



**CIBC 11th Annual Whistler  
Institutional Investor Conference**

# Ready

**Strong business model.**

**Diversified generating assets.**

**Technical and commercial expertise.**

**Environmental leadership.**

**Financial discipline.**

**February 21, 2008**

# 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 2006 Annual Report to shareholders and other disclosure documents filed with securities regulators.

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

# Investment highlights

- Long track record of delivering consistent shareholder returns
- Well-positioned to capture market upside and value-enhancing growth opportunities in core markets
- Balance sheet strength and investment grade credit profile support business model, provide capital allocation flexibility and enable company to take advantage of growth opportunities
- Disciplined and geographically focused in evaluating growth opportunities and pursuing only those that exceed our return thresholds
- Committed to efficient capital allocation through strong dividend, share buybacks and investment value-enhancing growth opportunities

# Sustainable shareholder returns in a long-cycle, capital intensive, commodity power industry

## VALUE PROPOSITION

### Consistent Returns

### Exposure to Growing Power Markets

### Low to Moderate Risk Business Model

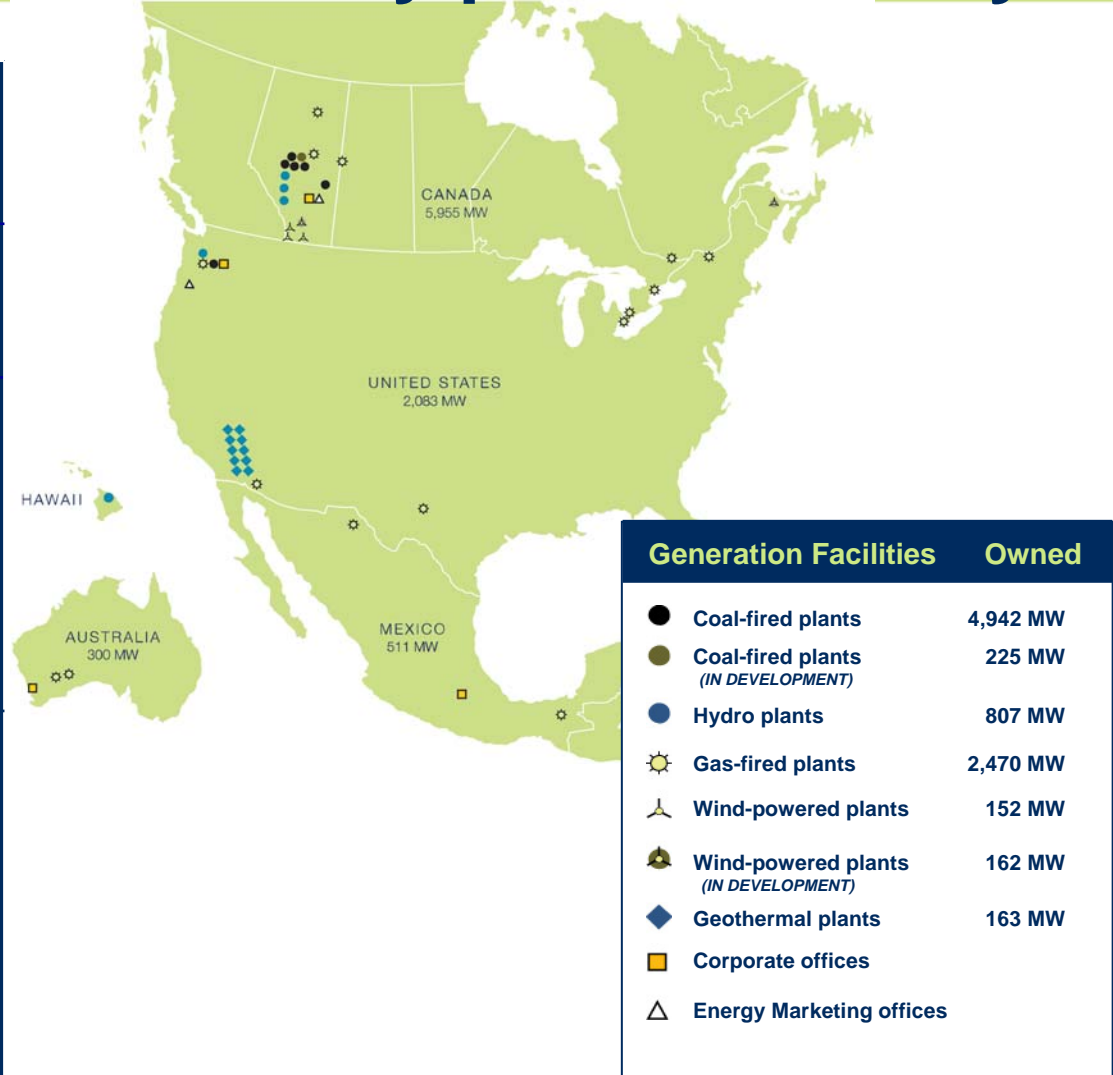
Diversified fleet  
 Mix of contracts  
 Operational excellence  
 Environmental leadership

