

ONEOK Partners Announces Higher Second-quarter 2016 Results

Aug. 2, 2016

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

<i>(Unaudited)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	<i>(Thousands of dollars, except per unit amounts)</i>			
Revenues				
Commodity sales	\$ 1,633,272	\$ 1,722,254	\$ 2,916,783	\$ 3,157,970
Services	500,322	405,253	990,756	774,296
Total revenues	2,133,594	2,127,507	3,907,539	3,932,266
Cost of sales and fuel (exclusive of items shown separately below)	1,527,323	1,603,093	2,723,061	2,946,957
Operations and maintenance	157,803	143,131	306,543	298,252
Depreciation and amortization	98,507	86,199	192,243	172,046
General taxes	23,935	23,481	45,575	46,519
(Gain) loss on sale of assets	414	(122)	(3,731)	(116)
Operating income	325,612	271,725	643,848	468,608
Equity in net earnings from investments	32,372	30,040	65,286	60,961
Allowance for equity funds used during construction	—	742	208	1,541
Other income	552	24	697	2,547
Other expense	(939)	(1,953)	(1,573)	(2,578)
Interest expense (net of capitalized interest of \$2,572, \$9,927, \$5,459 and \$17,157 respectively)	(93,263)	(86,492)	(185,818)	(167,201)
Income before income taxes	264,334	214,086	522,648	363,878
Income taxes	(2,370)	(2,476)	(4,398)	(5,236)
Net income	261,964	211,610	518,250	358,642
Less: Net income attributable to noncontrolling interests	496	1,840	3,265	3,278
Net income attributable to ONEOK Partners, L.P.	\$ 261,468	\$ 209,770	\$ 514,985	\$ 355,364
Limited partners' interest in net income:				
Net income attributable to ONEOK Partners, L.P.	\$ 261,468	\$ 209,770	\$ 514,985	\$ 355,364
General partner's interest in net income	(105,768)	(95,989)	(211,376)	(188,790)
Limited partners' interest in net income	\$ 155,700	\$ 113,781	\$ 303,609	\$ 166,574
Limited partners' net income per unit, basic and diluted	\$ 0.54	\$ 0.44	\$ 1.06	\$ 0.65
Number of units used in computation (<i>thousands</i>)	285,826	257,179	285,826	255,627

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

<i>(Unaudited)</i>	June 30, 2016	December 31, 2015
<i>(Thousands of dollars)</i>		
Assets		
Current assets		
Cash and cash equivalents	\$ 3,745	\$ 5,079
Accounts receivable, net	671,556	593,448
Affiliate receivables	2,316	7,969
Natural gas and natural gas liquids in storage	245,946	128,084
Commodity imbalances	38,300	38,681
Materials and supplies	85,127	76,696
Other current assets	49,117	33,207
Total current assets	1,096,107	883,164
Property, plant and equipment		
Property, plant and equipment	14,588,127	14,307,546
Accumulated depreciation and amortization	2,215,951	2,050,755
Net property, plant and equipment	12,372,176	12,256,791
Investments and other assets		
Investments in unconsolidated affiliates	913,813	948,221
Goodwill and intangible assets	818,927	824,877
Other assets	16,853	14,533
Total investments and other assets	1,749,593	1,787,631
Total assets	\$ 15,217,876	\$ 14,927,586
Liabilities and equity		
Current liabilities		
Current maturities of long-term debt	\$ 457,650	\$ 107,650
Short-term borrowings	576,307	546,340
Accounts payable	691,775	605,431
Affiliate payables	31,517	27,137
Commodity imbalances	105,544	74,460
Accrued interest	94,390	102,615
Other current liabilities	183,610	116,667
Total current liabilities	2,140,793	1,580,300
Long-term debt, excluding current maturities	6,691,950	6,695,312
Deferred credits and other liabilities	183,200	154,631
Commitments and contingencies		
Equity		
ONEOK Partners, L.P. partners' equity:		
General partner	228,324	231,344
Common units: 212,837,980 units issued and outstanding at June 30, 2016, and December 31, 2015	4,904,748	5,014,952
Class B units: 72,988,252 units issued and outstanding at June 30, 2016, and December 31, 2015	1,162,412	1,200,204
Accumulated other comprehensive loss	(252,600)	(113,282)
Total ONEOK Partners, L.P. partners' equity	6,042,884	6,333,218
Noncontrolling interests in consolidated subsidiaries	159,049	164,125
Total equity	6,201,933	6,497,343
Total liabilities and equity	\$ 15,217,876	\$ 14,927,586

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ONEOK Partners, L.P. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended
June 30,

(Unaudited)

