

ONEOK Announces Third-quarter 2015 Results

November 3, 2015

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ONEOK, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(Thousands of dollars, except per share amounts)				
Revenues				
Commodity sales	\$ 1,484,350	\$ 2,754,495	\$ 4,642,320	\$ 8,276,333
Services	414,596	365,650	1,189,984	1,073,990
Total revenues	1,898,946	3,120,145	5,832,304	9,350,323
Cost of sales and fuel	1,360,809	2,583,204	4,307,766	7,807,275
Net margin	538,137	536,941	1,524,538	1,543,048
Operating expenses				
Operations and maintenance	146,979	153,408	442,179	433,457
Depreciation and amortization	88,299	74,588	261,241	214,129
General taxes	17,198	19,087	66,366	60,171
Total operating expenses	252,476	247,083	769,786	707,757
Gain (loss) on sale of assets	(726)	1,534	(610)	1,533
Operating income	284,935	291,392	754,142	836,824
Equity in net earnings (loss) from investments	32,244	(52,347)	93,205	6,747
Allowance for equity funds used during construction	177	1,723	1,718	13,947
Other income	71	100	249	3,117
Other expense	(7,508)	(2,506)	(7,754)	(27,827)
Interest expense (net of capitalized interest of \$8,851, \$14,303, \$26,008 and \$41,446, respectively)	(106,923)	(86,052)	(306,057)	(269,704)
Income before income taxes	202,996	152,310	535,503	563,104
Income taxes	(38,298)	(37,858)	(123,948)	(95,155)
Income from continuing operations	164,698	114,452	411,555	467,949
Income (loss) from discontinued operations, net of tax	(3,860)	(171)	(4,144)	(6,406)
Net income	160,838	114,281	407,411	461,543
Less: Net income attributable to noncontrolling interests	78,681	49,823	187,949	241,980
Net income attributable to ONEOK	\$ 82,157	\$ 64,458	\$ 219,462	\$ 219,563
Amounts attributable to ONEOK:				
Income from continuing operations	\$ 86,017	\$ 64,629	\$ 223,606	\$ 225,969
Income (loss) from discontinued operations	(3,860)	(171)	(4,144)	(6,406)
Net income	\$ 82,157	\$ 64,458	\$ 219,462	\$ 219,563
Basic earnings per share:				
Income from continuing operations	\$ 0.41	\$ 0.31	\$ 1.06	\$ 1.08
Income (loss) from discontinued operations	(0.02)	—	(0.02)	(0.03)
Net income	\$ 0.39	\$ 0.31	\$ 1.04	\$ 1.05
Diluted earnings per share:				
Income from continuing operations	\$ 0.41	\$ 0.31	\$ 1.06	\$ 1.07
Income (loss) from discontinued operations	(0.02)	—	(0.02)	(0.03)
Net income	\$ 0.39	\$ 0.31	\$ 1.04	\$ 1.04
Average shares (thousands)				
Basic	210,296	209,489	210,138	209,341
Diluted	210,524	210,759	210,509	210,482
Dividends declared per share of common stock	\$ 0.605	\$ 0.575	\$ 1.815	\$ 1.535

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ONEOK, Inc. and Subsidiaries CONSOLIDATED BALANCE SHEETS

<i>(Unaudited)</i>	September 30, 2015	December 31, 2014
Assets	<i>(Thousands of dollars)</i>	
Current assets		
Cash and cash equivalents	\$ 38,371	\$ 172,812
Accounts receivable, net	586,157	745,494
Materials and supplies	62,604	55,833
Natural gas and natural gas liquids in storage	142,308	134,134
Commodity imbalances	30,602	64,788
Other current assets	76,129	117,466
Assets of discontinued operations	16,619	16,717
Total current assets	952,790	1,307,244
Property, plant and equipment		
Property, plant and equipment	14,457,280	13,602,647
Accumulated depreciation and amortization	2,178,687	1,940,210
Net property, plant and equipment	12,278,593	11,662,437
Investments and other assets		
Investments in unconsolidated affiliates	1,137,059	1,132,653
Goodwill and intangible assets	1,020,233	1,014,740
Other assets	115,716	124,679
Assets of discontinued operations	3,907	20,020
Total investments and other assets	2,276,915	2,292,092
Total assets	\$ 15,508,298	\$ 15,261,773

