

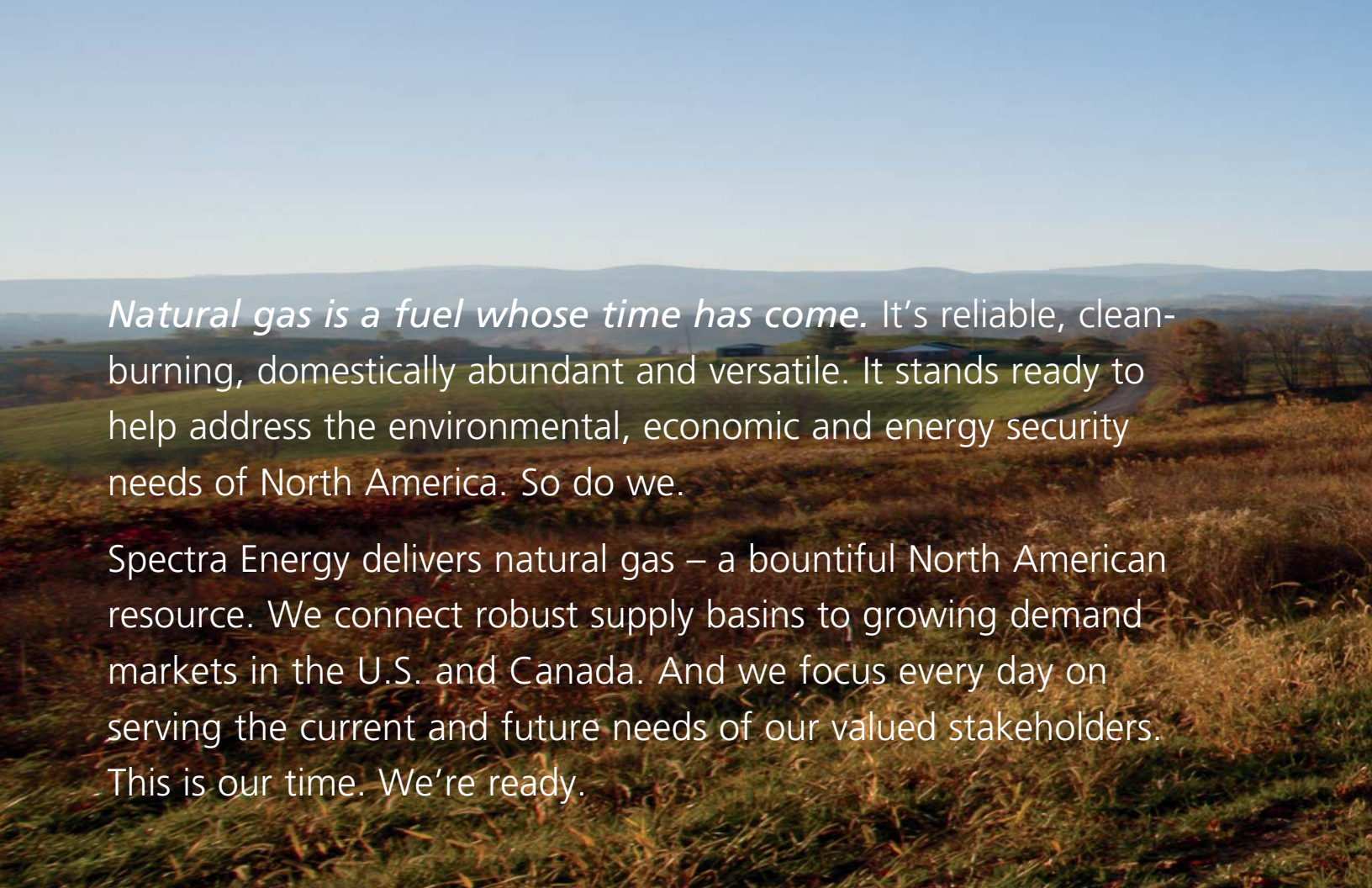
By 2012, we
will be leading
our sector in...

safety and reliability...

customer responsiveness...

and profitability.





Natural gas is a fuel whose time has come. It's reliable, clean-burning, domestically abundant and versatile. It stands ready to help address the environmental, economic and energy security needs of North America. So do we.

Spectra Energy delivers natural gas – a bountiful North American resource. We connect robust supply basins to growing demand markets in the U.S. and Canada. And we focus every day on serving the current and future needs of our valued stakeholders. This is our time. We're ready.

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Spectra Energy Corp (NYSE: SE), a *FORTUNE 500* company, is one of North America's premier natural gas infrastructure companies serving three key links in the natural gas value chain: gathering and processing, transmission and storage, and distribution. For nearly a century, Spectra Energy and its predecessor companies have developed critically important pipelines and related infrastructure connecting natural gas supply sources to premium markets. Based in Houston, Texas, the company operates in the United States and Canada with approximately 19,000 miles of transmission pipeline and more than 305 billion cubic feet of storage, as well as natural gas gathering and processing, natural gas liquids operations and local distribution assets. The company also has a 50 percent ownership in DCP Midstream, one of the largest natural gas gatherers and processors in the United States. Spectra Energy is a member of the Dow Jones Sustainability World and North America Indexes and the U.S. S&P 500 Carbon Disclosure Project's Leadership Index for both Carbon Performance and Disclosure.



On the cover: Spectra Energy's goals are embraced and championed by more than 5,500 employees across North America. Shown on the cover, clockwise from top: Michael Terry, pipeliner working at East Tennessee Natural Gas System in Glade Spring, Virginia; Arvis Hagger, senior talent representative, corporate human resources; and Chris Harvey, lead certificates and rates representative, Northeast rates and certificates.



Our goal is clear:

By 2012, Spectra Energy will be leading the North American natural gas infrastructure sector in terms of safety and reliability, customer responsiveness and profitability. We will rely on an unparalleled network of assets and people to meet our customers' energy needs and deliver long-term value.

Letter from the
President & CEO

"Tomorrow's energy imperatives are upon us. So are tremendous opportunities to invest, serve growing markets, create lasting value and help usher in a responsible new era in energy."



Letter to Shareholders

To our valued investors and stakeholders:

We are dedicating this annual report to describing our progress toward the goal of leading North America's natural gas infrastructure sector by 2012 in three vital areas: safety and reliability; customer responsiveness; and profitability.

We're looking forward because we believe in delivering energy today – and tomorrow. The signs are good: the economy is improving and the natural gas sector is strengthening at an even greater pace. As such, natural gas is positioned to play an increasingly important role in North America's energy future. These positive trends bode well for Spectra Energy investors.