### Yield & Growth

Dividend + earnings growth

### Financial Strength

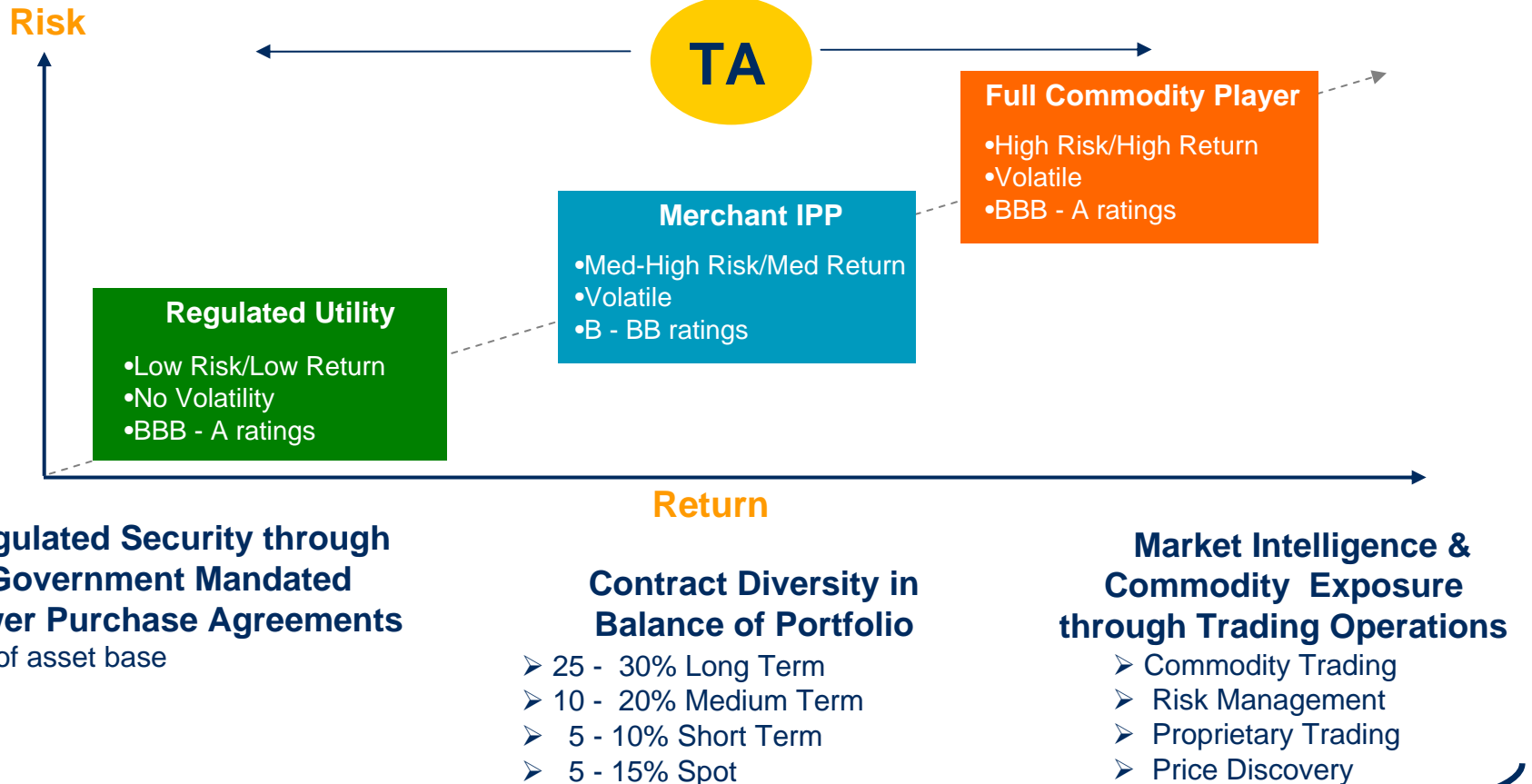
Strong balance sheet  
 Good liquidity  
 Disciplined capital allocation



