



TransAlta

**Second 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

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

Q2 2008 - Highlights

Results	Q2'08	Q2'07	YTD Q2'08	YTD Q2'07
Revenue (MM)	\$708	\$612	\$1,511	\$1,281
Gross margin (MM)	\$376	\$356	\$809	\$734
Operating Income (MM)	\$93	\$91	\$282	\$229
Comparable Earnings (MM)	\$49	\$42	\$148	\$98
Comparable earnings per share	\$0.25	\$0.20	\$0.74	\$0.48
Net Earnings (MM)	\$47	\$57	\$80	\$113
Basic and diluted earnings per share	\$0.24	\$0.28	\$0.40	\$0.56
Cash flow from operating activities (MM)	\$171	\$168	\$408	\$499
Cash dividends declared per share	\$0.27	\$0.25	\$0.54	\$0.50
Availability (%)	79.3	83.6	85.5	85.9
Production (GWh)	10,652	11,497	23,878	24,194

Q2 2008 - Highlights

■ Comparable earnings increased due to:

- Energy trading gross margin:
 - Increase of \$29MM over Q2 2007 due to successful execution of our established trading strategies
- Generation gross margin:
 - Stronger contractual and spot pricing in core regions
 - Offset by the planned outage at Centralia Thermal and higher unplanned outages at three of the Alberta Thermal units

■ Capital allocation decisions:

- Sundance 5 Uprate
 - April 21, TransAlta announced the 53 MW efficiency uprate to the Sun 5 facility for \$75 MM
- Summerview II
 - May 27, TransAlta announced Summerview II, a \$123MM, 66 MW wind farm adjacent to the Summerview wind facility in Southern Alberta
- Carbon Capture and Storage
 - TransAlta applied to the federal government and will be applying to the provincial government for funding to conduct the first phase of our CCS pilot project with Alstom Canada. Both the government of Canada and the Alberta government have announced funding for CCS technology of \$125MM and \$2B, respectively

■ Balance sheet items:

- Successfully completed US\$500MM senior notes offering

Q2 2008 – Strong comparable earnings

	Q2'08	Q2'07	YTD Q2'08	YTD Q2'07
Earnings on a comparable basis	\$49	\$42	\$ 148	\$98
Sale of assets at Centralia, net of tax	-	8	4	8
Change in life of Centralia parts, net of tax	(2)	-	(7)	-
Recovery from resolution of uncertain tax positions	-	-	-	-
Investment writedown, net of tax	-	-	(65)	-
Tax rate change	-	7	-	7
Net earnings	\$47	\$57	\$ 80	\$113
Weighted average common shares outstanding in the period	199	203	200	203
Earnings on a comparable basis per share	\$0.25	\$0.20	\$ 0.74	\$0.48

Q2 2008 – excellent performance from Energy Trading offset by lower Generation results

Net Earnings

3 mo. Ended June 30 6 mo. Ended June 30

Net Earnings, 2007

(Decrease) / Increase in Generation gross margins

Mark-to-market movements - generation

Increase in COD gross margins

Increase in OM&A

Gain on sale of mining equipment

Decrease in net interest expense

Decrease / (Increase) in equity loss

Decrease in income tax expense

Other

Net Earnings, 2008

\$57	\$ 113
(16)	21
7	21
29	33
(18)	(18)
(12)	(7)
2	6
2	(86)
2	8
(6)	(11)
\$47	\$ 80

Sustaining capex – total estimate remains the same

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	\$145 – 155	\$85 - 95	\$90 - 100
Mine capital	\$71	\$100 – 110	\$30 - 40	\$30 - 40
Centralia Fuel Blend	\$92	\$70 – 75	\$25 - 30	-
Major maintenance	\$78	\$110 – 120	\$125 - 135	\$65 - 75

¹ Excludes Mexico

Growth capex spend increased with new projects

In Q2, TransAlta announced Sun 5 uprate & Summerview wind farm expansion

\$MM	2007	2008e	2009e	2010e	2011e
Growth	\$228	\$510 – 550	\$400 – 440	\$130 – 155	\$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		
Summerview II		\$20 – 30	\$70 – 80	\$15 – 20	
Sun 4 Uprate	\$39				

