

ONE Gas, Inc.

STATEMENTS OF INCOME

<i>(Unaudited)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	<i>(Thousands of dollars, except per share amounts)</i>			
Revenues	\$ 232,191	\$ 225,226	\$ 986,479	\$ 1,158,543
Cost of natural gas	52,253	54,724	344,439	548,226
Net margin	179,938	170,502	642,040	610,317
Operating expenses				
Operations and maintenance	99,402	98,698	302,652	304,681
Depreciation and amortization	36,241	33,956	106,490	98,592
General taxes	13,403	12,897	42,311	41,818
Total operating expenses	149,046	145,551	451,453	445,091
Operating income	30,892	24,951	190,587	165,226
Other income	911	166	1,345	1,051
Other expense	(357)	(1,884)	(1,126)	(2,840)
Interest expense, net	(10,809)	(11,233)	(32,504)	(33,592)
Income before income taxes	20,637	12,000	158,302	129,845
Income taxes	(7,900)	(4,629)	(60,521)	(50,017)
Net income	\$ 12,737	\$ 7,371	\$ 97,781	\$ 79,828
Earnings per share				
Basic	\$ 0.24	\$ 0.14	\$ 1.86	\$ 1.52
Diluted	\$ 0.24	\$ 0.14	\$ 1.85	\$ 1.50
Average shares (thousands)				
Basic	52,453	52,408	52,452	52,627
Diluted	52,942	53,072	52,962	53,315
Dividends declared per share of stock	\$ 0.35	\$ 0.30	\$ 1.05	\$ 0.90

ONE Gas, Inc.
BALANCE SHEETS

<i>(Unaudited)</i>	September 30, 2016	December 31, 2015
Assets	<i>(Thousands of dollars)</i>	
Property, plant and equipment		
Property, plant and equipment	\$ 5,338,591	\$ 5,132,682
Accumulated depreciation and amortization	1,658,266	1,620,771
Net property, plant and equipment	3,680,325	3,511,911
Current assets		
Cash and cash equivalents	4,513	2,433
Accounts receivable, net	105,060	216,343
Materials and supplies	30,098	33,325
Income tax receivable	6,952	38,877
Natural gas in storage	144,230	142,153
Regulatory assets	73,863	32,925
Other current assets	12,457	16,789
Total current assets	377,173	482,845
Goodwill and other assets		
Regulatory assets	431,086	435,863
Goodwill	157,953	157,953
Other assets	47,142	46,193
Total goodwill and other assets	636,181	640,009
Total assets	\$ 4,693,679	\$ 4,634,765

ONE Gas, Inc.
BALANCE SHEETS
(Continued)

<i>(Unaudited)</i>	September 30,	December 31,
	2016	2015
<i>(Thousands of dollars)</i>		
Equity and Liabilities		
Equity and long-term debt		
Common stock, \$0.01 par value: authorized 250,000,000 shares; issued 52,598,005 shares and outstanding 52,245,273 shares at September 30, 2016; issued 52,598,005 and outstanding 52,259,224 shares at December 31, 2015	\$ 526	\$ 526
Paid-in capital	1,748,965	1,764,875
Retained earnings	137,221	95,046
Accumulated other comprehensive income (loss)	(4,054)	(4,401)
Treasury stock, at cost: 352,732 shares at September 30, 2016 and 338,781 shares at December 31, 2015	(20,314)	(14,491)
Total equity	1,862,344	1,841,555
Long-term debt, excluding current maturities and net of issuance costs of \$9,051 and \$9,645, respectively	1,192,248	1,191,660
Total equity and long-term debt	3,054,592	3,033,215
Current liabilities		
Current maturities of long-term debt	7	7
Notes payable	41,000	12,500
Accounts payable	70,562	107,482
Accrued interest	7,691	18,873
Accrued taxes other than income	39,919	37,249
Accrued liabilities	17,812	31,470
Customer deposits	60,425	60,325
Regulatory liabilities	13,204	24,615
Other current liabilities	8,212	11,700
Total current liabilities	258,832	304,221
Deferred credits and other liabilities		
Deferred income taxes	1,011,691	951,785
Employee benefit obligations	291,230	272,309
Other deferred credits	77,334	73,235
Total deferred credits and other liabilities	1,380,255	1,297,329
Commitments and contingencies		
Total liabilities and equity	\$ 4,693,679	\$ 4,634,765

