

ONEOK Announces Higher Fourth-quarter And Full-year 2014 Results

February 23, 2015

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ONEOK, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)	Three Months Ended December 31,		Years Ended December 31,	
	2014	2013	2014	2013
(Thousands of dollars, except per share amounts)				
Revenues				
Commodity sales	\$ 2,448,648	\$ 3,095,623	\$ 10,724,981	\$ 10,549,157
Services	396,120	353,936	1,470,110	1,322,722
Total revenues	2,844,768	3,449,559	12,195,091	11,871,879
Cost of sales and fuel	2,281,273	3,007,980	10,088,548	10,222,213
Net margin	563,495	441,579	2,106,543	1,649,666
Operating expenses				
Operations and maintenance	165,686	132,176	599,143	479,165
Depreciation and amortization	80,555	63,327	294,684	239,343
General taxes	15,573	11,509	75,744	62,421
Total operating expenses	261,814	207,012	969,571	780,929
Gain (loss) on sale of assets	5,066	11,540	6,599	11,881
Operating income	306,747	246,107	1,143,571	880,618
Equity earnings from investments	34,256	30,773	41,003	110,517
Allowance for equity funds used during construction	990	9,350	14,937	30,522
Other income	2,481	5,524	5,598	18,158
Other expense	(1,246)	(11,523)	(29,073)	(13,999)
Interest expense (net of capitalized interest of \$13,667, \$18,222, \$54,813 and \$56,506, respectively)	(86,459)	(73,853)	(356,163)	(270,646)
Income before income taxes	256,769	206,378	819,873	755,170
Income taxes	(56,003)	(39,392)	(151,158)	(166,080)
Income from continuing operations	200,766	166,986	668,715	589,090
Income (loss) from discontinued operations, net of tax	799	17,077	(5,607)	(12,129)
Net income	201,565	184,063	663,108	576,961
Less: Net income attributable to noncontrolling interests	107,021	93,326	349,001	310,428
Net income attributable to ONEOK	\$ 94,544	\$ 90,737	\$ 314,107	\$ 266,533
Amounts attributable to ONEOK:				
Income from continuing operations	\$ 93,745	\$ 73,660	\$ 319,714	\$ 278,662
Income (loss) from discontinued operations	799	17,077	(5,607)	(12,129)
Net income	\$ 94,544	\$ 90,737	\$ 314,107	\$ 266,533
Basic earnings per share:				
Income from continuing operations	\$ 0.45	\$ 0.35	\$ 1.53	\$ 1.35
Income (loss) from discontinued operations	—	0.09	(0.03)	(0.06)
Net income	\$ 0.45	\$ 0.44	\$ 1.50	\$ 1.29
Diluted earnings per share:				
Income from continuing operations	\$ 0.45	\$ 0.35	\$ 1.52	\$ 1.33
Income (loss) from discontinued operations	—	0.08	(0.03)	(0.06)
Net income	\$ 0.45	\$ 0.43	\$ 1.49	\$ 1.27
Average shares (thousands)				
Basic	209,541	206,319	209,391	206,044
Diluted	210,285	210,552	210,427	209,695
Dividends declared per share of common stock	\$ 0.59	\$ 0.38	\$ 2.125	\$ 1.48

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

<i>(Unaudited)</i>	December 31, 2014	December 31, 2013
Assets	<i>(Thousands of dollars)</i>	
Current assets		
Cash and cash equivalents	\$ 172,812	\$ 145,565
Accounts receivable, net	745,494	1,109,510
Natural gas and natural gas liquids in storage	134,134	188,286
Commodity imbalances	64,788	80,481
Other current assets	173,299	133,010
Assets of discontinued operations	16,717	747,872
Total current assets	1,307,244	2,404,724
Property, plant and equipment		
Property, plant and equipment	13,602,647	10,970,256
Accumulated depreciation and amortization	1,940,210	1,738,302
Net property, plant and equipment	11,662,437	9,231,954
Investments and other assets		
Investments in unconsolidated affiliates	1,132,653	1,229,838
Goodwill and intangible assets	1,014,740	1,024,562
Other assets	167,466	224,353
Assets of discontinued operations	20,020	3,626,050
Total investments and other assets	2,334,879	6,104,803
Total assets	\$ 15,304,560	\$ 17,741,481