2016 2015

(Thousands of dollars)

	2016	2015
Operating activities		
Net income	\$ 518,250	\$ 358,642
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	192,243	172,046
Allowance for equity funds used during construction	(208)	(1,541)
Gain on sale of assets	(3,731)	(116)
Deferred income taxes	4,675	3,983
Equity in net earnings from investments	(65,286)	(60,961)
Distributions received from unconsolidated affiliates	72,204	61,969
Changes in assets and liabilities:		
Accounts receivable	(85,238)	51,062
Affiliate receivables	5,653	6,763
Natural gas and natural gas liquids in storage	(117,862)	(16,003)
Accounts payable	108,467	(126,645)
Affiliate payables	4,380	(7,802)
Commodity imbalances, net	31,465	20,497
Accrued interest	(8,225)	10,206
Risk-management assets and liabilities	(61,771)	(66,298)
Other assets and liabilities, net	(1,858)	(25,535)
Cash provided by operating activities	593,158	380,267
Investing activities		
Capital expenditures (less allowance for equity funds used during construction)	(332,276)	(628,396)
Contributions to unconsolidated affiliates	(19,830)	(33,222)
Distributions received from unconsolidated affiliates in excess of cumulative earnings	36,373	18,814
Proceeds from sale of assets	18,170	691
Other	—	(12,607)
Cash used in investing activities	(297,563)	(654,720)
Financing activities		
Cash distributions:		
General and limited partners	(666,001)	(593,435)
Noncontrolling interests	(4,300)	(4,694)
Borrowing (repayment) of short-term borrowings, net	29,967	(184,812)
Issuance of long-term debt, net of discounts	1,000,000	798,896
Debt financing costs	(2,770)	(7,850)
Repayment of long-term debt	(653,825)	(3,825)
Issuance of common units, net of issuance costs	—	275,098
Contribution from general partner	—	5,670
Cash provided by (used in) financing activities	(296,929)	285,048
Change in cash and cash equivalents	(1,334)	10,595
Cash and cash equivalents at beginning of period	5,079	42,530
Cash and cash equivalents at end of period	\$ 3,745	\$ 53,125

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

(Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	<i>(Millions of dollars, except as noted)</i>			
<u>Natural Gas Liquids</u>				
Operating income	\$ 222.4	\$ 196.5	\$ 438.9	\$ 342.1
Operating costs	\$ 83.8	\$ 77.4	\$ 157.0	\$ 159.7
Depreciation and amortization	\$ 40.7	\$ 39.4	\$ 81.4	\$ 78.7
Equity in net earnings from investments	\$ 13.9	\$ 9.7	\$ 27.3	\$ 16.7
Adjusted EBITDA	\$ 276.6	\$ 244.6	\$ 546.8	\$ 437.2
NGL sales (MBbl/d)	767	723	742	643
NGLs transported-gathering lines (MBbl/d) (a)	809	784	780	746
NGLs fractionated (MBbl/d) (b)	608	554	579	515
NGLs transported-distribution lines (MBbl/d) (a)	515	420	495	404
Average Conway-to-Mont Belvieu OPIS price differential - ethane in ethane/propane mix (\$/gallon)	\$ 0.04	\$ 0.02	\$ 0.03	\$ 0.01
Capital expenditures	\$ 20.8	\$ 59.1	\$ 55.0	\$ 132.6
(a) - Includes volumes for consolidated entities only.				
(b) - Includes volumes at company-owned and third-party facilities.				
<u>Natural Gas Gathering and Processing</u>				
Operating income	\$ 61.3	\$ 37.8	\$ 116.8	\$ 57.5
Operating costs	\$ 69.3	\$ 63.5	\$ 138.9	\$ 132.8
Depreciation and amortization	\$ 46.4	\$ 36.0	\$ 88.3	\$ 71.7
Equity in net earnings from investments	\$ 2.6	\$ 4.9	\$ 5.4	\$ 9.2
Adjusted EBITDA	\$ 110.3	\$ 78.1	\$ 210.3	\$ 138.6
Natural gas gathered (BBtu/d) (a)	2,039	1,926	2,083	1,867
Natural gas processed (BBtu/d) (a) (b)	1,882	1,677	1,915	1,651
NGL sales (MBbl/d) (a)	158	127	157	117
Residue natural gas sales (BBtu/d) (a)	854	864	897	823
Realized composite NGL net sales price (\$/gallon) (a) (c) (d)	\$ 0.24	\$ 0.38	\$ 0.22	\$ 0.38
Realized condensate net sales price (\$/Bbl) (a) (c) (e)	\$ 37.20	\$ 35.46	\$ 35.23	\$ 32.89
Realized residue natural gas net sales price (\$/MMBtu) (a) (c) (e)	\$ 2.86	\$ 3.38	\$ 2.73	\$ 3.65
Average fee rate (\$/MMBtu) (a)	\$ 0.76	\$ 0.39	\$ 0.72	\$ 0.37
Capital expenditures	\$ 84.7	\$ 205.4	\$ 226.2	\$ 460.7
(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 our equity volumes.				
(d) - Net of transportation and fractionation costs.				
(e) - Net of transportation costs.				
<u>Natural Gas Pipelines</u>				
Operating income	\$ 41.6	\$ 38.1	\$ 88.0	\$ 69.2
Operating costs	\$ 29.2	\$ 25.2	\$ 56.7	\$ 52.4
Depreciation and amortization	\$ 11.4	\$ 10.8	\$ 22.6	\$ 21.6
Equity in net earnings from investments	\$ 15.9	\$ 15.4	\$ 32.6	\$ 35.1
Adjusted EBITDA	\$ 68.5	\$ 65.2	\$ 142.9	\$ 135.9
Natural gas transportation capacity contracted (MDth/d) (a)	6,193	5,714	6,175	5,826
Transportation capacity contracted (a)	93%	90%	93%	92%
Capital expenditures	\$ 29.3	\$ 15.6	\$ 47.2	\$ 25.2
(a) - Includes volumes for consolidated entities only.				

