

Spectra Energy Corp

Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2017

SPECTRA ENERGY CORP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating Revenues				
Transportation, storage and processing of natural gas.....	\$ 855	\$ 810	\$ 1,733	\$ 1,634
Distribution of natural gas	259	228	808	639
Sales of natural gas liquids	—	12	—	53
Transportation of crude oil.....	100	88	201	173
Other	21	21	46	44
Total operating revenues.....	1,235	1,159	2,788	2,543
Loss on Sales of Other Assets and Other, net	1	—	3	—
Operating Expenses				
Natural gas and petroleum products purchased	129	101	463	351
Operating, maintenance and other	401	392	890	733
Depreciation and amortization.....	204	196	405	389
Property and other taxes.....	106	99	222	205
Total operating expenses.....	840	788	1,980	1,678
Operating Income	394	371	805	865
Other Income and Expenses				
Earnings from equity investments	61	16	130	49
Other income and expenses, net.....	63	39	118	71
Total other income and expenses.....	124	55	248	120
Interest Expense	161	153	315	304
Earnings Before Income Taxes	357	273	738	681
Income Tax Expense	59	52	167	150
Net Income	298	221	571	531
Net Income—Noncontrolling Interests	110	72	218	148
Net Income—Controlling Interests	\$ 188	\$ 149	\$ 353	\$ 383

See Notes to Condensed Consolidated Financial Statements.

SPECTRA ENERGY CORP
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net Income	\$ 298	\$ 221	\$ 571	\$ 531
Other comprehensive income:				
Foreign currency translation adjustments.....	127	50	168	351
Pension and benefits impact (net of taxes).....	4	4	9	9
Other.....	1	3	2	2
Total other comprehensive income.....	132	57	179	362
Total Comprehensive Income, net of tax	430	278	750	893
Less: Comprehensive Income—Noncontrolling Interests	111	75	220	155
Comprehensive Income—Controlling Interests	\$ 319	\$ 203	\$ 530	\$ 738

See Notes to Condensed Consolidated Financial Statements.

SPECTRA ENERGY CORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 246	\$ 305
Receivables, net	822	1,003
Inventory	177	253
Fuel tracker	38	6
Other	221	205
Total current assets	<u>1,504</u>	<u>1,772</u>
Investments and Other Assets		
Investments in and loans to unconsolidated affiliates.....	2,948	2,780
Goodwill	4,213	4,181
Other	372	393
Total investments and other assets.....	<u>7,533</u>	<u>7,354</u>
Property, Plant and Equipment		
Cost	36,186	33,555
Less accumulated depreciation and amortization	7,751	7,347
Net property, plant and equipment.....	<u>28,435</u>	<u>26,208</u>
Regulatory Assets and Deferred Debits.....	<u>1,642</u>	<u>1,508</u>
Total Assets.....	<u>\$ 39,114</u>	<u>\$ 36,842</u>

See Notes to Condensed Consolidated Financial Statements.

SPECTRA ENERGY CORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable.....	\$ 783	\$ 828
Commercial paper	1,555	1,453
Taxes accrued	135	86
Interest accrued.....	191	185
Current maturities of long-term debt.....	1,196	551
Short-term borrowings—affiliate	835	—
Other	628	802
Total current liabilities.....	<u>5,323</u>	<u>3,905</u>
Long-term Debt		
Third party	12,802	13,624
Affiliate.....	453	—
Total long-term debt.....	<u>13,255</u>	<u>13,624</u>
Deferred Credits and Other Liabilities		
Deferred income taxes	6,030	5,769
Regulatory and other	1,588	1,443
Total deferred credits and other liabilities.....	<u>7,618</u>	<u>7,212</u>
Commitments and Contingencies		
Preferred Stock of Subsidiaries	<u>562</u>	<u>562</u>
Equity		
Common stock.....	1	1
Additional paid-in capital	6,001	5,995
Retained earnings	1,348	1,307
Accumulated other comprehensive loss	31	(146)
Total controlling interests.....	<u>7,381</u>	<u>7,157</u>
Noncontrolling interests	4,975	4,382
Total equity.....	<u>12,356</u>	<u>11,539</u>
Total Liabilities and Equity	<u>\$ 39,114</u>	<u>\$ 36,842</u>

See Notes to Condensed Consolidated Financial Statements.

