



Fourth Quarter & 2007 Results

Ready

Strong business model.

Diversified generating assets.

Technical and commercial expertise.

Environmental leadership.

Financial discipline.

Forward looking statements

This presentation may contain forward-looking statements, including statements regarding the business and anticipated financial performance of TransAlta Corporation. These statements are based on TransAlta Corporation's belief and assumptions based on information available at the time the assumption was made. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include legislative or regulatory developments, competition, global capital markets activity, changes in prevailing interest rates, currency exchange rates, inflation levels, unanticipated accounting or audit issues with respect to our financial statements or our internal control over financial reporting, and general economic conditions in geographic areas where TransAlta Corporation operates. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause TransAlta's actual results and experience to differ materially from the anticipated results or other expectations expressed. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date of this news release or as otherwise stated. TransAlta undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

Outline

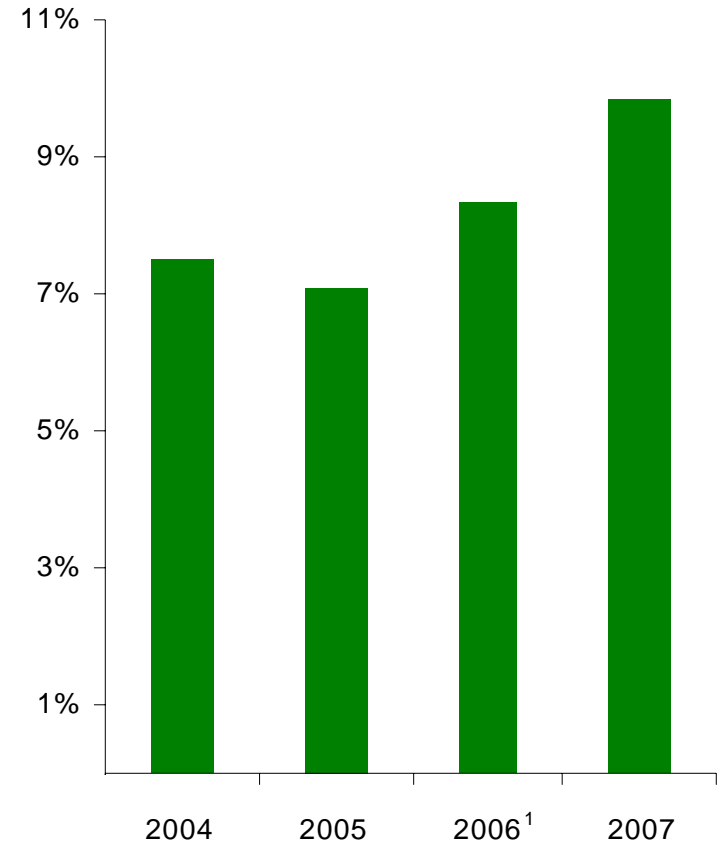
- Fourth Quarter & 2007 Results
- Performance Against Key Measures
- 2008 Outlook

