



The company of choice...

What does it take to be the company of choice?

It takes the commitment of every employee at Spectra Energy. It takes turning up the heat... tackling challenges head-on... persistent pursuit of opportunities. It takes delivering real, sustainable results today... focusing on the future... and standing out from the crowd.

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Profile

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. Spectra Energy was recently ranked by *FORTUNE* as the world's "most admired" pipeline company.

On the Cover

Spectra Energy stands out as a leading provider of natural gas infrastructure and services thanks to the efforts of employees like Lisa Stewart, maintenance team leader at our McMahon Plant in Western Canada.

Letter from the President and CEO



Gregory L. Ebel, president and chief executive officer

Dear fellow investors:

Our second year as a stand-alone public company was one of significant achievement and progress, against a backdrop of great global change.

Clearly, not all of that change was positive. The dramatic economic collapse we witnessed – and continue to watch play out – has been harsh. Virtually all companies and individuals suffered the fallout. More repercussions will certainly surface.

Against this challenging backdrop, your company performed well. We remained focused, disciplined and on point to operate and develop the natural gas infrastructure vitally needed in North America – infrastructure that provides significant, ongoing value to our customers and investors.

We delivered on the commitments we made to you last year. More importantly, we set a forward course that will allow us to manage through the chaos and thrive when the clouds clear.

I'll return to the proactive steps we're taking to address the current economic situation, but first let's look at how we delivered on our 2008 promises.

Commitments made – commitments met

We committed to delivering earnings per share (EPS) of \$1.56 – an 11 percent increase over our 2007 EPS target. We kept that commitment – and more – achieving ongoing diluted EPS of \$1.83 and ongoing net income of \$1.14 billion.

We committed, as always, to maintaining an attractive dividend. In 2008 we increased our dividend twice, for a total increase of nearly 14 percent.

We committed to putting some \$1.5 billion in new expansion projects into service during 2008. We've kept that pledge, too, commissioning \$1.8 billion of projects during the year. Our 2008 projects will deliver annual earnings before interest and taxes (EBIT) of approximately \$225 million – higher than our original expectation of \$200 million and above our targeted range of 10 to 12 percent return on capital employed.

We committed to sustaining the environment in which we operate and the communities in which we serve. In 2008 we issued our first sustainability report, and we are proud to have been named to both the Dow Jones North America Sustainability Index and the U.S. S&P 500 Carbon Disclosure Project's Leadership Index.

We committed to focusing on the timeless business fundamentals that make us who we are: conducting safe and reliable operations and providing excellent customer service. The assets we operate – and the men and women who run them – are the heart of Spectra Energy. We devoted much time and attention to protecting that core, and we

Financial Highlights

(In millions, except per share amounts and percentages)

	2008	2007
Common Stock Data		
Earnings per share		
Basic	\$ 1.82	\$ 1.51
Diluted	\$ 1.81	\$ 1.51
Dividends per share	\$ 0.96	\$ 0.88
Shares outstanding		
Year-end	611	632
Weighted average – basic	622	632
Weighted average – diluted	624	635
Income Statement		
Operating revenues	\$ 5,074	\$ 4,704
Total reportable segment EBIT	2,311	2,108
Net income	1,129	957
Balance Sheet		
Total assets	\$21,924	\$22,970
Total debt	10,047	9,398
Capitalization		
Common equity	34%	40%
Minority interests	4%	5%
Total debt	62%	55%
Capital and Investment Expenditures	\$ 2,030	\$ 1,501

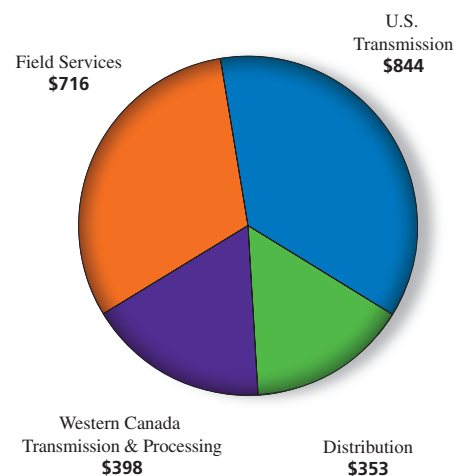
Capital and Investment Expenditures by Segment

In millions



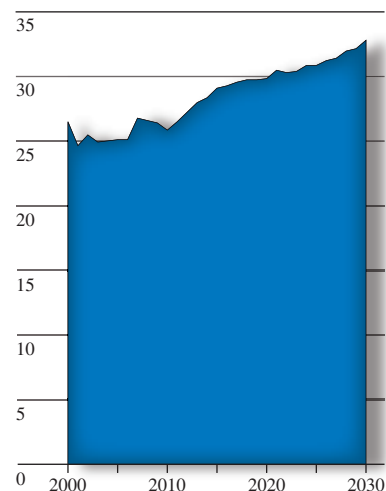
2008 EBIT by Business Segment

In millions



Estimated Natural Gas Demand Outlook

In trillion cubic feet



Source: ICF International

won't lose sight of what's important at the end of the day – that our employees and contractors return home safely, that our assets operate to the highest standards, and that our customers receive superior service.

We met all these commitments while the world around us churned, experiencing gut-wrenching events to a degree not seen in our lifetimes. Spectra Energy was not untouched by the turmoil. Like you, we were disappointed in our stock performance for the year, which fared no better than the equity markets overall.