Performance Goals

Objectives	Measures	2008 Goals	YTD 2008	Q2 2008
Achieve top decile operations	Availability	90 -92%	85.5%	79.3%
Make sustaining capex predictable	3-yr Avg. Sustaining Capex	\$230 - \$260	\$197MM	\$114MM
Improve Safety	Injury Frequency Rate	10%/yr	65%	65%
Enhance Productivity	OM&A/installed MWh	Offset Inflation	\$6.51/MWh	\$7.59/MWh
Grow Earnings and cash flow	Comparable EPS	>10%/yr	\$0.74	\$0.25
	Operating cash flow	\$800 - \$950 MM	\$408MM	\$171MM
Maintain investment grade ratings ¹	Cash flow to interest	Min. of 4X	6.8X	6.8X
	Cash flow to debt	Min. 25%	31.7%	31.7%
	Debt to total capital	Max. 55%	53.9%	53.9%
Deliver long-term shareowner value	IRR	>10%/yr	Annual Metrics	Annual Metrics
	ROCE	>10%/yr		
	TSR	>10%/yr		

¹ Annualized

2008 Outlook

On track to deliver on our objectives

- Alberta and Pacific Northwest markets continue to look strong; tight reserve margins and solid demand
- Remain focused on achieving 90 per cent availability across our fleet, excluding Centralia Thermal derates
- On-track to deliver low double-digit comparable earnings growth
- On-track to deliver \$850 – \$950 million of cash flow from operations
- Progressing on 500 MW of new capacity already under construction
- Executing a growth strategy in our core markets; pipeline of ~1,500 MW in late stage development – the majority of which is renewable energy

5-yr development plan leverages expertise and focuses on renewables and co-generation

WIND

CO-GEN

HYDRO

GEOTHL

THERMAL



**TOTAL
@ 07 / 08**

	WIND	CO-GEN	HYDRO	GEOTHL	THERMAL	TOTAL
AB	850 MW	300 MW	Storage rights optimization		120 MW	1,270 MW
NB	260 MW					260 MW
SASK	150 MW					150 MW
CA				80 MW		80 MW
Total MW:	1,260 MW	300 MW		80 MW	120 MW	1,760 MW
Total Est:						\$3.0 – 4.0 B



Appendix

Income Statement

(millions)

	Q2 '08	Q2 '07	YTD '08	YTD '07
Revenue	\$ 708	\$ 612	\$ 1,511	\$ 1,281
Fuel & purchased power	(332)	(256)	(702)	(547)
Gross margin	376	356	809	734
OM&A	178	160	313	295
Depreciation & amortization	100	100	204	199
Taxes, other than income taxes	5	5	10	11
Operating expenses	283	265	527	505
Operating Income	93	91	282	229
Foreign exchange (loss)/gain	-	5	(1)	5
Gain on sale of equipment	-	12	5	12
Net interest expense	(35)	(37)	(68)	(74)
Equity loss (income)	0	(2)	(97)	(11)
Non-controlling interests	(7)	(6)	(23)	(22)
EBIT	51	63	98	139
Income tax (recovery)/ expense	4	6	18	26
Net earnings	\$ 47	57	80	113
Net earnings per share	\$ 0.24	0.28	\$ 0.40	0.56

Cash Flow

(millions)

Operating Activities

	Q2 '08	Q2 '07	YTD '08	YTD '07
Cashflow from operations	\$ 171	\$ 172	\$ 404	\$ 370
Change in non-cash working capital	-	(4)	4	129
	171	168	408	499

Investing Activities

Additions to PP&E	(239)	(140)	(389)	(194)
Proceeds on sale of PP&E	5	23	21	23
Equity Investment	-	(9)	-	(19)
Restricted Cash	242	28	245	37
Realized gains / (losses) on financial instruments	4	-	23	-
Loan to equity investment	(245)	-	(245)	-
Other	12	(1)	11	(1)
	(221)	(99)	(334)	(154)

Financing activities

Decrease in short-term debt	(137)	(25)	(201)	(32)
Repayment of long-term debt	(126)	(11)	(130)	(23)
Dividends paid on common shares	(54)	(51)	(105)	(105)
Issuance of long-term debt	502	-	502	-
Redemption of preferred securities	-	-	-	(175)
Funds paid to repurchase common shares under NCIB	(119)	-	(126)	-
Net proceeds on issuance of common shares	3	5	14	10
Decrease in advances to TransAlta Power	-	1	-	2
Realized gains on financial instruments	1	0	13	-
Distributions to subsidiaries' non-controlling interests	(27)	(20)	(44)	(41)
Other	\$ (1)	\$ -	\$ (1)	0
	42	(101)	(78)	(364)

