

CORPORATE

CORPORATE RESULTS			
Year ended December 31 (millions of dollars)			
	2008	2007	2006
Indirect financial charges and non-controlling interests	291	248	136
Interest income and other	(9)	(83)	(31)
Income taxes	(180)	(120)	(72)
Comparable Expenses⁽¹⁾	102	45	33
Income tax reassessments and adjustments	(26)	(68)	(72)
Net Expenses/(Earnings), after income taxes	76	(23)	(39)

⁽¹⁾ Refer to the " Non-GAAP Measures" section of this MD&A for further discussion of comparable earnings.

Corporate reflects net expenses not allocated to specific business segments, including:

- **Indirect Financial Charges and Non-Controlling Interests** Direct financial charges are reported in their respective business segments and are associated primarily with debt and preferred securities related to the Company's wholly owned natural gas pipelines. Indirect financial charges, including the related foreign exchange impacts, reside mainly in Corporate. These costs are influenced directly by the amount of debt the Company maintains, the degree to which the Company is affected by fluctuations in interest and foreign exchange rates and the amount of interest capitalized for projects under construction.
- **Interest Income and Other** Interest Income and Other includes interest earned on invested cash balances and income tax refunds. Also included are foreign exchange gains and losses related to translation of foreign-denominated working capital and derivatives used to manage the Company's exposure to U.S. dollar net income.
- **Income Taxes** Income tax recoveries includes income taxes calculated on Corporate's net expenses as well as income tax refunds, reassessments and adjustments that have not been excluded for comparable earnings purposes.

CORPORATE – FINANCIAL RESULTS

Net expenses in Corporate were \$76 million in 2008 compared to net earnings of \$23 million and \$39 million in 2007 and 2006, respectively.

Corporate's net expenses in 2008 included favourable income tax reassessments and adjustments of \$26 million compared to \$68 million in 2007. Excluding these income tax adjustments, Corporate's comparable expenses increased \$57 million in 2008 compared to 2007. The increase in comparable expenses was primarily due to net unrealized losses of \$39 million after tax from changes in the fair value of derivatives, which are used to manage the Company's exposure to rising interest rates but do not qualify as hedges for accounting purposes. The fair value of these derivatives was negatively impacted as interest rates dropped to historic lows late in fourth quarter 2008. In addition, higher financial charges resulting from financing the Company's 2008 capital program, including the Ravenswood acquisition, and higher losses from the change in fair value of derivatives used to manage the Company's exposure to foreign exchange rate fluctuations were partially offset by increased capitalization of interest to finance a larger capital spending program. The losses from the foreign exchange derivatives were partially offset by the positive impact of a stronger U.S. dollar reported in the Pipelines and Energy businesses.

Corporate's net earnings in 2007 and 2006 included favourable income tax reassessments and adjustments of \$68 million and \$72 million, respectively. Excluding these income tax adjustments, Corporate's comparable expenses increased \$12 million in 2007 compared to 2006. Net unrealized gains from the change in fair value of derivatives used

to manage the Company's exposure to foreign exchange rate fluctuations and the impact of positive tax rate differentials were more than offset by higher financial charges resulting primarily from financing the ANR acquisition and additional ownership interest in Great Lakes.

CORPORATE – OUTLOOK

Corporate's net expenses in 2008 included certain favourable income tax reassessments and other impacts, including the \$39 million net unrealized losses on interest rate derivatives, that are not expected to recur in 2009. Financing costs associated with debt issued in 2008 and 2009, and together with additional debt expected to be issued in 2009 to partially finance the Company's capital programs are expected to increase financial charges in Corporate in 2009. However, the increased charges are expected to be primarily offset by capitalized interest for projects under construction. Corporate's results could also be affected by debt levels, interest rates, foreign exchange rates and income tax refunds and adjustments. The performance of the Canadian dollar relative to the U.S. dollar will influence Corporate's results, although this impact is primarily mitigated by offsetting U.S.-dollar exposures in certain of TransCanada's other businesses and by the Company's hedging activities.

DISCONTINUED OPERATIONS

The \$28 million income from discontinued operations in 2006 reflected bankruptcy settlements with Mirant related to TransCanada's Gas Marketing business, which was sold in 2001.

LIQUIDITY AND CAPITAL RESOURCES

Global financial markets are in turmoil, however, TransCanada's financial position and ability to generate cash from its operations in the short and long term to provide liquidity and to maintain financial capacity and flexibility to provide for planned growth remains sound and consistent with recent years. TransCanada's liquidity position remains solid, underpinned by highly predictable cash flow from operations, significant cash balances on hand from recent securities issues, as well as committed revolving bank lines of US\$1.0 billion, \$2.0 billion and US\$300 million, maturing in November 2010, December 2012 and February 2013, respectively. To date, no draws have been made on these facilities as TransCanada has continued to have largely uninterrupted access to the Canadian commercial paper market on competitive terms. An additional \$50 million and US\$320 million of capacity remains available on committed bank facilities at TransCanada-operated affiliates with maturity dates from 2010 through 2012. TransCanada further strengthened its liquidity and financial position through additional financing transactions in 2008 and early 2009, as discussed below. TransCanada's liquidity, market and other risks are discussed further in the "Risk Management and Financial Instruments" section of this MD&A.

SUMMARIZED CASH FLOW

Year ended December 31 (*millions of dollars*)

	2008	2007	2006
Funds generated from operations ⁽¹⁾	3,021	2,621	2,378
(Increase)/decrease in operating working capital	(181)	215	(303)
Net cash provided by operations	2,840	2,836	2,075

⁽¹⁾ Refer to the "Non-GAAP Measures" section of this MD&A for further discussion of funds generated from operations.