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

<i>(Unaudited)</i>	September 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	287,272	1,055,296
Accounts payable	620,568	891,413
Commodity imbalances	96,192	104,650
Accrued interest	108,454	104,877
Other current liabilities	157,705	180,558
Liabilities of discontinued operations	29,980	44,901
Total current liabilities	1,960,821	2,392,345
Long-term debt, excluding current maturities	7,773,756	7,150,142
Deferred credits and other liabilities		
Deferred income taxes	1,437,087	1,395,222
Other deferred credits	278,731	281,757
Liabilities of discontinued operations	20,598	36,424
Total deferred credits and other liabilities	1,736,416	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 209,273,336 shares at September 30, 2015; issued 245,811,180 shares and outstanding 208,322,247 shares at December 31, 2014	2,458	2,458
Paid-in capital	1,477,631	1,541,583
Accumulated other comprehensive loss	(136,112)	(136,353)
Retained earnings	—	138,128
Treasury stock, at cost: 36,537,844 shares at September 30, 2015, and 37,488,933 shares at December 31, 2014	(929,505)	(953,701)
Total ONEOK shareholders' equity	414,472	592,115
Noncontrolling interests in consolidated subsidiaries	3,622,833	3,413,768
Total equity	4,037,305	4,005,883
Total liabilities and equity	\$ 15,508,298	\$ 15,261,773

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ONEOK, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)	Nine Months Ended September 30,	
	2015	2014
	(Thousands of dollars)	
Operating activities		
Net income	\$ 407,411	\$ 461,543
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	261,241	225,483
Charges attributable to exit activities	—	1,739
Equity in net earnings from investments	(93,205)	(6,747)
Distributions received from unconsolidated affiliates	92,042	84,298
Deferred income taxes	124,615	96,044
Share-based compensation expense	13,732	23,359
Pension and postretirement benefit expense, net of contributions	10,145	14,282
Allowance for equity funds used during construction	(1,718)	(13,947)
Loss (gain) on sale of assets	610	(1,533)
Changes in assets and liabilities:		
Accounts receivable	157,742	156,555
Natural gas and natural gas liquids in storage	(8,174)	(43,351)
Accounts payable	(191,542)	(111,186)
Commodity imbalances, net	25,728	(33,214)
Settlement of exit activities liabilities	(31,207)	(38,627)
Energy marketing and risk management assets and liabilities	(45,240)	27,924
Accrued interest	3,577	(6,390)
Other assets and liabilities, net	(30,680)	34,307
Cash provided by operating activities	695,077	870,539
Investing activities		
Capital expenditures (less allowance for equity funds used during construction)	(930,316)	(1,204,386)
Cash paid for acquisitions	—	(14,000)
Contributions to unconsolidated affiliates	(27,540)	(1,063)
Distributions received from unconsolidated affiliates in excess of cumulative earnings	25,111	24,925
Proceeds from sale of assets	3,171	2,388
Other	(12,607)	—
Cash used in investing activities	(942,181)	(1,192,136)
Financing activities		
Borrowing (repayment) of notes payable, net	(768,024)	(564,462)
Issuance of ONE Gas, Inc. debt, net of discounts	—	1,199,994
Issuance of long-term debt, net of discounts	1,291,506	—
ONE Gas long-term debt financing costs	—	(9,663)
Debt financing costs	(17,126)	—
Repayment of long-term debt	(5,795)	(555,768)
Issuance of common stock	13,839	12,908
Issuance of common units, net of issuance costs	375,660	947,472
Dividends paid	(380,498)	(321,051)
Cash of ONE Gas at separation	—	(60,000)
Distributions to noncontrolling interests	(396,847)	(325,158)
Cash provided by financing activities	112,715	324,272
Change in cash and cash equivalents	(134,389)	2,675
Change in cash and cash equivalents included in discontinued operations	(52)	3,163
Change in cash and cash equivalents from continuing operations	(134,441)	5,838
Cash and cash equivalents at beginning of period	172,812	145,565
Cash and cash equivalents at end of period	\$ 38,371	\$ 151,403

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ONEOK, Inc. and Subsidiaries INFORMATION AT A GLANCE

(Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(Millions of dollars, except as noted)				
<u>Natural Gas Liquids</u>				
Net margin	\$ 321.8	\$ 283.0	\$ 902.4	\$ 818.1
Operating costs	\$ 74.5	\$ 77.0	\$ 234.1	\$ 218.2
Depreciation and amortization	\$ 39.3	\$ 31.7	\$ 118.1	\$ 89.8
Operating income	\$ 207.5	\$ 173.8	\$ 549.6	\$ 509.5
Equity in net earnings from investments	\$ 10.9	\$ 4.4	\$ 27.6	\$ 13.6
NGL sales (MBbl/d)	683	626	657	598
NGLs transported-gathering lines (MBbl/d) (a)	786	529	759	508
NGLs fractionated (MBbl/d) (b)	591	553	540	515
NGLs transported-distribution lines (MBbl/d) (a)	456	377	422	412
Average Conway-to-Mont Belvieu OPIS price differential - ethane in ethane/propane mix (\$/gallon)	\$ 0.02	\$ 0.03	\$ 0.02	\$ 0.06
Capital expenditures - growth	\$ 45.1	\$ 145.8	\$ 159.8	\$ 603.6
Capital expenditures - maintenance	\$ 7.7	\$ 8.0	\$ 25.6	\$ 33.9
(a) - Includes volumes for consolidated entities only.				
(b) - Includes volumes at company-owned and third-party facilities.				
<u>Natural Gas Pipelines</u>				
Net margin	\$ 75.4	\$ 73.4	\$ 218.6	\$ 242.4
Operating costs	\$ 26.7	\$ 28.0	\$ 79.1	\$ 82.8
Depreciation and amortization	\$ 10.9	\$ 10.9	\$ 32.5	\$ 32.6
Operating income	\$ 37.7	\$ 36.2	\$ 106.9	\$ 128.7
Equity in net earnings from investments	\$ 17.0	\$ 14.4	\$ 52.1	\$ 53.7
Natural gas transportation capacity contracted (MDth/d) (a)	5,739	5,725	5,797	5,760
Transportation capacity contracted (a)	90%	90%	91%	91%
Capital expenditures - growth	\$ 13.0	\$ —	\$ 22.2	\$ 3.6
Capital expenditures - maintenance	\$ 1.7	\$ 10.7	\$ 17.7	\$ 22.4
(a) - Includes volumes for consolidated entities only.				
<u>Natural Gas Gathering and Processing</u>				
Net margin	\$ 140.7	\$ 178.2	\$ 402.5	\$ 486.7
Operating costs	\$ 61.2	\$ 64.3	\$ 193.9	\$ 188.5
Depreciation and amortization	\$ 37.3	\$ 31.3	\$ 109.0	\$ 89.6
Operating income	\$ 42.3	\$ 82.9	\$ 99.9	\$ 208.9
Equity in net earnings from investments	\$ 4.4	\$ (71.1)	\$ 13.5	\$ (60.5)
Natural gas gathered (BBtu/d) (a)	1,897	1,847	1,877	1,665
Natural gas processed (BBtu/d) (a) (b)	1,617	1,666	1,640	1,462
NGL sales (MBbl/d) (a)	134	111	123	100
Residue natural gas sales (BBtu/d) (a)	837	792	828	682
Realized composite NGL net sales price (\$/gallon) (a) (c) (d)	\$ 0.31	\$ 0.93	\$ 0.35	\$ 0.97
Realized condensate net sales price (\$/Bbl) (a) (c) (e)	\$ 42.32	\$ 81.02	\$ 35.80	\$ 78.00
Realized residue gas net sales price (\$/MMBtu) (a) (c)	\$ 3.62	\$ 3.92	\$ 3.64	\$ 3.91
Average fee rate (\$/MMBtu) (a)	\$ 0.43	\$ 0.36	\$ 0.39	\$ 0.36
Capital expenditures - growth	\$ 221.3	\$ 206.1	\$ 661.8	\$ 478.8
Capital expenditures - maintenance	\$ 10.5	\$ 8.8	\$ 30.8	\$ 27.2
(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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<i>(Millions of dollars)</i>				
Recurring cash flows:				
Distributions from ONEOK Partners – declared	\$ 197.5	\$ 162.0	\$ 537.8	\$ 464.5
Interest expense, excluding noncash items	(20.3)	(16.0)	(52.2)	(52.7)
Cash income taxes	—	—	—	—
Released contracts from the former energy services business	(6.0)	(11.0)	(26.9)	60.8
Corporate expenses	(2.0)	(2.2)	(4.8)	(6.6)
Equity compensation reimbursed by ONEOK Partners	5.1	5.8	22.2	25.6
Cash flows from recurring activities	174.3	138.6	476.1	491.6
Cash flows from ONE Gas separation	—	—	—	(5.7)
Total cash flows	174.3	138.6	476.1	485.9
Capital expenditures	(1.3)	(1.6)	(1.4)	(7.5)
Cash flow available for dividends	173.0	137.0	474.7	478.4
Dividends declared	(128.7)	(122.8)	(381.5)	(358.8)
Free cash flow	\$ 44.3	\$ 14.2	\$ 93.2	\$ 119.6
Dividend coverage ratio	1.34	1.12	1.24	1.33

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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		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<i>(Millions of dollars)</i>				
Net income attributable to ONEOK	\$ 82.2	\$ 64.5	\$ 219.5	\$ 219.6
Depreciation and amortization	0.8	0.9	1.7	13.4
Deferred income taxes	40.0	35.2	120.3	89.0
Equity in earnings of ONEOK Partners	(151.0)	(117.5)	(400.4)	(405.3)
Distributions from ONEOK Partners - declared	197.5	162.0	537.8	464.5
Equity compensation reimbursed by ONEOK Partners	5.1	5.8	22.2	25.6
Energy services realized working capital	(9.8)	(10.8)	(31.0)	77.1
Other	9.5	(1.5)	6.0	2.0
Total cash flows	174.3	138.6	476.1	485.9
Capital expenditures	(1.3)	(1.6)	(1.4)	(7.5)
Cash flow available for dividends	173.0	137.0	474.7	478.4
Dividends declared	(128.7)	(122.8)	(381.5)	(358.8)
Free cash flow	\$ 44.3	\$ 14.2	\$ 93.2	\$ 119.6