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RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

<i>(Unaudited)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	<i>(Thousands of dollars, except per unit amounts)</i>			
Reconciliation of Net Income to Adjusted EBITDA and Distributable Cash Flow				
Net income	\$ 261,964	\$ 211,610	\$ 518,250	\$ 358,642
Interest expense, net of capitalized interest	93,263	86,492	185,818	167,201
Depreciation and amortization	98,507	86,199	192,243	172,046
Income tax expense	2,370	2,476	4,398	5,236
Allowance for equity funds used during construction and other	(296)	500	(315)	8,450
Adjusted EBITDA	455,808	387,277	900,394	711,575
Interest expense, net of capitalized interest	(93,263)	(86,492)	(185,818)	(167,201)
Maintenance capital	(23,217)	(31,978)	(45,360)	(63,995)
Equity in net earnings from investments	(32,372)	(30,040)	(65,286)	(60,961)
Distributions received from unconsolidated affiliates	62,024	41,354	108,577	80,783
Other	(1,742)	(3,194)	2,292	(6,063)
Distributable cash flow	\$ 367,238	\$ 276,927	\$ 714,799	\$ 494,138
Distributions to general partner	(107,198)	(97,875)	(214,396)	(193,719)
Distributable cash flow to limited partners	\$ 260,040	\$ 179,052	\$ 500,403	\$ 300,419
Distributions declared per limited partner unit	\$ 0.79	\$ 0.79	\$ 1.58	\$ 1.58
Coverage ratio	1.15	0.88	1.11	0.74
Number of units used in computation <i>(thousands)</i>	285,826	257,179	285,826	255,627

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RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

<i>(Unaudited)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Reconciliation of Adjusted EBITDA to Net Income				
<i>(Thousands of dollars)</i>				
Segment Adjusted EBITDA:				
Natural Gas Gathering and Processing	\$ 110,298	\$ 78,062	\$ 210,333	\$ 138,580
Natural Gas Liquids	276,611	244,591	546,780	437,246
Natural Gas Pipelines	68,542	65,234	142,881	135,946
Other	357	(610)	400	(197)
Total	455,808	387,277	900,394	711,575
Depreciation and amortization	(98,507)	(86,199)	(192,243)	(172,046)
Interest expense, net of capitalized interest	(93,263)	(86,492)	(185,818)	(167,201)
Income taxes	(2,370)	(2,476)	(4,398)	(5,236)
Allowance for equity funds used during construction and other	296	(500)	315	(8,450)
Net income	\$ 261,964	\$ 211,610	\$ 518,250	\$ 358,642

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RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

<i>(Unaudited)</i>	2016
	Guidance Range
	<i>(Millions of dollars)</i>
Reconciliation of Net Income to Adjusted EBITDA and Distributable Cash Flow	
Net income	~ \$1,120
Interest expense	~ 370
Depreciation and amortization	~ 380
Income tax expense	~ 11
Allowance for equity funds used during construction and other non-cash items	~ (1)
Adjusted EBITDA	~ \$1,880
Interest expense	~ (370)
Maintenance capital	~ (140)
Equity in net earnings from investments	~ (135)
Distributions received from unconsolidated affiliates	~ 160
Other	~ (5)
Distributable cash flow	~ \$1,390