Investor Presentation

August 2008

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.

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

VALUE PROPOSITION

Consistent Returns

Yield & Growth

Dividend + earnings growth

Exposure to Growing Power Markets

Low to Moderate Risk Business Model

Diversified fleet

Mix of contracts

Operational excellence

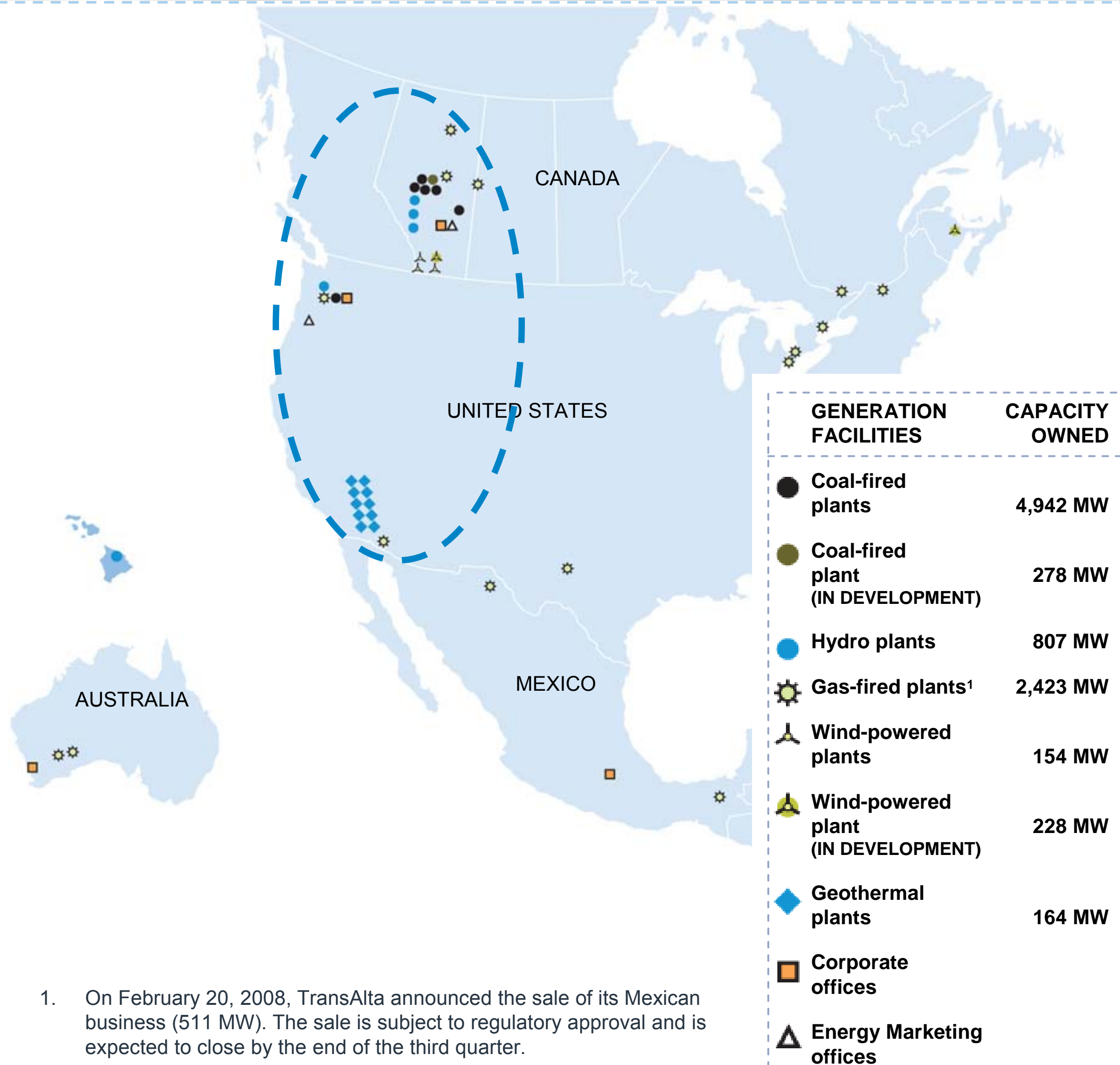
Environmental leadership

Financial Strength

Strong balance sheet

Good liquidity

Balanced capital allocation

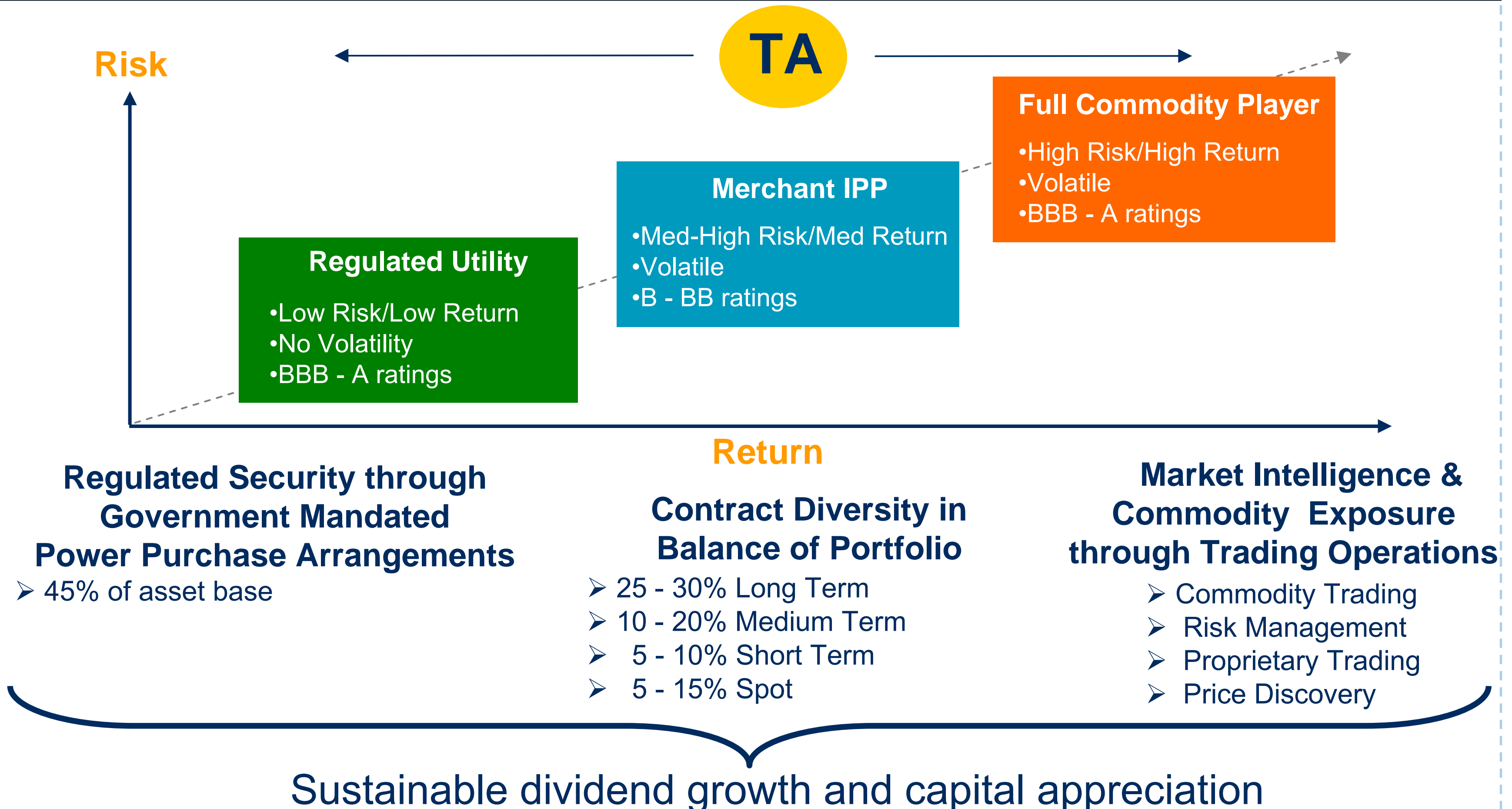


