
TransAlta
First Quarter 2008 Results
We’re ready
for a changing world

Forward looking statements

This presentation may contain forward-looking statements, including statements regarding the business and anticipated financial performance of TransAlta Corporation. All forward-looking statements are based on our beliefs and assumptions based on information available at the time the assumption was made. These statements are not guarantees of our future performance and 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 cost of fuels to produce electricity, 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, plant availability, and general economic conditions in geographic areas where TransAlta Corporation operates. Given these uncertainties, the reader should not place undue reliance on this forward-looking information, which is given as of this date. The material assumptions in making these forward-looking statements are disclosed in our 2007 Annual Report to shareholders and other disclosure documents filed with securities regulators.

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

Outline

- First Quarter 2008 Results
- Performance Against Key Measures
- 2008 Outlook

Q1 2008 - Highlights

Results	Q1'08	Q1'07	% Variance
Revenue (MM)	$803	$669	20
Gross margin (MM)	$433	378	15
Operating Income (MM)	$189	$138	37
Comparable Earnings (MM)	$99	$56	77
Net Earnings (MM)	$33	$56	(41)
Comparable earnings per share	$0.50	$0.28	79
Basic and diluted earnings per share	$0.17	$0.28	(39)
Cash flow from operating activities (MM)	$237	$331	(28)
Cash dividends declared per share	$0.27	$0.25	8
Availability (%)	91.8	88.2	4
Production (GWh)	13,226	12,697	4

Q1 2008 - Highlights

- **Comparable earnings increased due to:**
  - Improvement in fleet availability to 91.8 per cent versus 88.2 per cent
  - Generation gross margin increase of $51 million due to:
    - Higher pricing in Alberta and the Pacific Northwest
    - Stronger fleet availability
    - Increased production of 529 GWh due primarily to Centralia Thermal
  - Improved Energy Trading business gross margin of $4 million

- **Capital Allocation Decisions**
  - Dividend Increase & Formal Dividend Policy
    - January 31, TransAlta's Board increased the annual dividend by eight per cent to $1.08
    - March 25, TransAlta's board announced a formal dividend policy with an annual dividend payout target of 60 to 70 per cent of comparable earnings
  - Blue Trail Wind Project
    - February 13, TransAlta announced the 66 MW wind power facility in southern Alberta for an estimated $115 million
  - Agreement for sale of Mexico
    - February 20, TransAlta announced the divestiture of its Mexico business to InterGen for $304 million in cash
  - Share Repurchases
    - In Q1 2008 TransAlta repurchased 1.9 million shares at an average price of $31.43 per share

Q1 2008 – Strong comparable earnings

	Q1 '08	Q1 '07
Earnings on a comparable basis	$ 99	$56
Investment writedown, net of tax	(65)	-
Equipment sales at Centralia, net of tax	4	-
Change in life of Centralia parts, net of tax	(5)	-
Net earnings	**$ 33**	**$56**
Weighted average common shares outstanding in the period	**200**	**203**
Earnings on a comparable basis per share	**$ 0.50**	**$0.28**

Q1 2008 - Net earnings impacted by equity loss from sale of Mexico

Net Earnings	3 mo. Ended March 31
Net Earnings, 2007	$ 56
Increase in Generation gross margins	37
Mark-to-market movements in 2007	14
Increase in COD gross margins	4
Increase in depreciation expense	(5)
Gain on sale of Centralia mining equipment	5
Decrease in net interest expense	4
Increase in equity loss	(88)
Increase in income tax expense	6
Net Earnings, 2008	**$ 33**

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Strong credit ratios indicative of commitment to remaining investment grade

Financial ratios	Threshold	Q1'08	2007
Cash flow to interest (x)	**Min 4X**	**6.8**	6.6
Cash flow to total debt (%)	**Min 25%**	**32.4**	30.7
Debt to total capital (%)	**Max 55%**	**48.4**	46.8

1 Debt = short term + long-term debt – cash and interest –earning investments
2 Invested capital = debt + preferred securities + non-controlling interests + common equity
3 Debt to invested capital includes non-recourse debt

Sustaining capex spend

Sustaining capex peaks in 2008 due to Centralia transition and Alberta mine investments

$MM	2007	2008e	2009e	2010e
Sustaining [1]	$371	$425 – 460	$265 – 300	$185 - 215
Routine capital	$131	$155 - 165	$85 - 95	$90 - 100
Mine capital	$71	$100 - 110	$30 - 40	$30 - 40
Centralia Fuel Blend	$92	$60 - 65	$25 - 30	-
Major maintenance	$78	$110 - 120	$125 - 135	$65 - 75