Tomorrow's energy imperatives are upon us. So are tremendous opportunities to invest, serve growing markets, create lasting value and help usher in a responsible new era in energy. And we know that long-term, sustainable performance rests in our ability not only to deliver in the present, but to anticipate and act on what comes next. As our investors, you can be confident in the road ahead, because we are focusing on both the needs of today and the frontiers of opportunity ahead.

The fuel of choice

The second decade of the 21st century will become known as the era when natural gas was recognized as North America's 'fuel of choice.' In 2010, we witnessed and participated in productive discussion around the issues of energy security, infrastructure and the environmental impacts of energy consumption. While natural gas has long been a key contributor to North America's energy portfolio, it has recently moved to the forefront of public dialogue. Both the U.S. Senate and U.S. House of Representatives have established natural gas caucuses, focused on raising the profile of natural gas and advancing equitable legislative treatment. Similar advocacy efforts are under way in Canada, underlining growing government and private sector support for natural gas.

Natural gas is a fuel whose time has come. We are gratified that it is increasingly viewed as a near-term, viable option to reduce greenhouse gas emissions and deliver affordable and dependable energy to growing markets. Conservative estimates now point to 100-plus years of natural gas supply in North America, and that's good news for you, as an owner in one of the continent's largest, fastest-growing and most reliable natural gas infrastructure companies.

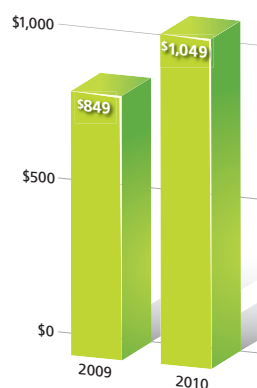
At Spectra Energy, we continue to solidify our position as 'advisor of choice,' providing leadership in numerous business and industry forums to address the energy policy issues and regulation that may affect our industry, our company and our stakeholders. Our employees understand the need to engage and have written thousands of letters to elected officials, citing the virtues of natural gas and urging them to take steps toward energy independence by making natural gas the fuel of choice for North America. Employees also encouraged members of the U.S. Congress to maintain lower taxation on the stock dividends that companies like Spectra Energy pay to investors like you. I want to thank our employees for their willingness to make their voices heard on issues important to our company, industry and future.

Financial Highlights

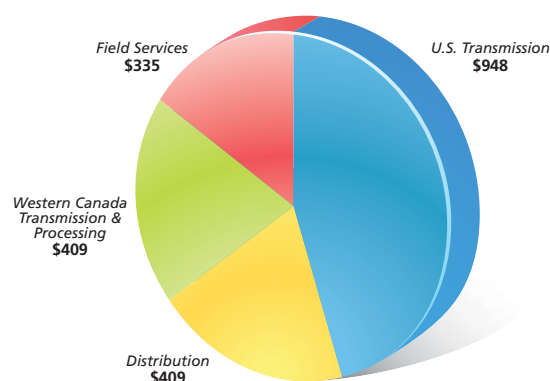
(In millions, except per share amounts and percentages)

| | 2010 | 2009 | 2008 |
|--|-----------------|-----------------|-----------------|
| Common Stock Data | | | |
| Earnings per share | | | |
| Basic | \$ 1.62 | \$ 1.32 | \$ 1.82 |
| Diluted | \$ 1.61 | \$ 1.32 | \$ 1.81 |
| Dividends per share | \$ 1.00 | \$ 1.00 | \$ 0.96 |
| Shares outstanding | | | |
| Year-end | 649 | 647 | 611 |
| Weighted average – basic | 648 | 642 | 622 |
| Weighted average – diluted | 650 | 643 | 624 |
| Income Statement | | | |
| Operating revenues | \$ 4,945 | \$ 4,552 | \$ 5,074 |
| Total reportable segment EBIT | 2,101 | 1,869 | 2,311 |
| Net income – controlling interests | 1,049 | 849 | 1,132 |
| Balance Sheet | | | |
| Total assets | \$26,686 | \$24,091 | \$21,924 |
| Total debt | 11,320 | 9,918 | 10,047 |
| Capitalization | | | |
| Common equity – controlling interests | 39% | 40% | 34% |
| Common equity – noncontrolling interests and preferred stock | 5% | 4% | 4% |
| Total debt | 56% | 56% | 62% |
| Capital and Investment Expenditures, including Acquisitions | \$ 1,848 | \$ 1,336 | \$ 2,304 |

Net Income
in millions



2010 EBIT by Business Segment
in millions



Safe and reliable operations

Our license to operate rests with the public's trust in our ability to manage existing assets and construct new facilities to the highest safety standards. Nothing is more fundamental to our success or more compelling to our employees. We'll judge our progress toward the goal of leading our sector by 2012 in safety and reliability on metrics such as achieving top-decile performance in our employee injury frequency rate, and sector-leading performance in compression reliability, line break frequency, and bringing projects into service on time and on budget.

While we're not there yet, I'm pleased with the advances we are making toward our 'zero injury or work-related illness' goal. We achieved a significant overall improvement in our 2010 safety record, with a 30 percent decline in personal injuries among employees. We continue to identify process and performance changes aimed at protecting our employees, the communities in which we operate, and the environment. Although our employee injury numbers improved last year, we still have work to do in terms of reducing the number of vehicle incidents occurring across our business and ensuring that our contractors embrace our safe work practices as their own.

The priority we place on safe, reliable operations is evident in our annual commitment of capital to maintain our existing \$17 billion in property, plant and equipment. Since 2007, we've invested more than half a billion dollars annually in maintenance and pipeline integrity. We work hard to ensure our assets are available to meet both the base and peak needs of customers, and in 2010 we achieved more than 99 percent transmission compression reliability across our system.

We pair market responsiveness and resource development with a profound sense of responsibility, and an eye toward long-term sustainability and being a 'partner of choice.' In 2010 we took steps to more closely manage our carbon footprint and reduce the environmental impacts of our operations. For the third consecutive year, Spectra Energy was named to the Dow Jones North America Sustainability Index. We were also named for the first time to the Dow Jones Sustainability World Index and led the energy sector on the 2010 Carbon Disclosure Project's Leadership Index.

Sustainability is also about the way we operate our business and care for the people affected by our operations. From hundreds of stakeholder meetings that help define our projects... to distributing 100,000 free energy saving kits per year to our Union Gas customers... to our annual Helping Hands in Action employee volunteer event – we listen and respond to communities across North America.

