

SOUTHERN NATURAL GAS COMPANY, L.L.C.
CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2012 and 2011
Unaudited

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

	Page
Consolidated Financial Statements (Unaudited)	
Consolidated Statements of Income	1
Consolidated Balance Sheets	2
Consolidated Statements of Cash Flows.....	3

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues.....	\$ 140	\$ 133	\$ 286	\$ 278
Operating Costs, Expenses and Other				
Operation and maintenance	50	38	89	72
Depreciation and amortization.....	16	16	32	31
Taxes, other than income taxes.....	<u>9</u>	<u>7</u>	<u>17</u>	<u>15</u>
Total Operating Costs, Expenses and Other	<u>75</u>	<u>61</u>	<u>138</u>	<u>118</u>
Operating Income	65	72	148	160
Other Income (Expense)				
Earnings from unconsolidated affiliate	4	3	7	7
Other income, net	1	2	2	4
Interest expense, net	<u>(19)</u>	<u>(16)</u>	<u>(37)</u>	<u>(32)</u>
Total Other Expense.....	<u>(14)</u>	<u>(11)</u>	<u>(28)</u>	<u>(21)</u>
Net Income	<u>\$ 51</u>	<u>\$ 61</u>	<u>\$ 120</u>	<u>\$ 139</u>

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

	June 30, 2012	December 31, 2011
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ —	\$ 3
Accounts and note receivable, net	79	68
Materials and supplies	17	16
Assets held for sale	50	50
Regulatory assets	21	16
Other current assets	<u>1</u>	<u>—</u>
Total current assets	168	153
Property, plant and equipment, net	2,545	2,533
Investment in unconsolidated affiliate	57	57
Note receivable from affiliate	149	197
Regulatory assets and other	<u>94</u>	<u>105</u>
Total Assets	<u>\$ 3,013</u>	<u>\$ 3,045</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	\$ 46	\$ 67
Accrued taxes	15	6
Accrued interest	19	19
Contractual deposits	5	7
Asset retirement obligations	10	12
Accrued other current liabilities	<u>4</u>	<u>1</u>
Total current liabilities	<u>99</u>	<u>112</u>
Long-term liabilities and deferred credits		
Long-term debt	1,210	1,210
Other long-term liabilities and deferred credits	<u>31</u>	<u>30</u>
Total long-term liabilities and deferred credits	<u>1,241</u>	<u>1,240</u>
Total Liabilities	<u>1,340</u>	<u>1,352</u>
Member's Equity	<u>1,673</u>	<u>1,693</u>
Total Liabilities and Member's Equity	<u>\$ 3,013</u>	<u>\$ 3,045</u>

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

	Six Months Ended	
	June 30,	
	2012	2011
Cash Flows From Operating Activities		
Net income.....	\$ 120	\$ 139
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	32	31
Earnings from unconsolidated affiliate, adjusted for cash distributions	—	(2)
Other non-cash income items	3	(2)
Changes in components of working capital:		
Accounts receivable.....	(24)	9
Accounts payable.....	(17)	(4)
Regulatory assets	(1)	1
Regulatory liabilities.....	3	2
Other, net	10	4
Other long-term assets and liabilities	(9)	(2)
Net Cash Provided by Operating Activities.....	<u>117</u>	<u>176</u>
Cash Flows From Investing Activities		
Capital expenditures.....	(38)	(100)
Net change in note receivable from affiliate	60	(298)
Other	(2)	2
Net Cash Provided by (Used in) Investing Activities.....	<u>20</u>	<u>(396)</u>
Cash Flows From Financing Activities		
Net change in note payable to affiliate.....	—	(12)
Issuance of debt.....	—	297
Contributions from partners	—	60
Distributions to member/partners.....	(140)	(127)
Net Cash Provided by (Used in) Financing Activities.....	<u>(140)</u>	<u>218</u>
Net Decrease in Cash and Cash Equivalents	(3)	(2)
Cash and Cash Equivalents, beginning of period	<u>3</u>	<u>4</u>
Cash and Cash Equivalents, end of period.....	<u>\$ —</u>	<u>\$ 2</u>