# Unique in the power industry

## TransAlta

Low to moderate risk, investment grade, wholesale power generator and marketer



Sustainable dividend growth and capital appreciation

# Competitive advantages

## Unique Model + Resource Combination + Proven Strengths

Commodity Market  
Intelligence via Trading

+

Merchant Asset  
Contract Diversity

+

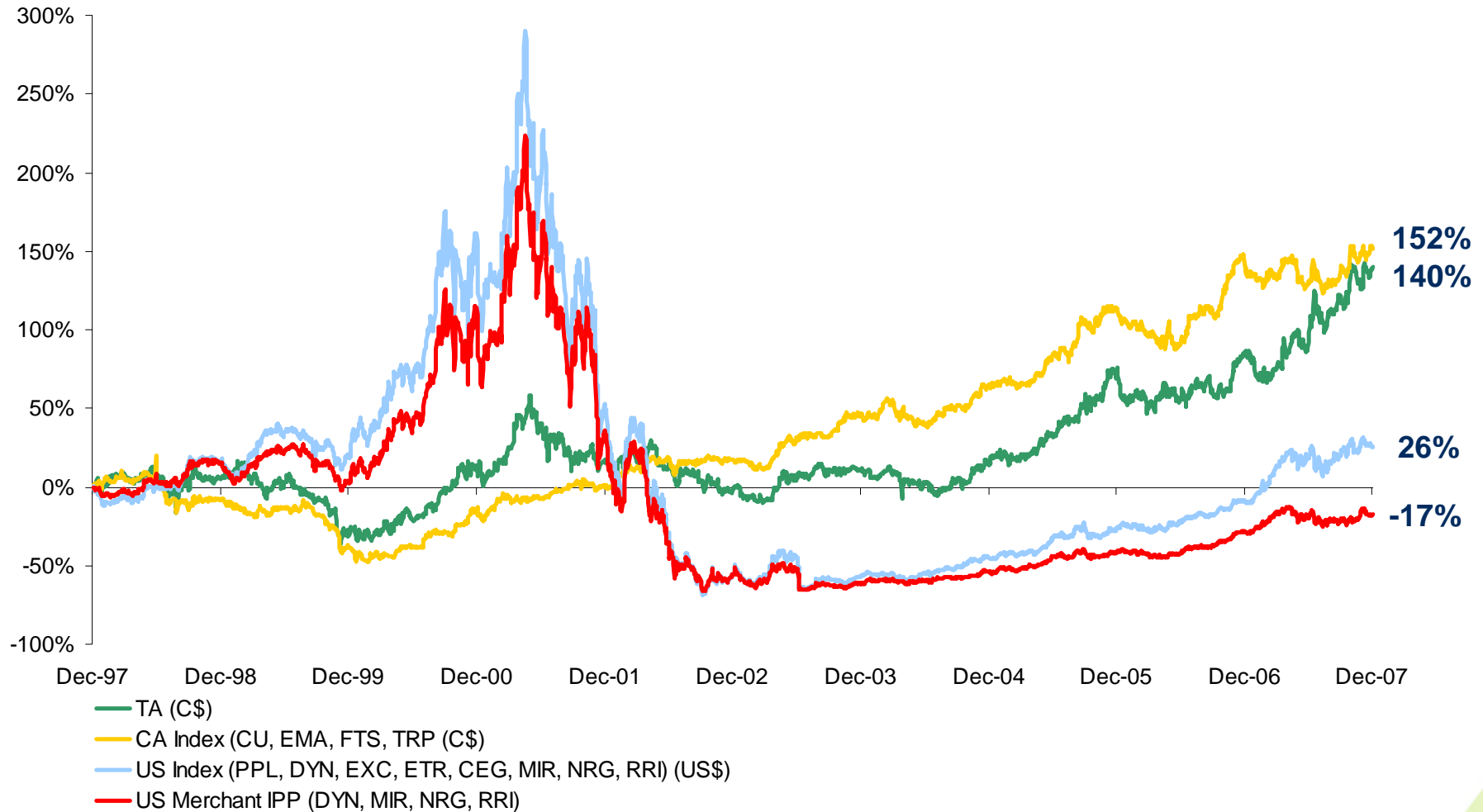
Regulated  
Security

- Brownfield sites
- Wind options
- Coal reserves
- Water storage
- Solid fuel storage
- Access to natural gas
- Transmission access

- Operational excellence
- Technical expertise
- Market intelligence
- Trading and hedging
- Environmental leadership
- Regulatory experience