But our resolve to be “the company of choice” for investors, employees, customers, communities, regulators and governments remains steadfast. We want to be *the choice – your choice* – in both good times and challenging times. Moreover, we believe that natural gas has an essential role to play in the economic recovery – and that Spectra Energy is positioned to capture the opportunities that will come with restored market confidence and a revitalized economy.

Our optimism is grounded in the fact that customers look to Spectra Energy as a preferred conduit to connect new and existing supply areas to premium markets. Whether it's Rockies supply arriving at Clarington, Ohio, Marcellus shale gas in Appalachia, exciting new production from Canadian basins, increased storage at our Dawn facility in Ontario or output from the three – soon to be four! – LNG terminals in the Northeast U.S., we deliver solutions.

Looking ahead

To be direct, our 2009 plans are more modest than we envisioned a year ago. Being the “company of choice” means making the right choices – at the right time and for the right reasons.

As such, we have aligned our goals with our customers' changing needs, which reflect current market realities, and have reduced our 2009 capital spending for business expansion to \$500 million. This prudent move does not significantly alter our long-term growth prospects. In fact, we fully expect to proceed with most of our planned expansion projects once we see a return to more favorable economic conditions.

We are wisely managing costs. We've reduced our salary increases and expect our personnel levels to be five percent below our original expectations for 2009. Given a smaller expansion capital budget this year, we've reduced our U.S. project contractor group by half. These actions alone should result in cash savings in 2009 of more than \$50 million.

We are focused and we're relying on long-term fundamentals: the great performance and potential of our employees; strong, consistent value from core assets; keeping our commitment to customers; unyielding business ethics; sound and flexible financial management; and a dedication to working safely, operating with excellence and delivering results.

2009 commitments

Our 2009 commitments to you fall into several categories.

We will be the supplier of choice for customers and the partner of choice for communities. In challenging times, those companies that continue to provide superior customer service and remain connected to their communities differentiate themselves. Spectra Energy will stand out in 2009 as a company committed to the long-term success of our customers and communities.

We expect to bring 10 expansion projects into service this year. The projects reach across our system, from the J-2 loop on our Algonquin pipeline that will provide greater Boston area customers with additional volumes... to the Northern Bridge expansion of our Texas Eastern system that will help Rocky Mountain suppliers move gas into major Northeast markets... to the South Peace pipeline in northeast British Columbia that will link production with existing infrastructure. Customers across North America are hungry for our service – and we will deliver.

We will be the investment opportunity of choice for investors. There are many compelling reasons to own Spectra Energy: We have an enviable, irreplaceable and increasing asset position that serves growing markets. We enjoy the advantage of financial flexibility, ongoing access to capital and an investment-grade balance sheet. We're committed to a healthy \$1 dividend per share in 2009, and with 80 percent of our expected 2009 EBIT coming from our stable, fee-based business units, we will manage through the current downturn – and grow earnings and value over the long term.

We will be the employer of choice for individuals. We are committed to developing our people and fostering an open, innovative and high-performing culture. We know investors and customers alike realize the benefits of a healthy human pipeline of skills, knowledge and leadership.

We will be the advisor of choice for governments and regulators. We will fulfill our commitment to be active, progressive participants on the energy, environmental and regulatory policy fronts – in both the U.S. and Canada. This is important work, and we believe that natural gas – under virtually any economic or political scenario – has a vital role to play in delivering clean, safe and domestically produced energy to North America. Clearly, President Obama's administration has some new perspectives on energy supply, use and sustainability, and we must work with them to ensure that any changes in energy, taxation and environmental policy or legislation do not derail the investment opportunities that our company and industry are willing to undertake to promote economic growth, employment and a secure energy future.

A lot has changed in our world and in our markets. More change is surely headed our way. I can't predict when we'll see economic recovery. What I can tell you is that opportunities will emerge – and that your company will seize those that make sense and add value. I can also tell you that this remains an extraordinary time to be in our business. Natural gas is critically needed to address both demand growth and the environmental imperative of reducing greenhouse gas emissions. Natural gas is a “fuel of choice” – and Spectra Energy will be the “company of choice.”

I am privileged to work alongside the “team of choice” – the talented men and women of Spectra Energy who deliver exemplary service and value every day.

On behalf of that team, I want to thank Fred Fowler for his tremendous contributions to launching and growing this company. He has set a high bar in terms of leadership expectations, and I will build upon that foundation. I also wish to express my gratitude to Paul Anderson for his role as chairman, and for his long-standing commitment to the success of Spectra Energy and its predecessor companies. I look forward to his ongoing contribution as a board member.

We are equally fortunate to have Bill Esrey rotate into the chairman's role. Bill's experience and knowledge, combined with that of our other board members, provides a highly valued level of counsel and support.

Finally, thank you for your ongoing commitment to ownership of this great company.

A handwritten signature in black ink, appearing to read "Greg Ebel", with a large, stylized initial "G" and a long, sweeping underline.

Gregory L. Ebel, president and chief executive officer

Spectra Energy Charter

Vision

We are Spectra Energy, North America's premier natural gas infrastructure company.

Purpose

We will create superior and sustainable value for our investors, customers, employees and communities by providing natural gas gathering, processing, transmission, storage and distribution services.