SPECTRA ENERGY CORP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	Six Months Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 571	\$ 531
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	414	397
Deferred income tax expense	141	131
Earnings from equity investments	(130)	(49)
Distributions from equity investments	80	52
Other	173	177
Net cash provided by operating activities	<u>1,249</u>	<u>1,239</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,323)	(1,520)
Investments in and loans to unconsolidated affiliates	(157)	(112)
Reimbursement of capital expenditures	163	—
Purchase of intangible, net	(107)	(40)
Purchases of held-to-maturity securities	(264)	(346)
Proceeds from sales and maturities of held-to-maturity securities	268	364
Purchases of available-for-sale securities	(91)	(329)
Proceeds from sales and maturities of available-for-sale securities	77	330
Distributions from equity investments	21	45
Other changes in restricted funds	15	11
Other	18	1
Net cash used in investing activities	<u>(2,380)</u>	<u>(1,744)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	400	382
Payments for the redemption of long-term debt	(735)	(619)
Net increase in commercial paper	94	(23)
Note payable—affiliate	1,288	—
Distributions to noncontrolling interests	(155)	(114)
Contributions from noncontrolling interests	416	278
Proceeds from the issuances of Spectra Energy common stock	2	868
Proceeds from the issuances of Spectra Energy Partners, LP common units	85	321
Dividends paid on common stock	(312)	(557)
Other	(13)	(8)
Net cash provided by financing activities	<u>1,070</u>	<u>528</u>
Effect of exchange rate changes on cash	<u>2</u>	<u>4</u>
Net increase (decrease) in cash and cash equivalents	(59)	27
Cash and cash equivalents at beginning of period	305	213
Cash and cash equivalents at end of period	<u>\$ 246</u>	<u>\$ 240</u>

See Notes to Condensed Consolidated Financial Statements.

SPECTRA ENERGY CORP
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(In millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
December 31, 2016	\$ 1	\$ 5,995	\$ 1,307	\$ (146)	\$ 4,382	\$11,539
Net income	—	—	353	—	218	571
Other comprehensive income	—	—	—	177	2	179
Dividends on common stock	—	—	(312)	—	—	(312)
Stock-based compensation	—	(1)	—	—	—	(1)
Distributions to noncontrolling interests ..	—	—	—	—	(155)	(155)
Contributions from noncontrolling interests	—	—	—	—	416	416
Spectra Energy common stock issued	—	2	—	—	—	2
Spectra Energy Partners, LP common units issued	—	5	—	—	77	82
Other, net	—	—	—	—	35	35
June 30, 2017	<u>\$ 1</u>	<u>\$ 6,001</u>	<u>\$ 1,348</u>	<u>\$ 31</u>	<u>\$ 4,975</u>	<u>\$12,356</u>
December 31, 2015	\$ 1	\$ 5,053	\$ 1,741	\$ (269)	\$ 3,006	\$ 9,532
Net income	—	—	383	—	148	531
Other comprehensive income	—	—	—	355	7	362
Dividends on common stock	—	—	(557)	—	—	(557)
Stock-based compensation	—	10	—	—	—	10
Distributions to noncontrolling interests ..	—	—	—	—	(116)	(116)
Contributions from noncontrolling interests	—	—	—	—	278	278
Spectra Energy common stock issued	—	868	—	—	—	868
Spectra Energy Partners, LP common units issued	—	15	—	—	297	312
Other, net	—	(2)	—	—	5	3
June 30, 2016	<u>\$ 1</u>	<u>\$ 5,944</u>	<u>\$ 1,567</u>	<u>\$ 86</u>	<u>\$ 3,625</u>	<u>\$11,223</u>

See Notes to Condensed Consolidated Financial Statements.

SPECTRA ENERGY CORP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General

The terms “we,” “our,” “us” and “Spectra Energy” as used in this report refer collectively to Spectra Energy Corp and its subsidiaries unless the context suggests otherwise. These terms are used for convenience only and are not intended as a precise description of any separate legal entity within Spectra Energy.