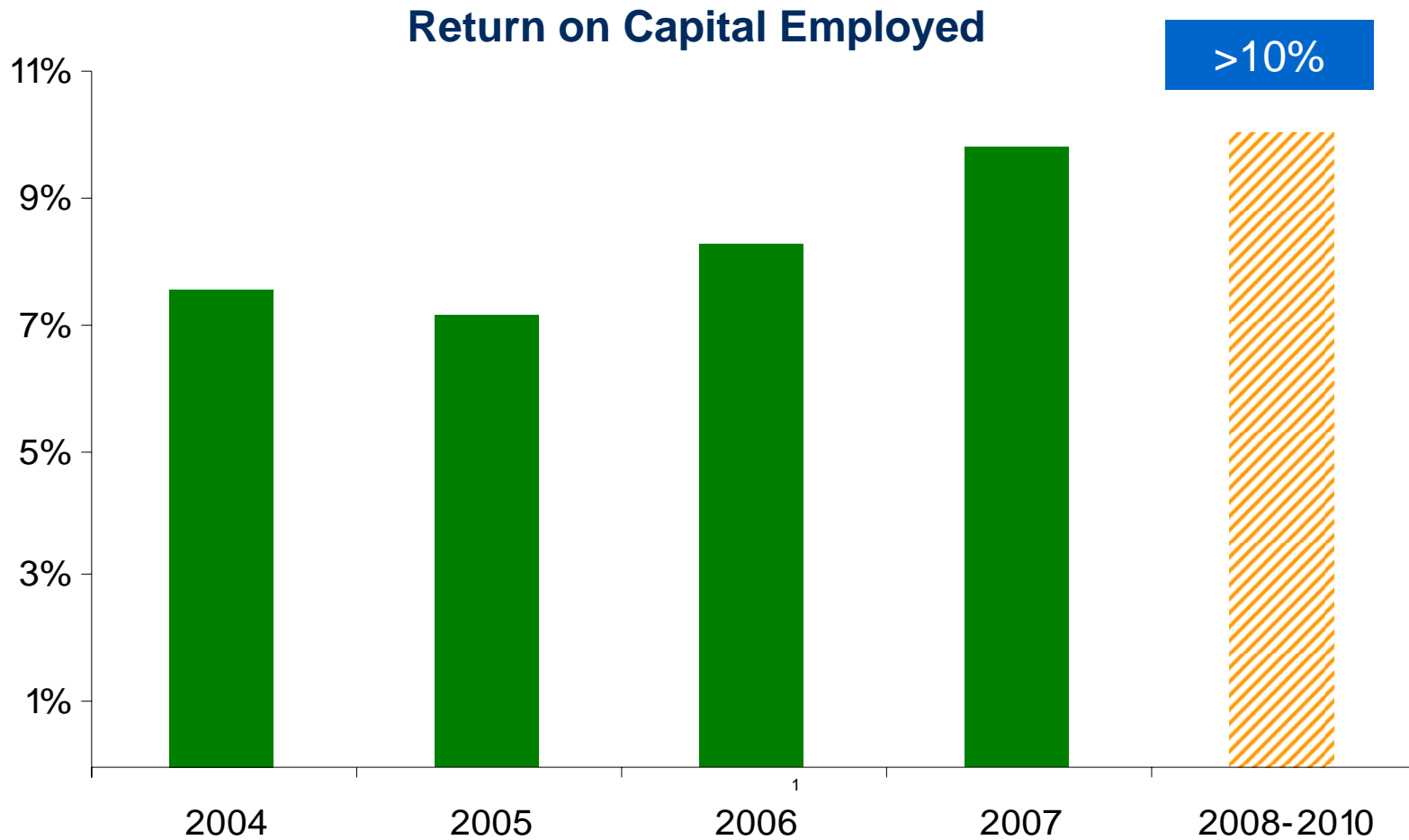
# Stable, long-term returns

## Cummulative Comparative 10 Year TSR



\*Source: FactSet

# Increasing economic value

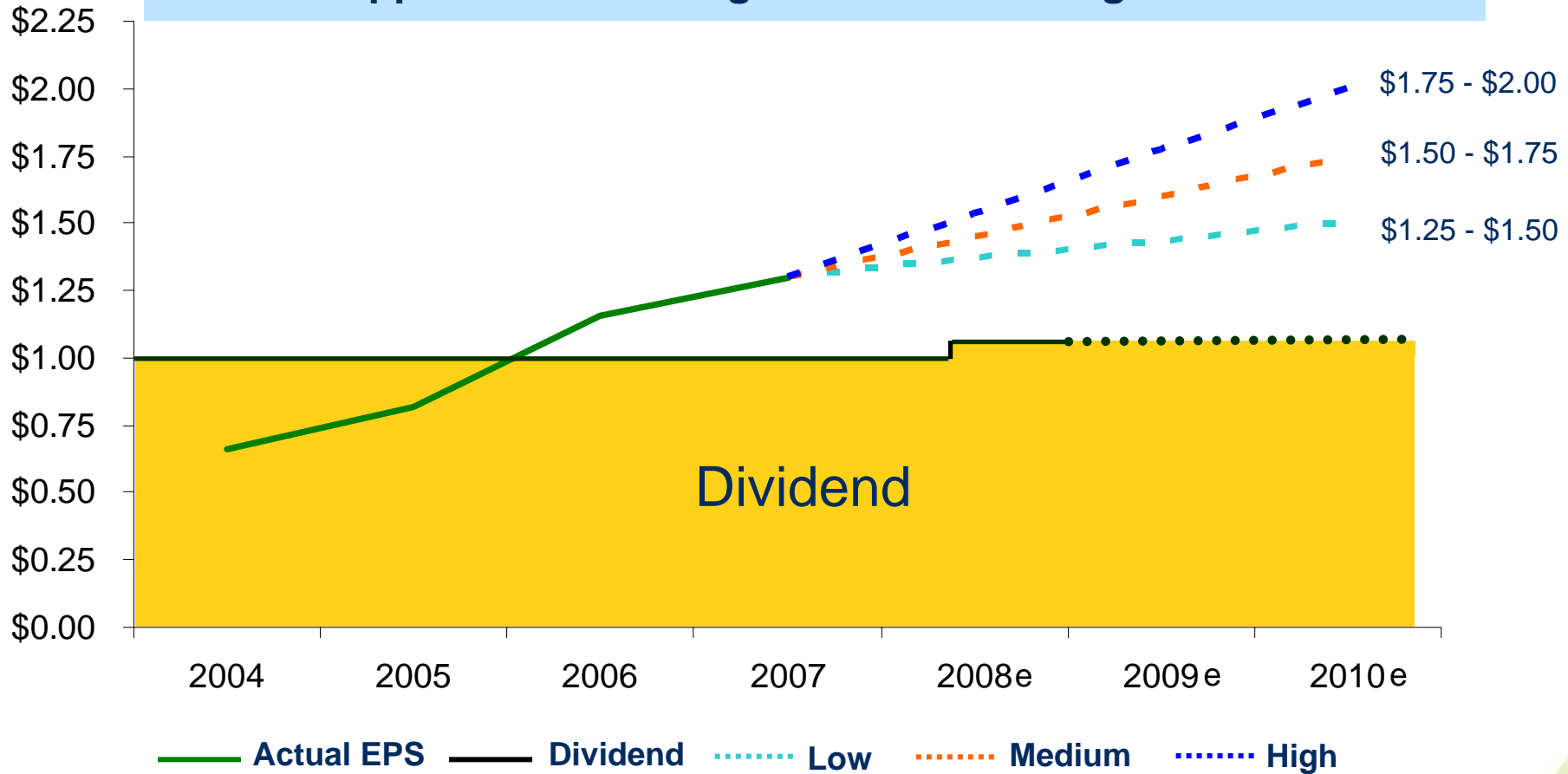


<sup>1</sup> For comparability, data excludes the impact of Centralia charges in 2006



