

ONEOK Announces Second-quarter 2015 Results

August 4, 2015

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ONEOK, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
(Thousands of dollars, except per share amounts)				
Revenues				
Commodity sales	\$ 1,722,254	\$ 2,715,109	\$ 3,157,970	\$ 5,521,838
Services	405,798	351,773	775,388	708,340
Total revenues	2,128,052	3,066,882	3,933,358	6,230,178
Cost of sales and fuel	1,603,093	2,571,402	2,946,957	5,224,071
Net margin	524,959	495,480	986,401	1,006,107
Operating expenses				
Operations and maintenance	140,869	153,323	295,200	280,049
Depreciation and amortization	86,987	72,127	172,942	139,541
General taxes	24,481	18,699	49,168	41,084
Total operating expenses	252,337	244,149	517,310	460,674
Gain (loss) on sale of assets	122	(16)	116	(1)
Operating income	272,744	251,315	469,207	545,432
Equity in net earnings from investments	30,040	25,435	60,961	59,094
Allowance for equity funds used during construction	742	1,253	1,541	12,224
Other income	60	3,213	2,670	4,622
Other expense	(1,960)	(1,392)	(2,738)	(26,926)
Interest expense (net of capitalized interest of \$9,927, \$11,375, \$17,157 and \$27,143, respectively)	(102,384)	(88,751)	(199,134)	(183,652)
Income before income taxes	199,242	191,073	332,507	410,794
Income taxes	(48,222)	(42,313)	(85,650)	(57,297)
Income from continuing operations	151,020	148,760	246,857	353,497
Income (loss) from discontinued operations, net of tax	(140)	(8,009)	(284)	(6,235)
Net income	150,880	140,751	246,573	347,262
Less: Net income attributable to noncontrolling interests	74,375	79,161	109,268	192,157
Net income attributable to ONEOK	\$ 76,505	\$ 61,590	\$ 137,305	\$ 155,105
Amounts attributable to ONEOK:				
Income from continuing operations	\$ 76,645	\$ 69,599	\$ 137,589	\$ 161,340
Income (loss) from discontinued operations	(140)	(8,009)	(284)	(6,235)
Net income	\$ 76,505	\$ 61,590	\$ 137,305	\$ 155,105
Basic earnings per share:				
Income from continuing operations	\$ 0.36	\$ 0.33	\$ 0.65	\$ 0.77
Income (loss) from discontinued operations	—	(0.04)	—	(0.03)
Net income	\$ 0.36	\$ 0.29	\$ 0.65	\$ 0.74
Diluted earnings per share:				
Income from continuing operations	\$ 0.36	\$ 0.33	\$ 0.65	\$ 0.77
Income (loss) from discontinued operations	—	(0.04)	—	(0.03)
Net income	0.36	0.29	0.65	0.74
Average shares (thousands)				
Basic	210,204	209,403	210,059	209,267
Diluted	210,477	210,516	210,486	210,337
Dividends declared per share of common stock	\$ 0.605	\$ 0.56	\$ 1.21	\$ 0.96

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ONEOK, Inc. and Subsidiaries CONSOLIDATED BALANCE SHEETS

<i>(Unaudited)</i>	June 30, 2015	December 31, 2014
Assets	<i>(Thousands of dollars)</i>	
Current assets		
Cash and cash equivalents	\$ 226,193	\$ 172,812
Accounts receivable, net	684,899	745,494
Natural gas and natural gas liquids in storage	150,137	134,134
Commodity imbalances	31,246	64,788
Other current assets	155,967	173,299
Assets of discontinued operations	15,354	16,717
Total current assets	1,263,796	1,307,244
Property, plant and equipment		
Property, plant and equipment	14,175,037	13,602,647
Accumulated depreciation and amortization	2,099,187	1,940,210
Net property, plant and equipment	12,075,850	11,662,437
Investments and other assets		
Investments in unconsolidated affiliates	1,146,407	1,132,653
Goodwill and intangible assets	1,023,209	1,014,740
Other assets	129,700	124,679
Assets of discontinued operations	12,218	20,020
Total investments and other assets	2,311,534	2,292,092
Total assets	\$ 15,651,180	\$ 15,261,773

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

<i>(Unaudited)</i>	June 30, 2015	December 31, 2014
Liabilities and equity	<i>(Thousands of dollars)</i>	
Current liabilities		
Current maturities of long-term debt	\$ 660,650	\$ 10,650
Notes payable	870,484	1,055,296
Accounts payable	694,914	891,413
Commodity imbalances	91,605	104,650
Other current liabilities	256,201	285,435
Liabilities of discontinued operations	32,708	44,901
Total current liabilities	2,606,562	2,392,345
Long-term debt, excluding current maturities	7,291,400	7,150,142
Deferred credits and other liabilities		
Deferred income taxes	1,451,833	1,395,222
Other deferred credits	276,897	281,757
Liabilities of discontinued operations	25,129	36,424
Total deferred credits and other liabilities	1,753,859	1,713,403
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 208,976,736 shares at June 30, 2015; issued 245,811,180 shares and outstanding 208,322,247 shares at December 31, 2014	2,458	2,458
Paid-in capital	1,564,316	1,541,583
Accumulated other comprehensive loss	(135,334)	(136,353)
Retained earnings	23,119	138,128
Treasury stock, at cost: 36,834,444 shares at June 30, 2015 and 37,488,933 shares at December 31, 2014	(937,051)	(953,701)
Total ONEOK shareholders' equity	517,508	592,115
Noncontrolling interests in consolidated subsidiaries	3,481,851	3,413,768
Total equity	3,999,359	4,005,883
Total liabilities and equity	\$ 15,651,180	\$ 15,261,773