On February 27, 2017 Enbridge Inc. (Enbridge) and Spectra Energy completed a stock-for-stock merger transaction (the Merger) pursuant to which Spectra Energy merged with and into a direct, wholly owned subsidiary of Enbridge, with Spectra Energy continuing as the surviving corporation and a wholly owned subsidiary of Enbridge, and each outstanding share of common stock of Spectra Energy was automatically converted into, and became exchangeable for, 0.984 of Enbridge common share. All interests held by Spectra Energy prior to the closing of the Merger are now held collectively by Enbridge and its subsidiaries through Enbridge’s ownership of Spectra Energy.

Nature of Operations. Spectra Energy Corp, through its subsidiaries and equity affiliates, owns and operates a large and diversified portfolio of complementary natural gas-related energy assets, and owns and operates a crude oil pipeline system that connects Canadian and United States (U.S.) producers to refineries in the U.S. Rocky Mountain and Midwest regions. We currently operate in three key areas of the natural gas industry: gathering and processing, transmission and storage, and distribution. We provide transmission and storage of natural gas to customers in various regions of the northeastern and southeastern U.S., the Maritime Provinces in Canada, the Pacific Northwest in the U.S. and Canada, and in the province of Ontario, Canada. We also provide natural gas sales and distribution services to retail customers in Ontario, and natural gas gathering and processing services to customers in western Canada. We also own a 50% interest in DCP Midstream, LLC, based in Denver, Colorado, one of the leading natural gas gatherers in the U.S. and one of the largest U.S. producers and marketers of natural gas liquids.

Basis of Presentation. The accompanying Condensed Consolidated Financial Statements include our accounts and the accounts of our majority-owned subsidiaries, after eliminating intercompany transactions and balances. These interim financial statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, and reflect all normal recurring adjustments that are, in our opinion, necessary to fairly present our results of operations and financial position. Amounts reported in the Condensed Consolidated Statements of Operations are not necessarily indicative of amounts expected for the respective annual periods due to the effects of seasonal temperature variations on energy consumption, primarily in our gas distribution operations, as well as changing commodity prices on certain of our processing operations and other factors.

Use of Estimates. To conform with generally accepted accounting principles (GAAP) in the U.S., we make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements. Although these estimates are based on our best available knowledge at the time, actual results could differ.

2. Condensed Consolidating Financial Information

Spectra Energy Corp has agreed to fully and unconditionally guarantee the payment of principal and interest under all series of notes outstanding under the Senior Indenture of Spectra Capital, a 100%-owned, consolidated subsidiary. In accordance with Securities and Exchange Commission rules, the following condensed consolidating financial information is presented. The information shown for Spectra Energy Corp and Spectra Capital is presented utilizing the equity method of accounting for investments in subsidiaries, as required. The non-guarantor subsidiaries column represents all consolidated subsidiaries of Spectra Capital. This information should be read in conjunction with our accompanying Condensed Consolidated Financial Statements and notes thereto.

Spectra Energy Corp Condensed Consolidating Statements of Operations (Unaudited) (In millions)

	Spectra Energy Corp	Spectra Capital	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Three Months Ended June 30, 2017					
Total operating revenues.....	\$ —	\$ —	\$ 1,236	\$ (1)	\$ 1,235
Total operating expenses.....	(1)	(6)	846	1	840
Loss on sales of other assets and other, net.....	—	—	1	—	1
Operating income.....	1	6	389	(2)	394
Earnings from equity investments	—	—	61	—	61
Equity in earnings of consolidated subsidiaries.....	172	287	—	(459)	—
Other income and expenses, net.....	(1)	—	64	—	63
Interest expense.....	—	47	114	—	161
Earnings before income taxes	172	246	400	(461)	357
Income tax expense (benefit).....	(16)	74	1	—	59
Net income	188	172	399	(461)	298
Net income—noncontrolling interests	—	—	110	—	110
Net income—controlling interests	<u>\$ 188</u>	<u>\$ 172</u>	<u>\$ 289</u>	<u>\$ (461)</u>	<u>\$ 188</u>
Three Months Ended June 30, 2016					
Total operating revenues.....	\$ —	\$ —	\$ 1,159	\$ —	\$ 1,159
Total operating expenses.....	2	1	785	—	788
Operating income (loss).....	(2)	(1)	374	—	371
Earnings from equity investments	—	—	16	—	16
Equity in earnings of consolidated subsidiaries.....	144	261	—	(405)	—
Other income and expenses, net.....	(2)	—	41	—	39
Interest expense.....	—	61	92	—	153
Earnings from continuing operations before income taxes.....	140	199	339	(405)	273
Income tax expense (benefit) from continuing operations	(9)	55	6	—	52
Net income	149	144	333	(405)	221
Net income—noncontrolling interests	—	—	72	—	72
Net income—controlling interests	<u>\$ 149</u>	<u>\$ 144</u>	<u>\$ 261</u>	<u>\$ (405)</u>	<u>\$ 149</u>