# Base assets expected to deliver sustainable EPS and dividend growth

Current market fundamentals and prices support annual EPS growth and a strong dividend



— Actual EPS — Dividend ..... Low ..... Medium ..... High

Low Case: AB Prices= \$55 - \$70/MWh; PNW Prices = \$45 - \$50/MWh

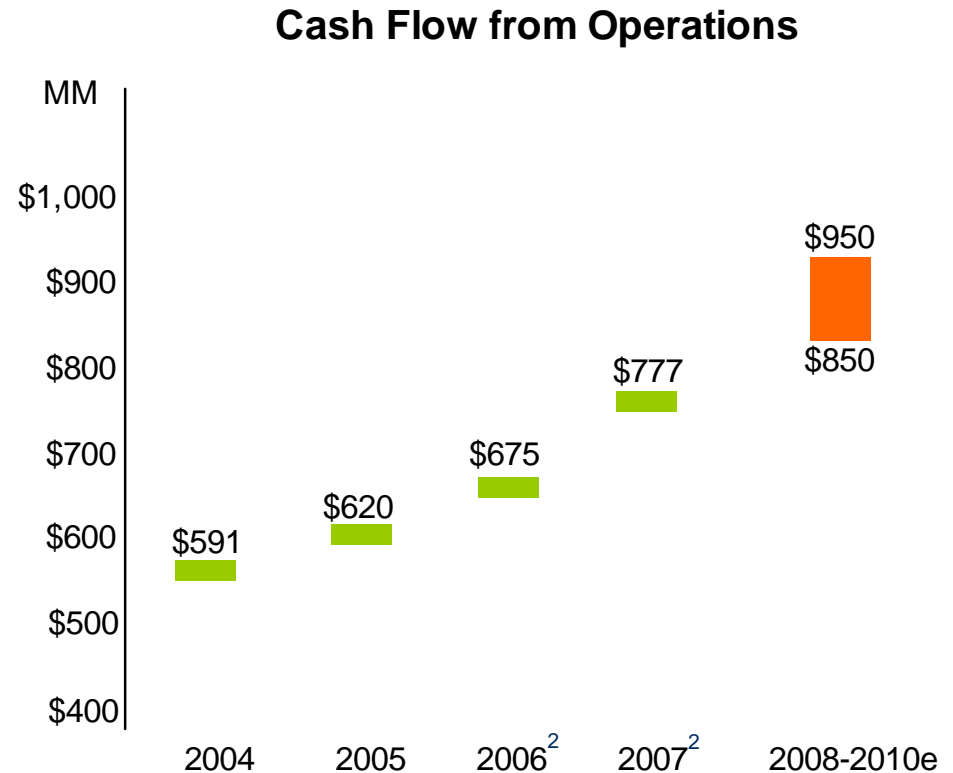
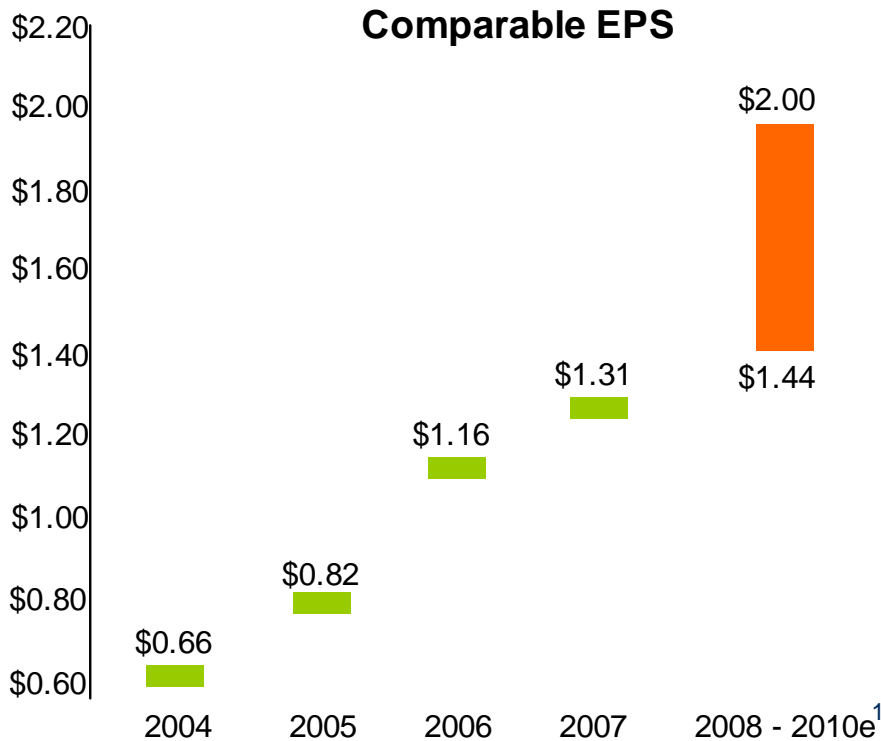
Medium Case: AB Prices = \$70 - \$85/MWh; PNW Prices = \$50 - \$55/MWh

High Case: AB Prices= \$85 - \$100/MWh; PNW Prices = \$55 - \$60/MWh

# EPS and cash flow growth

2008 – 2010

Expect low double digit EPS growth and strong cash flow from operations



1. Range based on low double digit growth estimate
2. Cash flow adjusted for timing of PPA and contracted revenue payments