Our forward-looking philosophy applies to our employee team, and we commit significant focus to training, development and recruitment efforts to ensure we maintain our human capital advantage. We're working

We will know we're successful when we are the:

- *Supplier of choice for our customers*
- *Employer of choice for individuals*
- *Advisor of choice on policy and regulation for governments and regulators*
- *Partner of choice for our communities*
- *Investment opportunity of choice for investors*

hard to ensure we are the 'employer of choice' for the men and women of Spectra Energy, and in 2010 we achieved a number of significant milestones: Spectra Energy was recognized as one of Houston's Top Workplaces; and Union Gas, our distribution business, was named one of Canada's Top 100 Employers. We were recently named one of Alberta's Top 50 Employers for 2011, and were proud to have our diversity efforts recognized with a 100 percent score on the Human Rights Campaign's 2011 Corporate Equality Index.

Customer responsiveness

We are proud to serve customers and communities across North America, and we measure our customer responsiveness success in terms of contract renewal rates across all our businesses, and connecting new and existing natural gas supply sources to growing markets.

We are connected to both conventional gas supply basins and prolific unconventional gas reserves like the Appalachian Basin's Marcellus, the Horn River and Montney in Western Canada, the Eagle Ford in South Texas and many others. Our businesses in the U.S. and Canada are ideally situated to serve the fastest-growing demand markets in North America, enabling us to move quickly on emerging opportunities.

That focus on being the 'supplier of choice' was evident in 2010, when we placed half a dozen pipeline, storage and processing growth projects into service on time and on budget, for a total investment of more than \$900 million. Those facilities, ranging from Northeast British Columbia to Florida, Pennsylvania and Ontario, Canada, will provide returns well above expectations by adding some \$200 million a year in new earnings before interest and taxes.

We also solidified our leading natural gas storage position in the Gulf Coast region by acquiring a new storage development that we will build out progressively through 2015. Upon completion, the Bobcat Storage project will provide customers with numerous options to reliably manage their needs in the Southeast U.S. And we reached a significant milestone on our New Jersey – New York project, with the filing of our certificate application late last year with the Federal Energy Regulatory Commission. We continue to make good progress on that important project, which will deliver new, affordable, clean-burning natural gas supplies to consumers in New Jersey and New York.

We see abundant opportunities ahead. Over the next five years we expect to invest at least \$1 billion a year to be the 'supplier of choice' for both existing and new customers. Whether it's new infrastructure to serve the growing fleet of natural gas-fired generation in North America or new pipelines to bring domestic natural gas to factories and homes across the continent, Spectra Energy will be there.

Profitability

We know that as Spectra Energy investors, you're keenly interested in our ongoing profitability. We remain dedicated to growing our business and delivering a steady stream of value. I'm pleased by our record in this important area, and by our progress toward being the 'investment opportunity of choice' by leading our sector in profitability.

Our profitability metrics are straightforward: deliver a return on capital employed between 10 and 12 percent and rank within our sector's top quintile in total shareholder return. And, we are delivering. As investors, you realized a 2010 total shareholder return of 28 percent, compared with a 15 percent return from the S&P 500 and a 14 percent return from the Dow Jones Industrial Average. Between 2007 and 2010, we've invested \$4 billion in capital expansion for an average annual return on capital employed of 14.5 percent. You would be hard pressed to find any of our peers who can match those results. And notably, we offer investors an attractive dividend, and true to our pledge to grow the dividend as we increase earnings, Spectra Energy's board of directors increased our quarterly dividend 4 percent, to 26 cents per share, effective in the first quarter of 2011.

We are exceptionally well positioned financially, with an investment-grade balance sheet, strong ongoing cash flow, ample liquidity and excellent access to capital. Spectra Energy offers investors a number of benefits – benefits detailed in the following pages. But perhaps our greatest appeal is the fact that we profitably deliver an essential product that stands ready to address important societal needs: the need for a reliable, secure, domestic energy source; the need for economic growth; and the need for a cleaner, sustainable environment. We believe today's investors increasingly recognize the long-term value of natural gas and share our commitment to delivering on its tremendous promise. We'll deliver on that promise – and on the goals we've set for 2012 and beyond.

We are grateful to you, our long-term investors, for your ongoing trust and support. We also appreciate the engagement of our chairman and board of directors, who champion your interests every day and inspire our management team to provide the best possible results for you, our investors.

Respectfully,

A handwritten signature in dark ink, appearing to read 'Greg Ebel', with a stylized flourish at the end.

Gregory L. Ebel, *president and chief executive officer*



“Over the past several years, Spectra Energy has demonstrated its ability to excel in various market cycles and economic conditions, consistently delivering reliable, best-in-class service to customers and solid returns to shareholders.”

Dear fellow investors:

As you’ve seen in the page of financial highlights, Spectra Energy delivered strong operating and financial results in 2010. Each of our major businesses generated solid results and growing cash flows. Your company has also made excellent progress on the major initiatives and goals we’ve established that will enable Spectra Energy to lead our industry and create lasting shareholder value.

Over the past several years, Spectra Energy has demonstrated its ability to excel in various market cycles and economic conditions, consistently delivering reliable, best-in-class service to customers and solid returns to shareholders. That record of reliability and resiliency readies us for the future – a future whose fuel of choice will be natural gas, delivered by Spectra Energy, North America’s natural gas infrastructure company of choice.

I have great confidence in the men and women committed to securing that future: from president and CEO Greg Ebel, whose dedicated, dynamic leadership defines the company’s high-performance culture...to an executive team who brings integrity and deep, diverse experience to every decision and action...to employees in field locations and offices across North America who work diligently on your behalf. The shared values of the Spectra Energy team shape the character of your company.

The people of Spectra Energy stand behind a strong, diverse portfolio of businesses, assets, geography and market position. The company is ideally positioned in both growing North American demand markets and

established and emerging supply basins. The enviable scale and scope of our infrastructure assets would be nearly impossible to replicate today, making us uniquely poised to capture opportunities with speed and efficiency.

I am equally proud of Spectra Energy's record of serving communities in a responsible, sustainable manner. In his letter, Greg reports on the company's notable progress in serving the social, environmental and economic needs of communities across North America. The bar of expectations for sustainable performance rises every year, and the employees of Spectra Energy continue to deliver critically-needed energy infrastructure with a focus on safety, stewardship and community service.