Spectra Energy Corp
Condensed Consolidating Statements of Operations
(Unaudited)
(In millions)

	<u>Spectra Energy Corp</u>	<u>Spectra Capital</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Six Months Ended June 30, 2017					
Total operating revenues.....	\$ —	\$ —	\$ 2,790	\$ (2)	\$ 2,788
Total operating expenses.....	5	(6)	1,981	—	1,980
Loss on sales of other assets and other, net.....	—	—	3	—	3
Operating income (loss).....	(5)	6	806	(2)	805
Earnings from equity investments	—	—	130	—	130
Equity in earnings of consolidated subsidiaries.....	311	622	—	(933)	—
Other income and expenses, net.....	(2)	—	120	—	118
Interest expense.....	—	101	214	—	315
Earnings before income taxes	304	527	842	(935)	738
Income tax expense (benefit).....	(49)	216	—	—	167
Net income	353	311	842	(935)	571
Net income—noncontrolling interests	—	—	218	—	218
Net income—controlling interests	<u>\$ 353</u>	<u>\$ 311</u>	<u>\$ 624</u>	<u>\$ (935)</u>	<u>\$ 353</u>
Six Months Ended June 30, 2016					
Total operating revenues.....	\$ —	\$ —	\$ 2,544	\$ (1)	\$ 2,543
Total operating expenses.....	5	2	1,672	(1)	1,678
Operating income (loss).....	(5)	(2)	872	—	865
Earnings from equity investments	—	—	49	—	49
Equity in earnings of consolidated subsidiaries.....	371	653	—	(1,024)	—
Other income and expenses, net.....	(2)	—	73	—	71
Interest expense.....	—	123	181	—	304
Earnings before income taxes	364	528	813	(1,024)	681
Income tax expense (benefit).....	(19)	157	12	—	150
Net income	383	371	801	(1,024)	531
Net income—noncontrolling interests	—	—	148	—	148
Net income—controlling interests	<u>\$ 383</u>	<u>\$ 371</u>	<u>\$ 653</u>	<u>\$ (1,024)</u>	<u>\$ 383</u>

Spectra Energy Corp
Condensed Consolidating Statements of Comprehensive Income
(Unaudited)
(In millions)

	<u>Spectra Energy Corp</u>	<u>Spectra Capital</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Three Months Ended June 30, 2017					
Net income	\$ 188	\$ 172	\$ 399	\$ (461)	\$ 298
Other comprehensive income	2	—	130	—	132
Total comprehensive income, net of tax	190	172	529	(461)	430
Less: comprehensive income—noncontrolling interests	—	—	111	—	111
Comprehensive income—controlling interests.....	<u>\$ 190</u>	<u>\$ 172</u>	<u>\$ 418</u>	<u>\$ (461)</u>	<u>\$ 319</u>
Three Months Ended June 30, 2016					
Net income	\$ 149	\$ 144	\$ 333	\$ (405)	\$ 221
Other comprehensive income	1	—	56	—	57
Total comprehensive income, net of tax	150	144	389	(405)	278
Less: comprehensive income—noncontrolling interests	—	—	75	—	75
Comprehensive income—controlling interests.....	<u>\$ 150</u>	<u>\$ 144</u>	<u>\$ 314</u>	<u>\$ (405)</u>	<u>\$ 203</u>
Six Months Ended June 30, 2017					
Net income	\$ 353	\$ 311	\$ 842	\$ (935)	\$ 571
Other comprehensive income	3	—	176	—	179
Total comprehensive income, net of tax	356	311	1,018	(935)	750
Less: comprehensive income—noncontrolling interests	—	—	220	—	220
Comprehensive income—controlling interests.....	<u>\$ 356</u>	<u>\$ 311</u>	<u>\$ 798</u>	<u>\$ (935)</u>	<u>\$ 530</u>
Six Months Ended June 30, 2016					
Net income	\$ 383	\$ 371	\$ 801	\$ (1,024)	\$ 531
Other comprehensive income	2	—	360	—	362
Total comprehensive income, net of tax	385	371	1,161	(1,024)	893
Less: comprehensive income—noncontrolling interests	—	—	155	—	155
Comprehensive income—controlling interests.....	<u>\$ 385</u>	<u>\$ 371</u>	<u>\$ 1,006</u>	<u>\$ (1,024)</u>	<u>\$ 738</u>