Delivering consistent TSR and ROCE growth

Cumulative Comparative 4 Year TSR



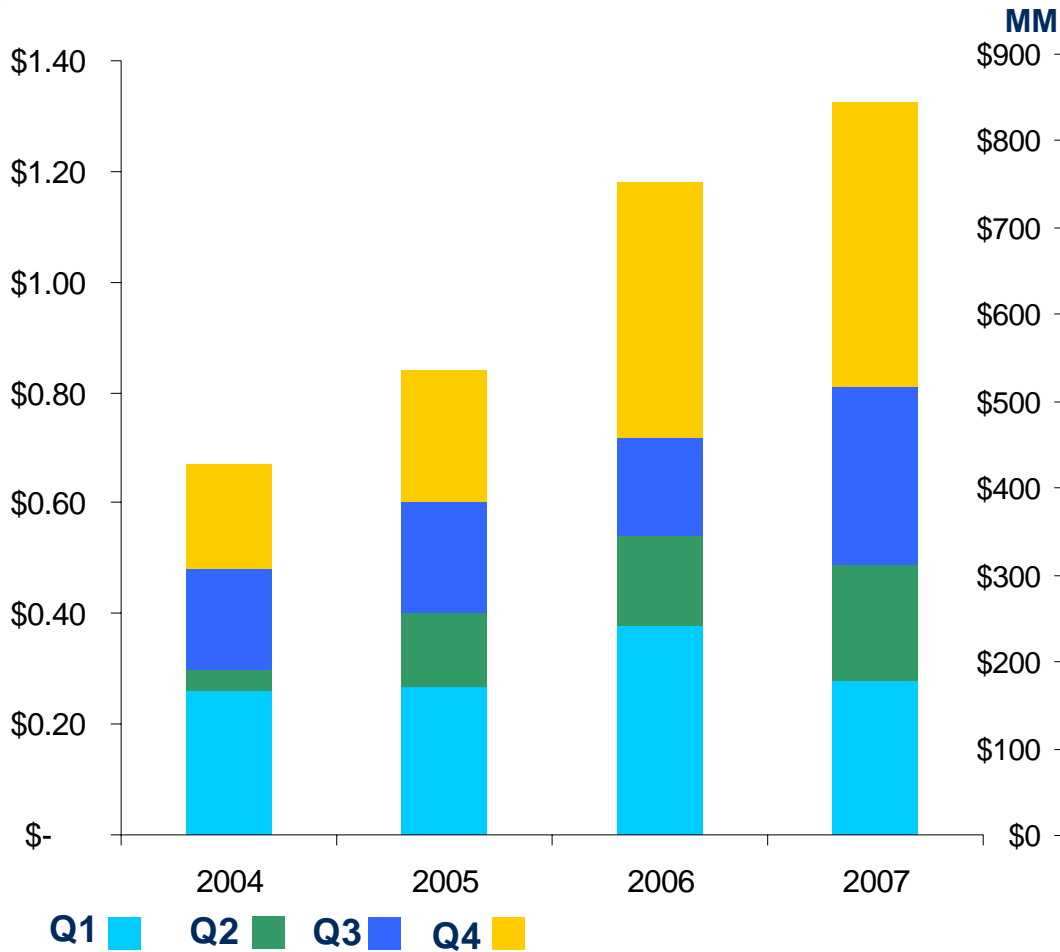
Return on Capital Employed



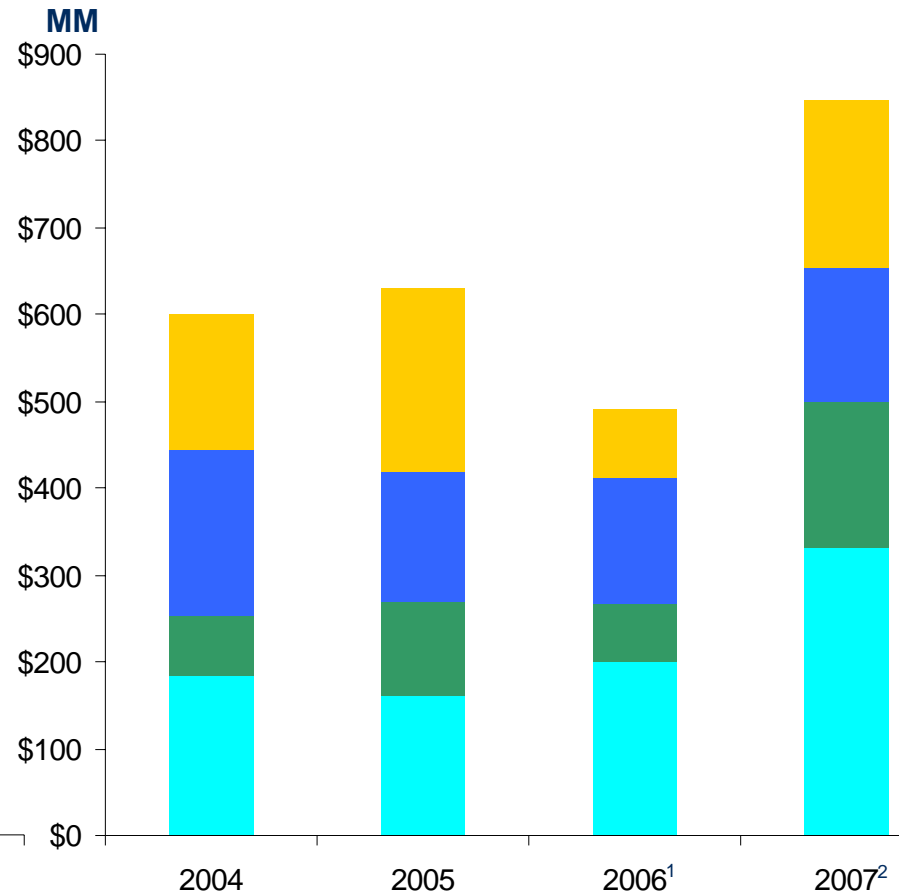
¹ For comparability, data excludes the impact of Centralia charges in 2006