Your board of directors is steadfastly committed to representing your needs and expectations. Our role is absolutely clear: to ensure that management best serves the long-term interests of shareholders and other stakeholders.

Toward that end, we've adopted principles of governance that ensure the board remains informed, independent and involved in your company. We work with your strong management team in reviewing course-setting strategy and the capital investments that will expand Spectra Energy's market presence and earnings capacity. We also assure that the corporation operates at the highest levels of transparency, compliance and ethical performance. We are vigilant in aligning CEO and executive compensation fairly and equitably in support of investor interests.

Your board met seven times in 2010. In January 2011, we were pleased to authorize a 4 percent increase in Spectra Energy's quarterly dividend, from \$0.25 per share to \$0.26 per share, effective in the first quarter of 2011. As earnings growth continues, we would expect to provide investors with future dividend increases consistent with the company's targeted payout ratio of 65 percent.

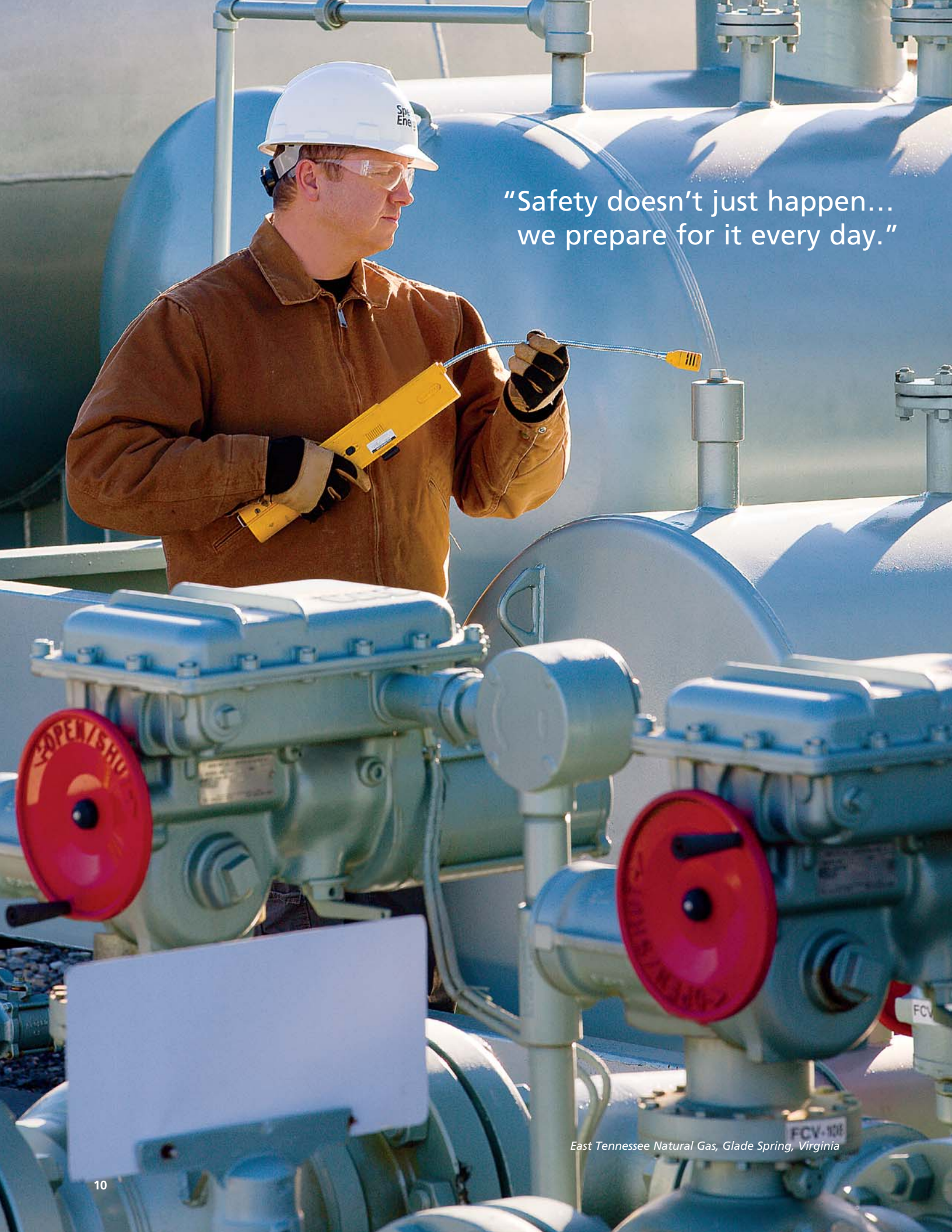
In 2010 we welcomed Joseph Netherland to our board. Joe is the former chairman of the board and CEO of FMC Technologies. He brings a wealth of business knowledge and petroleum industry experience to the company, and his wide-ranging expertise and keen insights are valuable assets to our board. With this addition, your board numbers 11 directors, who are fully committed to overseeing Spectra Energy's strategic direction and executive decision-making. We embrace that role and have great confidence in the direction, values and leadership of Spectra Energy.

This report is organized around the company's goal of leading its sector by 2012 in the areas of safety and reliability, customer responsiveness and profitability. There aren't many management teams willing to put such a tall and public stake in the ground – fewer still that I'd trust to succeed and surpass that goal. Based on their impressive record of execution and the solid foundation of management excellence, market insight, financial stability and solid values, I fully expect Greg and the Spectra Energy team to deliver on that pledge.

Thank you for sharing that confidence, and for your continued interest and support.

A handwritten signature in black ink that reads "Bill Esrey". The signature is written in a cursive, flowing style with a large, prominent "B" and "E".

William T. Esrey, chairman of the board

A full-page photograph of a male worker in a white hard hat and brown leather jacket, wearing safety glasses and gloves. He is holding a yellow handheld electronic device with a cable attached, which is plugged into a port on a large, light blue industrial tank. In the foreground, there are two large valves with red handwheels. The scene is outdoors in bright sunlight.

"Safety doesn't just happen...
we prepare for it every day."

East Tennessee Natural Gas, Glade Spring, Virginia

Leading in Safety and Reliability

Spectra Energy is committed to being a safe and reliable operator, and to environmental stewardship in every region where we operate.

Our safety efforts are guided by the vision of a 'zero injury and zero work-related illness' culture for both employees and contractors. We're making progress toward that aspiration, realizing a 30 percent reduction in the number of employee injuries in 2010. But better is never good enough when it comes to safety, so we continue our unrelenting quest to improve, learn from mistakes and near misses, prevent recurrence and enhance processes that move us toward our zero goal.