We value:

- **Stewardship** – Demonstrating a commitment to environmental responsibility and vibrant communities
- **Integrity** – Ethically and honestly doing what we say we will do
- **Respect for the Individual** – Embracing diversity and inclusion, enhanced by openness, sharing, trust, leadership, teamwork and involvement
- **Safety** – Sharing a relentless commitment to a zero work-related injury and illness culture
- **High Performance** – Achieving superior business results and stretching our capabilities
- **Win-Win Relationships** – Having relationships which focus on the creation of value for all parties
- **Initiative** – Having the courage, creativity and discipline to lead change and shape the future

We know we are 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

Letter from the Chairman



Paul M. Anderson, chairman of the board

Dear fellow investors:

It has been a pleasure and honor to serve as Spectra Energy's chairman these past two years.

Being a part of a new company is a uniquely gratifying experience. There aren't many times in your career when you can say that you were there at all the critical junctures: there when the concept was developed... there on the first day of trading... there through the start-up and the creation of new management teams, a new board, new brand, new processes – and new growth. And yes, there when times got tough, as they are today, with an economy awash in crisis and confusion.

I have been there – and been proud – at every step of Spectra Energy's evolution. Today, Spectra Energy is a fully formed company – quite capable of continuing to grow and create shareholder value, even in these most difficult times.

I am proud of our employees, who bring passion, experience and ingenuity to every aspect of our business. I'm proud, too, that Spectra Energy recognizes the value of that team

and is committed to developing new leaders, sharing knowledge across business lines, and fostering an inclusive and diverse workplace.

I am proud of our record of operational excellence and customer service. That is a hallmark of our young company and part of the DNA we carry with us from our fine predecessor companies. We have an outstanding portfolio of natural gas assets that touch key growth markets across North America. But ownership alone isn't enough. We maintain and amplify the worth of our facilities by operating them to the highest standards of safety, reliability and efficiency – and by exceeding the expectations of our customers.

I am proud of Spectra Energy's commitment to delivering high-performance results. From serving customers... to pursuing new growth projects... to operating in an ethical and transparent manner... to delivering value investors can count on, we aim to be best in class – ***and to continually best our own performance.***

Finally, I am proud of the good governance and executive transition milestones we achieved in 2008.

When we launched Spectra Energy in 2007, Fred Fowler agreed to take on the role of president and CEO, seeing us through the pivotal start-up. One of the most seasoned and respected executives in the industry, Fred assembled a top-notch management team, developed a growth strategy and created the financial structure to successfully pursue that strategy.

We are thankful to Fred for seeing us through this critical first phase and for his many years of service. Fred retired as president and CEO in January 2009, and will leave the board of directors effective May 7. He will continue to chair the board of directors for our master limited partnership, Spectra Energy Partners.

One of Fred's priority tasks was to work with the board to identify his successor and ensure a seamless transfer of that role. We engaged in an open and robust process to select our new CEO – and arrived at a unanimous decision in the appointment of Greg Ebel. Greg previously served as Spectra Energy's chief financial officer, as president of Union Gas, and in a number of leadership positions in the areas of finance, strategic development and investor relations. His background in these areas, along with his prior experience in a number of government roles, will surely benefit the company and its shareholders in the months and years ahead.

We completed assembling our full complement of directors when we welcomed Mike McShane to our board in 2008. Mike is the former chairman, president and CEO of Grant Prideco, Inc. We send a warm farewell and thank you to Roger Agnelli, who elected to leave our board last year, but who stayed with us until we could introduce Mike to our company and board. Roger's input was invaluable during our formative period.

I began this letter by expressing my pleasure at having served as chairman of your board. I conclude by passing the chairman's gavel to Bill Esrey. Bill is chairman emeritus of Sprint Corporation, and he has served our board, and those of our predecessor companies, with distinction since 1985.