2010 capex spend significantly reduced due to lower mine capex (2009 - 2010) and timing of the thermal maintenance cycle

[1] Excludes Mexico

Growth capex spend

Current growth capex spend peaks in 2008 with Keephills 3 project

$MM	2007	2008e	2009e	2010e	2011e
Growth	$228	$490 – 520	$330 – 360	$115 – 135	$15 – 20
Keephills 3	$160	$320 – 330	$190 – 210	$115 – 135	$15 – 20
Kent Hills	$29	$135 – 145			
Blue Trail		$20 – 25	$85 – 90		
Sun 5 Uprate		$15 – 20	$55 – 60		
Sun 4 Uprate	$39				

Performance Goals

Objectives	Measures	2008 Goals	Q1 2008	Q1 2007
Achieve top decile operations	Availability	90 -92%	91.8%	88.2%
Make sustaining capex predictable	3-yr Avg. Sustaining Capex	$230 - $260	$83MM	$41MM
Improve Safety	Injury Frequency Rate	10%/yr	0.56	1.53
Enhance Productivity	OM&A/installed MWh	Offset Inflation	$5.43/MWh	$5.62/MWh
Grow Earnings and cash flow	Comparable EPS Operating cash flow	>10%/yr $800 - $950 MM	$0.50 $237MM	$0.28 $331MM
Maintain investment grade ratings	Cash flow to interest Cash flow to debt Debt to total capital	Min. of 4X Min. 25% Max. 55%	6.8X 32.4% 48.4%	6.6X 30.7% 46.8%
Deliver long-term shareowner value	IRR ROCE TSR	>10%/yr >10%/yr >10%/yr	Annual Metrics	Annual Metrics

2008 Outlook

TransAlta expects to deliver on financial and operations objectives in 2008

- Alberta and Pacific Northwest markets continue to look strong; supported by higher natural gas prices, tight reserve margins, and increasing demand
- On track to deliver low double-digit comparable earnings growth for the year
- On track to deliver $850 – $950 million of cash flow from operations
- Sustaining Capex spending estimates remain $425 - $460 million
- Growth Capex spend increased $15 - $20 million to $490 - $520 million with the addition of the Sundance 5 uprate
- Centralia Thermal unit 2 outage underway. Annual production estimate remains 9,200 to 9,500 GWh

Appendix

Income Statement

(millions)	Q1 '08	Q1 '07
Revenue	$ 803	$ 669
Fuel & purchased power	(370)	(291)
Gross margin	**433**	**378**
OM&A	135	135
Depreciation & amortization	104	99
Taxes, other than income taxes	5	6
Operating expenses	**244**	**240**
Operating Income	189	138
Foreign exchange (loss)/gain	(1)	-
Gain on sale of equipment	5	-
Net interest expense	(33)	(37)
Equity loss (income)	(97)	(9)
Non-controlling interests	(16)	(16)
EBIT	**47**	**76**
Income tax (recovery)/ expense	14	20
Net earnings	**$ 33**	**56**
Net earnings per share	**$ 0.17**	**0.28**

