

**ONE Gas, Inc.**

**STATEMENTS OF INCOME**

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

**ONE Gas, Inc.**  
**BALANCE SHEETS**

<i>(Unaudited)</i>	September 30, 2016	December 31, 2015
<b>Assets</b>	<i>(Thousands of dollars)</i>	
<b>Property, plant and equipment</b>		
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	<b>3,680,325</b>	3,511,911
<b>Current assets</b>		
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	<b>377,173</b>	482,845
<b>Goodwill and other assets</b>		
Regulatory assets	431,086	435,863
Goodwill	157,953	157,953
Other assets	47,142	46,193
Total goodwill and other assets	<b>636,181</b>	640,009
Total assets	<b>\$ 4,693,679</b>	\$ 4,634,765

**ONE Gas, Inc.**  
**BALANCE SHEETS**  
(Continued)

<i>(Unaudited)</i>	September 30, 2016	December 31, 2015
<i>(Thousands of dollars)</i>		
<b>Equity and Liabilities</b>		
<b>Equity and long-term debt</b>		
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)
<b>Total equity</b>	<b>1,862,344</b>	<b>1,841,555</b>
Long-term debt, excluding current maturities and net of issuance costs of \$9,051 and \$9,645, respectively	1,192,248	1,191,660
<b>Total equity and long-term debt</b>	<b>3,054,592</b>	<b>3,033,215</b>
<b>Current liabilities</b>		
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
<b>Total current liabilities</b>	<b>258,832</b>	<b>304,221</b>
<b>Deferred credits and other liabilities</b>		
Deferred income taxes	1,011,691	951,785
Employee benefit obligations	291,230	272,309
Other deferred credits	77,334	73,235
<b>Total deferred credits and other liabilities</b>	<b>1,380,255</b>	<b>1,297,329</b>
<b>Commitments and contingencies</b>		
<b>Total liabilities and equity</b>	<b>\$ 4,693,679</b>	<b>\$ 4,634,765</b>

**ONE Gas, Inc.**  
**STATEMENTS OF CASH FLOWS**

<i>(Unaudited)</i>	<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
	<i>(Thousands of dollars)</i>	
<b>Operating activities</b>		
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	<b>281,430</b>	<b>349,538</b>
<b>Investing activities</b>		
Capital expenditures	(231,336)	(199,678)
Other	492	—
Cash used in investing activities	<b>(230,844)</b>	<b>(199,678)</b>
<b>Financing activities</b>		
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	<b>(48,506)</b>	<b>(108,829)</b>
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	<b>\$ 4,513</b>	<b>\$ 52,974</b>

**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>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<i>(Millions of dollars, except as noted)</i>			
<b><u>Financial</u></b>				
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
<b><u>Volumes (Bcf)</u></b>				
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
<b><u>Average number of customers (in thousands)</u></b>				
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
<b><u>Heating Degree Days</u></b>				
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%
<b><u>Statistics by State</u></b>				
<b><u>Oklahoma</u></b>				
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%
<b><u>Kansas</u></b>				
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)%
<b><u>Texas</u></b>				
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%