Track record of financial growth

Comparable EPS



Cash Flow from Operations



1. Due to the timing related to collection of PPA revenues, \$185 MM was received Jan. 2, 2007

2. Due to the timing related to collection of PPA revenues, \$115 MM was received Jan. 2, 2008

Record fourth quarter and annual results

Q4 '07 vs. Q4 '06

- Comparable EPS increased 11% to \$0.51 vs. \$0.46; key contributors included:
 - Higher Generation business gross margins of \$15.2 million due to higher prices and lower fuel costs at Centralia; offset by lower prices and higher coal costs in Western Canada
 - Energy Trading gross margin \$2.4 million higher
 - Lower OM&A expense of \$5.9 million
 - Decrease in interest expense of \$10.7 million
 - Mark-to-market gains were \$4 million vs. \$35.5 million in 2006, an increased loss of \$31.5 million
- Cash flow from operations of \$192.5 vs. \$77.7; increase due to higher cash earnings and in 2006 only received two months of PPA payments
- Availability was 91.8% due to derates at Centralia, 94.0% adjusting for derates

2007 vs. 2006

- Comparable EPS increased 13% to \$1.31 vs. \$1.16; key contributors included:
 - Increased Generation business gross margins of \$83.2 million due to lower planned outages in Western Canada combined with favorable prices, higher production, and lower fuel costs at Centralia Thermal; partially offset by higher coal costs and higher unplanned outages in Western Canada
 - Energy Trading gross margin of \$55 million, in-line with \$50 - \$70 million expectation
 - Lower OM&A expense of \$4.5 million
 - Decrease in interest expense of \$35.2 million
 - Mark-to-market losses were \$28.9 million; an increase of \$64.4 million
- Cash flow from operations of \$847.2 million vs. \$489.6 million due to higher cash earnings, cash being consumed in 2006 to build coal inventory and timing of PPA revenues
- Availability was 87.2% due to derates at Centralia, 90.5% adjusting for derates

Continued improvements at Centralia increase comparable earnings per share

Results	Q4'07	Q4'06	2007	2006
Comparable earnings (MM)	\$102.6	\$92.0	\$264.3	\$233.8
Net earnings (MM)	\$129.5	\$(146.0)	\$308.8	\$44.9
Per share				
Comparable earnings	\$0.51	\$0.46	\$1.31	\$1.16
Net earnings	\$0.64	\$(0.72)	\$1.53	\$0.22
Dividends	\$0.25	\$0.25	\$1.00	\$1.00
Cash flow from Operations (MM)	\$192.5	\$77.7	\$847.2	\$489.6
Free Cash Flow (MM)	(\$81.0)	\$142.1	\$111.0	\$229.9
Availability (%)	91.8 ¹	89.9	87.2 ¹	89.0
Production (GWh)	13,440	13,298	50,395	48,213

¹ Adjusting for derates at Centralia related to the coal transition plan, availability would be 94.0% in Q4 and 90.5% YTD

Generation gross margins increase drives results

Net Earnings	Q4 '07	2007
Net Earnings, 2006	\$(146.0)	\$44.9
Increase in Generation gross margins (before mark-to-market loss)	15.2	83.2
Generation mark-to-market loss	(31.5)	(64.4)
Writedown of coal inventory to lower of cost and market (2006)	44.4	44.4
Increase/(decrease) in CD&M margins	2.4	(10.6)
Decrease in operations, maintenance and administration costs	5.9	4.5
Increase/(decrease) in depreciation expense	(4.1)	4.4
Centralia Mine closure charges (2006)	191.9	191.9
Asset impairment charges (2006)	130.0	130.0
Gain on sale of Centralia mining equipment	0.6	15.7
Decrease in net interest expense	10.7	35.2
Increase in equity loss	(18.7)	(32.5)
Decrease in non-controlling interest	1.4	3.5
Increased income tax expense	(72.6)	(146.2)
Other	(0.1)	4.8
Net Earnings, 2007	\$129.5	\$308.8