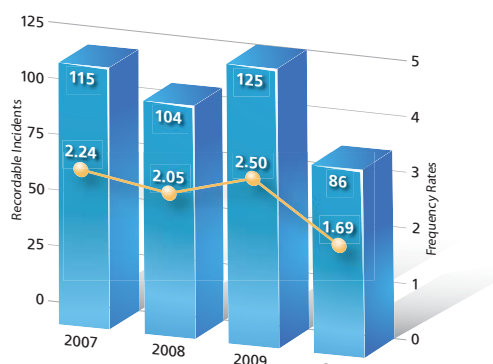
We pursue the safety of the public and our facilities with vigor, committing between \$500 to \$700 million annually in maintenance capital to ensure our assets operate to the highest standards of safety, efficiency, reliability and customer service. Our maintenance program also helps us reduce methane emissions year after year through voluntary partnership with the U.S. Environmental Protection Agency's Natural Gas STAR Program.

We monitor our pipelines continuously, through round-the-clock electronic monitoring, regular air and ground surveillance and routine maintenance inspection. We maintain open and ongoing dialogue with our project and asset neighbors, and each year we mail more than 500,000 brochures to homeowners, businesses, potential excavators and public officials along our pipeline systems to inform them of the presence of pipelines and provide important safety information.

The greatest threat to natural gas pipeline integrity is inadvertent third-party excavation damage. Spectra Energy actively participates in U.S. and Canadian One-Call systems, centralized sources of information regarding the location of buried infrastructure. We are also a sponsor of the Common Ground Alliance, a non-profit organization dedicated to shared responsibility in damage prevention to ensure public safety, environmental protection and the integrity of critical infrastructure.

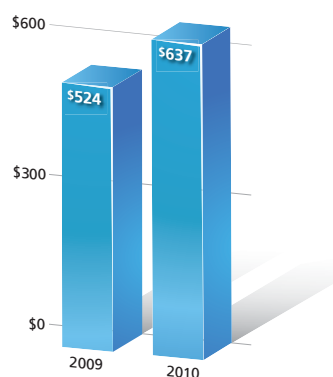


Employee Recordable Incidents & Frequency Rates



Note: Frequency rate = total number of employee incidents x 200,000 / total number of hours worked

Maintenance CapEx
dollars in millions





Pine River Processing Plant, British Columbia

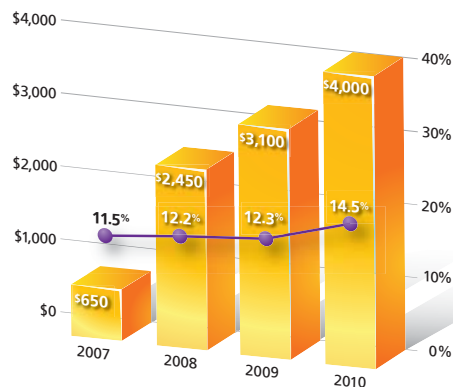


FREE Energy Saving Kit

Helping Customers Save Dollars and Resources: Since 1997, Union Gas has helped customers save an estimated \$1.6 billion through energy saving initiatives, including 820 million cubic meters of natural gas and 1.6 million tonnes of CO₂ emissions — the equivalent of taking more than 240,000 cars off North American roads.

Expansion Projects: Cumulative Capital Investments & Return on Capital Employed

dollars in millions



Note: left rule depicts cumulative capital investment;
right rule depicts return on capital employed



"Our footprint in strategic North American markets enables us to go where natural gas is needed – and to grow our assets as needed."

Construction project, East Tennessee Natural Gas System

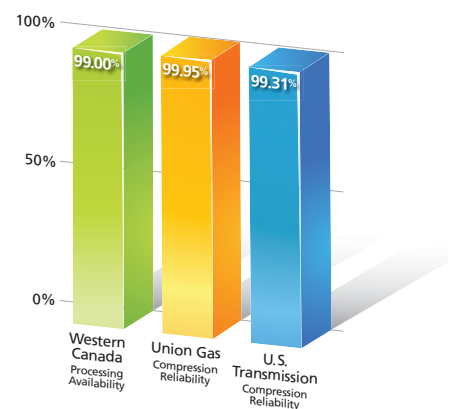
Leading in Customer Responsiveness

Spectra Energy serves a broad range of customers, including utilities, municipalities, energy merchants, producers and, through Union Gas, more than a million residential, commercial and industrial customers. We also serve the communities in which we operate through responsible corporate citizenship, volunteerism and focused corporate giving.

Our customer responsiveness is evident in our dedication to building and operating the energy infrastructure needed across North America. We're in the midst of an expansive capital program, committing more than \$1 billion annually over the next five years, and in 2010 we brought into service projects like Algonquin East to West, which allows shippers to reach growing Northeast markets; the first phase of TEMAX/TIME III, which permits shippers to receive new natural gas supplies from Western U.S. basins along our Texas Eastern system; and nine of the 10 gathering and processing projects that make up our massive Fort Nelson expansion in Western Canada. Substantially all of our projects in execution and development are supported by long-term customer contracts.

With growth comes responsibility – responsibility that begins well before a project's launch, when we reach out to stakeholders, consult with regulators, elected officials and agencies, and partner with contractors who share our focus on safety and execution excellence. And our engagement continues throughout operation and as we contribute to the economic vitality and social fabric of the communities we serve through wages, taxes, philanthropic giving and volunteerism.

2010 Reliability Rates



“Shale gas has begun to tip the scales such that experts deem its development a game changer, the most significant energy innovation of the century to date.”

Fort Nelson Processing Plant, British Columbia

Leading in Profitability

At Spectra Energy, we look at every decision and opportunity through the lens of long-term value creation. Toward that end, efficient capital deployment is essential, and we're investing more than \$1 billion annually to grow our business at industry-leading returns, increase earnings and deliver attractive dividends to our owners.

Between 2007 and 2010, we placed 47 fee-based expansion projects into service, totaling \$4 billion of investment with returns on capital employed above 14.5 percent. Our future prospects are similarly compelling: in the next five years, we plan to invest about \$5 billion in expansion projects and expect to realize incremental earnings before interest and taxes of \$500 to \$600 million for a return on capital employed in the 10 to 12 percent range.