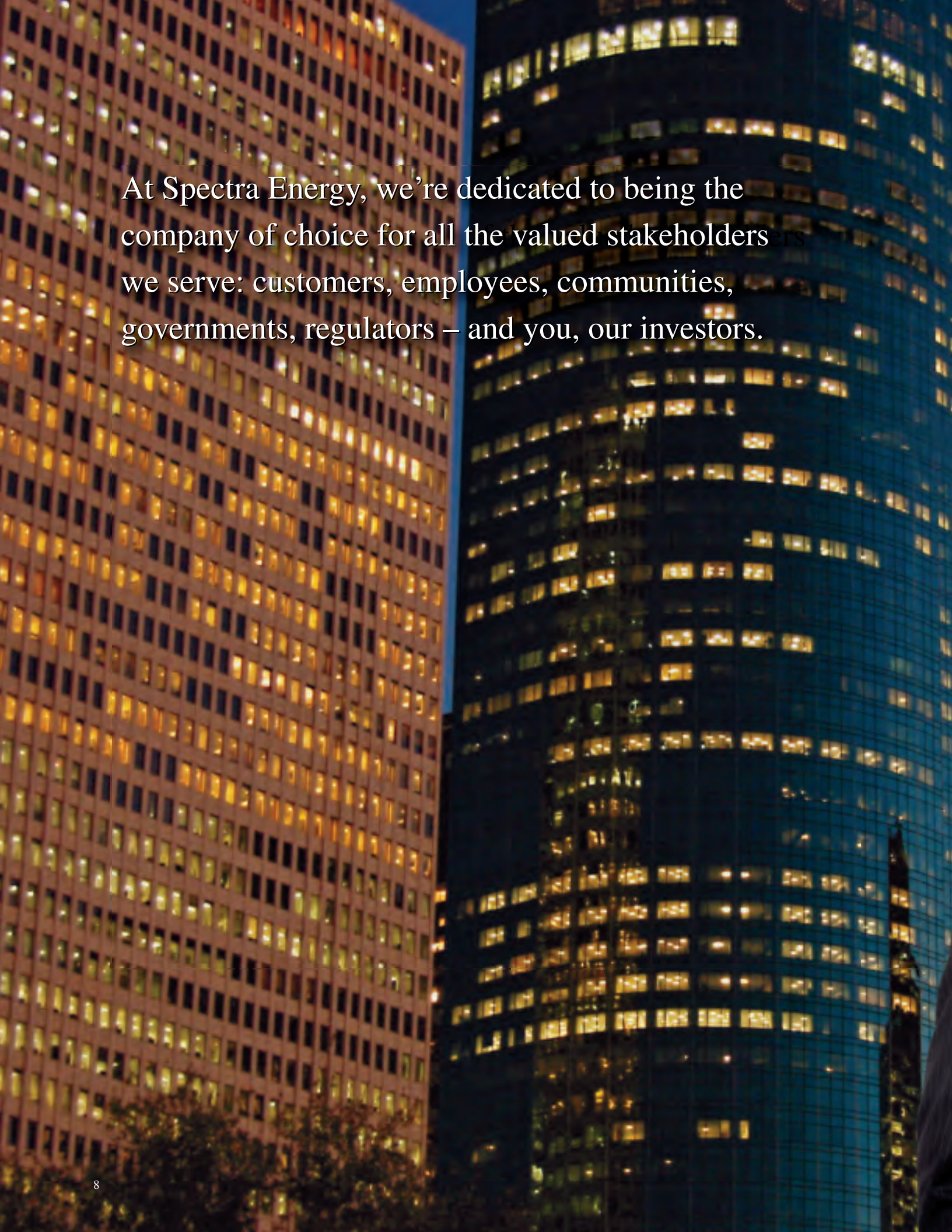
I have great confidence in Bill's leadership – and in the caliber of every member of our board. We have worked diligently to ensure that Spectra Energy has the right governance systems in place, and I believe we have been successful. We are maintaining the good practice of an independent chairman, and we are rotating that chairmanship. We will continue to bring new and diverse independent directors to our board to assure that your interests, and the interests of other stakeholders, are well represented.

This is a uniquely challenging time in our economy. It is also a period of enormous opportunity for companies that deliver critically needed, clean-burning natural gas to North American customers. Your company, Spectra Energy, is tackling the challenges and chasing the opportunities. We're committed to being the company of choice in our sector – and your investment of choice!

Thank you for your continued support and confidence. It has been an honor to serve you as chairman of the Spectra Energy board.

A handwritten signature in black ink, appearing to read "Paul M. Anderson". The signature is fluid and cursive, with the first name "Paul" being more prominent and the last name "Anderson" following in a similar style.

Paul M. Anderson, chairman of the board



At Spectra Energy, we're dedicated to being the company of choice for all the valued stakeholders we serve: customers, employees, communities, governments, regulators – and you, our investors.

Being the Supplier of Choice

Being the supplier of choice in our competitive business requires a dual focus: investing in the future while delivering results today. As you can see by our 2008 performance, we've struck the right balance.

We delivered an impressive number of expansion projects. And the projects we completed – doubling the capacity of our Maritimes & Northeast pipeline, adding gathering capacity in the Grizzly Valley for processing at our Pine River Gas Plant in British Columbia, putting the Southeast Supply Header into service, and expanding our Dawn Trafalgar transmission system and Dawn storage facilities in Ontario – will serve the needs of our customers for decades to come.

We're well positioned to meet tomorrow's growth: Our existing infrastructure cuts right through the Marcellus shale region on its way to high-demand Northeast markets. Southern Appalachian production continues to grow – seeking incremental capacity on our East Tennessee system into Southeast markets. At Union Gas, we're pursuing unregulated gas storage additions, and our Western Canadian assets are strategically situated near both conventional resource plays and shale gas plays like the Horn River and Montney.

While looking forward, we never take our eye off day-to-day operational excellence. Our highest priority is the health and safety of our team, and the protection of our assets and environment. We aim for sector-leading high performance – from both our people and our pipelines – and strive to continually improve our level of reliability, stewardship and customer service.



Spectra Energy serves premium markets across North America, including the high-density East Coast United States and Western Canada. Business unit leads like (from left) Tom O'Connor, president and CEO of DCP Midstream; Bill Yardley, group vice president, U.S. transmission – Northeast; and Doug Bloom, president, Spectra Energy Transmission West, stay one step ahead of customer needs and market opportunities.



Being the Employer of Choice

At Spectra Energy, we believe happy people create good energy. Our talented team is motivated by a shared purpose and common values – and by a culture that respects and rewards individual contributions, supports professional and personal development, and enriches the communities where we live and work.