Strong credit ratios indicative of commitment to remaining investment grade

Financial ratios	Threshold	2007	2006
Cash flow to interest (x)	Min 4X	6.6	5.5
Cash flow to total debt (%)	Min 25%	30.7	26.2
Debt to invested capital ^{2,3,4} (%)	Max 55%	46.8	44.5

1 Debt = short-term debt + current portion long-term debt + long-term debt – cash

2 Invested capital = debt + preferred securities + non-controlling interest + common equity

3 Debt to invested capital includes non-recourse debt

Financial objectives and measures

Objectives	Measures	2007 Goals	2007	2006
Deliver long-term shareholder return	TSR ROCE ¹ (annualized)	10% ~10%	29.0% 9.8%	9.0% 8.3% ¹
Increase comparable earnings per share	Comparable EPS	Revised to low double digit ²	\$1.31	\$1.16
Increase operating cash flow	Operating cash flow	Revised to \$750 - \$850 MM ³	\$847 MM	\$490 MM
Maintain strong financial ratios	Credit ratios	Investment grade	Investment grade	Investment grade
Improve productivity	OM&A/installed MWh	Offset inflation	\$6.08	\$6.25
Grow capacity profitably	Installed capacity	Increase ~5%/yr	~4% ⁴	Flat

1. Excludes the writedown of Centralia
2. Goal increased from original 6% - 10% target
3. Goal increased from original \$650 - \$750 MM target
4. Based on announced projects

Operating objectives and measures

Objectives	Measures	2007 Goals	2007	2006
Maintain targeted availability	Fleet availability	90%	87.2% ¹	89.0%
Contract plant output	Contracted output > one year	>75%	94%	94%
Increase gross margin	Margin	Increase	\$1,544 MM	\$1,491 MM
Make sustaining capex predictable	Sustaining capex budget	Revised to \$350 - \$370 MM ²	\$371 MM	\$233 MM
Reduce environmental footprint	Emissions reductions	< emissions intensity	Compliance in all markets	Compliance in all markets

¹ After adjusting for Centralia derates, availability was 90.5%

² Goal increased from original \$320 - \$345 MM target to incorporate Centralia transition plan and accelerated construction of rail and coal unloading facilities

2007 sustaining capex included revised Centralia transition plan spend

Centralia plan accelerated construction of coal and rail unloading facilities and advances on materials in 2007

\$MM	Q4'07	Q4'06	2007	2006
Sustaining	\$134	\$90	\$371	\$233
Routine capital	\$22	\$57	\$131	\$110
Mine capital	\$52	\$7	\$71	\$30
Centralia Fuel Blend	\$40	-	\$92	-
Major maintenance	\$19	\$26	\$78	\$93
Growth	\$83	\$13	\$229	\$17
Mexico	\$4	\$1	\$3	\$10
Total	\$221	\$104	\$603	\$260

2007 major maintenance results

\$ millions	Coal	Gas and Hydro	Total
Capital expenditures	\$62	\$16	\$78
Operating expenditures	\$52	\$2	\$54
Total	\$114	\$18	\$132
Lost GWhs	1,904	152	2,056

2008 Outlook

Strong market fundamentals and operational expectations, support comparable EPS and cash flow objectives

- Alberta and Pacific Northwest markets look strong based on expectation of higher demand growth in Alberta; higher natural gas prices and normal to slightly below normal hydro levels in the Pacific Northwest
- Objective is to deliver low double digit annual comparable EPS growth vs. 2007
- Cash flow from operations objective is \$850 - \$950 million¹
- Centralia Thermal annual production expected to be 9,200 - 9,500 GWh
- Sustaining Capex Estimate: \$425 - \$460 million
 - *Higher in 2008 due to investment in Alberta mines, productivity initiatives and IT systems*
- Growth Capex estimate: \$455 - \$475 million²
 - *Includes Kent Hills and Keephills projects*

