FOURTH QUARTER 2008 HIGHLIGHTS

CONSOLIDATED RESULTS OF OPERATIONS
Reconciliation of Comparable Earnings to Net Income

(unaudited) *(millions of dollars except per share amounts)*	**2008**	2007
Pipelines	**210**	202
Energy		
Comparable earnings[1]	**147**	104
Specific items (net of tax, where applicable):		
Fair value adjustments of natural gas storage inventory and forward contracts	**6**	10
Gain on sale of land	**–**	14
Income tax adjustments	**–**	30
Net income	**153**	158
Corporate		
Comparable expenses[1]	**(86)**	(9)
Specific item:		
Income tax reassessments and adjustments	**–**	26
Net (expenses)/income	**(86)**	17
Net Income	**277**	377
Net Income Per Share		
Basic	**$0.47**	$0.70
Diluted	**$0.46**	$0.70
Comparable Earnings[1]	**271**	297
Specific items (net of tax, where applicable):		
Fair value adjustments of natural gas storage inventory and forward contracts	**6**	10
Gain on sale of land	**–**	14
Income tax reassessments and adjustments	**–**	56
Net Income	**277**	377
Comparable Earnings Per Share[1]	**$0.46**	$0.55
Specific items – per share:		
Fair value adjustments of natural gas storage inventory and forward contracts	**0.01**	0.02
Gain on sale of land	**–**	0.03
Income tax reassessments and adjustments	**–**	0.10
Net Income Per Share	**$0.47**	$0.70

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

TransCanada's net income in fourth quarter 2008 was $277 million or $0.47 per share compared to $377 million or $0.70 per share in fourth quarter 2007. Net income decreased primarily due to increased net expenses from Corporate, which included unrealized losses of $39 million after tax or $0.07 per share in fourth quarter 2008, for 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. Corporate's net expenses also increased in fourth quarter 2008 compared to fourth quarter 2007 as a result of higher charges for financing the Company's 2008 capital program, including the Ravenswood acquisition, and higher unrealized gains in 2007 for changes in the fair value of derivatives used to manage the Company's exposure to foreign exchange rate fluctuations. Earnings from the Pipelines business increased in fourth quarter 2008 compared to fourth quarter 2007 primarily due to earnings recognized from a 2008 revenue requirement settlement for the Alberta System and increased earnings for PipeLines LP, partially offset by the inclusion in earnings in fourth quarter 2007 for a rate case settlement for GTN. Earnings from the Energy business were slightly lower in fourth quarter 2008 compared to fourth quarter 2007 as increases in Western Power, Eastern Power and Bruce Power were more than offset by a decrease in earnings from Natural Gas Storage in 2008 and favourable income tax adjustments that were included in fourth quarter 2007. Western Power earnings increased significantly in fourth quarter 2008 compared to fourth quarter 2007 primarily due to increased margins from the Alberta power portfolio. Energy's earnings in fourth quarter 2008 and 2007 included $6 million after tax ($7 million pre-tax) and $10 million after tax ($15 million pre-tax), respectively, of net unrealized gains resulting from changes in the fair value of proprietary natural gas storage inventory and natural gas forward purchase and sale contracts. Energy's earnings in fourth quarter 2007 also included a $14 million after-tax ($16 million pre-tax) gain on the sale of land. Net income for fourth quarter 2007 included $56 million ($30 million in Energy and $26 million in Corporate) of favourable income tax adjustments as a result of changes in Canadian federal income tax legislation. On a per share basis, the $0.23 decrease in earnings in fourth quarter 2008 compared to fourth quarter 2007 was also due to an increased number of shares outstanding following the Company's share issuances in 2008.

Comparable earnings in fourth quarter 2008 were $271 million or $0.46 per share compared to $297 million or $0.55 per share for the same period in 2007. Comparable earnings in fourth quarter 2008 and 2007 excluded the $6 million and $10 million, respectively, of net unrealized gains resulting from changes in fair value of proprietary natural gas storage inventory and natural gas forward purchase and sale contracts. Comparable earnings in fourth quarter 2007 also excluded the $56 million of favourable income tax adjustments and $14 million gain on the sale of land.

The Pipelines business generated net income and comparable earnings of $210 million in fourth quarter 2008, an increase of $8 million compared to net income and comparable earnings of $202 million in fourth quarter 2007.

Canadian Mainline's net income for fourth quarter 2008 increased $2 million, compared to the same period in 2007 primarily due to higher performance-based incentives earned, increased OM&A cost savings and a higher ROE, as determined by the NEB, of 8.71 per cent in 2008 compared to 8.46 per cent in 2007. These increases were partially offset by a lower average investment base.

The Alberta System's net income in fourth quarter 2008 was $48 million compared to $41 million in fourth quarter 2007. Earnings increased primarily due to the recognition of earnings related to the revenue requirement settlement in fourth quarter 2008. Earnings in 2007 reflected an approved ROE of 8.51 per cent on a deemed common equity of 35 per cent.