We're focused on the future – and the future leaders who will take us there. In 2008 we celebrated our first graduating class of Rising Leaders, employees who participated in a yearlong leadership workshop through Southern Methodist University's Cox School of Business. We expanded our offering of on-line and instructor-led education opportunities, and launched a new system that enables employees to manage their own learning and career growth.

We value the diversity of our team, and we are partnering with schools and organizations that can help us expand our inclusive work environment – groups like HACE, the Hispanic Alliance for Career Enhancement; Prairie View A&M's Summer Bridge Program; and the Northern Opportunities initiative in Northeast British Columbia. We are proud to be recognized by the U.S. Anti-Defamation League as a Community of Respect™.

Happy employees are healthy employees, and we're committed to the safety and well-being of all. Every employee receives ongoing safety instruction specific to his or her role and location, along with additional training opportunities related to vehicle safety, emergency preparedness, wellness and healthy lifestyle programs.

Good people. Good energy. Great choice!

Spectra Energy is the employer of choice for more than 7,000 employees across North America, including, from left, Julian Cao, director, asset planning; Gloria Zenteno, application specialist, web and portal team; Dorothy Ables, chief administrative officer; Shamus Donahoe, account manager, marketer services; and Erika Young, director of project strategy and business development, East Tennessee Natural Gas marketing and business development.



Being the Advisor of Choice

Being the company of choice means having a voice – a trusted voice on the issues that affect our business, customers, communities and world. That's an important part of corporate citizenship and a responsibility we take seriously.

At Spectra Energy, we're focused on adding value to the policymaking process at all levels of government. We work hard to be a trusted resource, through consistent education and by offering constructive policy options to tackle today's energy, environmental and economic challenges. We believe in the power of consensus, collaborating with aligned interest groups and industry organizations. We also believe in the value of open discourse, healthy debate and reaching out to those with differing perspectives.

Knowledge is currency – and the most valuable knowledge is real-time – so we constantly monitor and analyze key issues facing our sector and society as a whole, from climate change and infrastructure access to pipeline safety and permitting. Our goal? To protect Spectra Energy's ability to build and maintain energy infrastructure in a manner that ensures both reliable customer service and a superior return for investors.

Pat Hester, Spectra Energy's interim general counsel, and Julie Dill, president of Union Gas, regularly visit with government officials and regulators on issues important to the company. Here they make a stop at the Canadian Embassy in Washington, D.C.



Being the Investment of Choice

Investment decisions today are tougher than ever. It's hard to know where to put your hard-earned dollars – harder still to watch the market move so unpredictably. Fortunately, we believe there are many good reasons to own Spectra Energy.

We have the finest assets in the business, operated by the finest team in the business. Our attractive geographic position means that customers look to us as a preferred conduit to connect growing supply areas to premium markets. We interconnect with virtually every major pipeline in the U.S. and Canada, and we're well positioned to benefit from important developing shale basins.

We have the advantage of financial flexibility, strong liquidity and a majority of earnings from fee-based businesses. And we're committed to maintaining a healthy investment-grade balance sheet and an attractive dividend.

We have the diligence and discipline to cut costs and reduce spending to align with current market realities and customer expectations. We know the ropes; we've even been up against them a few times. Experience has taught us the value of a long-term view, preparedness for all scenarios, and a constant focus on delivering dependable, high-performance results every day.

There are no easy answers in today's challenged economy. But we hope the choice of investing in Spectra Energy just got easier for you.

From left, Pat Reddy, Spectra Energy's chief financial officer, and John Arensdorf, chief communications officer, discuss the company's outlook with analyst Becca Followill, managing director with Tudor, Pickering, Holt & Co. Securities Inc.



Being the Partner of Choice

At Spectra Energy, we know we're only as strong and vibrant as the communities we serve.

Whether we're a long-standing neighbor or new to a community, we work hard to contribute positive, lasting social value. We begin by reaching out, listening and getting to know our neighbors. We operate our assets to the highest safety standards and take special care to minimize the environmental impact of our operations. And we connect with our communities through active volunteerism, spirited giving and ongoing stakeholder outreach.

In Western Canada, our support of the Northern Opportunities program helps students succeed in high school, pursue post-secondary education and build rewarding careers in the trades/technology workforce. Our Union Gas Helping Homes Conserve program assists low-income families by providing education and tools that reduce household energy costs. In every region we serve, Spectra Energy collaborates with local governments, charitable groups, nongovernmental organizations and academic institutions to build and strengthen healthy communities. Toward that end, our philanthropic giving is directed toward three key focus areas: educational attainment, community vitality and a competitive workforce.

Our greatest gift to our neighbors, of course, is the caring spirit of our employees. We proudly support their efforts by providing volunteer grants, matching dollars for charitable and non-profit donations, leadership opportunities and our annual month-long focus on volunteerism, Helping Hands in Action.

Mark Fiedorek (left), group vice president, U.S. transmission and storage – Southeast, and Alan Harris (right), chief development and operations officer, tour the Mobile, Ala. campus of Bishop State Community College with college president Dr. James Lowe (center). Bishop State was one of six community colleges to receive a \$10,000 contribution in scholarship funds for technical and vocational programs. The scholarships were awarded by Southeast Supply Header, Spectra Energy's joint venture with CenterPoint Energy.