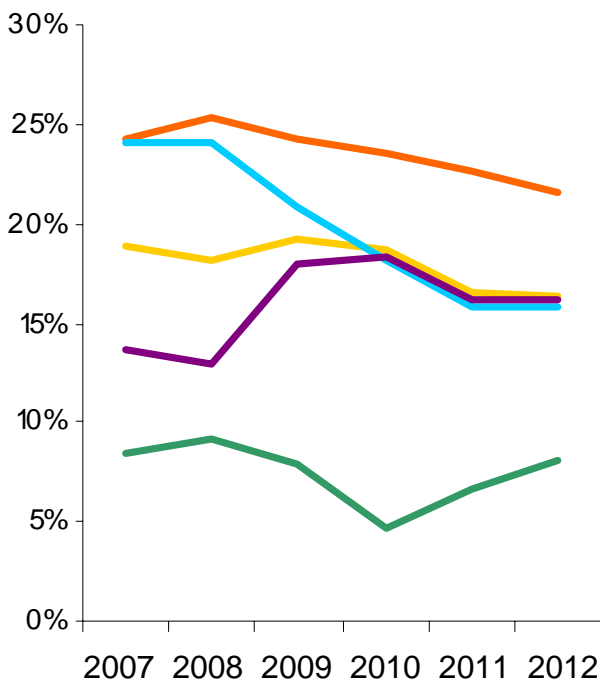
# Capital allocation plan creates consistent value over time

Increasing capital efficiency is the focus of management and the Board

Alternatives	Direction	Action
<b>Portfolio Optimization</b>	<p>Divest or fix under-performing assets</p> <p>Divest non-core assets</p>	<p>Mexico – PSA signed</p> <p>Sarnia - pursuing improved long-term contract</p> <p>Centralia Gas - assessing contracting options</p> <p>Australia - no action at this time</p>
<b>Dividend</b>	Provide shareholders sustainable dividend growth	Grow dividends along with EPS; 2008 annual dividend increased 8% to \$1.08
<b>Share Buyback</b>	Provide shareholders incremental return of capital	<p>NCIB expanded to full 10%; in 2007 purchased 2.4M shares = \$75 million</p> <p>2008, intent is to renew and utilize significant portion of NCIB</p>
<b>Asset Investment</b>	<p>Projects must deliver unlevered, free cash, after tax IRR &gt;10%:</p> <p>Greenfield</p> <p>Acquisitions</p>	<p>Announced ~\$1.1 billion to date</p> <ul style="list-style-type: none"> <li>• 225 MW      Keephills 3      \$815 MM</li> <li>• 96 MW      Kent Hills      \$170 MM</li> <li>• 66 MW      Blue Trail      \$115 MM</li> </ul> <p>Targeting W. U.S. and W. Canada</p>

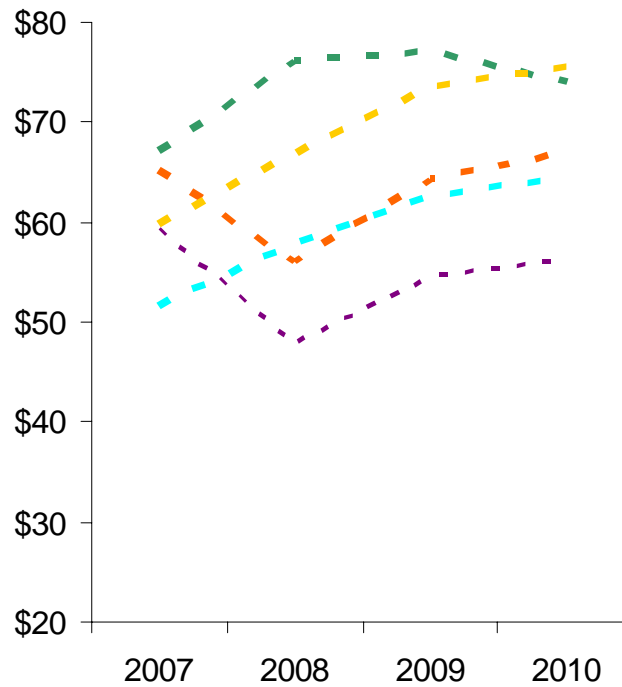
# Western market fundamentals support financial expectations

