

Southern Natural Gas Company, L.L.C.

CONSOLIDATED FINANCIAL STATEMENTS
(excluding footnotes)

For the three months ended March 31, 2014 and 2013
Unaudited

SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARIES
TABLE OF CONTENTS

	<u>Page</u> <u>Number</u>
Consolidated Financial Statements (Unaudited)	
Consolidated Statements of Income	1
Consolidated Balance Sheets	2
Consolidated Statements of Cash Flows	3
Consolidated Statements of Member's Equity	4

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

	Three Months Ended March 31,	
	2014	2013
Revenues	\$ 149	\$ 152
Operating Costs and Expenses		
Operations and maintenance	30	26
Depreciation and amortization	24	18
Taxes, other than income taxes.....	9	9
Total Operating Costs and Expenses	63	53
Operating Income.....	86	99
Other Income (Expense)		
Earnings from equity investment	3	3
Interest expense, net	(20)	(20)
Other, net	1	—
Total Other Income (Expense).....	(16)	(17)
Net Income	\$ 70	\$ 82

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

	March 31, 2014	December 31, 2013
	<u>(Unaudited)</u>	
ASSETS		
Current assets		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable, net	50	66
Inventories	18	18
Regulatory assets	13	15
Natural gas imbalance receivable	17	8
Other current assets	2	1
Total current assets	<u>100</u>	<u>108</u>
Property, plant and equipment, net	2,502	2,505
Investment	59	60
Note receivable from affiliate	190	183
Regulatory assets	58	58
Deferred charges and other assets	46	43
Total Assets	<u>\$ 2,955</u>	<u>\$ 2,957</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	\$ 20	\$ 34
Accrued interest	22	19
Accrued taxes, other than income	11	10
Regulatory liabilities	22	9
Contractual deposits	4	4
Other current liabilities	3	3
Total current liabilities	<u>82</u>	<u>79</u>
Long-term liabilities and deferred credits		
Long-term debt	1,210	1,210
Other long-term liabilities and deferred credits	45	45
Total long-term liabilities and deferred credits	<u>1,255</u>	<u>1,255</u>
Total Liabilities	1,337	1,334
Member's Equity	1,618	1,623
Total Liabilities and Member's Equity	<u>\$ 2,955</u>	<u>\$ 2,957</u>

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

	Three Months Ended March 31,	
	2014	2013
Cash Flows From Operating Activities		
Net Income	\$ 70	\$ 82
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24	18
Earnings from equity investment	(3)	(3)
Distributions from equity investment	4	4
Other	1	1
Changes in components of working capital:		
Accounts receivable, net	16	12
Accounts payable	(12)	(14)
Regulatory assets	2	(4)
Regulatory liabilities	13	(1)
Accrued interest	3	3
Accrued taxes, other than income	1	3
Other current assets and liabilities	(9)	(1)
Other long-term assets and liabilities	(19)	—
Net Cash Provided by Operating Activities	91	100
Cash Flows From Investing Activities		
Capital expenditures	(8)	(9)
Net change in note receivable from affiliate	(7)	(4)
Other	(1)	—
Net Cash Used in Investing Activities	(16)	(13)
Cash Flows From Financing Activities		
Distributions to Member	(75)	(88)
Net Cash Used in Financing Activities	(75)	(88)
Net change in Cash and Cash Equivalents	—	(1)
Cash and Cash Equivalents, beginning of period	—	1
Cash and Cash Equivalents, end of period	\$ —	\$ —

SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
(In Millions)
(Unaudited)

Balance at December 31, 2012	\$ 1,683
Net income	82
Distributions	(88)
Balance at March 31, 2013	<u>\$ 1,677</u>
Balance at December 31, 2013	\$ 1,623
Net income	70
Distributions	(75)
Balance at March 31, 2014	<u>\$ 1,618</u>