

ONEOK Partners Announces Third-quarter 2015 Results

November 3, 2015

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ONEOK Partners, L.P. and Subsidiaries CONSOLIDATED STATEMENTS OF INCOME

<i>(Unaudited)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	<i>(Thousands of dollars, except per unit amounts)</i>			
Revenues				
Commodity sales	\$ 1,484,350	\$ 2,754,495	\$ 4,642,320	\$ 8,276,333
Services	414,068	364,874	1,188,364	1,071,074
Total revenues	1,898,418	3,119,369	5,830,684	9,347,407
Cost of sales and fuel	1,360,809	2,583,204	4,307,766	7,807,275
Net margin	537,609	536,165	1,522,918	1,540,132
Operating expenses				
Operations and maintenance	145,933	152,533	444,185	425,715
Depreciation and amortization	87,517	73,901	259,563	212,083
General taxes	16,158	18,252	62,677	55,898
Total operating expenses	249,608	244,686	766,425	693,696
Gain (loss) on sale of assets	(443)	1,534	(327)	1,533
Operating income	287,558	293,013	756,166	847,969
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	41	79	106	3,003
Other expense	(3,845)	(2,496)	(3,941)	(3,056)
Interest expense (net of capitalized interest of \$8,851, \$14,303, \$26,008 and \$41,446, respectively)	(86,666)	(70,060)	(253,867)	(211,344)
Income before income taxes	229,509	169,912	593,387	657,266
Income tax (expense) benefit	156	(2,592)	(5,080)	(9,967)
Net income	229,665	167,320	588,307	647,299
Less: Net income attributable to noncontrolling interests	2,704	73	5,982	226
Net income attributable to ONEOK Partners, L.P.	\$ 226,961	\$ 167,247	\$ 582,325	\$ 647,073
Limited partners' interest in net income:				
Net income attributable to ONEOK Partners, L.P.	\$ 226,961	\$ 167,247	\$ 582,325	\$ 647,073
General partner's interest in net income	(105,078)	(87,796)	(293,868)	(249,697)
Limited partners' interest in net income	\$ 121,883	\$ 79,451	\$ 288,457	\$ 397,376
Limited partners' net income per unit, basic and diluted	\$ 0.45	\$ 0.32	\$ 1.10	\$ 1.65
Number of units used in computation (<i>thousands</i>)	272,046	249,091	261,100	240,604

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ONEOK Partners, L.P. and Subsidiaries CONSOLIDATED BALANCE SHEETS

<i>(Unaudited)</i>	September 30, 2015	December 31, 2014
<i>(Thousands of dollars)</i>		
Assets		
Current assets		
Cash and cash equivalents	\$ 7,263	\$ 42,530
Accounts receivable, net	584,309	735,830
Affiliate receivables	4,764	8,553
Natural gas and natural gas liquids in storage	142,308	134,134
Commodity imbalances	30,602	64,788
Materials and supplies	62,604	55,833
Other current assets	53,261	44,385
Total current assets	885,111	1,086,053
Property, plant and equipment		
Property, plant and equipment	14,234,678	13,377,617
Accumulated depreciation and amortization	2,075,061	1,842,084
Net property, plant and equipment	12,159,617	11,535,533
Investments and other assets		
Investments in unconsolidated affiliates	1,137,059	1,132,653
Goodwill and intangible assets	827,852	822,358
Other assets	21,405	23,803
Total investments and other assets	1,986,316	1,978,814
Total assets	\$ 15,031,044	\$ 14,600,400
Liabilities and equity		
Current liabilities		
Current maturities of long-term debt	\$ 657,650	\$ 7,650
Notes payable	287,272	1,055,296
Accounts payable	612,939	874,692
Affiliate payables	21,318	36,106
Commodity imbalances	96,192	104,650
Accrued interest	89,498	91,990
Other current liabilities	141,493	165,672
Total current liabilities	1,906,362	2,336,056
Long-term debt, excluding current maturities	6,145,603	6,004,232
Deferred credits and other liabilities	155,607	141,337
Commitments and contingencies		
Equity		
ONEOK Partners, L.P. partners' equity:		
General partner	237,860	211,914
Common units: 212,837,980 and 180,826,973 units issued and outstanding at September 30, 2015 and December 31, 2014, respectively	5,252,840	4,456,372
Class B units: 72,988,252 units issued and outstanding at September 30, 2015 and December 31, 2014	1,281,731	1,374,375
Accumulated other comprehensive loss	(114,235)	(91,823)
Total ONEOK Partners, L.P. partners' equity	6,658,196	5,950,838
Noncontrolling interests in consolidated subsidiaries	165,276	167,937
Total equity	6,823,472	6,118,775
Total liabilities and equity	\$ 15,031,044	\$ 14,600,400

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ONEOK Partners, L.P. and Subsidiaries CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended
September 30,
2015 2014

(Unaudited)