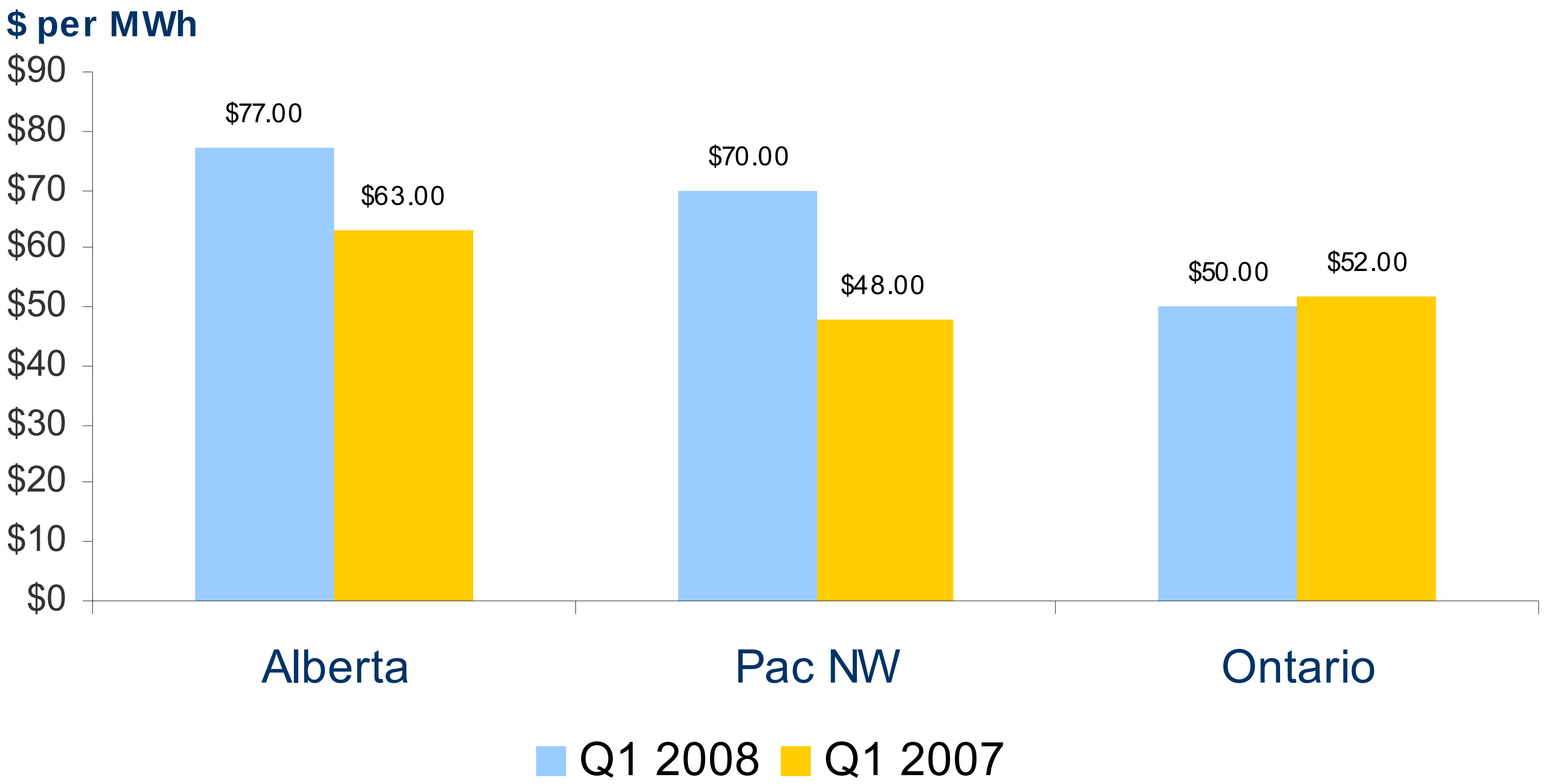
Cash Flow

(millions)	Q1 '08	Q1 '07
Operating Activities		
Cashflow from operations	$ 233	$ 198
Change in non-cash working capital	4	133
	237	**331**
Investing Activities		
Additions to PP&E	(150)	(54)
Proceeds on sale of PP&E	16	-
Equity Investment	-	(10)
Restricted Cash	3	9
Realized gains / (losses) on financial instruments	19	-
Other	(1)	-
	(113)	**(55)**
Financing activities		
Decrease in short-term debt	(64)	(7)
Repayment of long-term debt	(4)	(12)
Dividends paid on common shares	(51)	(54)
Redemption of preferred securities	-	(175)
Funds paid to repurchase common shares under NCIB	(7)	-
Net proceeds on issuance of common shares	11	5
Decrease in advances to TransAlta Power	-	1
Realized gains on financial instruments	12	-
Distributions to subsdiaries' non-controlling interests	$ (17)	(21)
	(120)	(263)
Cash flow from operating, investing, and financing	**4**	**13**
Effect of translation on foreign currency cash	**3**	-
Increase (decrease) in cash and cash equivalents	7	13

Free cash flow

	Q1 '08	Q1 '07
Cash flow from operating activities	$237	$331
Add/(Deduct):		
Sustaining capital expenditures	(83)	(41)
Dividends on common shares	(51)	(54)
Distribution to subsidiaries' non-controlling interest	(17)	(21)
Non-recourse debt repayments	-	(9)
Timing of contractually scheduled payments	(116)	(185)
Cash flows from equity investments	(1)	(2)
Free cash flow	**$(31)**	**$19**

Average spot electricity prices



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Average spark spreads