1. Scheduled to receive 13 PPA payments during the year

2. Includes approximately ~\$135-\$145 for Kent Hills and ~\$320-\$330 for Keephills 3

APPENDIX

Income Statement

(millions)	Q4 '07	Q4 '06	2007	2006
Revenue	\$ 783	\$ 752	\$ 2,775	\$ 2,678
Fuel & purchased power	348	348	1,231	1,186
Gross margin	435	404	1,544	1,491
OM&A	140	146	577	581
Depreciation & amortization	107	103	406	410
Taxes, other than income taxes	5	5	20	21
Operating expenses	251	254	1,003	1,013
Mine closure charges	-	192	-	192
Asset impairment charges	-	130	-	130
Operating Income	184	(171)	541	157
Foreign exchange (loss)/gain	(2)	(2)	3	(1)
Gain on sale of equipment	1	0	16	0
Net interest expense	(32)	(42)	(133)	(169)
Equity loss (income)	(35)	(17)	(50)	(17)
Non-controlling interests	14	15	48	52
EBIT	101	(247)	329	(81)
Income tax (recovery)/ expense	(29)	(101)	20	(126)
Net earnings	\$ 130	(146)	\$ 309	\$ 45
Net earnings per share	\$ 0.64	(0.72)	\$ 1.53	\$ 0.22

Comparable earnings

	Q4 '07	Q4 '06	2007	2006
Earnings on a comparable basis	\$ 102.6	\$92.0	\$264.3	\$233.8
Sale of assets at Centralia	0.3	-	10.2	-
Change in life of Centralia plants	(3.6)	-	(3.6)	-
Change in tax law in Mexico	(28.2)	-	(28.2)	-
Tax rate change	40.0	-	47.7	55.3
Turbine impairment, net of tax	-	-	-	(6.2)
Recovery from resolution of uncertain tax positions	18.4	-	18.4	-
Centralia Gas impairment, net of tax	-	(84.4)	-	(84.4)
Centralia Coal writedown, net of tax	-	(153.6)	-	(153.6)
Net (loss) earnings	\$ 129.5	\$(146.0)	\$308.8	\$ 44.9
Weighted average common shares outstanding in the period	201.9	202.0	202.5	200.8
Earnings on a comparable basis per share	\$ 0.51	\$0.46	\$1.31	\$ 1.16

Cash Flow

(millions)

Operating Activities

	Q4 '07	Q4 '06	2007	2006
Cashflow from operations	\$ 250	\$ 178	\$ 781.50	679
Change in non-cash working capital	(57)	(100)	65.7	(189)
	193	78	847	490

Investing Activities

Additions to PP&E	(216)	(60)	(599)	(224)
Proceeds on sale of PP&E	8	9	47	29
Equity Investment	-	237	(20)	226
Restricted Cash	13	(333)	57	(333)
Acquisition of Wailuku			0	(1)
Realized gains / (losses) on financial instruments	107	(7)	107	54
Proceeds on sale of long-term investments			0	3
Other	(1)	(15)	(2)	(16)
	(90)	(168)	(410)	(261)

Financing activities

Increase in net debt	13	111	67	(49)
Dividends paid	(51)	(34)	(205)	(134)
Redemption of preferred securities			(175)	0
Funds paid under NCIB	(48)	-	(75)	0
Net proceeds on issuance of common shares	5	4	20	13
Decrease / (Increase) in advances to TransAlta Power, LP	3	(0)	6	1
Non controlling interests	(23)	(22)	(87)	(74)
Other	\$ 7	0	5	0
	(95)	59	(444)	(243)