1. On February 20, 2008, TransAlta announced the sale of its Mexican business (511 MW). The sale is subject to regulatory approval and is expected to close by the end of the third quarter.

Unique in the power industry

TransAlta

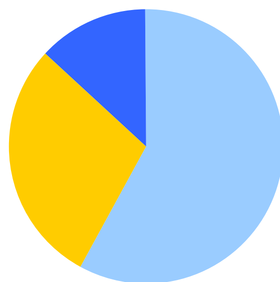
Low to moderate risk, investment grade, wholesale power generator and marketer



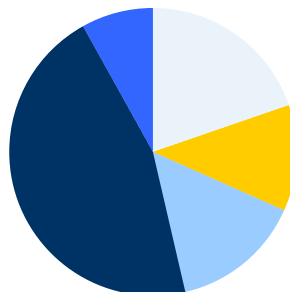
Diversified, highly contracted portfolio

Our diversification supports stable, steady income and cash flow

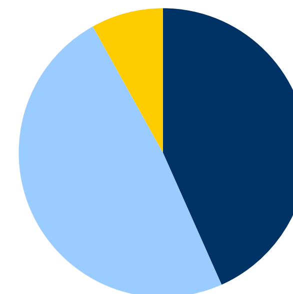
FUEL TYPE DIVERSIFICATION (MW)