Our Commitment to Sustainability

At Spectra Energy, we define our future by making sustainable choices – balanced business decisions that serve the economic, social and environmental interests of our stakeholders.

Since our 2007 launch, we've been developing a sustainability strategy that will leverage existing practices and improve performance across our businesses. We collected and analyzed data, set metrics, formalized our commitments and began implementation across all regions and functional areas. We committed to the following focus areas, which best support our business strategy and our stakeholders:

- Deliver superior economic results;
- Ensure strong corporate governance and business ethics;
- Operate responsibly, reliably and safely;
- Protect the environment;
- Value and energize our people; and
- Support and engage our communities.

We also published our first sustainability report, sharing meaningful information about our performance and plans.

In 2008 we were recognized for demonstrating superior transparency, accountability and disclosure around our sustainability and climate change strategies with our inclusion in the Dow Jones North America Sustainability Index and the U.S. S&P 500 Carbon Disclosure Project's Leadership Index.

Moving forward, we'll continue integrating sustainability throughout our operations and improving the transparency, precision and accountability of our reporting. These efforts will propel us on our path to becoming the company of choice. We'll appeal to customers seeking to protect their value chain. We'll attract employees looking for a company that lives its values. With our expertise in sustainable practices like energy conservation/efficiency and carbon capture and storage technology, we'll be a "go-to" advisor on key issues. We'll manage the financial and non-financial risks to our business to create superior value for investors. And we'll partner with communities, easing our entry into new markets and protecting our license to operate. In summary, our focus on sustainability has far-reaching benefits for all of our stakeholders.



Visit our company Web site at www.spectraenergy.com to learn more about our sustainability performance and strategy and to read our sustainability report.

From left, Elie Atme, director of sustainability, meets with members of the company's Sustainability Steering Team: Brianne Metzger, manager, climate change policy; Shana Eddy, senior communications specialist; and Pat Whitty, vice president, business development.






<i>2008 natural gas pipeline throughput</i>	3.6 trillion cubic feet
<i>Miles of transmission pipe</i>	18,300
<i>Miles of gathering pipe</i>	62,000
<i>Miles of distribution pipe</i>	37,000
<i>Storage capacity</i>	270 billion cubic feet
<i>Retail customers</i>	1.3 million

- ☆ Corporate Headquarters (Houston)
- Major Office Locations
- 🛢 Natural Gas Storage
- ▲ Natural Gas Liquids (NGL) Pipeline
- 🔴 Union Gas Distribution Service Area
- 🏭 BC Field Services Processing Plant
- 🏭 Western Canada Midstream Processing Plant
- 🏭 DCP Processing Plant
- 🔵 DCP Natural Gas Gathering Pipeline
- 🔵 DCP Propane Terminal
- 🔴 Texas Eastern Transmission Pipeline
- 🟠 Algonquin Gas Transmission Pipeline
- 🟡 Maritimes & Northeast Pipeline
- 🟢 Union Gas Transmission System
- 🟡 East Tennessee Natural Gas Pipeline
- 🟤 Gulfstream Natural Gas Pipeline
- 🟣 Western Canada Transmission & Processing
- ⚫ Southeast Supply Header

Spectra Energy Overview




U.S. Transmission

Spectra Energy has one of the largest natural gas transportation systems in the U.S., encompassing more than 13,800 miles of transmission pipelines and 115 billion cubic feet (Bcf) of storage capacity. Spectra Energy owns an 84 percent interest in Spectra Energy Partners (NYSE: SEP), its natural gas transmission and storage master limited partnership.

Algonquin Gas Transmission	The Algonquin pipeline in New England transports up to 2.5 Bcf of natural gas per day through more than 1,100 miles of pipeline.
East Tennessee Natural Gas	East Tennessee, wholly owned by Spectra Energy Partners, delivers up to 1.5 Bcf per day through more than 1,500 miles of pipeline in the Southeast.
Gulfstream Natural Gas System	A partnership of Spectra Energy, Spectra Energy Partners and Williams, Gulfstream is the largest pipeline in the Gulf of Mexico, delivering up to 1.1 Bcf per day via 745 miles of pipeline in Florida.
Maritimes & Northeast Pipeline	The Maritimes pipeline delivers up to 440 million cubic feet per day of natural gas in the U.S. Northeast and up to 530 million cubic feet per day in Canada. The 900-mile pipeline system is jointly owned by Spectra Energy, Emera and ExxonMobil.
Southeast Supply Header	SESH links the onshore natural gas supply basins of East Texas and northern Louisiana to Southeast markets. The 274-mile pipeline, which has the capacity to transport 1 Bcf per day, is jointly owned by Spectra Energy and CenterPoint Energy.
Storage Services 	Spectra Energy has significant gas reservoir and salt cavern natural gas storage capabilities. Our storage assets are strategically located in both supply and market areas.
Texas Eastern Transmission	Texas Eastern transports up to 6.7 Bcf per day to high-demand markets in the Northeast. The pipeline comprises 8,700 miles of onshore pipe and 100 miles of pipe into the Gulf of Mexico.

Western Canada Transmission & Processing

Focused on the midstream natural gas and gas liquids value chain, Spectra Energy's Western Canadian portfolio constitutes one of the largest natural gas midstream businesses in Canada.