Spectra Energy Corp
Condensed Consolidating Balance Sheet
June 30, 2017
(Unaudited)
(In millions)

	Spectra Energy Corp	Spectra Capital	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents.....	\$ —	\$ 9	\$ 237	\$ —	\$ 246
Receivables—affiliates	51	(3)	—	(18)	30
Notes receivable—current—consolidated subsidiaries.....	—	—	20	(20)	—
Receivables—other	1	—	791	—	792
Other current assets	10	(1)	427	—	436
Total current assets.....	62	5	1,475	(38)	1,504
Investments in and loans to unconsolidated affiliates.....	—	—	2,948	—	2,948
Investments in consolidated subsidiaries	9,000	16,321	—	(25,321)	—
Advances receivable—consolidated subsidiaries	—	577	384	(961)	—
Notes receivable—consolidated subsidiaries.....	—	—	2	(2)	—
Goodwill.....	—	—	4,213	—	4,213
Other assets	89	14	269	—	372
Net property, plant and equipment.....	—	—	28,435	—	28,435
Regulatory assets and deferred debits	2	3	1,637	—	1,642
Total Assets.....	<u>\$ 9,153</u>	<u>\$ 16,920</u>	<u>\$ 39,363</u>	<u>\$ (26,322)</u>	<u>\$ 39,114</u>
Accounts payable	\$ 3	\$ 2	\$ 750	\$ —	\$ 755
Accounts payable—affiliates	28	8	11	(19)	28
Commercial paper	—	—	1,555	—	1,555
Short-term borrowings—affiliates	—	856	—	(21)	835
Taxes accrued.....	1	1	133	—	135
Current maturities of long-term debt	—	500	696	—	1,196
Other current liabilities	116	49	654	—	819
Total current liabilities.....	148	1,416	3,799	(40)	5,323
Long-term debt.....	—	2,086	11,169	—	13,255
Advances payable—consolidated subsidiaries	875	—	86	(961)	—
Deferred credits and other liabilities.....	749	4,418	2,451	—	7,618
Preferred stock of subsidiaries	—	—	562	—	562
Equity					
Controlling interests.....	7,381	9,000	16,321	(25,321)	7,381
Noncontrolling interests.....	—	—	4,975	—	4,975
Total equity	7,381	9,000	21,296	(25,321)	12,356
Total Liabilities and Equity.....	<u>\$ 9,153</u>	<u>\$ 16,920</u>	<u>\$ 39,363</u>	<u>\$ (26,322)</u>	<u>\$ 39,114</u>

Spectra Energy Corp
Condensed Consolidating Balance Sheet
December 31, 2016
(Unaudited)
(In millions)