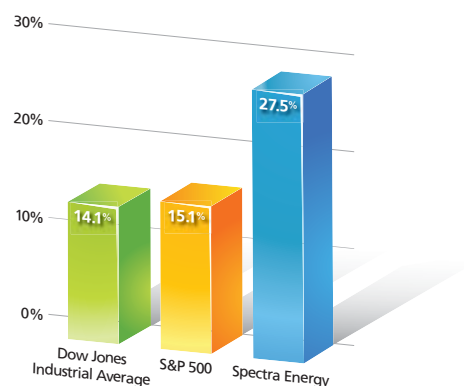
We're well positioned financially, with an investment-grade balance sheet, strong cash flow, ample liquidity and excellent access to capital. Our strong credit ratings allowed us to take advantage of 2010's attractive debt market, and we issued more than \$1 billion of debt at excellent rates.

We continue to evaluate acquisition opportunities and in 2010 completed the acquisition of the Bobcat Storage facility, which further secures our premier storage position in the U.S. Gulf Coast.

We gain additional flexibility through our master limited partnership, Spectra Energy Partners, and in 2010 completed the drop down of substantially all of our remaining interest in the Gulfstream system to Spectra Energy Partners. And we have a strong, competitive business in DCP Midstream, our 50/50 joint venture with ConocoPhillips, which provided strong cash generation, investment returns and distributions of nearly \$300 million to Spectra Energy during the year.



Total Shareholder Return 2010



Dividend Per Share Growth
in dollars



Condensed Consolidated Statements of Operations

| (In millions, except per share amounts) | Years Ended December 31, | | |
|--|--------------------------|---------|---------|
| | 2010 | 2009 | 2008 |
| Operating Revenues | | | |
| Transportation, storage and processing of natural gas | \$2,870 | \$2,565 | \$2,343 |
| Distribution of natural gas | 1,450 | 1,451 | 1,731 |
| Sales of natural gas liquids | 459 | 389 | 772 |
| Other | 166 | 147 | 228 |
| Total operating revenues | 4,945 | 4,552 | 5,074 |
| Operating Expenses | | | |
| Natural gas and petroleum products purchased | 1,056 | 1,098 | 1,586 |
| Operating, maintenance and other | 1,575 | 1,406 | 1,481 |
| Depreciation and amortization | 650 | 584 | 569 |
| Total operating expenses | 3,281 | 3,088 | 3,636 |
| Gains on Sales of Other Assets and Other, Net | 10 | 11 | 42 |
| Operating Income | 1,674 | 1,475 | 1,480 |
| Other Income and Expenses | | | |
| Equity in earnings of unconsolidated affiliates | 430 | 369 | 778 |
| Other income and expenses, net | 32 | 37 | 66 |
| Total other income and expenses | 462 | 406 | 844 |
| Interest Expense | 630 | 610 | 636 |
| Earnings From Continuing Operations Before Income Taxes | 1,506 | 1,271 | 1,688 |
| Income Tax Expense From Continuing Operations | 383 | 352 | 493 |
| Income From Continuing Operations | 1,123 | 919 | 1,195 |
| Income From Discontinued Operations, Net of Tax | 6 | 5 | 2 |
| Net Income | 1,129 | 924 | 1,197 |
| Net Income – Noncontrolling Interests | 80 | 75 | 65 |
| Net Income – Controlling Interests | \$1,049 | \$ 849 | \$1,132 |
| Earnings per Common Share | | | |
| Basic | \$ 1.62 | \$ 1.32 | \$ 1.82 |
| Diluted | \$ 1.61 | \$ 1.32 | \$ 1.81 |
| Dividends per Common Share | \$ 1.00 | \$ 1.00 | \$ 0.96 |

Condensed Consolidated Balance Sheets

| (In millions) | December 31, | |
|---|-----------------|-----------------|
| | 2010 | 2009 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 130 | \$ 166 |
| Receivables | 1,018 | 778 |
| Inventory | 287 | 321 |
| Other | 203 | 164 |
| Total current assets | 1,638 | 1,429 |
| Investments and Other Assets | | |
| Investments in and loans to unconsolidated affiliates | 2,033 | 2,001 |
| Goodwill | 4,305 | 3,948 |
| Other | 665 | 407 |
| Total investments and other assets | 7,003 | 6,356 |
| Property, Plant and Equipment, Net | 16,980 | 15,347 |
| Regulatory Assets and Deferred Debits | 1,065 | 959 |
| Total Assets | \$26,686 | \$24,091 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 369 | \$ 333 |
| Short-term borrowings and commercial paper | 836 | 162 |
| Current maturities of long-term debt | 315 | 809 |
| Other | 1,003 | 1,191 |
| Total current liabilities | 2,523 | 2,495 |
| Long-term Debt | 10,169 | 8,947 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 3,555 | 3,209 |
| Regulatory and other | 1,694 | 1,634 |
| Total deferred credits and other liabilities | 5,249 | 4,843 |
| Preferred Stock of Subsidiaries | 258 | 225 |
| Equity | | |
| Controlling interests | 7,809 | 7,041 |
| Noncontrolling interests | 678 | 540 |
| Total equity | 8,487 | 7,581 |
| Total Liabilities and Equity | \$26,686 | \$24,091 |

Condensed Consolidated Statements of Cash Flows

| (In millions) | Years Ended December 31, | | |
|---|--------------------------|---------------|---------------|
| | 2010 | 2009 | 2008 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | \$ 1,129 | \$ 924 | \$ 1,197 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 664 | 598 | 581 |
| Deferred income tax expense | 205 | 176 | 158 |
| Equity in earnings of unconsolidated affiliates | (430) | (369) | (778) |
| Distributions received from unconsolidated affiliates | 391 | 195 | 777 |
| Changes in working capital | (424) | 365 | (168) |
| Other | (127) | (129) | 38 |
| Net cash provided by operating activities | 1,408 | 1,760 | 1,805 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditures | (1,346) | (980) | (1,502) |
| Investments in and loans to unconsolidated affiliates | (10) | (61) | (528) |
| Acquisitions, net of cash acquired | (492) | (295) | (274) |
| Sales (purchases) of available-for-sale securities, net | (216) | 32 | 124 |
| Purchases of held-to-maturity securities | (49) | (121) | — |
| Net proceeds from the sales of other assets | — | — | 105 |
| Distributions received from unconsolidated affiliates | 17 | 164 | 218 |
| Receipt from affiliate – repayment of loan | — | 186 | — |
| Other | (5) | 54 | (6) |
| Net cash used in investing activities | (2,101) | (1,021) | (1,863) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net increase (decrease) in short-term borrowings, commercial paper and long-term debt | 1,152 | (670) | 1,406 |
| Dividends paid on common stock | (650) | (631) | (598) |
| Proceeds from issuances of Spectra Energy Partners LP common units | 216 | 208 | — |
| Proceeds from issuance of Spectra Energy common stock | — | 448 | — |
| Repurchases of Spectra Energy common stock | — | — | (600) |
| Contributions from (distributions to) noncontrolling interests, net | (73) | (172) | 45 |
| Other | 11 | 14 | (39) |
| Net cash provided by (used in) financing activities | 656 | (803) | 214 |
| Effect of exchange rate changes on cash | 1 | 25 | (11) |
| Net increase (decrease) in cash and cash equivalents | (36) | (39) | 145 |
| Cash and cash equivalents at beginning of period | 166 | 205 | 60 |
| Cash and cash equivalents at end of period | \$ 130 | \$ 166 | \$ 205 |

