

ONEOK Announces 21% Increase in Second Quarter 2022 Net Income

Aug. 8, 2022

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(Thousands of dollars, except per share amounts)				
Revenues				
Commodity sales	\$ 5,650,803	\$ 3,074,773	\$ 10,756,014	\$ 5,910,882
Services	345,918	314,191	685,316	672,761
Total revenues	5,996,721	3,388,964	11,441,330	6,583,643
Cost of sales and fuel (exclusive of items shown separately below)	4,877,999	2,366,979	9,243,947	4,488,489
Operations and maintenance	230,687	212,319	445,093	419,477
Depreciation and amortization	157,757	156,921	311,615	314,041
General taxes	46,777	41,940	96,288	86,379
Other operating (income) expense, net	(5,449)	(707)	(7,019)	(976)
Operating income	688,950	611,512	1,351,406	1,276,233
Equity in net earnings from investments	35,630	25,720	71,970	59,040
Allowance for equity funds used during construction	594	426	965	1,238
Other income (expense), net	(9,324)	(493)	(22,846)	(5,515)
Interest expense (net of capitalized interest of \$13,519, \$5,443, \$25,239 and \$10,538, respectively)	(170,751)	(184,957)	(342,805)	(370,480)
Income before income taxes	545,099	452,208	1,058,690	960,516
Income taxes	(130,721)	(110,069)	(253,141)	(232,201)
Net income	414,378	342,139	805,549	728,315
Less: Preferred stock dividends	275	275	550	550
Net income available to common shareholders	\$ 414,103	\$ 341,864	\$ 804,999	\$ 727,765
Basic earnings per common share	\$ 0.93	\$ 0.77	\$ 1.80	\$ 1.63
Diluted earnings per common share	\$ 0.92	\$ 0.77	\$ 1.80	\$ 1.63
Average shares (thousands)				
Basic	447,451	446,337	447,288	446,116
Diluted	448,182	446,903	448,293	446,894

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ONEOK, Inc. and Subsidiaries CONSOLIDATED BALANCE SHEETS

<i>(Unaudited)</i>	June 30, 2022	December 31, 2021
Assets	<i>(Thousands of dollars)</i>	
Current assets		
Cash and cash equivalents	\$ 135,774	\$ 146,391
Accounts receivable, net	1,778,687	1,441,786
Materials and supplies	154,024	153,019
NGLs and natural gas in storage	619,880	427,880
Commodity imbalances	49,251	39,609
Other current assets	288,883	165,689
Total current assets	3,026,499	2,374,374
Property, plant and equipment		
Property, plant and equipment	24,394,512	23,820,539
Accumulated depreciation and amortization	4,793,293	4,500,665
Net property, plant and equipment	19,601,219	19,319,874
Investments and other assets		
Investments in unconsolidated affiliates	801,315	797,613
Goodwill and net intangible assets	758,081	763,295
Other assets	339,690	366,457
Total investments and other assets	1,899,086	1,927,365
Total assets	\$ 24,526,804	\$ 23,621,613

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ONEOK, Inc. and Subsidiaries CONSOLIDATED BALANCE SHEETS (Continued)

<i>(Unaudited)</i>	June 30, 2022	December 31, 2021
Liabilities and equity	<i>(Thousands of dollars)</i>	
Current liabilities		
Current maturities of long-term debt	\$ 895,814	\$ 895,814
Accounts payable	1,923,761	1,332,391
Commodity imbalances	345,806	309,054
Accrued interest	235,068	235,602
Operating lease liability	12,305	13,783
Other current liabilities	242,079	397,975
Total current liabilities	3,654,833	3,184,619
Long-term debt, excluding current maturities	12,872,692	12,747,636
Deferred credits and other liabilities		
Deferred income taxes	1,425,818	1,166,690
Operating lease liability	71,212	75,636
Other deferred credits	387,620	431,869
Total deferred credits and other liabilities	1,884,650	1,674,195
Commitments and contingencies		
Equity		
ONEOK shareholders' equity:		
Preferred stock, \$0.01 par value: authorized and issued 20,000 shares at June 30, 2022, and at December 31, 2021	—	—
Common stock, \$0.01 par value: authorized 1,200,000,000 shares; issued 474,916,234 shares and outstanding 446,856,499 shares at June 30, 2022; issued 474,916,234 shares and outstanding 446,138,177 shares at December 31, 2021	4,749	4,749
Paid-in capital	7,190,457	7,213,861
Accumulated other comprehensive loss	(366,755)	(471,351)
Retained earnings	—	—
Treasury stock, at cost: 28,059,735 shares at June 30, 2022, and 28,778,057 shares at December 31, 2021	(713,822)	(732,096)
Total equity	6,114,629	6,015,163
Total liabilities and equity	\$ 24,526,804	\$ 23,621,613

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended
June 30,

(Unaudited)

2022 2021

(Thousands of dollars)