## Reserve Margin<sup>1&2</sup>

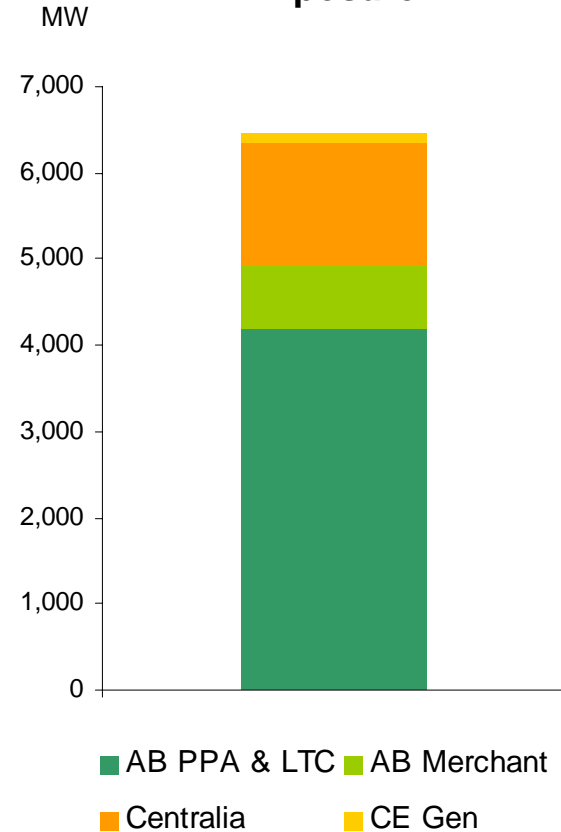


— Alberta  
— PacNW  
— California  
— Desert South West  
— BC

## Average Forward Trading Prices<sup>1&3</sup>



## Western Market Exposure



■ AB PPA & LTC  
■ AB Merchant  
■ Centralia  
■ CE Gen

1. Based on data from PIRA and CERA
2. Assumes normal hydro
3. Average forward trading prices as of Jan. 2008, AB \$C, US \$US

# Leveraging resources and strengths to create a super regional western wholesale power company

## FOCUS

### Short-term: 2008 - 2010

- Plant uprates
- Greenfield priorities
  - Renewable
    - Wind
    - Geothermal
    - Small hydro
  - Co-generation
  - Clean Coal (AB)
- Portfolio optimization

### Medium-term: 2011 - 2015

- AB Thermal investments
- Clean coal investment
- CO<sub>2</sub> offsets

### Longer-term: 2016+






- Transmission options

Long-term EPS growth driven by western portfolio expansion



Geographic focus, contract and asset mix, and fuel selection dominate strategic choices

# 5-yr development plan leverages expertise

	WIND	CO-GEN	HYDRO	GEOTHL	THERMAL	TOTAL @ 02/ 08
						
Alberta	184 MW	200 MW	Storage rights optimization  Hydro Uprates		53 MW (Uprate)	437 MW
WECC	100 MW		100 MW	150 MW		350 MW
<b>Total MW:</b>	<b>284 MW</b>	<b>200 MW</b>	<b>100 MW</b>	<b>150 MW</b>	<b>53 MW</b>	<b>787 MW</b>
<b>Total Est:</b>						<b>~\$2 B</b>

# Our development track record



Project	<b>Genesee III Alberta</b>	<b>Sun 4 Uprate Alberta</b>	<b>Kent Hills NB</b>	<b>Blue Trail Alberta</b>	<b>Keephills III Alberta</b>
Type	Supercritical Coal	Efficiency Uprate	Wind	Wind	Supercritical Coal
Size	225 MW <sup>(1)</sup>	53 MW	96 MW	66 MW	225 MW <sup>(1)</sup>
Total Project Cost	\$357 MM	\$58 MM	\$170 MM	\$115 MM	\$815 MM
Expected Annual Revenues <sup>(2)</sup>	\$125 - \$180 MM+	\$30 - \$40 MM+	\$20 - \$30 MM	\$14 - \$20 MM+	\$125 - \$180 MM+
Commercial Operations Date	Q2 2005	Q3 2007	Q4 2008	Q4 2009	Q2 2011
Contract Status	Merchant	Merchant	100% Contracted	Merchant	Merchant
Unlevered after tax IRR	15%+	20%+	10%+	10%+	10%+
On time / On budget	✓	✓	Tracking	Tracking	Tracking

<sup>(1)</sup> 450 MW gross size

<sup>(2)</sup> Expected range based on \$70-\$100+/MWh

# Financial strategy supports consistent shareowner value creation

Financial strength provides shareowners an advantage in a long-cycle, capital intensive, cyclical industry

- **Maintain capital discipline**

- Focus on operating and free cash flow growth
- Allocate capital to strategies delivering consistent returns
- Recycle capital from under-performing assets

- **Maintain financial flexibility**

- Hold stable investment-grade credit ratings
- Drive efficient capital structure; maintain appropriate financial ratios
- Use multiple sources of capital to finance capital allocation plans effectively
- Maintain sufficient liquidity to support contracting activities

- **Maintain focus on ROCE, IRR and TSR objectives**

- Goal is to achieve ROCE and TSR greater than 10 per cent
- New investments must exceed 10 per cent IRR – if not, return cash to shareholders
- Monitor, measure and manage exposure to known risks