BC Pipeline	BC Pipeline's 1,800 miles of pipeline are capable of transporting 2.2 Bcf per day.
BC Field Services 	Gathering raw natural gas from diverse supply sources, such as the Yukon, southern Northwest Territories, Alberta and northern British Columbia, BC Field Services has 1,500 miles of gathering pipelines and five processing facilities, with a processing capacity of 2.1 Bcf per day.
Midstream 	Our Western Canada midstream business has 11 natural gas gathering and processing facilities with a capacity of more than 687 million cubic feet per day and 600 miles of raw gas gathering pipelines.
Empress 	Our Empress system includes natural gas liquids (NGL) extraction, fractionation, transportation, storage and marketing operations. Facilities have the capacity for 2.4 Bcf per day of NGL extraction and 63,000 barrels per day of NGL fractionation, and include a 600-mile NGL pipeline and 4 million barrels of underground NGL storage.

Distribution

Through Union Gas, we offer natural gas distribution service to about 1.3 million commercial, industrial and residential customers in Ontario, as well as storage, transportation and related services for utilities and other energy market participants in Ontario, Quebec and the U.S. Union Gas operates 37,000 miles of distribution main and service pipelines, and has a working storage capacity of approximately 155 Bcf.

Field Services

DCP Midstream is one of the largest natural gas gatherers and processors, the largest NGL producer and one of the largest NGL marketers in the U.S. DCP Midstream is a 50-50 joint venture of Spectra Energy and ConocoPhillips.

Condensed Consolidated Statements of Operations

	Years Ended December 31,		
(In millions, except per share amounts)	2008	2007	2006
Operating Revenues			
Transportation, storage and processing of natural gas	\$2,343	\$2,200	\$2,095
Distribution of natural gas	1,731	1,664	1,623
Sales of natural gas liquids	772	601	531
Other	228	239	252
Total operating revenues	5,074	4,704	4,501
Operating Expenses			
Natural gas and petroleum products purchased	1,586	1,416	1,435
Operating, maintenance and other	1,481	1,357	1,397
Depreciation and amortization	569	518	482
Total operating expenses	3,636	3,291	3,314
Gains on Sales of Other Assets and Other, Net	42	13	47
Operating Income	1,480	1,426	1,234
Other Income and Expenses			
Equity in earnings of unconsolidated affiliates	778	596	609
Other income and expenses, net	66	53	127
Total other income and expenses	844	649	736
Interest Expense	636	633	605
Minority Interest Expense	63	62	40
Earnings From Continuing Operations Before Income Taxes	1,625	1,380	1,325
Income Tax Expense From Continuing Operations	496	440	393
Income From Continuing Operations	1,129	940	932
Income From Discontinued Operations, Net of Tax	—	17	312
Net Income	\$1,129	\$ 957	\$1,244
Earnings per Common Share			
Basic	\$ 1.82	\$ 1.51	(a)
Diluted	\$ 1.81	\$ 1.51	(a)
Dividends per Common Share	\$ 0.96	\$ 0.88	(a)

^(a) not applicable

Condensed Consolidated Balance Sheets

	December 31,	
(In millions)	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 214	\$ 94
Receivables	795	907
Inventory	279	287
Other	162	91
Total current assets	1,450	1,379
Investments and Other Assets		
Investments in and loans to unconsolidated affiliates	2,152	1,780
Goodwill	3,381	3,948
Other	417	631
Total investments and other assets	5,950	6,359
Property, Plant and Equipment, Net	13,639	14,300
Regulatory Assets and Deferred Debits	885	932
Total Assets	\$21,924	\$22,970
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 285	\$ 363
Short-term borrowings and commercial paper	936	715
Current maturities of long-term debt	821	338
Other	1,002	1,006
Total current liabilities	3,044	2,422
Long-term Debt	8,290	8,345
Deferred Credits and Other Liabilities		
Deferred income taxes	2,789	2,883
Regulatory and other	1,566	1,657
Total deferred credits and other liabilities	4,355	4,540
Minority Interests	695	806
Stockholders' Equity	5,540	6,857
Total Liabilities and Stockholders' Equity	\$21,924	\$22,970

Condensed Consolidated Statements of Cash Flows

(In millions)	Years Ended December 31,		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 1,129	\$ 957	\$ 1,244
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	581	534	606
Gains on sales of investments and other assets	—	—	(509)
Deferred income tax expense	161	110	104
Minority interest expense	63	71	60
Equity in earnings of unconsolidated affiliates	(778)	(596)	(712)
Distributions received from unconsolidated affiliates	777	569	707
Changes in working capital	(168)	(132)	472
Other	40	(46)	(1,278)
Net cash provided by operating activities	1,805	1,467	694
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,502)	(1,202)	(987)
Investments in and loans to unconsolidated affiliates	(528)	(285)	(87)
Acquisition of Spectra Energy Income Fund	(274)	—	—
Sales (purchases) of available-for-sale securities, net	124	(145)	485
Net proceeds from the sales of equity investments and other assets	105	15	2,279
Settlement of net investment hedges and other investing derivatives	—	—	(163)
Distributions received from unconsolidated affiliates	218	87	152
Other	(31)	(14)	(110)
Net cash provided by (used in) investing activities	(1,888)	(1,544)	1,569
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings, commercial paper and long-term debt, net	1,406	168	398
Dividends paid	(598)	(558)	—
Proceeds from issuances of subsidiary stock	—	230	104
Distributions and advances to parent	—	—	(2,450)
Cash associated with operations transferred to Duke Energy Corporation	—	—	(427)
Repurchases of Spectra Energy common shares	(600)	—	—
Other	6	(31)	(79)
Net cash provided by (used in) financing activities	214	(191)	(2,454)
Effect of exchange rate changes on cash	(11)	63	(1)
Net increase (decrease) in cash and cash equivalents	120	(205)	(192)
Cash and cash equivalents at beginning of period	94	299	491
Cash and cash equivalents at end of period	\$ 214	\$ 94	\$ 299