ONE Gas, Inc.
STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Nine Months Ended September 30,	
	2016	2015
	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 97,781	\$ 79,828
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	106,490	98,592
Deferred income taxes	59,771	19,384
Share-based compensation expense	9,341	3,863
Provision for doubtful accounts	3,521	2,951
Changes in assets and liabilities:		
Accounts receivable	107,762	220,392
Materials and supplies	3,227	(5,889)
Income tax receivable	31,925	20,075
Natural gas in storage	(2,077)	25,388
Asset removal costs	(40,715)	(33,744)
Accounts payable	(32,923)	(104,948)
Accrued interest	(11,182)	(11,225)
Accrued taxes other than income	2,670	(4,313)
Accrued liabilities	(13,658)	(8,019)
Customer deposits	100	(1,672)
Regulatory assets and liabilities	(18,726)	64,368
Other assets and liabilities	(21,877)	(15,493)
Cash provided by operating activities	281,430	349,538
Investing activities		
Capital expenditures	(231,336)	(199,678)
Other	492	—
Cash used in investing activities	(230,844)	(199,678)
Financing activities		
Borrowings (repayments) of notes payable, net	28,500	(42,000)
Repurchase of common stock	(24,066)	(24,122)
Issuance of common stock	1,983	4,471
Dividends paid	(54,923)	(47,178)
Cash used in financing activities	(48,506)	(108,829)
Change in cash and cash equivalents	2,080	41,031
Cash and cash equivalents at beginning of period	2,433	11,943
Cash and cash equivalents at end of period	\$ 4,513	\$ 52,974

**ONE Gas Announces Third-quarter 2016 Financial Results;
Declares Fourth-quarter Dividend; Affirms 2016 Financial Guidance**

October 31, 2016

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**ONE Gas, Inc.
INFORMATION AT A GLANCE**

<i>(Unaudited)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	<i>(Millions of dollars, except as noted)</i>			
<u>Financial</u>				
Net margin	\$ 179.9	\$ 170.5	\$ 642.0	\$ 610.3
Operating costs	\$ 112.7	\$ 111.6	\$ 344.9	\$ 346.5
Depreciation and amortization	\$ 36.3	\$ 34.0	\$ 106.5	\$ 98.6
Operating income	\$ 30.9	\$ 24.9	\$ 190.6	\$ 165.2
Capital expenditures	\$ 86.5	\$ 74.3	\$ 231.3	\$ 199.7
Net margin on natural gas sales	\$ 152.1	\$ 143.2	\$ 548.5	\$ 515.5
Transportation revenues	\$ 21.2	\$ 20.9	\$ 72.2	\$ 72.9
Net margin, excluding other revenues	\$ 173.3	\$ 164.1	\$ 620.7	\$ 588.4
<u>Volumes (Bcf)</u>				
Natural gas sales				
Residential	7.4	7.5	69.7	79.0
Commercial and industrial	3.6	3.7	22.4	25.5
Wholesale and public authority	0.3	0.2	1.5	1.7
Total volumes sold	11.3	11.4	93.6	106.2
Transportation	46.0	43.1	154.9	150.6
Total volumes delivered	57.3	54.5	248.5	256.8
<u>Average number of customers (in thousands)</u>				
Residential	1,970	1,955	1,982	1,970
Commercial and industrial	155	154	158	157
Wholesale and public authority	3	3	3	3
Transportation	13	13	12	12
Total customers	2,141	2,125	2,155	2,142
<u>Heating Degree Days</u>				
Actual degree days	24	9	5,088	6,008
Normal degree days	55	67	5,967	6,000
Percent colder (warmer) than normal weather	(56.4)%	(86.6)%	(14.7)%	0.1%
<u>Statistics by State</u>				
<u>Oklahoma</u>				
Average number of customers (in thousands)	859	853	866	861
Actual degree days	3	—	1,730	2,067
Normal degree days	2	14	1,968	2,012
Percent colder (warmer) than normal weather	50.0%	(100.0)%	(12.1)%	2.7%
<u>Kansas</u>				
Average number of customers (in thousands)	632	629	638	636
Actual degree days	19	9	2,459	2,824
Normal degree days	52	52	2,965	2,965
Percent colder (warmer) than normal weather	(63.5)%	(82.7)%	(17.1)%	(4.8)%
<u>Texas</u>				
Average number of customers (in thousands)	650	643	651	645
Actual degree days	2	—	899	1,117
Normal degree days	1	1	1,034	1,023
Percent colder (warmer) than normal weather	100.0%	(100.0)%	(13.1)%	9.2%