sales price (\$/Bbl) (c)	\$ 90.21	\$ 85.39	\$ 88.22	\$ 82.56
Realized residue gas net sales price (\$/MMBtu) (c)	\$ 4.27	\$ 5.08	\$ 3.87	\$ 5.47
Realized gross processing spread (\$/MMBtu) (c)	\$ 7.51	\$ 7.79	\$ 8.05	\$ 8.17
<u>Natural gas pipelines business (a)</u>				
Natural gas transportation capacity contracted (MDth/d)	5,429	5,433	5,366	5,373
Transportation capacity subscribed (d)	90%	90%	89%	89%
Average natural gas price				
Mid-Continent region (\$/MMBtu)	\$ 3.29	\$ 3.20	\$ 2.64	\$ 3.88
<u>Natural gas liquids business</u>				
NGL sales (MBbl/d)	654	543	572	497
NGLs fractionated (MBbl/d) (e)	600	583	574	537
NGLs transported-gathering lines (MBbl/d) (a)	531	473	520	436
NGLs transported-distribution lines (MBbl/d) (a)	507	512	491	473
Average Conway-to-Mont Belvieu OPIS price differential - ethane in ethane/propane mix (\$/gallon)	\$ 0.07	\$ 0.49	\$ 0.17	\$ 0.28
(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) - Prior periods have been recast to reflect current estimated capacity.				
(e) - Includes volumes fractionated from company-owned and third-party facilities.				
<u>Natural Gas Distribution</u>				
Net margin	\$ 210.6	\$ 203.6	\$ 756.4	\$ 751.8
Operating costs	\$ 98.4	\$ 117.5	\$ 410.6	\$ 422.0
Depreciation and amortization	\$ 32.7	\$ 31.6	\$ 130.2	\$ 132.2
Operating income	\$ 79.5	\$ 54.5	\$ 215.7	\$ 197.6
Capital expenditures	\$ 74.6	\$ 66.1	\$ 280.3	\$ 242.6
<u>Natural gas volumes (Bcf)</u>				
Natural gas sales	48.8	52.0	141.4	156.4
Transportation	50.2	50.5	199.4	203.7
<u>Natural gas margins</u>				
Net margin on natural gas sales	\$ 176.8	\$ 170.3	\$ 631.8	\$ 623.0
Transportation margin	\$ 23.6	\$ 23.6	\$ 88.8	\$ 90.9
<u>Energy Services</u>				
Net margin	\$ (6.2)	\$ 0.6	\$ (49.3)	\$ 48.7
Operating costs	\$ 4.1	\$ 6.0	\$ 18.0	\$ 24.5
Depreciation and amortization	\$ 0.1	\$ 0.1	\$ 0.4	\$ 0.4
Goodwill impairment	\$ -	\$ -	\$ 10.3	\$ -
Operating income (loss)	\$ (10.3)	\$ (5.5)	\$ (77.9)	\$ 23.8
Natural gas marketed (Bcf)	179	206	709	845
Natural gas gross margin (\$/Mcf)	\$ (0.03)	\$ 0.01	\$ (0.07)	\$ 0.06
Physically settled volumes (Bcf)	356	429	1,433	1,724

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

<i>(Unaudited)</i>	Three Months Ended December 31, 2012			
	ONEOK	ONEOK Partners	Consolidating Entries	Consolidated
	<i>(Millions of dollars)</i>			
Operating income				
ONEOK Partners	\$ -	\$ 231	\$ -	\$ 231
Natural Gas Distribution	80	-	-	80
Energy Services	(10)	-	-	(10)
Other	(1)	-	-	(1)
Operating income	69	231	-	300
Equity in earnings of ONEOK Partners	126	-	(126)	-
Other income (expense)	(1)	39	-	38
Interest expense	(25)	(58)	-	(83)
Income taxes	(57)	(1)	-	(58)
Income from continuing operations	112	211	(126)	197
Income (loss) from discontinued operations, net of tax	-	-	-	-
Net Income	112	211	(126)	197
Less: Net income attributable to noncontrolling interests	-	-	85	85
Net income attributable to ONEOK	\$ 112	\$ 211	\$ (211)	\$ 112

<i>(Unaudited)</i>	Year Ended December 31, 2012			
	ONEOK	ONEOK Partners	Consolidating Entries	Consolidated
	<i>(Millions of dollars)</i>			
Operating income				
ONEOK Partners	\$ -	\$ 963	\$ -	\$ 963
Natural Gas Distribution	216	-	-	216
Energy Services	(78)	-	-	(78)
Other	2	-	-	2
Operating income	140	963	-	1,103
Equity in earnings of ONEOK Partners	506	-	(506)	-
Other income (expense)	2	142	-	144
Interest expense	(96)	(206)	-	(302)
Income taxes	(205)	(10)	-	(215)
Income from continuing operations	347	889	(506)	730
Income (loss) from discontinued operations, net of tax	14	-	-	14
Net Income	361	889	(506)	744
Less: Net income attributable to noncontrolling interests	-	-	383	383
Net income attributable to ONEOK	\$ 361	\$ 889	\$ (889)	\$ 361

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

<i>(Unaudited)</i>	Three Months Ended December 31, 2011			
	ONEOK	ONEOK Partners	Consolidating Entries	Consolidated
	<i>(Millions of dollars)</i>			
Operating income				
ONEOK Partners	\$ -	\$ 317	\$ -	\$ 317
Natural Gas Distribution	54	-	-	54
Energy Services	(5)	-	-	(5)
Other	(1)	-	-	(1)
Operating income	48	317	-	365
Equity in earnings of ONEOK Partners	149	-	(149)	-
Other income (expense)	1	37	-	38
Interest expense	(16)	(52)	-	(68)
Income taxes	(68)	(3)	-	(71)
Income from continuing operations	114	299	(149)	264
Income (loss) from discontinued operations, net of tax	1	-	-	1
Net Income	115	299	(149)	265
Less: Net income attributable to noncontrolling interests	-	-	150	150
Net income attributable to ONEOK	\$ 115	\$ 299	\$ (299)	\$ 115