Condensed Consolidated Statements of Stockholders' Equity and Comprehensive Income

(In millions)	Common Stock/ Paid-in Capital	Retained Earnings/ Member's Equity	Accumulated Other Comprehensive Income		Total
			Foreign Currency Translation Adjustments	Other	
December 31, 2005	\$ —	\$10,848	\$ 783	\$ (127)	\$11,504
Net income	—	1,244	—	—	1,244
Other comprehensive income					
Foreign currency translation adjustments	—	—	106	—	106
Transfers to affiliates	—	—	267	40	307
Other, net	—	—	—	20	20
Total comprehensive income					1,677
Transfers to affiliates	—	(4,474)	—	—	(4,474)
Advances, distributions and contributions with parent, net	—	(3,000)	—	—	(3,000)
Other, net	—	(20)	—	(48)	(68)
December 31, 2006	—	4,598	1,156	(115)	5,639
Net income	—	957	—	—	957
Other comprehensive income					
Foreign currency translation adjustments	—	—	877	—	877
Other, net	—	—	—	12	12
Total comprehensive income					1,846
Conversion to Spectra Energy Corp	4,598	(4,598)	—	—	—
Transfer of net assets and liabilities from Duke Energy Corporation	12	—	—	(100)	(88)
Dividends on common stock	—	(558)	—	—	(558)
Other, net	49	(31)	—	—	18
December 31, 2007	4,659	368	2,033	(203)	6,857
Net income	—	1,129	—	—	1,129
Other comprehensive income					
Foreign currency translation adjustments	—	—	(1,152)	—	(1,152)
Other, net	—	—	—	(142)	(142)
Total comprehensive income					(165)
Common stock repurchases	(600)	—	—	—	(600)
Dividends on common stock	—	(598)	—	—	(598)
Other, net	46	—	—	—	46
December 31, 2008	\$4,105	\$ 899	\$ 881	\$ (345)	\$ 5,540

Spectra Energy Board of Directors



Paul M. Anderson

Paul Anderson chairs Spectra Energy's board of directors and previously served as chairman of Duke Energy. Prior to the merger of Duke Energy and Cinergy Corp. in 2006, Anderson served as chairman and chief executive officer of Duke Energy. He also served as managing director and chief executive officer of BHP Billiton from 1998 until his retirement in 2002. He continues to serve on BHP Billiton's board of directors. Anderson will retire from the role of chairman of Spectra Energy's board effective May 7, 2009, but will remain as a director.



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, now Wachovia Corp. He is a director of NCO Group, owned by JPMorgan Private Equity, and Dun & Bradstreet Corporation.



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.



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.



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 is also a member of DCP Midstream's board of directors.



William T. Esrey

Bill Esrey 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. He will assume the role of chairman of Spectra Energy's board effective May 7, 2009.

**Fred J. Fowler**

Fred Fowler retired as president and chief executive officer of Spectra Energy on Jan. 1, 2009. Fowler led the successful spin-off of Spectra Energy from Duke Energy in 2007, and previously served in a number of executive capacities with Duke Energy and its predecessor companies, including group executive and president of Duke Energy Gas. He chairs the board of directors for Spectra Energy Partners, a master limited partnership formed by Spectra Energy to own and operate natural gas transportation and storage assets. He will retire from Spectra Energy's board of directors effective May 7, 2009.

**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 of Brunswick Corporation; president, Brunswick Boat Group; president, Life Fitness division; and president, Brunswick Bowling & Billiards.

**Dennis R. Hendrix**

Dennis Hendrix is the retired chairman of the board of PanEnergy Corp. He served as chairman from 1990 to 1997, chief executive officer from 1990 to 1995, and as president from 1990 to 1993. He has served as a director of Duke Energy and currently serves on the board of Newfield Exploration Company.

**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 also a director of Complete Production Services, Inc.

**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, Kodiak Exploration Ltd. and Marathon Oil Corporation.

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 1-212-815-3700 (international callers).

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

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 for account management access.

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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 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 2009, 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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Spectra Energy Leadership

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Dorothy M. Ables, *chief administrative officer*

John R. Arensdorf, *chief communications officer*

Douglas P. Bloom, *president, Spectra Energy Transmission West*

Allen C. Capps, *vice president and treasurer*

Julie A. Dill, *president, Union Gas*

R. Mark Fiedorek, *group vice president, U.S. transmission and storage – Southeast*

Sabra L. Harrington, *vice president and controller*

Alan N. Harris, *chief development and operations officer*

Patrick J. Hester, *interim general counsel*

J. Patrick Reddy, *chief financial officer*

William T. Yardley, *group vice president, U.S. transmission – Northeast*



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