	Spectra Energy Corp	Spectra Capital	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents.....	\$ —	\$ 10	\$ 295	\$ —	\$ 305
Receivables—consolidated subsidiaries	2	—	2	(4)	—
Notes receivable—current—consolidated subsidiaries.....	—	—	388	(388)	—
Receivables—other	1	1	1,001	—	1,003
Other current assets	16	2	446	—	464
Total current assets.....	19	13	2,132	(392)	1,772
Investments in and loans to unconsolidated affiliates.....	—	—	2,780	—	2,780
Investments in consolidated subsidiaries	8,403	18,579	—	(26,982)	—
Advances receivable—consolidated subsidiaries	—	720	—	(720)	—
Notes receivable—consolidated subsidiaries.....	—	—	2,800	(2,800)	—
Goodwill.....	—	—	4,181	—	4,181
Other assets	86	18	289	—	393
Net property, plant and equipment.....	—	—	26,208	—	26,208
Regulatory assets and deferred debits	3	10	1,495	—	1,508
Total Assets.....	<u>\$ 8,511</u>	<u>\$ 19,340</u>	<u>\$ 39,885</u>	<u>\$ (30,894)</u>	<u>\$ 36,842</u>
Accounts payable	\$ 3	\$ 2	\$ 823	\$ —	\$ 828
Accounts payable—consolidated subsidiaries	—	4	—	(4)	—
Commercial paper	—	631	822	—	1,453
Short-term borrowings—consolidated subsidiaries	—	388	—	(388)	—
Taxes accrued.....	2	—	84	—	86
Current maturities of long-term debt	—	—	551	—	551
Other current liabilities	92	51	844	—	987
Total current liabilities.....	97	1,076	3,124	(392)	3,905
Long-term debt.....	—	2,886	10,738	—	13,624
Advances payable—consolidated subsidiaries	499	—	221	(720)	—
Notes payable—consolidated subsidiaries.....	—	2,800	—	(2,800)	—
Deferred credits and other liabilities.....	758	4,175	2,279	—	7,212
Preferred stock of subsidiaries	—	—	562	—	562
Equity					
Controlling interests.....	7,157	8,403	18,579	(26,982)	7,157
Noncontrolling interests.....	—	—	4,382	—	4,382
Total equity	7,157	8,403	22,961	(26,982)	11,539
Total Liabilities and Equity.....	<u>\$ 8,511</u>	<u>\$ 19,340</u>	<u>\$ 39,885</u>	<u>\$ (30,894)</u>	<u>\$ 36,842</u>

Spectra Energy Corp
Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2017
(Unaudited)
(In millions)

	Spectra Energy Corp	Spectra Capital	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income.....	\$ 353	\$ 311	\$ 842	\$ (935)	\$ 571
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	—	414	—	414
Earnings from equity investments	—	—	(130)	—	(130)
Equity in earnings of consolidated subsidiaries	(311)	(622)	—	933	—
Distributions from equity investments	—	—	80	—	80
Other	19	(279)	572	2	314
Net cash provided by operating activities.....	<u>61</u>	<u>(590)</u>	<u>1,778</u>	<u>—</u>	<u>1,249</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures	—	—	(2,323)	—	(2,323)
Investments in and loans to unconsolidated affiliates	—	—	(157)	—	(157)
Reimbursement of capital expenditures.....	—	—	163	—	163
Purchase of intangible, net.....	—	—	(107)	—	(107)
Purchases of held-to-maturity securities.....	—	—	(264)	—	(264)
Proceeds from sales and maturities of held-to-maturity securities.....	—	—	268	—	268
Purchases of available-for-sale securities.....	—	—	(91)	—	(91)
Proceeds from sales and maturities of available-for-sale securities.....	—	—	77	—	77
Distributions from equity investments.....	—	—	21	—	21
Advances to affiliates	(127)	1,048	—	(921)	—
Other changes in restricted funds	—	—	15	—	15
Other	—	—	18	—	18
Net cash used in investing activities.....	<u>(127)</u>	<u>1,048</u>	<u>(2,380)</u>	<u>(921)</u>	<u>(2,380)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issuance of long-term debt.....	—	—	400	—	400
Payments for the redemption of long-term debt.....	—	(300)	(435)	—	(735)
Net increase (decrease) in commercial paper	—	(931)	1,025	—	94
Note payable—affiliate.....	—	434	854	—	1,288
Distributions to noncontrolling interests	—	—	(155)	—	(155)
Contributions from noncontrolling interests.....	—	—	416	—	416
Proceeds from the issuances of Spectra Energy common stock.....	2	—	—	—	2
Proceeds from the issuances of SEP common units	—	—	85	—	85
Dividends paid on common stock.....	(312)	—	—	—	(312)
Distributions and advances from (to) affiliates.....	376	338	(1,635)	921	—
Other	—	—	(13)	—	(13)
Net cash provided by (used in) financing activities....	<u>66</u>	<u>(459)</u>	<u>542</u>	<u>921</u>	<u>1,070</u>
Effect of exchange rate changes on cash	—	—	2	—	2
Net increase in cash and cash equivalents	—	(1)	(58)	—	(59)
Cash and cash equivalents at beginning of period.....	—	10	295	—	305
Cash and cash equivalents at end of period	<u>\$ —</u>	<u>\$ 9</u>	<u>\$ 237</u>	<u>\$ —</u>	<u>\$ 246</u>