Condensed Consolidated Statements of Equity and Comprehensive Income

| (In millions) | Common Stock/ Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | | Noncontrolling Interests | Total |
|--|--|----------------------|---|----------------|-----------------------------|-----------------|
| | | | Foreign Currency Translation Adjustments | Other | | |
| December 31, 2007 | \$4,604 | \$ 356 | \$ 2,026 | \$(216) | \$ 581 | \$ 7,351 |
| Net income | — | 1,132 | — | — | 65 | 1,197 |
| Other comprehensive income (loss) | | | | | | |
| Foreign currency translation adjustments | — | — | (1,140) | — | (2) | (1,142) |
| Other, net | — | — | — | (144) | — | (144) |
| Total comprehensive income (loss) | | | | | | (89) |
| Spectra Energy common stock repurchases | (600) | — | — | — | — | (600) |
| Dividends on common stock | — | (598) | — | — | — | (598) |
| Contributions from noncontrolling interests, net | — | — | — | — | 42 | 42 |
| Purchase of Spectra Energy Income Fund units | — | — | — | — | (208) | (208) |
| Other, net | 46 | — | — | — | (8) | 38 |
| December 31, 2008 | 4,050 | 890 | 886 | (360) | 470 | 5,936 |
| Net income | — | 849 | — | — | 75 | 924 |
| Other comprehensive income | | | | | | |
| Foreign currency translation adjustments | — | — | 796 | — | 11 | 807 |
| Other, net | — | — | — | (15) | — | (15) |
| Total comprehensive income | | | | | | 1,716 |
| Dividends on common stock | — | (651) | — | — | — | (651) |
| Spectra Energy common stock issuance | 448 | — | — | — | — | 448 |
| Spectra Energy Partners LP common unit issuance | 25 | — | — | — | 168 | 193 |
| Distributions to noncontrolling interests, net | — | — | — | — | (172) | (172) |
| Other, net | 123 | — | — | — | (12) | 111 |
| December 31, 2009 | 4,646 | 1,088 | 1,682 | (375) | 540 | 7,581 |
| Net income | — | 1,049 | — | — | 80 | 1,129 |
| Other comprehensive income | | | | | | |
| Foreign currency translation adjustments | — | — | 328 | — | 16 | 344 |
| Other, net | — | — | — | (34) | — | (34) |
| Total comprehensive income | | | | | | 1,439 |
| Dividends on common stock | — | (650) | — | — | — | (650) |
| Spectra Energy Partners LP common unit issuance | 50 | — | — | — | 140 | 190 |
| Distributions to noncontrolling interests, net | — | — | — | — | (73) | (73) |
| Other, net | 31 | — | — | (6) | (25) | — |
| December 31, 2010 | \$4,727 | \$1,487 | \$ 2,010 | \$(415) | \$ 678 | \$ 8,487 |

Spectra Energy Board of Directors



William T. Esrey, Chairman

Bill Esrey chairs Spectra Energy's board of directors and is chairman emeritus of Sprint Corporation. He served as Sprint's chief executive officer from 1985 to 2003 and as that company's chairman from 1990 to 2003. He also served as chairman of Japan Telecom from 2003 to 2004. Esrey is a director of General Mills, Inc. Esrey serves on Spectra Energy's audit and corporate governance committees.



Austin A. Adams

Austin Adams is the former executive vice president and chief information officer (CIO) of JPMorgan Chase. He assumed that role in 2004, when JPMorgan Chase and Bank One Corporation merged. Before joining Bank One in 2001, Adams served as CIO for First Union Corporation. He is a director of NCO Group, owned by JPMorgan Private Equity, and Dun & Bradstreet Corporation. Adams is a member of Spectra Energy's audit and finance and risk management committees.



Paul M. Anderson

Paul Anderson served as chairman of Spectra Energy's board of directors from 2007 to 2009. He previously served in two executive roles with Duke Energy, as chairman of the board and earlier as president and chief operating officer. He also served as managing director and chief executive officer of BHP Billiton. Anderson also is a director of BP and BAE Systems. Anderson chairs Spectra Energy's finance and risk management committee.



Pamela L. Carter

Pamela Carter is president of Cummins Distribution Business. She previously served as president of Cummins Filtration, as vice president and general manager of Cummins' Europe, Middle East and Africa business and operations, and as vice president and general counsel for Cummins Inc. Prior to joining Cummins, she practiced law in the private sector and served as attorney general for the State of Indiana from 1993 to 1997. Carter is a member of the Export-Import Bank of the United States' Sub-Saharan Africa Advisory Council and a director of CSX Corporation. She is a member of Spectra Energy's compensation and corporate governance committees.



F. Anthony Comper

Tony Comper is the retired president and chief executive officer of BMO Financial Group. He was appointed to that position in February 1999 and served as chairman from July 1999 to May 2004. He previously served on the board of directors of the Bank of Montreal. Comper is a member of Spectra Energy's compensation and finance and risk management committees.



Gregory L. Ebel

Greg Ebel is president and chief executive officer of Spectra Energy. He previously served in a number of leadership roles for Spectra Energy and its predecessor companies, including chief financial officer; president of Union Gas; vice president of investor and shareholder relations; managing director of mergers and acquisitions; and vice president of strategic development. Ebel also is a member of DCP Midstream's board of directors.



Peter B. Hamilton

Peter Hamilton is the senior vice president and chief financial officer of Brunswick Corporation. He previously served Brunswick in a number of executive leadership capacities, including vice chairman, Brunswick Corporation; president, Brunswick Boat Group; president, Life Fitness Division; and president, Brunswick Bowling & Billiards. Hamilton chairs Spectra Energy's audit committee and also serves on the corporate governance committee.



