

Southern Natural Gas Company, L.L.C.

CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2013 and 2012

Unaudited

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues	\$ 139	\$ 140	\$ 291	\$ 286
Operating Costs and Expenses				
Operations and maintenance.....	37	50	63	89
Depreciation and amortization	15	16	30	32
Taxes, other than income taxes.....	11	9	20	17
Total Operating Costs and Expenses.....	<u>63</u>	<u>75</u>	<u>113</u>	<u>138</u>
Operating Income	<u>76</u>	<u>65</u>	<u>178</u>	<u>148</u>
Other Income (Expense)				
Earnings from equity investment.....	3	4	6	7
Interest expense, net	(20)	(19)	(40)	(37)
Other, net	(2)	1	(5)	2
Total Other Expense.....	<u>(19)</u>	<u>(14)</u>	<u>(39)</u>	<u>(28)</u>
Net Income	<u>\$ 57</u>	<u>\$ 51</u>	<u>\$ 139</u>	<u>\$ 120</u>

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

	June 30, 2013	December 31, 2012
	<u>(Unaudited)</u>	<u></u>
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ —	\$ 1
Accounts receivable, net	49	69
Inventories.....	18	18
Regulatory assets.....	26	34
Other current assets.....	5	3
Total current assets.....	<u>98</u>	<u>125</u>
Property, plant and equipment, net	2,503	2,501
Investment.....	58	58
Note receivable from affiliate	200	215
Regulatory assets	67	75
Deferred charges and other assets.....	15	10
Total Assets.....	<u>\$ 2,941</u>	<u>\$ 2,984</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	\$ 24	\$ 33
Accrued interest	19	19
Accrued taxes, other than income	20	7
Contractual deposits	3	4
Accrued other current liabilities.....	6	8
Total current liabilities.....	<u>72</u>	<u>71</u>
Long-term liabilities and deferred credits		
Long-term debt.....	1,210	1,210
Other long-term liabilities and deferred credits	20	20
Total long-term liabilities and deferred credits	<u>1,230</u>	<u>1,230</u>
Total Liabilities.....	1,302	1,301
Member's Equity	1,639	1,683
Total Liabilities and Member's Equity	<u>\$ 2,941</u>	<u>\$ 2,984</u>

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

	<u>Six Months Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Net Income	\$ 139	\$ 120
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30	32
Earnings from equity investment	(6)	(7)
Distributions from equity investment	6	7
Amortization of regulatory assets	8	—
Other	1	3
Changes in components of working capital:		
Accounts receivable	21	(25)
Accounts payable	(14)	(22)
Regulatory assets	8	(1)
Regulatory liabilities	—	1
Accrued taxes, other than income	13	10
Other current assets and liabilities	(5)	6
Other long-term assets and liabilities	(4)	(7)
Net Cash Provided by Operating Activities	<u>197</u>	<u>117</u>
Cash Flows From Investing Activities		
Capital expenditures	(26)	(38)
Net change in note receivable from affiliate	15	60
Other	(4)	(2)
Net Cash (Used in) Provided by Investing Activities	<u>(15)</u>	<u>20</u>
Cash Flows From Financing Activities		
Distributions to Member	(183)	(140)
Net Cash Used in Financing Activities	<u>(183)</u>	<u>(140)</u>
Net decrease in Cash and Cash Equivalents	(1)	(3)
Cash and Cash Equivalents, beginning of period	1	3
Cash and Cash Equivalents, end of period	<u>\$ —</u>	<u>\$ —</u>

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

Balance at December 31, 2011	\$ 1,693
Net Income	120
Distributions	(140)
Balance at June 30, 2012	<u>\$ 1,673</u>
Balance at December 31, 2012	\$ 1,683
Net Income	139
Distributions	(183)
Balance at June 30, 2013	<u>\$ 1,639</u>