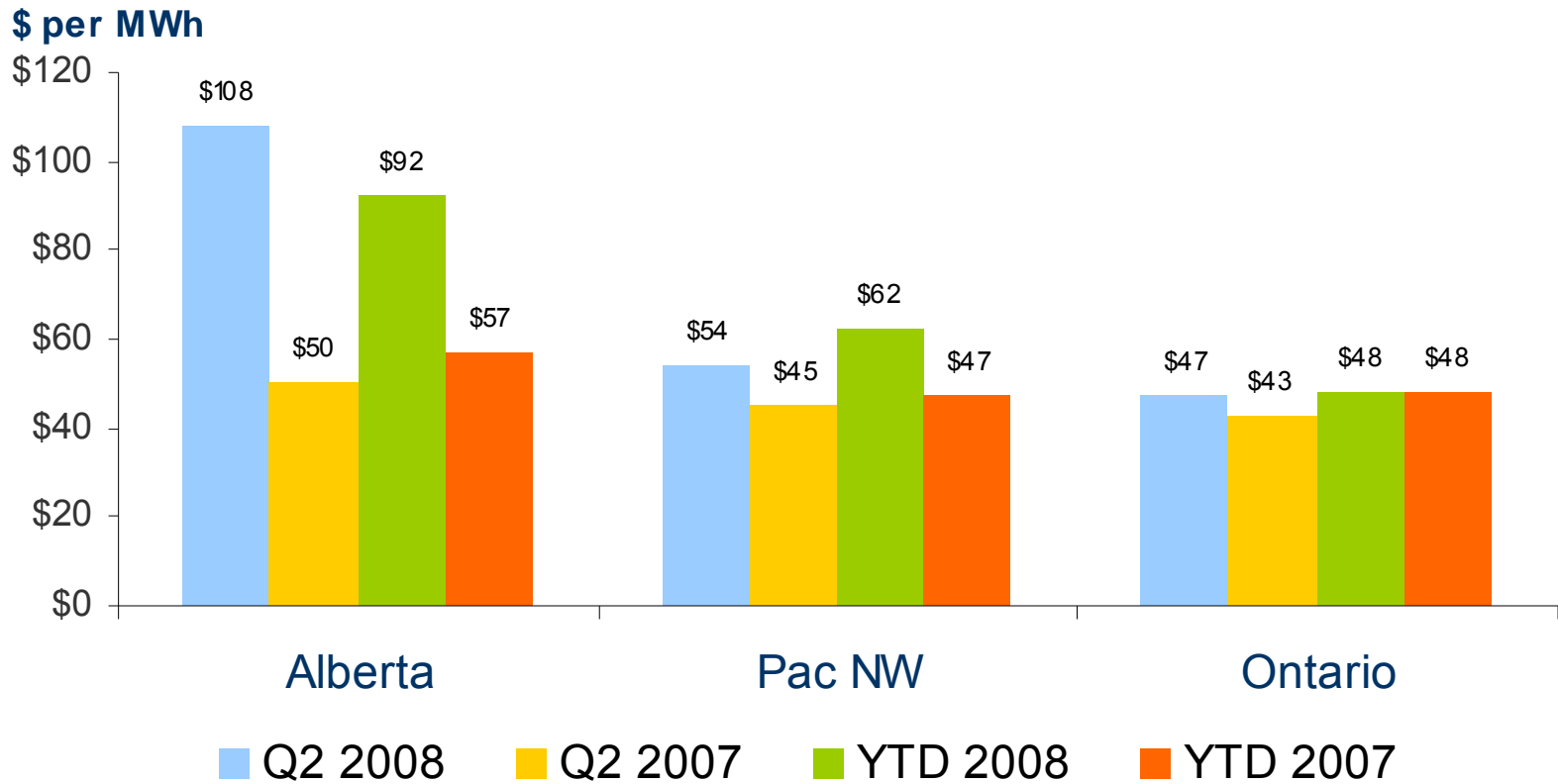
Cash flow from operating, investing, and financing

Effect of translation on foreign currency cash	-	6	3	6
Decrease in cash and cash equivalents	(8)	(26)	(1)	(13)

Free cash flow

	Q2 '08	Q2 '07	YTD Q2 '08	YTD Q2 '07
Cash flow from operating activities	\$171	\$168	\$408	\$499
Add/(Deduct):				
Sustaining capital expenditures	(114)	(80)	(197)	(121)
Dividends on common shares	(54)	(51)	(105)	(105)
Distribution to subsidiaries' non-controlling interest	(27)	(20)	(44)	(41)
Non-recourse debt repayments	(2)	(37)	(2)	(46)
Timing of contractually scheduled payments	-	-	(116)	(185)
Centralia closure costs	-	1	-	24
Cash flows from equity investments	4	10	3	8
Free cash flow	\$(22)	\$(9)	\$(53)	\$33

Average spot electricity prices



Average spark spreads

