

# ONEOK Partners Announces Higher Third-quarter 2016 Financial Results

Nov. 1, 2016

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## ONEOK Partners, L.P. and Subsidiaries CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(Thousands of dollars, except per unit amounts)				
<b>Revenues</b>				
Commodity sales	\$ 1,840,523	\$ 1,484,350	\$ 4,757,306	\$ 4,642,320
Services	516,868	414,068	1,507,624	1,188,364
<b>Total revenues</b>	<b>2,357,391</b>	<b>1,898,418</b>	<b>6,264,930</b>	<b>5,830,684</b>
Cost of sales and fuel (exclusive of items shown separately below)	1,751,593	1,360,809	4,474,654	4,307,766
Operations and maintenance	159,085	145,933	465,628	444,185
Depreciation and amortization	97,802	87,517	290,045	259,563
General taxes	18,314	16,158	63,889	62,677
(Gain) loss on sale of assets	(5,745)	443	(9,476)	327
<b>Operating income</b>	<b>336,342</b>	<b>287,558</b>	<b>980,190</b>	<b>756,166</b>
Equity in net earnings from investments	35,155	32,244	100,441	93,205
Allowance for equity funds used during construction	—	177	208	1,718
Other income	825	41	1,522	106
Other expense	(709)	(3,845)	(2,282)	(3,941)
Interest expense (net of capitalized interest of \$3,806, \$8,851, \$9,265 and \$26,008, respectively)	(92,521)	(86,666)	(278,339)	(253,867)
<b>Income before income taxes</b>	<b>279,092</b>	<b>229,509</b>	<b>801,740</b>	<b>593,387</b>
<b>Income tax (expense) benefit</b>	<b>(3,681)</b>	<b>156</b>	<b>(8,079)</b>	<b>(5,080)</b>
<b>Net income</b>	<b>275,411</b>	<b>229,665</b>	<b>793,661</b>	<b>588,307</b>
Less: Net income attributable to noncontrolling interests	1,103	2,704	4,368	5,982
<b>Net income attributable to ONEOK Partners, L.P.</b>	<b>\$ 274,308</b>	<b>\$ 226,961</b>	<b>\$ 789,293</b>	<b>\$ 582,325</b>
Limited partners' interest in net income:				
Net income attributable to ONEOK Partners, L.P.	\$ 274,308	\$ 226,961	\$ 789,293	\$ 582,325
General partner's interest in net income	(106,024)	(105,078)	(317,400)	(293,868)
<b>Limited partners' interest in net income</b>	<b>\$ 168,284</b>	<b>\$ 121,883</b>	<b>\$ 471,893</b>	<b>\$ 288,457</b>
Limited partners' net income per unit, basic and diluted	\$ 0.59	\$ 0.45	\$ 1.65	\$ 1.10
Number of units used in computation (thousands)	285,826	272,046	285,826	261,100

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

<i>(Unaudited)</i>	September 30, 2016	December 31, 2015
<i>(Thousands of dollars)</i>		
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,525	\$ 5,079
Accounts receivable, net	737,058	593,448
Affiliate receivables	299	7,969
Natural gas and natural gas liquids in storage	217,769	128,084
Commodity imbalances	43,770	38,681
Materials and supplies	81,701	76,696
Other current assets	42,672	33,207
<b>Total current assets</b>	<b>1,128,794</b>	<b>883,164</b>
<b>Property, plant and equipment</b>		
Property, plant and equipment	14,718,554	14,307,546
Accumulated depreciation and amortization	2,302,779	2,050,755
<b>Net property, plant and equipment</b>	<b>12,415,775</b>	<b>12,256,791</b>
<b>Investments and other assets</b>		
Investments in unconsolidated affiliates	943,390	948,221
Goodwill and intangible assets	815,952	824,877
Other assets	15,647	14,533
<b>Total investments and other assets</b>	<b>1,774,989</b>	<b>1,787,631</b>
<b>Total assets</b>	<b>\$ 15,319,558</b>	<b>\$ 14,927,586</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Current maturities of long-term debt	\$ 457,650	\$ 107,650
Short-term borrowings	693,500	546,340
Accounts payable	701,518	605,431
Affiliate payables	19,139	27,137
Commodity imbalances	134,658	74,460
Accrued interest	86,225	102,615
Other current liabilities	193,561	116,667
<b>Total current liabilities</b>	<b>2,286,251</b>	<b>1,580,300</b>
<b>Long-term debt, excluding current maturities</b>	<b>6,691,663</b>	<b>6,695,312</b>
<b>Deferred credits and other liabilities</b>	<b>188,254</b>	<b>154,631</b>
<b>Commitments and contingencies</b>		
<b>Equity</b>		
ONEOK Partners, L.P. partners' equity:		
General partner	227,150	231,344
Common units: 212,837,980 units issued and outstanding at September 30, 2016, and December 31, 2015	4,861,917	5,014,952
Class B units: 72,988,252 units issued and outstanding at September 30, 2016, and December 31, 2015	1,147,724	1,200,204
Accumulated other comprehensive loss	(241,753)	(113,282)
<b>Total ONEOK Partners, L.P. partners' equity</b>	<b>5,995,038</b>	<b>6,333,218</b>
Noncontrolling interests in consolidated subsidiaries	158,352	164,125
<b>Total equity</b>	<b>6,153,390</b>	<b>6,497,343</b>
<b>Total liabilities and equity</b>	<b>\$ 15,319,558</b>	<b>\$ 14,927,586</b>