	<i>(Thousands of dollars)</i>	
Operating activities		
Net income	\$ 588,307	\$ 647,299
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	259,563	212,083
Allowance for equity funds used during construction	(1,718)	(13,947)
Loss (gain) on sale of assets	327	(1,533)
Deferred income taxes	4,309	4,397
Equity in net earnings from investments	(93,205)	(6,747)
Distributions received from unconsolidated affiliates	92,042	84,298
Changes in assets and liabilities:		
Accounts receivable	149,776	159,829
Affiliate receivables	3,789	3,256
Natural gas and natural gas liquids in storage	(8,174)	(150,059)
Accounts payable	(182,985)	(33,945)
Affiliate payables	(14,788)	(18,076)
Commodity imbalances, net	25,728	(36,094)
Accrued interest	(2,492)	(4,663)
Risk-management assets and liabilities	(46,267)	3,438
Other assets and liabilities, net	(27,186)	37,519
Cash provided by operating activities	747,026	887,055
Investing activities		
Capital expenditures (less allowance for equity funds used during construction)	(928,870)	(1,172,950)
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	(940,735)	(1,160,700)
Financing activities		
Cash distributions:		
General and limited partners	(897,474)	(768,094)
Noncontrolling interests	(8,192)	(353)
Borrowing (repayment) of notes payable, net	(768,024)	—
Issuance of long-term debt, net of discounts	798,896	—
Debt financing costs	(7,676)	—
Repayment of long-term debt	(5,738)	(5,738)
Issuance of common units, net of issuance costs	1,025,660	947,472
Contribution from general partner	20,990	19,857
Cash provided by financing activities	158,442	193,144
Change in cash and cash equivalents	(35,267)	(80,501)
Cash and cash equivalents at beginning of period	42,530	134,530
Cash and cash equivalents at end of period	\$ 7,263	\$ 54,029

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ONEOK Partners, L.P. and Subsidiaries INFORMATION AT A GLANCE

<i>(Unaudited)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	<i>(Millions of dollars, except as noted)</i>			
<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 (<i>MBbl/d</i>)	683	626	657	598
NGLs transported-gathering lines (<i>MBbl/d</i>) (a)	786	529	759	508
NGLs fractionated (<i>MBbl/d</i>) (b)	591	553	540	515
NGLs transported-distribution lines (<i>MBbl/d</i>) (a)	456	377	422	412
Average Conway-to-Mont Belvieu OPIS price differential - ethane in ethane/propane mix (<i>\$/gallon</i>)	\$ 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 (<i>MDth/d</i>) (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 (loss) from investments	\$ 4.4	\$ (71.1)	\$ 13.5	\$ (60.5)
Natural gas gathered (<i>BBtu/d</i>) (a)	1,897	1,847	1,877	1,665
Natural gas processed (<i>BBtu/d</i>) (a) (b)	1,617	1,666	1,640	1,462
NGL sales (<i>MBbl/d</i>) (a)	134	111	123	100
Residue natural gas sales (<i>BBtu/d</i>) (a)	837	792	828	682
Realized composite NGL net sales price (<i>\$/gallon</i>) (a) (c) (d)	\$ 0.31	\$ 0.93	\$ 0.35	\$ 0.97
Realized condensate net sales price (<i>\$/Bbl</i>) (a) (c) (e)	\$ 42.32	\$ 81.02	\$ 35.80	\$ 78.00
Realized residue natural gas net sales price (<i>\$/MMBtu</i>) (a) (c)	\$ 3.62	\$ 3.92	\$ 3.64	\$ 3.91
Average fee rate (<i>\$/MMBtu</i>) (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 Partners, L.P. and Subsidiaries

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Unaudited)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<i>(Thousands of dollars, except per unit amounts)</i>				
Reconciliation of Net Income to Adjusted EBITDA and Distributable Cash Flow				
Net income	\$ 229,665	\$ 167,320	\$ 588,307	\$ 647,299
Interest expense	86,666	70,060	253,867	211,344
Depreciation and amortization	87,517	73,901	259,563	212,083
Impairment charges (a)	—	76,412	—	76,412
Income tax (benefit) expense	(156)	2,592	5,080	9,967
Allowance for equity funds used during construction and other non-cash items	(10)	(1,723)	8,440	(13,947)
Adjusted EBITDA	403,682	388,562	1,115,257	1,143,158
Interest expense	(86,666)	(70,060)	(253,867)	(211,344)
Maintenance capital	(21,102)	(29,406)	(85,097)	(86,968)
Equity in net earnings from investments	(32,244)	52,347	(93,205)	(6,747)
Impairment charges (a)	—	(76,412)	—	(76,412)
Distributions received from unconsolidated affiliates	36,370	31,574	117,153	109,223
Other	2,753	(3,302)	(3,310)	(7,456)
Distributable cash flow	\$ 302,793	\$ 293,303	\$ 796,931	\$ 863,454
Distributions to general partner	(107,198)	(90,135)	(300,917)	(252,939)
Distributable cash flow to limited partners	\$ 195,595	\$ 203,168	\$ 496,014	\$ 610,515
Distributions declared per limited partner unit	\$ 0.79	\$ 0.775	\$ 2.37	\$ 2.28
Coverage ratio	0.91	1.05	0.80	1.11
Number of units used in computation (<i>thousands</i>)	272,046	249,091	261,100	240,604

(a) - Amount includes \$23.0 million for ONEOK Partners' proportionate share of the long-lived asset impairment charge of the equity method investee Bighorn Gas Gathering and \$53.4 million impairment charge for the investment in Bighorn Gas Gathering for the three and nine months ended Sept. 30, 2014.