

*CONSOLIDATED FINANCIAL STATEMENTS*  
*(Unaudited)*  
*(excluding footnotes)*

*SOUTHERN NATURAL GAS COMPANY, L.L.C.*

*As of June 30, 2017 and December 31, 2016 and*  
*For the Three and Six Months Ended June 30, 2017 and 2016*

**SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY**  
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**SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In Millions)  
(Unaudited)

|                                     | Three Months Ended<br>June 30, |              | Six Months Ended<br>June 30, |               |
|-------------------------------------|--------------------------------|--------------|------------------------------|---------------|
|                                     | 2017                           | 2016         | 2017                         | 2016          |
| Revenues                            | \$ 143                         | \$ 135       | \$ 298                       | \$ 280        |
| <b>Operating Costs and Expenses</b> |                                |              |                              |               |
| Operations and maintenance          | 43                             | 29           | 76                           | 52            |
| Depreciation and amortization       | 21                             | 21           | 42                           | 41            |
| General and administrative          | 7                              | 6            | 15                           | 14            |
| Taxes, other than income taxes      | 9                              | 9            | 18                           | 18            |
| Total Operating Costs and Expenses  | <u>80</u>                      | <u>65</u>    | <u>151</u>                   | <u>125</u>    |
| Operating Income                    | <u>63</u>                      | <u>70</u>    | <u>147</u>                   | <u>155</u>    |
| <b>Other Income (Expense)</b>       |                                |              |                              |               |
| Earnings from equity investment     | 3                              | 2            | 5                            | 4             |
| Interest, net                       | (17)                           | (19)         | (37)                         | (38)          |
| Other, net                          | —                              | —            | —                            | 1             |
| Total Other Income (Expense)        | <u>(14)</u>                    | <u>(17)</u>  | <u>(32)</u>                  | <u>(33)</u>   |
| Net Income                          | <u>\$ 49</u>                   | <u>\$ 53</u> | <u>\$ 115</u>                | <u>\$ 122</u> |

**SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
(In Millions)

|  | <b>June 30,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|--|--------------------------|------------------------------|
| <b>ASSETS</b>                                    |                          |                              |
| <b>(Unaudited)</b>                               |                          |                              |
| Current assets                                   |                          |                              |
| Cash and cash equivalents                        | \$ 6                     | \$ 4                         |
| Accounts receivable, net                         | 58                       | 65                           |
| Inventories                                      | 18                       | 19                           |
| Other current assets                             | 10                       | 7                            |
| Total current assets                             | <u>92</u>                | <u>95</u>                    |
| Property, plant and equipment, net               | 2,438                    | 2,451                        |
| Investment                                       | 62                       | 61                           |
| Regulatory assets                                | 34                       | 36                           |
| Deferred charges and other assets                | 34                       | 32                           |
| Total Assets                                     | <u>\$ 2,660</u>          | <u>\$ 2,675</u>              |
| <b>LIABILITIES AND MEMBERS' EQUITY</b>           |                          |                              |
| Current liabilities                              |                          |                              |
| Current portion of debt                          | \$ —                     | \$ 500                       |
| Accounts payable                                 | 37                       | 34                           |
| Accrued interest                                 | 17                       | 19                           |
| Accrued taxes, other than income taxes           | 20                       | 22                           |
| Regulatory liabilities                           | 16                       | 3                            |
| Other current liabilities                        | 7                        | 10                           |
| Total current liabilities                        | <u>97</u>                | <u>588</u>                   |
| Long-term liabilities and deferred credits       |                          |                              |
| Long-term debt, net of debt issuance costs       | 1,102                    | 706                          |
| Other long-term liabilities and deferred credits | 21                       | 22                           |
| Total long-term liabilities and deferred credits | <u>1,123</u>             | <u>728</u>                   |
| Total Liabilities                                | 1,220                    | 1,316                        |
| Members' Equity                                  | 1,440                    | 1,359                        |
| Total Liabilities and Members' Equity            | <u>\$ 2,660</u>          | <u>\$ 2,675</u>              |

**SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Millions)  
(Unaudited)

|   | Six Months Ended<br>June 30, |              |
|---|------------------------------|--------------|
|   | 2017                         | 2016         |
| <b>Cash Flows From Operating Activities</b>                                       |                              |              |
| Net income  | \$ 115                       | \$ 122       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                              |              |
| Depreciation and amortization   | 42                           | 41           |
| Earnings from equity investment   | (5)                          | (4)          |
| Other non-cash items  | 1                            | —            |
| Distributions from equity investment earnings                                     | 4                            | 5            |
| Changes in components of working capital:   |                              |              |
| Accounts receivable   | 4                            | 4            |
| Regulatory assets   | 3                            | 3            |
| Accounts payable  | 1                            | 8            |
| Accrued taxes, other than income  | (2)                          | (2)          |
| Regulatory liabilities  | 13                           | (1)          |
| Other current assets and liabilities  | (6)                          | 1            |
| Other long-term assets and liabilities  | (3)                          | (11)         |
| <b>Net Cash Provided by Operating Activities</b>                                  | <b>167</b>                   | <b>166</b>   |
| <b>Cash Flows From Investing Activities</b>                                       |                              |              |
| Capital expenditures  | (22)                         | (43)         |
| Net proceeds from note receivable from affiliate                                  | —                            | 18           |
| Other, net  | (4)                          | (2)          |
| <b>Net Cash Used in Investing Activities</b>                                      | <b>(26)</b>                  | <b>(27)</b>  |
| <b>Cash Flows From Financing Activities</b>                                       |                              |              |
| Issuance of debt  | 399                          | —            |
| Issuance of debt - revolver   | 62                           | —            |
| Payment of debt   | (500)                        | —            |
| Payment of debt - revolver  | (62)                         | —            |
| Debt issuance costs   | (4)                          | —            |
| Contributions from Members  | 108                          | —            |
| Distributions to Members  | (142)                        | (139)        |
| <b>Net Cash Used in Financing Activities</b>                                      | <b>(139)</b>                 | <b>(139)</b> |
| Net Change in Cash and Cash Equivalents   | 2                            | —            |
| Cash and Cash Equivalents, beginning of period                                    | 4                            | —            |
| <b>Cash and Cash Equivalents, end of period</b>                                   | <b>\$ 6</b>                  | <b>\$ —</b>  |

**SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY**  
(In Millions)  
(Unaudited)

|                   | Six Months Ended<br>June 30, |          |
|-------------------|------------------------------|----------|
|                   | 2017                         | 2016     |
| Beginning Balance | \$ 1,359                     | \$ 1,431 |
| Net income        | 115                          | 122      |
| Contributions     | 108                          | —        |
| Distributions     | (142)                        | (139)    |
| Ending Balance    | \$ 1,440                     | \$ 1,414 |