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## ONEOK Partners, L.P. and Subsidiaries CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)	Nine Months Ended September 30,	
	2016	2015
	(Thousands of dollars)	
<b>Operating activities</b>		
Net income	\$ 793,661	\$ 588,307
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	290,045	259,563
Equity in net earnings from investments	(100,441)	(93,205)
Distributions received from unconsolidated affiliates	106,381	92,042
Deferred income taxes	7,573	4,309
Allowance for equity funds used during construction	(208)	(1,718)
(Gain) loss on sale of assets	(9,476)	327
Changes in assets and liabilities:		
Accounts receivable	(145,570)	149,776
Affiliate receivables	7,670	3,789
Natural gas and natural gas liquids in storage	(89,685)	(8,174)
Accounts payable	138,450	(182,985)
Affiliate payables	(7,998)	(14,788)
Commodity imbalances, net	55,109	25,728
Accrued interest	(16,390)	(2,492)
Risk-management assets and liabilities	(51,329)	(46,267)
Other assets and liabilities, net	21,583	(27,186)
Cash provided by operating activities	999,375	747,026
<b>Investing activities</b>		
Capital expenditures (less allowance for equity funds used during construction)	(489,358)	(928,870)
Contributions to unconsolidated affiliates	(55,177)	(27,540)
Distributions received from unconsolidated affiliates in excess of cumulative earnings	43,018	25,111
Proceeds from sale of assets	19,038	3,171
Other	—	(12,607)
Cash used in investing activities	(482,479)	(940,735)
<b>Financing activities</b>		
Cash distributions:		
General and limited partners	(999,002)	(897,474)
Noncontrolling interests	(6,100)	(8,192)
Borrowing (repayment) of short-term borrowings, net	147,160	(768,024)
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	(655,738)	(5,738)
Issuance of common units, net of issuance costs	—	1,025,660
Contribution from general partner	—	20,990
Cash provided by (used in) financing activities	(516,450)	158,442
Change in cash and cash equivalents	446	(35,267)
Cash and cash equivalents at beginning of period	5,079	42,530
Cash and cash equivalents at end of period	\$ 5,525	\$ 7,263

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## ONEOK Partners, L.P. and Subsidiaries INFORMATION AT A GLANCE

(Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(Millions of dollars, except as noted)				
<b><u>Natural Gas Liquids</u></b>				
Operating income	\$ 224.5	\$ 207.5	\$ 663.4	\$ 549.6
Operating costs	\$ 79.8	\$ 74.5	\$ 236.7	\$ 234.1
Depreciation and amortization	\$ 40.8	\$ 39.3	\$ 122.2	\$ 118.0
Equity in net earnings from investments	\$ 14.0	\$ 10.9	\$ 41.2	\$ 27.6
Adjusted EBITDA	\$ 279.3	\$ 255.7	\$ 826.0	\$ 693.0
NGL sales (MBbl/d)	852	683	778	657
NGLs transported-gathering lines (MBbl/d) (a)	775	786	778	759
NGLs fractionated (MBbl/d) (b)	606	591	588	540
NGLs transported-distribution lines (MBbl/d) (a)	521	456	504	422
Average Conway-to-Mont Belvieu OPIS price differential - ethane in ethane/propane mix (\$/gallon)	\$ 0.03	\$ 0.02	\$ 0.03	\$ 0.02
Capital expenditures	\$ 30.5	\$ 52.8	\$ 85.5	\$ 185.4
(a) - Includes volumes for consolidated entities only.				
(b) - Includes volumes at company-owned and third-party facilities.				
<b><u>Natural Gas Gathering and Processing</u></b>				
Operating income	\$ 62.2	\$ 42.3	\$ 179.0	\$ 99.9
Operating costs	\$ 69.4	\$ 61.2	\$ 208.4	\$ 193.9
Depreciation and amortization	\$ 45.0	\$ 37.3	\$ 133.3	\$ 109.0
Equity in net earnings from investments	\$ 2.6	\$ 4.4	\$ 8.0	\$ 13.5
Adjusted EBITDA	\$ 109.8	\$ 82.7	\$ 320.2	\$ 221.3
Natural gas gathered (BBtu/d) (a)	1,977	1,897	2,047	1,877
Natural gas processed (BBtu/d) (a) (b)	1,829	1,617	1,886	1,640
NGL sales (MBbl/d) (a)	153	134	155	123
Residue natural gas sales (BBtu/d) (a)	837	837	877	828
Realized composite NGL net sales price (\$/gallon) (a) (c) (d)	\$ 0.23	\$ 0.31	\$ 0.22	\$ 0.35
Realized condensate net sales price (\$/Bbl) (a) (c) (e)	\$ 41.13	\$ 42.32	\$ 36.91	\$ 35.80
Realized residue natural gas net sales price (\$/MMBtu) (a) (c) (e)	\$ 2.84	\$ 3.62	\$ 2.76	\$ 3.64
Average fee rate (\$/MMBtu) (a)	\$ 0.76	\$ 0.43	\$ 0.73	\$ 0.39
Capital expenditures	\$ 99.6	\$ 231.8	\$ 325.8	\$ 692.6
(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.				
<b><u>Natural Gas Pipelines</u></b>				
Operating income	\$ 49.6	\$ 37.7	\$ 137.6	\$ 106.9
Operating costs	\$ 28.4	\$ 26.7	\$ 85.1	\$ 79.1
Depreciation and amortization	\$ 12.0	\$ 10.9	\$ 34.6	\$ 32.5
Equity in net earnings from investments	\$ 18.6	\$ 17.0	\$ 51.2	\$ 52.1
Adjusted EBITDA	\$ 80.3	\$ 65.2	\$ 223.2	\$ 201.1
Natural gas transportation capacity contracted (MDth/d) (a)	6,300	5,739	6,240	5,797
Transportation capacity contracted (a)	95%	90%	94%	91%
Capital expenditures	\$ 24.5	\$ 14.7	\$ 71.7	\$ 39.9
(a) - Includes volumes for consolidated entities only.				

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## ONEOK Partners, L.P. and Subsidiaries

### RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Unaudited)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
(Thousands of dollars, except per unit amounts)				
<b>Reconciliation of Net Income to Adjusted EBITDA and Distributable Cash Flow</b>				
Net income	\$ 275,411	\$ 229,665	\$ 793,661	\$ 588,307
Interest expense, net of capitalized interest	92,521	86,666	278,339	253,867
Depreciation and amortization	97,802	87,517	290,045	259,563
Income tax expense (benefit)	3,681	(156)	8,079	5,080
Allowance for equity funds used during construction and other	(60)	(10)	(375)	8,440
Adjusted EBITDA	469,355	403,682	1,369,749	1,115,257
Interest expense, net of capitalized interest	(92,521)	(86,666)	(278,339)	(253,867)
Maintenance capital	(20,965)	(21,102)	(66,325)	(85,097)
Equity in net earnings from investments	(35,155)	(32,244)	(100,441)	(93,205)
Distributions received from unconsolidated affiliates	40,822	36,370	149,399	117,153
Other	(2,936)	2,753	(644)	(3,310)
Distributable cash flow	\$ 358,600	\$ 302,793	\$ 1,073,399	\$ 796,931
Distributions to general partner	(107,198)	(107,198)	(321,594)	(300,917)
Distributable cash flow to limited partners	\$ 251,402	\$ 195,595	\$ 751,805	\$ 496,014
Distributions declared per limited partner unit	\$ 0.79	\$ 0.79	\$ 2.37	\$ 2.37
Coverage ratio	1.11	0.91	1.11	0.80
Number of units used in computation (thousands)	285,826	272,046	285,826	261,100

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## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

<i>(Unaudited)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
<b>Reconciliation of Adjusted EBITDA to Net Income</b>	<i>(Thousands of dollars)</i>			
Segment Adjusted EBITDA:				
Natural Gas Gathering and Processing	\$ 109,837	\$ 82,718	\$ 320,170	\$ 221,298
Natural Gas Liquids	279,256	255,745	826,036	692,991
Natural Gas Pipelines	80,304	65,166	223,185	201,112
Other	(42)	53	358	(144)
Total	469,355	403,682	1,369,749	1,115,257
Depreciation and amortization	(97,802)	(87,517)	(290,045)	(259,563)
Interest expense, net of capitalized interest	(92,521)	(86,666)	(278,339)	(253,867)
Income tax (expense) benefit	(3,681)	156	(8,079)	(5,080)
Allowance for equity funds used during construction and other	60	10	375	(8,440)
Net income	\$ 275,411	\$ 229,665	\$ 793,661	\$ 588,307