ANR's net income in fourth quarter 2008 was $38 million compared to $35 million in fourth quarter 2007. The increase in fourth quarter 2008 was primarily due to higher revenues from new growth projects and the positive impact of a stronger U.S. dollar. These increases were partially offset by higher OM&A costs, including Hurricane Ike remediation costs.

GTN's comparable earnings in fourth quarter 2008 decreased $16 million compared to the same period in 2007. The decrease was primarily due to the positive impact of the rate case settlement included in fourth quarter 2007, partially offset by decreased OM&A expenses.

TransCanada's proportionate share of net income from Other Pipelines was $29 million for the three months ended December 31, 2008 compared to $16 million for the same period in 2007. Other Pipelines' earnings increased in fourth quarter 2008 primarily due to lower support costs, higher PipeLines LP and Tamazunchale earnings, and a stronger U.S. dollar, partially offset by lower TransGas, Gas Pacifico/ INNERGY and Portland earnings.

Energy's net income of $153 million in fourth quarter 2008 decreased $5 million compared to $158 million in fourth quarter 2007. Comparable earnings in fourth quarter 2008 of $147 million increased $43 million compared to $104 million for the same period in 2007. Comparable earnings excluded the net unrealized gains of $6 million after tax and $10 million after tax in fourth quarter 2008 and 2007, respectively, resulting from changes in fair value of proprietary natural gas storage inventory and natural gas forward purchase and sale contracts. In addition, comparable earnings in fourth quarter 2007 excluded the $14 million gain on sale of land and $30 million of favourable income tax adjustments.

Western Power's operating income of $106 million in fourth quarter 2008 increased $48 million compared to $58 million in fourth quarter 2007 primarily due to increased margins from the Alberta power portfolio, which resulted from higher overall realized power prices and market heat rates on both contracted and uncontracted volumes of power sold in Alberta. The market heat rate is determined by dividing the average price of power per MWh by the average price of natural gas per GJ for a given period.

Eastern Power's operating income of $73 million in fourth quarter 2008 increased $7 million compared to $66 million in fourth quarter 2007. The increase was due to higher realized prices on sales to commercial and industrial customers in New England, the positive impact of the stronger U.S. dollar in fourth quarter 2008 and incremental earnings from the Carleton wind farm, which went into service in November 2008. On December 31, 2008, Ravenswood fulfilled its obligation under a tolling agreement with Hess Corporation that was in place at the time of acquisition. In 2009, TransCanada's marketing operation will manage marketing of the Ravenswood plant output in a manner consistent with its other U.S. Northeast portfolio of assets.

TransCanada's combined operating income of $50 million from its investment in Bruce Power increased $7 million in fourth quarter 2008 compared to fourth quarter 2007 primarily due to higher revenues resulting from higher realized prices. TransCanada's proportionate share of operating loss in Bruce A increased $1 million to $6 million in fourth quarter 2008 compared to fourth quarter 2007 as a result of lower revenues due to decreased output, partially offset by higher contract prices and lower operating costs. TransCanada's proportionate share of operating income in Bruce B increased $8 million to $61 million in fourth quarter 2008 compared to fourth quarter 2007 primarily due to higher realized prices achieved during fourth quarter 2008, as well as increased output. The increase in realized prices was due to higher contract prices on a larger proportion of volumes sold under contract in the three months ended December 31, 2008 compared to the same period in 2007.

Natural Gas Storage operating income of $40 million in fourth quarter 2008 decreased $17 million compared to $57 million in fourth quarter 2007. The decrease was due to lower realized seasonal natural gas price spreads at the Edson facility compared to the same period in 2007. Operating income in fourth quarter 2008 included net unrealized gains of $7 million for changes in the fair value of proprietary natural gas inventory in storage and natural gas forward purchase and sale contracts compared to net unrealized gains of $15 million for the same period in 2007.

Corporate's net expenses for the three months ended December 31, 2008 were $86 million compared to net income of $17 million for the same period in 2007. Excluding the $26 million of favourable income tax adjustments in fourth quarter 2007, Corporate's comparable expenses increased $77 million in fourth quarter 2008 compared to fourth quarter 2007. The increase in comparable expenses in fourth quarter 2008 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 rate rates but do not qualify as hedges for accounting purposes. In addition, higher financial charges resulting from financing 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.

SHARE INFORMATION

At February 23, 2009, TransCanada had 619 million issued and outstanding common shares. In addition, there were 8 million outstanding options to purchase common shares, of which 7 million were exercisable as at February 23, 2009.

OTHER INFORMATION

Additional information relating to TransCanada, including the Company's Annual Information Form and other continuous disclosure documents, is available on SEDAR at www.sedar.com under TransCanada Corporation.

Other selected consolidated financial information for 2000 to 2008 is found under the heading "Nine Year Financial Highlights" in the Supplementary Information section of the Company's Annual Report.