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

	December 31, 2014	December 31, 2013
Liabilities and equity	<i>(Thousands of dollars)</i>	
Current liabilities		
Current maturities of long-term debt	\$ 10,650	\$ 10,650
Notes payable	1,055,296	564,462
Accounts payable	891,413	1,273,102
Commodity imbalances	104,650	213,577
Other current liabilities	285,435	212,851
Liabilities of discontinued operations	44,901	455,688
Total current liabilities	2,392,345	2,730,330
Long-term debt, excluding current maturities	7,192,929	7,753,657
Deferred credits and other liabilities		
Deferred income taxes	1,395,222	1,146,562
Other deferred credits	281,757	217,522
Liabilities of discontinued operations	36,424	1,048,230
Total deferred credits and other liabilities	1,713,403	2,412,314
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		
208,322,247 shares at December 31, 2014; issued 245,811,180 shares and		
outstanding 206,618,877 shares at December 31, 2013	2,458	2,458
Paid-in capital	1,541,583	1,433,600
Accumulated other comprehensive loss	(136,353)	(121,987)
Retained earnings	138,128	2,020,815
Treasury stock, at cost: 37,488,933 shares at December 31, 2014 and		
39,192,303 shares at December 31, 2013	(953,701)	(997,035)
Total ONEOK shareholders' equity	592,115	2,337,851
Noncontrolling interests in consolidated subsidiaries	3,413,768	2,507,329
Total equity	4,005,883	4,845,180
Total liabilities and equity	\$ 15,304,560	\$ 17,741,481

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)	Years Ended December 31,	
	2014	2013
	(Thousands of dollars)	
Operating activities		
Net income	\$ 663,108	\$ 576,961
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	306,038	384,377
Charges attributable to exit activities	1,739	138,559
Equity earnings from investments	(41,003)	(110,517)
Distributions received from unconsolidated affiliates	117,912	106,364
Deferred income taxes	156,728	151,515
Share-based compensation expense	26,226	46,194
Pension and postretirement benefit expense, net of contributions	18,093	56,600
Allowance for equity funds used during construction	(14,937)	(30,522)
Loss (gain) on sale of assets	(6,599)	(11,881)
Other	—	(5,656)
Changes in assets and liabilities:		
Accounts receivable	381,513	(189,809)
Natural gas and natural gas liquids in storage	160,860	99,937
Accounts payable	(417,993)	165,076
Commodity imbalances, net	(90,354)	(52,233)
Settlement of exit activities liabilities	(51,757)	(17,756)
Energy marketing and risk management assets and liabilities	59,539	25,072
Other assets and liabilities	16,497	(37,514)
Cash provided by operating activities	1,285,610	1,294,767
Investing activities		
Capital expenditures (less allowance for equity funds used during construction)	(1,779,150)	(2,256,585)
Cash paid for acquisitions, net of cash received	(814,934)	(394,889)
Contributions to unconsolidated affiliates	(1,063)	(35,308)
Distributions received from unconsolidated affiliates	21,107	31,134
Proceeds from sale of assets	7,817	13,617
Cash used in investing activities	(2,566,223)	(2,642,031)
Financing activities		
Borrowing (repayment) of notes payable, net	490,834	(252,708)
Issuance of ONE Gas, Inc. debt, net of discounts	1,199,994	—
Issuance of long-term debt, net of discounts	—	1,247,822
ONE Gas, Inc. long-term debt financing costs	(9,663)	—
Long-term debt financing costs	—	(10,246)
Repayment of long-term debt	(557,679)	(7,868)
Issuance of common stock	19,150	20,602
Issuance of common units, net of issuance costs	1,113,139	583,929
Dividends paid	(443,817)	(304,742)
Cash of ONE Gas at separation	(60,000)	—
Distributions to noncontrolling interests	(447,459)	(374,142)
Excess tax benefit from share-based awards	—	10,312
Cash provided by financing activities	1,304,499	912,959
Change in cash and cash equivalents	23,886	(434,305)
Change in cash and cash equivalents included in discontinued operations	3,361	2,848
Change in cash and cash equivalents from continuing operations	27,247	(431,457)
Cash and cash equivalents at beginning of period	145,565	577,022
Cash and cash equivalents at end of period	\$ 172,812	\$ 145,565
Supplemental cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 340,144	\$ 294,240
Cash paid (refunds received) for income taxes	\$ (11,881)	\$ (16,640)

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ONEOK, Inc. and Subsidiaries INFORMATION AT A GLANCE