Dennis R. Hendrix

Dennis Hendrix is the retired chairman of the board of PanEnergy Corp. He served as chairman from 1990 to 1997, as chief executive officer from 1990 to 1995 and as president from 1990 to 1993. He has served as a director of Duke Energy, Allied Waste Industries and Newfield Exploration Company. Hendrix chairs Spectra Energy's corporate governance committee and is a member of the compensation committee.



Michael McShane

Mike McShane is the former chairman, president and chief executive officer of Grant Prideco, Inc. He previously served as senior vice president of finance, chief financial officer and director of BJ Services Company. McShane is a director of Complete Production Services, Inc., Oasis Petroleum, Inc., and additionally serves on the board of directors for two private companies. He also serves Advent International as an advisor. McShane is a member of Spectra Energy's audit and finance and risk management committees.



Joseph H. Netherland

Joe Netherland served as chairman of FMC Technologies from December 2001 until his retirement in 2008. He also served as president of FMC Technologies from 2001 to 2006 and as chief executive officer from 2001 to 2007. He remains a director of FMC Technologies, and serves on the boards of Newfield Exploration Company and Tidewater Inc. He also serves as an advisory director of CVC Capital Partners. Netherland serves on Spectra Energy's compensation and corporate governance committees.



Michael E.J. Phelps

Michael Phelps is chairman of Dornoch Capital Inc., a private investment company. He served as president and chief executive officer of Westcoast Energy Inc. from 1988 to 1992 and as chairman and chief executive officer until 2002. He is a director of Canadian Pacific Railway Company, Prodigy Gold Inc. and Marathon Oil Corporation. Phelps chairs Spectra Energy's compensation committee and is a member of the finance and risk management committee.

Spectra Energy Leadership Team

Greg Ebel is president and chief executive officer and a member of the company's board of directors. He also serves on the board of directors of DCP Midstream.

Dorothy Ables is chief administrative officer, responsible for the company's information technology, audit services, human resources and community relations functions.

John Arensdorf is chief communications officer. He directs the company's communications with internal and external audiences, including investors, the media, employees and other stakeholders. He also oversees Spectra Energy's sustainability efforts.

Doug Bloom is president of the company's Western Canada operations, responsible for the company's western-based divisions: BC Pipeline, BC Field Services, Midstream and the Natural Gas Liquids division.

Julie Dill is president of Union Gas, one of Ontario's largest natural gas utilities. Union Gas also provides natural gas storage and transportation services to other utilities and energy market participants in Ontario, Quebec and the U.S.

Mark Fiedorek is group vice president of Southeast U.S. Transmission and Storage. He is responsible for the southern portion of Texas Eastern Transmission, East Tennessee Natural Gas, Steckman Ridge, Gulfstream Natural Gas, Southeast Supply Header, Market Hub Partners and Bobcat Storage. Fiedorek also serves on the board of directors of the company's publicly traded master limited partnership, Spectra Energy Partners.



Alan Harris is chief development and operations officer. He oversees the company's strategy, planning, corporate development and merger and acquisition activities, as well as project execution, the operations of Spectra Energy's U.S. pipeline and storage business, environment, health and safety, procurement and Spectra Energy Partners, the company's master limited partnership. He also serves on the board of directors for DCP Midstream Partners.

Reggie Hedgebeth is general counsel. As chief legal officer, he leads the company's legal and corporate secretary functions, as well as ethics and compliance, regulatory affairs and government relations.

Pat Reddy is chief financial officer. He leads the finance function, which includes the controller's office, treasury, tax, risk management and insurance. He also serves on the board of directors for DCP Midstream.

Bill Yardley is group vice president of Northeast U.S. Transmission. He is responsible for the company's Northeast U.S. assets, which include the northern portion of Texas Eastern Transmission, Algonquin Gas Transmission and Spectra Energy's interest in Maritimes & Northeast Pipeline.

Spectra Energy's Leadership Team:

The members of Spectra Energy's executive leadership team, from left:

Alan Harris, John Arensdorf, Greg Ebel, Julie Dill, Bill Yardley,

Mark Fiedorek, Dorothy Ables, Reggie Hedgebeth, Pat Reddy and Doug Bloom.



Shareholder Services

BNY Mellon Shareowner Services is the Transfer Agent and Registrar for Spectra Energy Corp common stock. Registered shareholders may direct questions about stock accounts, legal transfer requirements, address changes, dividend checks, lost certificates or other services by calling toll free 1-866-406-6840 (U.S. and Canadian callers) or 1-201-680-6578 (international callers).

Please send written requests to:

Spectra Energy Corp
c/o BNY Mellon Shareowner Services
480 Washington Blvd.
Jersey City, NJ 07310

For electronic correspondence, visit the BNY Mellon Shareowner Services Web site at www.bnymellon.com/shareowner/isd.

Stock Exchange Listing

Spectra Energy's common stock is listed on the New York Stock Exchange under the trading symbol SE.

Stock Purchase and Dividend Reinvestment Plan

The Spectra Energy Stock Purchase and Dividend Reinvestment Plan provides a simple and convenient way to purchase common stock directly through the company, without incurring brokerage fees. The Plan provides for full reinvestment, direct deposit or cash payment of dividends. Purchases may be made weekly. Additional options include bank drafts for monthly purchases and depositing certificates into the Plan for safekeeping. Visit the BNY Mellon Shareowner Services Web site at www.bnymellon.com/shareowner/isd for account management access.

Financial Publications

Spectra Energy's Securities & Exchange Commission reports and related financial publications can be found on our Web site at www.spectraenergy.com/investors. Printed copies are available on request.

Electronic Delivery

Spectra Energy encourages shareholders to enroll in electronic delivery of financial information and proxy statements. To enroll in electronic delivery, go to <http://enroll.icsdelivery.com/se>.

Duplicate Mailings

If your shares are registered in different accounts, you may receive duplicate mailings of annual reports, proxy statements and other shareholder information. Contact BNY Mellon Shareowner Services for instructions on how to combine your accounts or eliminate duplicate mailings.

Dividend Payment

Dividends on common stock are expected to be paid in March, June, September and December 2011, subject to declaration by the board of directors.

Web Site

Additional investor information may be obtained on Spectra Energy's Web site at www.spectraenergy.com.

Bond Trustee

If you have questions regarding your bond account, please call 1-800-254-2826, or address written correspondence to:

The Bank of New York Mellon Trust Company, N.A.
601 Travis Street, 16th Floor
Houston, TX 77002

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