<i>(Unaudited)</i>	Year Ended December 31, 2011			
	ONEOK	ONEOK Partners	Consolidating Entries	Consolidated
	<i>(Millions of dollars)</i>			
Operating income				
ONEOK Partners	\$ -	\$ 940	\$ -	\$ 940
Natural Gas Distribution	198	-	-	198
Energy Services	24	-	-	24
Other	(3)	-	-	(3)
Operating income	219	940	-	1,159
Equity in earnings of ONEOK Partners	432	-	(432)	-
Other income (expense)	(5)	127	-	122
Interest expense	(74)	(223)	-	(297)
Income taxes	(213)	(13)	-	(226)
Income from continuing operations	359	831	(432)	758
Income (loss) from discontinued operations, net of tax	2	-	-	2
Net Income	361	831	(432)	760
Less: Net income attributable to noncontrolling interests	-	1	398	399
Net income attributable to ONEOK	\$ 361	\$ 830	\$ (830)	\$ 361

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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>	Year Ended December 31, 2012
	<i>(Millions of dollars)</i>
Net income	\$ 743.5
Net income attributable to noncontrolling interests	(382.9)
Equity in earnings of ONEOK Partners	(505.5)
Distributions received from ONEOK Partners	436.8
Depreciation, amortization and impairment	143.0
Deferred income taxes	222.6
Gain on sale of discontinued operations	(13.5)
Other	64.6
Cash flow, before changes in working capital	\$ 708.6

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

	Updated 2013 Guidance	Previous 2013 Guidance	Change
<i>(Millions of dollars)</i>			
Operating income			
ONEOK Partners	\$ 936	\$ 1,027	\$ (91)
Natural Gas Distribution	227	227	-
Energy Services	(20)	(20)	-
Other	(3)	(3)	-
Operating income	1,140	1,231	(91)
Equity earnings from investments	110	138	(28)
Other income (expense)	19	44	(25)
Interest expense	(337)	(333)	(4)
Income before income taxes	932	1,080	(148)
Income taxes	(240)	(280)	40
Income from continuing operations	692	800	(108)
Income from discontinued operations, net of tax	-	-	-
Net income	692	800	(108)
Less: Net income attributable to noncontrolling interests	317	370	(53)
Net income attributable to ONEOK	\$ 375	\$ 430	\$ (55)
Capital expenditures			
ONEOK Partners	\$ 2,640	\$ 2,604	\$ 36
Natural Gas Distribution	286	286	-
Other	30	31	(1)
Total capital expenditures	\$ 2,956	\$ 2,921	\$ 35

**Amounts shown are midpoints of ranges provided.*

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

	Updated 2013 Guidance	Previous 2013 Guidance	Change
<i>(Thousands of dollars, except Bcf and MMBtu/d amounts)</i>			
Energy Services Financial Profile			
<i>Net premium service fees</i>	\$ 48,118	\$ 48,118	\$ -
Average storage capacity (Bcf)	59.7	66.6	(6.9)
Assumed summer/winter differential** – NYMEX (\$/MMBtu)	\$ 0.81	\$ 0.83	\$ (0.02)
Storage costs (lease, variable, hedging and other) (\$/MMBtu)	\$ 1.31	\$ 1.20	\$ 0.11
Net storage margin (\$/MMBtu)	\$ (0.50)	\$ (0.37)	\$ (0.13)
<i>Net storage margin</i>	\$ (29,907)	\$ (24,821)	\$ (5,086)
Long-term transportation capacity (Bcf/d)	0.8	0.8	-
Transportation gross margin (\$/MMBtu)	\$ 0.07	\$ 0.07	\$ -
Transportation costs (\$/MMBtu)	\$ 0.19	\$ 0.19	\$ -
Transportation net margin (\$/MMBtu)	\$ (0.12)	\$ (0.12)	\$ -
<i>Net transportation margin</i>	\$ (30,720)	\$ (33,627)	\$ 2,907
<i>Optimization</i>	\$ 13,644	\$ 13,644	\$ -
<i>Financial trading</i>	\$ -	\$ -	\$ -
Wholesale margin – subtotal	\$ 1,135	\$ 3,314	\$ (2,179)
Wholesale general and administrative expense	\$ 21,135	\$ 23,314	\$ 2,179
Goodwill impairment	\$ -	\$ -	\$ -
Total Operating Income	\$ (20,000)	\$ (20,000)	\$ -

*Amounts shown are midpoints of ranges provided.

**Includes the summer/winter differential and capacity management.

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EARNINGS GUIDANCE***

	Updated 2013 Guidance	Previous 2013 Guidance	Change
<i>(Millions of dollars)</i>			
ONEOK, Inc. Stand-Alone Cash Flow, Before Changes in Working Capital			
Net income	\$ 692	\$ 800	\$ (108)
Net income attributable to noncontrolling interests	(317)	(370)	53
Equity in earnings of ONEOK Partners	(512)	(605)	93
Distributions received from ONEOK Partners	548	599	(51)
Depreciation, amortization and impairment	150	150	-
Deferred income taxes	226	166	60
Other	48	45	3
Cash flow, before changes in working capital	\$ 835	\$ 785	\$ 50

**Amounts shown are midpoints of ranges provided.*