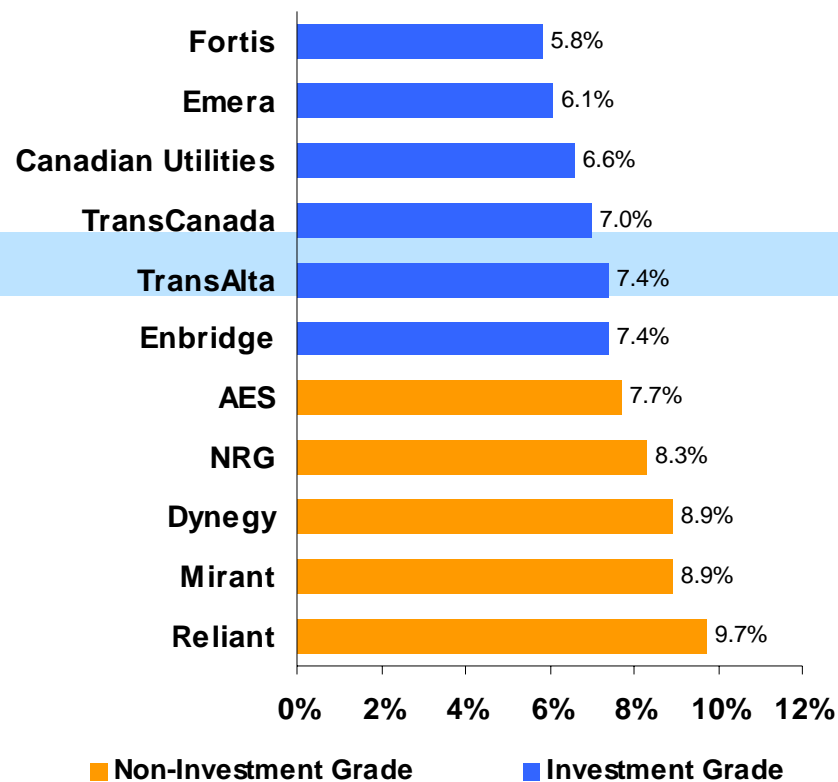


# Investment grade provides most competitive weighted average cost of capital

## Increasing Debt Spreads<sup>(1)</sup> for Non-Investment Grade Credits

Date	Corporate Spreads to Treasuries (bps)			Spread to BBB (bps)	
	BBB	BB	B	BB	B
2004 YE	113	203	292	90	179
2005 YE	140	269	328	129	188
2006 YE	122	194	286	72	164
2007 YE	245	459	571	214	326
Current	277	541	698	264	421
<b>Increase Since 2004</b>	<b>164</b>	<b>338</b>	<b>406</b>		

## Lower Weighted Average Cost of Capital<sup>(2)</sup> For Investment Grade Companies

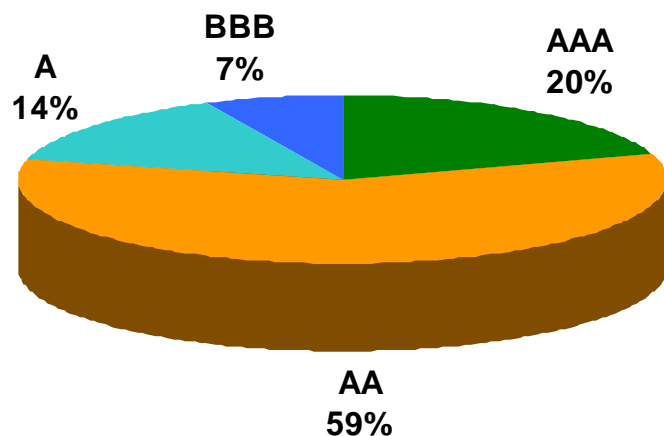


1. Based on all sectors
2. Sourced from Bloomberg (market risk premiums, adjusted beta, risk-free rates, cost of debt and preferred, and market value of equity as of January 28, 2008) and Company filings (latest disclosed capital structure, statutory tax rate)

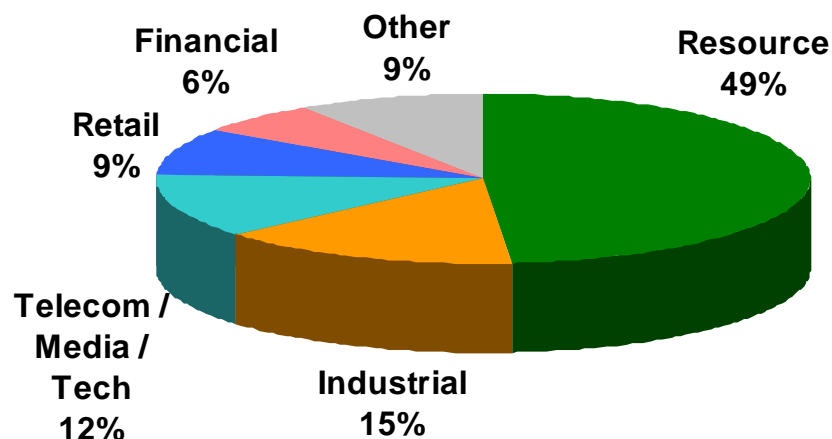
# Maintaining access to Canadian debt capital markets adds flexibility

- There is no high yield debt market in Canada
  - In 2007, approx. 93% of debt issuances in Canada were from “A” or better credits
  - Canadian companies below investment grade would have little to no access to Canadian debt markets and would have to rely on U.S. and international sources
- There are no power and utility companies with a non-investment grade credit in Canada
- Access to Canadian debt markets is an important element of the long-term financing strategy of TransAlta, a capital-intensive company with significant assets in Canada

## Canadian New Debt Issuances Dominated By Highly Rated Credits<sup>(1)</sup>



## All Power & Utility Companies Have Investment Grade Ratings<sup>(2)</sup>



1. Data for 2007 through December  
2. TSX-listed companies with at least \$1Bn in market cap and a non-investment grade credit rating (as of December 2007)

# TransAlta highlights

**Our unique strategy, resource combination, and proven strengths create shareholder value through commodity and credit cycles**

- Base business expected to deliver low double digit EPS and strong cash flow growth
- Maintaining financial strength and flexibility important to creation of consistent shareholder value
- Capital allocation balances investment in cash generating assets with return of capital to shareholders through dividends and share buyback
- Growth projects executed in 2008 – 2010, estimated to add incremental EPS starting in 2011
- Portfolio optimization could support further share buybacks
- Focused on delivering 10%+ ROCE and TSR consistently



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