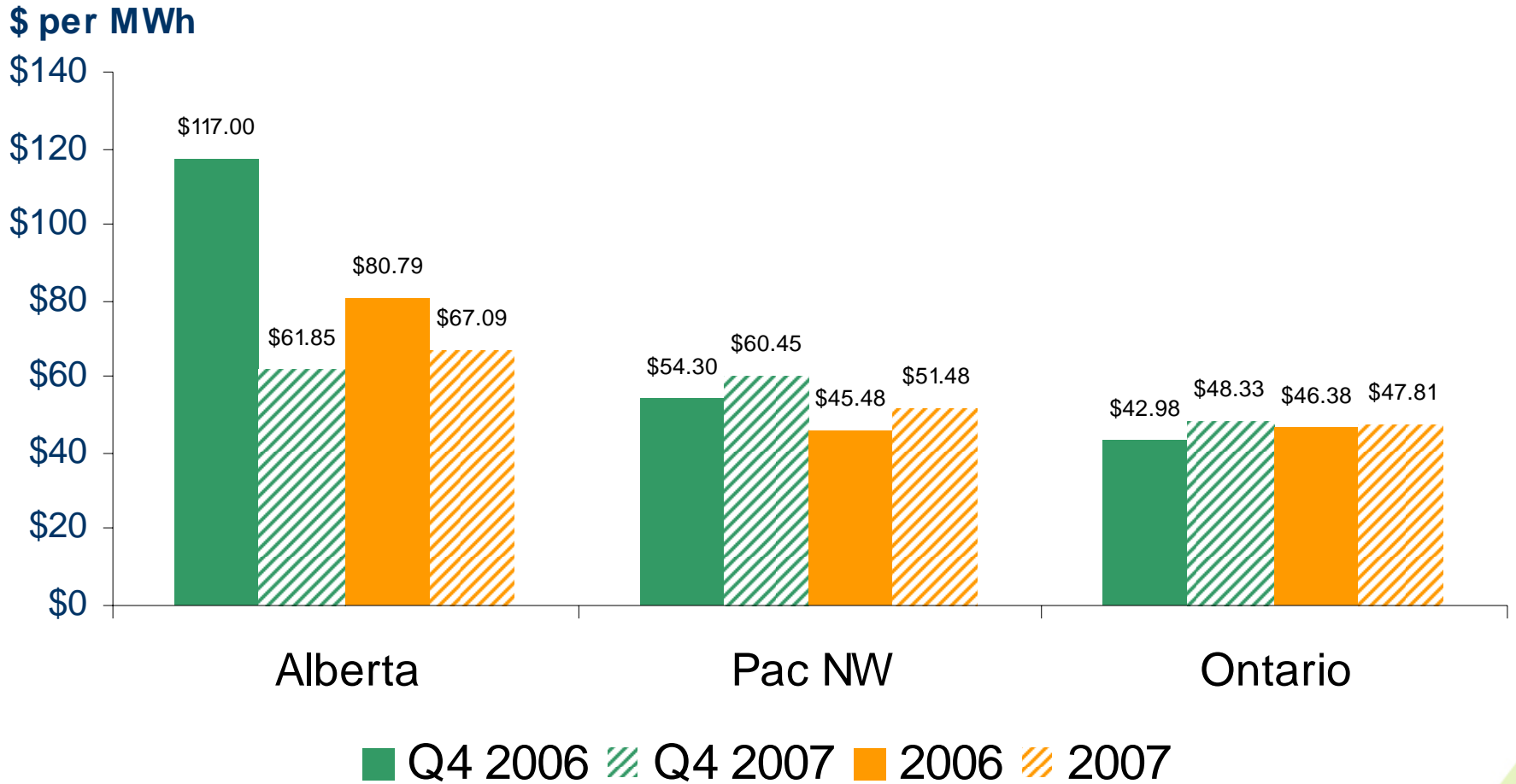
Cash flow from operating, investing, and financing

Effect of foreign exchange	(16)	(2)	(8)	1
Increase / (decrease) in cash	(9)	(33)	(15)	(14)

Free cash flow

	Q4 '07	Q4 '06	2007	2006
Cash flow from operating activities	\$192.5	\$77.7	\$847.2	\$489.6
Add/(Deduct):				
Sustaining capital expenditures	(179.7)	(52.4)	(417.1)	(213.7)
Dividends on common shares	(50.5)	(33.8)	(204.8)	(133.9)
Distribution to subsidiaries' non-controlling interest	(23.4)	(22.3)	(86.5)	(74.4)
Non-recourse debt repayments	(15.2)	(17.6)	(47.7)	(51.3)
Timing of contractually scheduled payments	-	185.0	-	185.0
Centralia closure costs	-	-	24.2	-
Cash flows from equity investments	(4.7)	5.5	(4.3)	28.6
Free cash flow	(\$81.0)	\$142.1	\$111.0	\$229.9

Average Spot Electricity Prices



Average Spark Spreads