(Unaudited)	Three Months Ended December 31,		Years Ended December 31,	
	2014	2013	2014	2013
(Millions of dollars, except as noted)				
<u>Natural Gas Gathering and Processing</u>				
Net margin	\$ 175.2	\$ 135.2	\$ 661.9	\$ 500.6
Operating costs	\$ 69.2	\$ 51.6	\$ 257.7	\$ 193.3
Depreciation and amortization	\$ 34.2	\$ 27.5	\$ 123.8	\$ 103.9
Operating income	\$ 71.7	\$ 56.1	\$ 280.6	\$ 203.8
Equity earnings (loss) from investments	\$ 4.4	\$ 7.3	\$ (56.1)	\$ 23.5
Natural gas gathered (BBtu/d) (a)	1,934	1,454	1,733	1,347
Natural gas processed (BBtu/d) (a) (b)	1,751	1,193	1,534	1,094
NGL sales (MBbl/d) (a)	116	88	104	79
Residue natural gas sales (BBtu/d) (a)	808	562	714	497
Realized composite NGL net sales price (\$/gallon) (a) (c)	\$ 0.86	\$ 0.87	\$ 0.93	\$ 0.87
Realized condensate net sales price (\$/Bbl) (a) (c)	\$ 74.12	\$ 82.31	\$ 76.43	\$ 86.00
Realized residue natural gas net sales price (\$/MMBtu) (a) (c)	\$ 3.90	\$ 3.64	\$ 3.92	\$ 3.53
Average fee rate (\$/MMBtu) (a)	\$ 0.36	\$ 0.33	\$ 0.36	\$ 0.34
Capital expenditures - growth	\$ 379.2	\$ 190.7	\$ 858.0	\$ 747.6
Capital expenditures - maintenance	\$ 13.7	\$ 9.2	\$ 40.9	\$ 26.8
(a) - Includes volumes for consolidated entities only.				
(b) - Includes volumes at company-owned and third-party facilities.				
(c) - Presented net of the impact of hedging activities on ONEOK Partners' equity volumes.				
<u>Natural Gas Liquids</u>				
Net margin	\$ 292.0	\$ 237.8	\$ 1,110.1	\$ 869.9
Operating costs	\$ 78.2	\$ 65.5	\$ 296.4	\$ 236.6
Depreciation and amortization	\$ 34.3	\$ 24.2	\$ 124.1	\$ 89.2
Operating income	\$ 179.5	\$ 148.9	\$ 689.0	\$ 544.9
Equity earnings from investments	\$ 13.7	\$ 6.6	\$ 27.3	\$ 22.0
NGL sales (MBbl/d)	666	688	615	657
NGLs transported-gathering lines (MBbl/d) (a)	607	563	533	547
NGLs fractionated (MBbl/d) (b)	542	537	522	535
NGLs transported-distribution lines (MBbl/d) (a)	393	459	408	435
Average Conway-to-Mont Belvieu OPIS price differential - ethane in ethane/propane mix (\$/gallon)	\$ 0.01	\$ 0.05	\$ 0.05	\$ 0.04
Capital expenditures - growth	\$ 147.8	\$ 334.5	\$ 751.4	\$ 1,087.8
Capital expenditures - maintenance	\$ 12.7	\$ 19.5	\$ 46.6	\$ 40.5
(a) - Includes volumes for consolidated entities only.				
(b) - Includes volumes at company-owned and third-party facilities.				
<u>Natural Gas Pipelines</u>				
Net margin	\$ 86.1	\$ 74.5	\$ 328.5	\$ 285.7
Operating costs	\$ 28.2	\$ 25.6	\$ 111.0	\$ 101.2
Depreciation and amortization	\$ 10.7	\$ 10.9	\$ 43.3	\$ 43.5
Operating income	\$ 52.3	\$ 48.7	\$ 181.0	\$ 151.6
Equity earnings from investments	\$ 16.1	\$ 16.9	\$ 69.8	\$ 65.0
Natural gas transportation capacity contracted (MDth/d) (a)	5,844	5,632	5,781	5,524
Transportation capacity subscribed (a)	92%	92%	91%	90%
Average natural gas price				
Mid-Continent region (\$/MMBtu) (a)	\$ 3.59	\$ 3.75	\$ 4.33	\$ 3.61
Capital expenditures - growth	\$ 6.1	\$ 3.6	\$ 9.7	\$ 11.4
Capital expenditures - maintenance	\$ 10.9	\$ 8.6	\$ 33.3	\$ 23.3
(a) - Includes volumes for consolidated entities only.				

