

Southern Natural Gas Company, L.L.C.

CONSOLIDATED FINANCIAL STATEMENTS

(excluding footnotes)

For the Three and Six Months Ended June 30, 2014 and 2013

Unaudited

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

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues.....	<u>\$ 137</u>	<u>\$ 139</u>	<u>\$ 286</u>	<u>\$ 291</u>
Operating Costs and Expenses				
Operations and maintenance.....	36	37	66	63
Depreciation and amortization.....	24	18	48	36
Taxes, other than income taxes.....	<u>9</u>	<u>11</u>	<u>18</u>	<u>20</u>
Total Operating Costs and Expenses.....	<u>69</u>	<u>66</u>	<u>132</u>	<u>119</u>
Operating Income	<u>68</u>	<u>73</u>	<u>154</u>	<u>172</u>
Other Income (Expense)				
Earnings from equity investment.....	3	3	6	6
Interest expense, net.....	(20)	(20)	(40)	(40)
Other, net	<u>—</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Other Income (Expense).....	<u>(17)</u>	<u>(16)</u>	<u>(33)</u>	<u>(33)</u>
Net Income	<u>\$ 51</u>	<u>\$ 57</u>	<u>\$ 121</u>	<u>\$ 139</u>

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

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable, net	49	66
Inventories	18	18
Regulatory assets	13	15
Other current assets	13	9
Total current assets	93	108
Property, plant and equipment, net	2,486	2,505
Investment	59	60
Note receivable from affiliate	181	183
Regulatory assets	54	58
Deferred charges and other assets	47	43
Total Assets	\$ 2,920	\$ 2,957
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	\$ 23	\$ 34
Accrued interest	19	19
Accrued taxes, other than income	20	10
Regulatory liabilities	16	9
Contractual deposits	5	4
Other current liabilities	3	3
Total current liabilities	86	79
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	1,255	1,255
Total Liabilities	1,341	1,334
Member's Equity	1,579	1,623
Total Liabilities and Member's Equity	\$ 2,920	\$ 2,957

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

	Six Months Ended June 30,	
	2014	2013
Cash Flows From Operating Activities		
Net Income	\$ 121	\$ 139
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	48	36
Earnings from equity investment	(6)	(6)
Distributions from equity investment	7	6
Other	2	3
Changes in components of working capital:		
Accounts receivable, net	17	21
Accounts payable	(10)	(14)
Regulatory assets	2	8
Regulatory liabilities	7	—
Accrued taxes, other than income	10	13
Other current assets and liabilities	(4)	(5)
Other long-term assets and liabilities	(14)	(4)
Net Cash Provided by Operating Activities	180	197
Cash Flows From Investing Activities		
Capital expenditures	(18)	(26)
Net change in note receivable from affiliate	2	15
Other	1	(4)
Net Cash Used in Investing Activities	(15)	(15)
Cash Flows From Financing Activities		
Distributions to Member	(165)	(183)
Net Cash Used in Financing Activities	(165)	(183)
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.....	139
Distributions	(183)
Balance at June 30, 2013.....	<u>\$ 1,639</u>
Balance at December 31, 2013.....	\$ 1,623
Net income.....	121
Distributions	(165)
Balance at June 30, 2014.....	<u>\$ 1,579</u>