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ONEOK, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)	Six Months June 30,	
	2015	2014
	(Thousands of dollars)	
Operating activities		
Net income	\$ 246,573	\$ 347,262
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	172,942	150,895
Charges attributable to exit activities	—	1,739
Equity in net earnings from investments	(60,961)	(59,094)
Distributions received from unconsolidated affiliates	61,969	61,200
Deferred income taxes	84,306	57,191
Share-based compensation expense	7,884	17,288
Pension and postretirement benefit expense, net of contributions	7,372	12,729
Allowance for equity funds used during construction	(1,541)	(12,224)
Loss (gain) on sale of assets	(116)	1
Changes in assets and liabilities:		
Accounts receivable	59,120	17,504
Natural gas and natural gas liquids in storage	(16,003)	(40,122)
Accounts payable	(136,119)	(3,426)
Commodity imbalances, net	20,497	(15,830)
Settlement of exit activities liabilities	(22,385)	(25,728)
Energy marketing and risk management assets and liabilities	(66,148)	19,041
Other assets and liabilities, net	(23,470)	7,881
Cash provided by operating activities	333,920	536,307
Investing activities		
Capital expenditures (less allowance for equity funds used during construction)	(629,448)	(822,201)
Cash paid for acquisitions	—	(14,000)
Contributions to unconsolidated affiliates	(33,222)	(1,063)
Distributions received from unconsolidated affiliates in excess of cumulative earnings	18,814	16,449
Proceeds from sale of assets	691	319
Other	(12,607)	—
Cash used in investing activities	(655,772)	(820,496)
Financing activities		
Borrowing (repayment) of notes payable, net	(184,812)	(564,462)
Issuance of ONE Gas, Inc. debt, net of discounts	—	1,199,994
Issuance of long-term debt, net of discounts	798,896	—
ONE Gas long-term debt financing costs	—	(9,663)
Debt financing costs	(7,850)	—
Repayment of long-term debt	(3,875)	(553,855)
Issuance of common stock	10,298	9,166
Issuance of common units, net of issuance costs	275,098	878,765
Dividends paid	(252,416)	(199,684)
Cash of ONE Gas at separation	—	(60,000)
Distributions to noncontrolling interests	(260,488)	(206,342)
Cash provided by financing activities	374,851	493,919
Change in cash and cash equivalents	52,999	209,730
Change in cash and cash equivalents included in discontinued operations	382	3,265
Change in cash and cash equivalents from continuing operations	53,381	212,995
Cash and cash equivalents at beginning of period	172,812	145,565
Cash and cash equivalents at end of period	\$ 226,193	\$ 358,560

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ONEOK, Inc. and Subsidiaries INFORMATION AT A GLANCE

(Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
(Millions of dollars, except as noted)				
<u>Natural Gas Liquids</u>				
Net margin	\$ 313.4	\$ 266.1	\$ 580.6	\$ 535.1
Operating costs	\$ 77.4	\$ 76.0	\$ 159.7	\$ 141.2
Depreciation and amortization	\$ 39.4	\$ 31.1	\$ 78.7	\$ 58.2
Operating income	\$ 196.5	\$ 159.0	\$ 342.1	\$ 335.7
Equity in net earnings from investments	\$ 9.7	\$ 4.5	\$ 16.7	\$ 9.2
NGL sales (MBbl/d)	723	603	643	583
NGLs transported-gathering lines (MBbl/d) (a)	784	520	746	498
NGLs fractionated (MBbl/d) (b)	554	520	515	496
NGLs transported-distribution lines (MBbl/d) (a)	420	431	404	430
Average Conway-to-Mont Belvieu OPIS price differential - ethane in ethane/propane mix (\$/gallon)	\$ 0.02	\$ 0.03	\$ 0.01	\$ 0.08
Capital expenditures - growth	\$ 48.3	\$ 196.9	\$ 114.6	\$ 457.8
Capital expenditures - maintenance	\$ 10.8	\$ 13.8	\$ 18.0	\$ 25.9
(a) - Includes volumes for consolidated entities only.				
(b) - Includes volumes at company-owned and third-party facilities.				
<u>Natural Gas Pipelines</u>				
Net margin	\$ 74.1	\$ 75.5	\$ 143.2	\$ 169.0
Operating costs	\$ 25.2	\$ 27.3	\$ 52.4	\$ 54.8
Depreciation and amortization	\$ 10.8	\$ 10.9	\$ 21.6	\$ 21.7
Operating income	\$ 38.1	\$ 37.3	\$ 69.2	\$ 92.4
Equity in net earnings from investments	\$ 15.4	\$ 15.9	\$ 35.1	\$ 39.3
Natural gas transportation capacity contracted (MDth/d) (a)	5,714	5,691	5,826	5,778
Transportation capacity contracted (a)	90%	90%	92%	91%
Capital expenditures - growth	\$ 8.3	\$ 2.2	\$ 9.2	\$ 4.4
Capital expenditures - maintenance	\$ 7.3	\$ 6.5	\$ 16	\$ 10.9
(a) - Includes volumes for consolidated entities only.				
<u>Natural Gas Gathering and Processing</u>				
Net margin	\$ 137.1	\$ 154.9	\$ 261.8	\$ 308.5
Operating costs	\$ 63.5	\$ 59.4	\$ 132.8	\$ 124.2
Depreciation and amortization	\$ 36.0	\$ 29.4	\$ 71.7	\$ 58.3
Operating income	\$ 37.8	\$ 66.1	\$ 57.5	\$ 126.0
Equity in net earnings from investments	\$ 4.9	\$ 5.1	\$ 9.2	\$ 10.6
Natural gas gathered (BBtu/d) (a)	1,926	1,646	1,867	1,573
Natural gas processed (BBtu/d) (a) (b)	1,677	1,447	1,651	1,358
NGL sales (MBbl/d) (a)	127	98	117	94
Residue natural gas sales (BBtu/d) (a)	864	683	823	626
Realized composite NGL net sales price (\$/gallon) (a) (c) (d)	\$ 0.38	\$ 0.96	\$ 0.38	\$ 1.00
Realized condensate net sales price (\$/Bbl) (a) (c) (e)	\$ 35.46	\$ 77.46	\$ 32.89	\$ 76.80
Realized residue gas net sales price (\$/MMBtu) (a) (c)	\$ 3.38	\$ 4.07	\$ 3.65	\$ 3.85
Average fee rate (\$/MMBtu) (a)	\$ 0.39	\$ 0.34	\$ 0.37	\$ 0.36
Capital expenditures - growth	\$ 195.5	\$ 159.5	\$ 440.5	\$ 272.7
Capital expenditures - maintenance	\$ 9.9	\$ 8.7	\$ 20.2	\$ 18.4
(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 ONEOK Partners' equity volumes.				
(d) - Net of transportation and fractionation costs.				
(e) - Net of transportation costs.				

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ONEOK, Inc. Stand-alone

CASH FLOW AVAILABLE FOR DIVIDENDS

<i>(Unaudited)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<i>(Millions of dollars)</i>				
Recurring cash flows:				
Distributions from ONEOK Partners – declared	\$ 171.2	\$ 156.5	\$ 340.3	\$ 302.5
Interest expense, excluding noncash items	(15.9)	(15.7)	(31.9)	(36.7)
Cash income taxes	—	—	—	—
Released contracts from the former energy services business	(9.0)	(11.0)	(20.9)	71.8
Corporate expenses	(1.7)	(2.4)	(2.8)	(4.4)
Equity compensation reimbursed by ONEOK Partners	5.1	7.2	17.1	19.8
Cash flows from recurring activities	149.7	134.6	301.8	353.0
Cash flows from ONE Gas separation	—	(1.3)	—	(5.7)
Total cash flows	149.7	133.3	301.8	347.3
Capital expenditures	(0.1)	(3.3)	(0.1)	(5.9)
Cash flow available for dividends	149.6	130.0	301.7	341.4
Dividends declared	(126.5)	(119.6)	(252.8)	(236.0)
Free cash flow	\$ 23.1	\$ 10.4	\$ 48.9	\$ 105.4
Dividend coverage ratio	1.18	1.09	1.19	1.45

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ONEOK, Inc. Stand-alone

RECONCILIATION OF CASH FLOW AVAILABLE FOR DIVIDENDS AND FREE CASH FLOW TO NET INCOME

(Unaudited)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
<i>(Millions of dollars)</i>				
Net income attributable to ONEOK	\$ 76.5	\$ 61.6	\$ 137.3	\$ 155.1
Depreciation and amortization	0.8	9.3	0.9	12.5
Deferred income taxes	45.7	39.9	80.3	53.8
Equity in earnings of ONEOK Partners	(137.3)	(135.3)	(249.4)	(287.8)
Distributions from ONEOK Partners - declared	171.2	156.5	340.3	302.5
Equity compensation reimbursed by ONEOK Partners	5.1	7.2	17.1	19.8
Energy services realized working capital	(9.2)	(9.6)	(21.2)	87.9
Other	(3.1)	3.7	(3.5)	3.5
Total cash flows	149.7	133.3	301.8	347.3
Capital expenditures	(0.1)	(3.3)	(0.1)	(5.9)
Cash flow available for dividends	149.6	130.0	301.7	341.4
Dividends declared	(126.5)	(119.6)	(252.8)	(236.0)
Free cash flow	\$ 23.1	\$ 10.4	\$ 48.9	\$ 105.4