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ONEOK, Inc. Stand-alone

CASH FLOW AVAILABLE FOR DIVIDENDS

<i>(Unaudited)</i>	Three Months Ended December 31, 2014	Years Ended December 31, 2014
	<i>(Millions of dollars)</i>	
Recurring cash flows:		
Distributions from ONEOK Partners – declared	\$ 168.5	\$ 633.0
Interest expense, excluding non-cash items	(16.0)	(68.7)
Cash income taxes	—	—
Released contracts from the former energy services segment	(13.3)	47.5
Corporate expenses	(0.9)	(7.5)
Equity compensation reimbursed by ONEOK Partners	5.7	31.3
Cash flows from recurring activities	144.0	635.6
ONE Gas separation cash flows:		
Cash payment from ONE Gas	—	1,130.0
ONE Gas cash flow (through January 31, 2014)	—	61.1
Long-term debt reduction	—	(573.3)
Short-term debt reduction	—	(600.5)
Transaction costs	—	(23.0)
Cash flows from ONE Gas separation	—	(5.7)
Total cash flows	144.0	629.9
Capital expenditures	(1.8)	(9.3)
Cash flow available for dividends	142.2	620.6
Dividends declared	(126.1)	(484.9)
Free cash flow	\$ 16.1	\$ 135.7
Dividend coverage ratio	1.13	1.28

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ONEOK, Inc. Stand-alone

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

	Three Months Ended December 31, 2014	Years Ended December 31 2014
<i>(Unaudited)</i>		
	<i>(Millions of dollars)</i>	
Net income attributable to ONEOK	\$ 94.5	\$ 314.1
Depreciation and amortization	1.4	14.8
Deferred income taxes	52.4	141.4
Equity in earnings of ONEOK Partners	(158.0)	(563.3)
Distributions from ONEOK Partners - declared	168.5	633.0
Equity compensation reimbursed by ONEOK Partners	5.6	31.3
Energy services realized working capital	(13.7)	63.4
Other	(6.7)	(4.8)
Total cash flows	144.0	629.9
Capital expenditures	(1.8)	(9.3)
Cash flow available for dividends	142.2	620.6
Dividends declared	(126.1)	(484.9)
Free cash flow	\$ 16.1	\$ 135.7

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**ONEOK, Inc. Stand-alone
GUIDANCE MIDPOINTS***

	Updated 2015 Guidance	Previous 2015 Guidance	Change
(Unaudited)			
	(Millions of dollars)		
Cash Flow Available for Dividends			
Recurring cash flows:			
Distributions from ONEOK Partners – declared	\$ 694	\$ 762	\$ (68)
Interest expense, excluding non-cash items	(63)	(63)	—
Cash income taxes	—	(53)	53
Released contracts from the former energy services segment	(39)	(39)	—
Corporate expenses	(8)	(8)	—
Equity compensation reimbursed by ONEOK Partners	28	28	—
Total cash flows	612	627	(15)
Capital expenditures	(2)	(7)	5
Cash flow available for dividends	610	620	(10)
Dividends declared	(505)	(555)	50
Free cash flow	\$ 105	\$ 65	\$ 40
Dividend coverage ratio	1.21	1.12	

**Amounts shown are midpoints of ranges provided.*

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**ONEOK, Inc. Stand-alone
GUIDANCE MIDPOINTS***

	Updated 2015 Guidance	Previous 2015 Guidance	Change
(Unaudited)			
	(Millions of dollars)		
Reconciliation of Cash Flow Available for Dividends and Free Cash Flow to Net Income			
Net income attributable to ONEOK	\$ 317	\$ 393	\$ (76)
Depreciation and amortization	3	3	—
Deferred income taxes	173	181	(8)
Equity in earnings of ONEOK Partners	(580)	(706)	126
Distributions from ONEOK Partners - declared	694	762	(68)
Equity compensation reimbursed by ONEOK Partners	28	28	—
Energy services realized working capital	(39)	(39)	—
Other	16	5	11
Total cash flow	612	627	(15)
Capital expenditures	(2)	(7)	5
Cash flow available for dividends	610	620	(10)
Dividends	(505)	(555)	50
Free cash flow	\$ 105	\$ 65	\$ 40

**Amounts shown are midpoints of ranges provided.*