

DISCONTINUED OPERATIONS

In 2006, the Company recognized income from discontinued operations of \$28 million, reflecting bankruptcy settlements with Mirant related to TransCanada's Gas Marketing business divested in 2001. In 2005, the Company reviewed the provision for loss on discontinued operations and concluded that the provision was adequate. In 2004, \$52 million was recognized in income which related to the original \$102 million after-tax deferred gain included in the sale of the Gas Marketing business.

LIQUIDITY AND CAPITAL RESOURCES

Summarized Cash Flow

Year ended December 31 (millions of dollars)

	2006	2005	2004
Funds generated from operations	2,378	1,951	1,703
(Increase)/decrease in working capital	(303)	(49)	29
Net cash provided by operations	2,075	1,902	1,732
Net cash used in investing activities	(2,116)	(1,336)	(1,648)
Net cash provided by/(used in) financing activities	219	(556)	(150)
Effect of foreign exchange rate changes on cash and short-term investments	9	11	(87)
Increase/(decrease) in cash and short-term investments	187	21	(153)
Cash and short-term investments – beginning of year	212	191	344
Cash and short-term investments – end of year	399	212	191

HIGHLIGHTS

Investing Activities

- At December 31, 2006, total capital expenditures and acquisitions, including assumed debt, were approximately \$7.0 billion over the past three years.

Dividend

- TransCanada's Board of Directors declared a \$0.34 per common share dividend for the quarter ending March 31, 2007.
- In January 2007, TransCanada's Board of Directors authorized the issue of common shares from treasury at a two per cent discount under the Company's DRP, beginning with the dividend payable April 30, 2007 to shareholders of record at March 30, 2007.