Operating activities

Net income	\$ 805,549	\$ 728,315
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	311,615	314,041
Equity in net earnings from investments	(71,970)	(59,040)
Distributions received from unconsolidated affiliates	71,488	58,486
Deferred income taxes	227,897	226,963
Other, net	44,584	39,837
Changes in assets and liabilities:		
Accounts receivable	(339,729)	(268,541)
NGLs and natural gas in storage, net of commodity imbalances	(164,890)	(171,654)
Accounts payable	568,705	363,694
Risk-management assets and liabilities	(130,873)	(158,927)
Other assets and liabilities, net	(72,792)	4,809
Cash provided by operating activities	1,249,584	1,077,983

Investing activities

Capital expenditures (less allowance for equity funds used during construction)	(559,310)	(324,122)
Distributions received from unconsolidated affiliates in excess of cumulative earnings	13,375	11,695
Other, net	3,148	(12,138)
Cash used in investing activities	(542,787)	(324,565)

Financing activities

Dividends paid	(835,309)	(833,083)
Issuance of long-term debt	120,000	—
Repayment of long-term debt	—	(68,787)
Other, net	(2,105)	(1,667)
Cash used in financing activities	(717,414)	(903,537)
Change in cash and cash equivalents	(10,617)	(150,119)
Cash and cash equivalents at beginning of period	146,391	524,496
Cash and cash equivalents at end of period	\$ 135,774	\$ 374,377

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ONEOK, Inc. and Subsidiaries INFORMATION AT A GLANCE

(Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(Millions of dollars, except as noted)				
<u>Natural Gas Liquids</u>				
Operating costs, excluding noncash compensation adjustments	\$ 139.4	\$ 121.1	\$ 259.8	\$ 237.1
Depreciation and amortization	\$ 75.3	\$ 74.2	\$ 150.3	\$ 148.7
Equity in net earnings from investments	\$ 8.4	\$ 5.1	\$ 13.8	\$ 8.7
Adjusted EBITDA	\$ 517.4	\$ 480.3	\$ 1,045.0	\$ 915.9
Raw feed throughput (MBbl/d) (a)	1,266	1,209	1,239	1,123
Average Conway-to-Mont Belvieu OPIS price differential - ethane in ethane/propane mix (\$/gallon)	\$ 0.06	\$ —	\$ 0.04	\$ (0.01)
Capital expenditures	\$ 150.2	\$ 60.0	\$ 275.7	\$ 172.0
(a) - Represents physical raw feed volumes on which ONEOK charges a fee for transportation and/or fractionation services.				
<u>Natural Gas Gathering and Processing</u>				
Operating costs, excluding noncash compensation adjustments	\$ 95.3	\$ 82.0	\$ 183.9	\$ 162.7
Depreciation and amortization	\$ 65.1	\$ 67.3	\$ 127.9	\$ 134.3
Equity in net earnings (loss) from investments	\$ 1.6	\$ 0.4	\$ 3.2	\$ 2.2
Adjusted EBITDA	\$ 252.2	\$ 229.3	\$ 466.9	\$ 434.0
Natural gas gathered (BBtu/d) (a)	2,726	2,732	2,731	2,661
Natural gas processed (BBtu/d) (a) (b)	2,506	2,481	2,511	2,431
Average fee rate (\$/MMBtu) (a)	\$ 1.05	\$ 1.06	\$ 1.04	\$ 1.05
Capital expenditures	\$ 123.4	\$ 56.9	\$ 216.7	\$ 96.5
(a) - Includes volumes for consolidated entities only.				
(b) - Includes volumes ONEOK processed at company-owned and third-party facilities.				
<u>Natural Gas Pipelines</u>				
Operating costs, excluding noncash compensation adjustments	\$ 40.3	\$ 36.2	\$ 79.2	\$ 76.2
Depreciation and amortization	\$ 16.2	\$ 14.5	\$ 31.3	\$ 29.0
Equity in net earnings from investments	\$ 25.6	\$ 20.2	\$ 54.9	\$ 48.2
Adjusted EBITDA	\$ 116.0	\$ 94.7	\$ 239.5	\$ 320.9
Natural gas transportation capacity contracted (MDth/d) (a)	7,257	7,280	7,392	7,362
Transportation capacity contracted (a)	92 %	93 %	94 %	94 %
Capital expenditures	\$ 19.1	\$ 27.8	\$ 42.5	\$ 49.0
(a) - Includes volumes for consolidated entities only.				

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ONEOK, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(Thousands of dollars)				
Reconciliation of net income to adjusted EBITDA				
Net income	\$ 414,378	\$ 342,139	\$ 805,549	\$ 728,315
Interest expense, net of capitalized interest	170,751	184,957	342,805	370,480
Depreciation and amortization	157,757	156,921	311,615	314,041
Income taxes	130,721	110,069	253,141	232,201
Noncash compensation expense (a)	13,014	7,825	37,747	24,108
Equity AFUDC	(594)	(426)	(965)	(1,239)
Adjusted EBITDA	\$ 886,027	\$ 801,485	\$ 1,749,892	\$ 1,667,906

(a) Amounts include a loss of \$6.3 million and benefit of \$6.8 million for the three months ended June 30, 2022 and 2021, respectively, and include a loss of \$15.1 million and benefit of \$5.1 million for the six months ended June 30, 2022 and 2021, respectively, related to the mark-to-market of investments associated with certain benefit plan investments.