Spectra Energy Corp
Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2016
(Unaudited)
(In millions)

	Spectra Energy Corp	Spectra Capital	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income.....	\$ 383	\$ 371	\$ 801	\$ (1,024)	\$ 531
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	—	397	—	397
Earnings from equity investments	—	—	(49)	—	(49)
Equity in earnings of consolidated subsidiaries	(371)	(653)	—	1,024	—
Distributions from equity investments	—	—	52	—	52
Other	(43)	216	135	—	308
Net cash provided by (used in) operating activities....	(31)	(66)	1,336	—	1,239
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures	—	—	(1,520)	—	(1,520)
Investments in and loans to unconsolidated affiliates	—	—	(112)	—	(112)
Purchase of intangible, net.....	—	—	(40)	—	(40)
Purchases of held-to-maturity securities.....	—	—	(346)	—	(346)
Proceeds from sales and maturities of held-to-maturity securities.....	—	—	364	—	364
Purchases of available-for-sale securities.....	—	—	(329)	—	(329)
Proceeds from sales and maturities of available-for-sale securities.....	—	—	330	—	330
Distributions from equity investments.....	—	—	45	—	45
Distribution to equity investment	—	—	(148)	—	(148)
Advances from (to) affiliates	(50)	197	—	(147)	—
Other changes in restricted funds	—	—	11	—	11
Other	—	—	1	—	1
Net cash provided by (used in) investing activities	(50)	197	(1,744)	(147)	(1,744)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issuance of long-term debt.....	—	—	382	—	382
Payments for the redemption of long-term debt	—	—	(619)	—	(619)
Net increase (decrease) in commercial paper	—	(118)	95	—	(23)
Distributions to noncontrolling interests	—	—	(114)	—	(114)
Contributions from noncontrolling interests.....	—	—	278	—	278
Proceeds from the issuances of Spectra Energy common stock.....	868	—	—	—	868
Proceeds from the issuances of SEP common units	—	—	321	—	321
Dividends paid on common stock.....	(557)	—	—	—	(557)
Distributions and advances to affiliates.....	(231)	(12)	96	147	—
Other	1	—	(9)	—	(8)
Net cash provided by (used in) financing activities....	81	(130)	430	147	528
Effect of exchange rate changes on cash	—	—	4	—	4
Net increase in cash and cash equivalents	—	1	26	—	27
Cash and cash equivalents at beginning of period	—	1	212	—	213
Cash and cash equivalents at end of period	\$ —	\$ 2	\$ 238	\$ —	\$ 240

3. Subsequent Events

On July 3, 2017, Sabal Trail Transmission, LLC (Sabal Trail) was placed into service. As a result, Spectra Energy Partners, LP (a subsidiary of Spectra Energy) is no longer the primary beneficiary as the power to direct the activities of Sabal Trail is now shared, and Sabal Trail will be deconsolidated and accounted for under the equity method of accounting. As of June 30, 2017 and December 31, 2016, the total Sabal Trail assets and liabilities included in the Condensed Consolidated Balance Sheets were approximately \$3 billion and \$140 million, respectively.

On July 7, 2017, Spectra Energy Capital, LLC (Spectra Capital) completed a cash tender offer to purchase the principal amount of Spectra Capital's outstanding 8.0% senior unsecured notes due 2019. The principal amount tendered and accepted was \$267 million. Spectra Capital paid the consenting note holders an aggregate cash consideration of \$310 million.

On July 13, 2017, pursuant to a cash tender offer, Spectra Capital purchased the principal amount of its outstanding senior unsecured notes carrying interest rates ranging from 3.3% to 7.5%, with maturities ranging from one to 21 years. The principal amount tendered and accepted was \$761 million. Spectra Capital paid the consenting note holders an aggregate cash consideration of \$857 million.

We have evaluated significant events and transactions that occurred from July 1, 2017 through August 31, 2017, the date the Condensed Consolidated Financial Statements were issued. There were no other subsequent events, other than those discussed above.