FLEET AGE



CONTRACT COVER

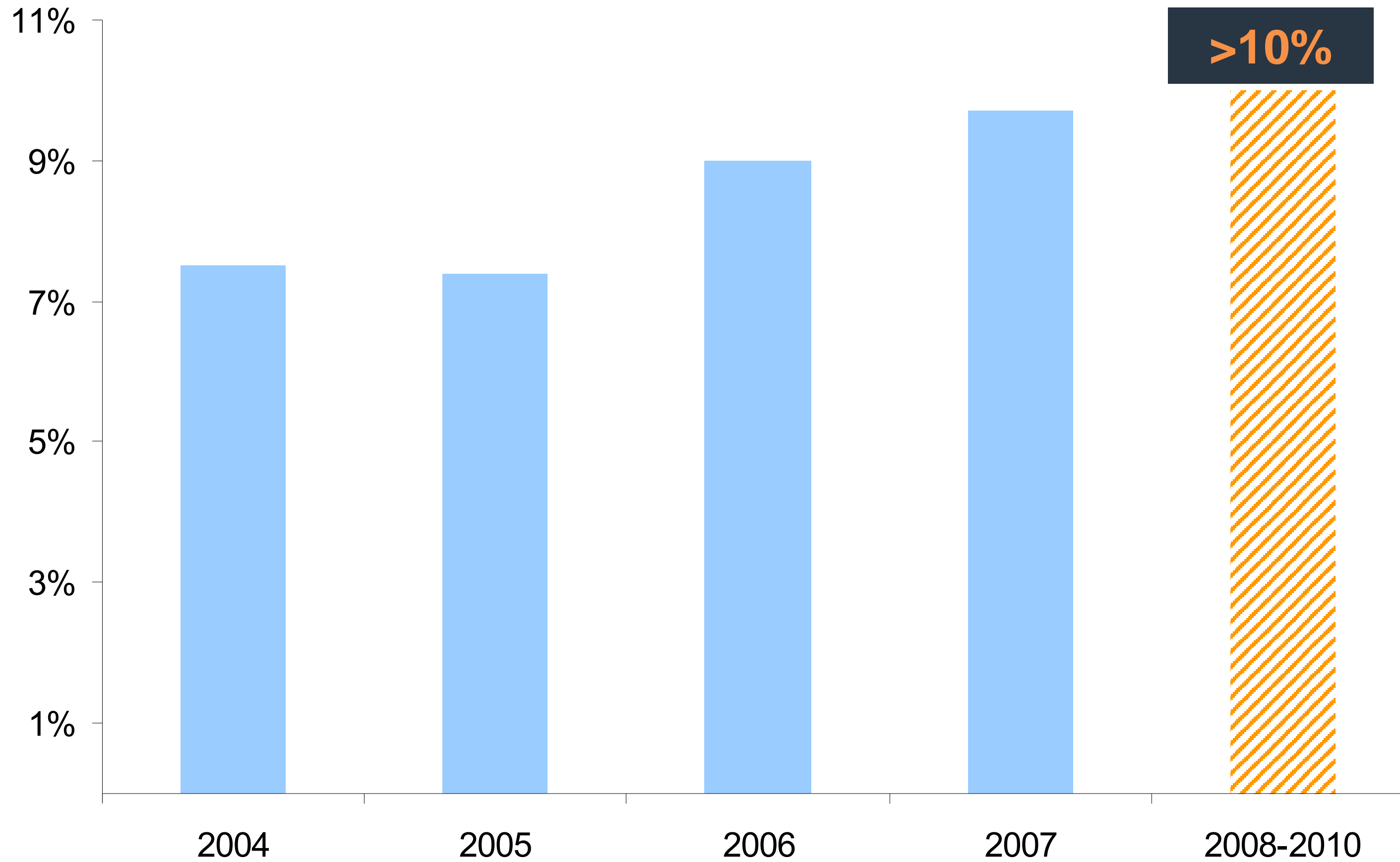


1. Calculation based on MW ownership at Dec. 31, 2007. Net capacity equals ~8,500 MW

Competitive advantages

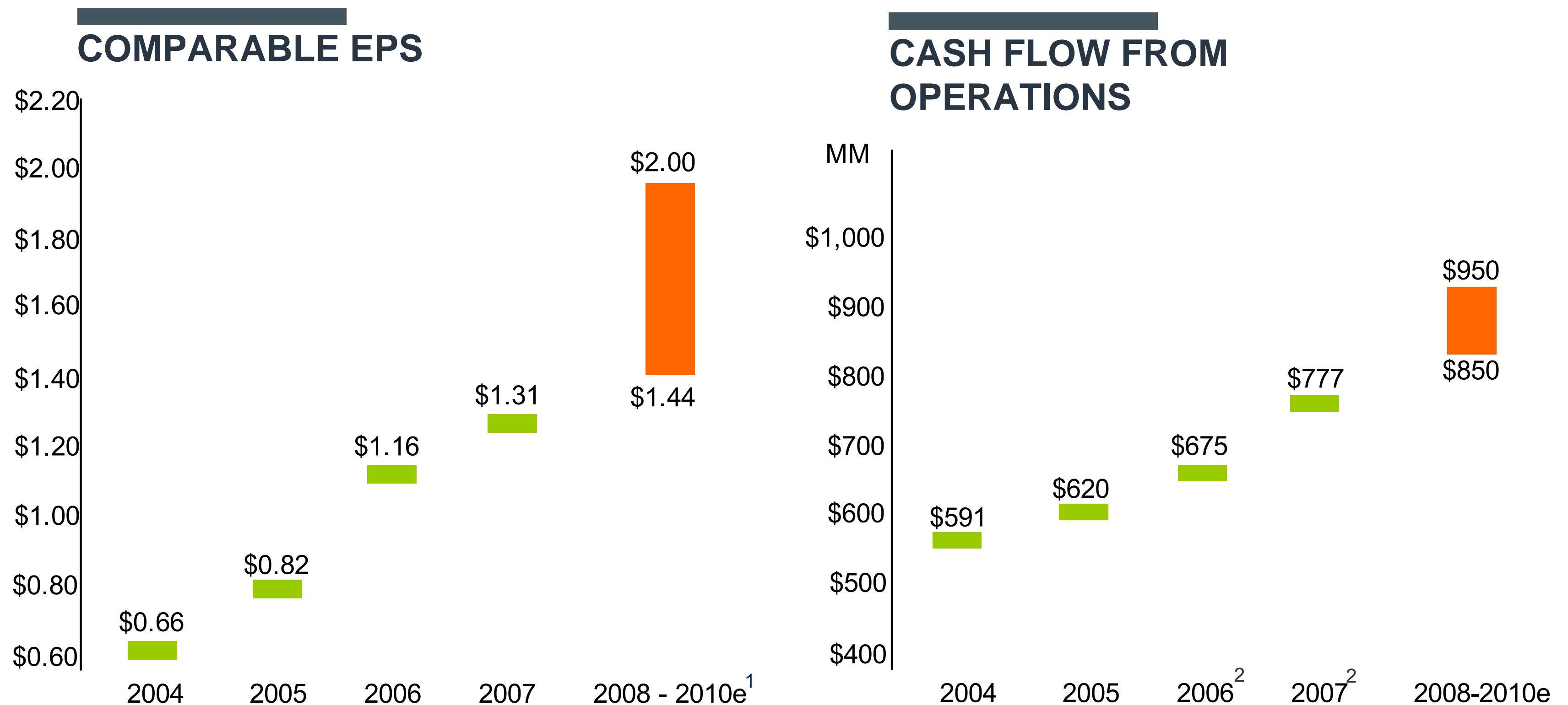
Unique Model	Resource Combination	Proven Strengths
Commodity Market Intelligence via Trading + Merchant Asset Contract Diversity + Regulated Security	▪ Brownfield sites ▪ Wind options ▪ Coal reserves ▪ Water storage ▪ Solid fuel storage ▪ Access to natural gas ▪ Transmission access	▪ Operational excellence ▪ Technical expertise ▪ Market intelligence ▪ Trading and hedging ▪ Environmental leadership ▪ Regulatory experience

Increasing economic value



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

TransAlta outlook: Positive fundamentals

Diversified, Low-cost Business Model + Operating Excellence + Financial Strength = Short and Long-term Success

POSITIVES

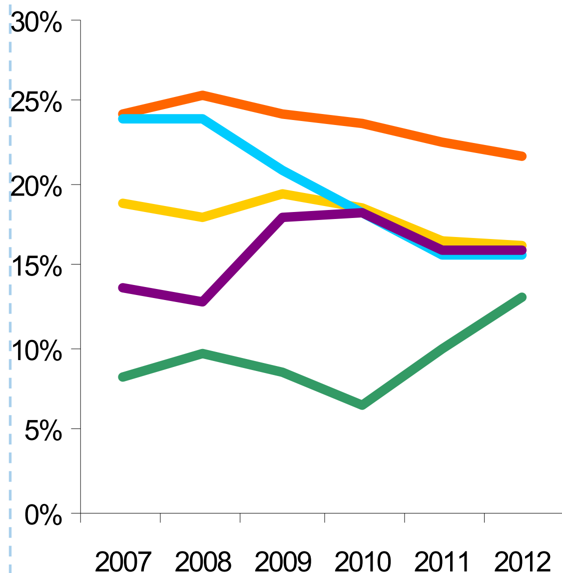
- Rising prices in western markets
  - Supply shortages
  - Replacement costs higher
- Positioned for capacity growth
  - Fuel and geographic diversity provides opportunities
  - Disciplined allocation process
- Protected on near-term environmental compliance costs for AB PPA and Centralia thermal assets

CHALLENGES

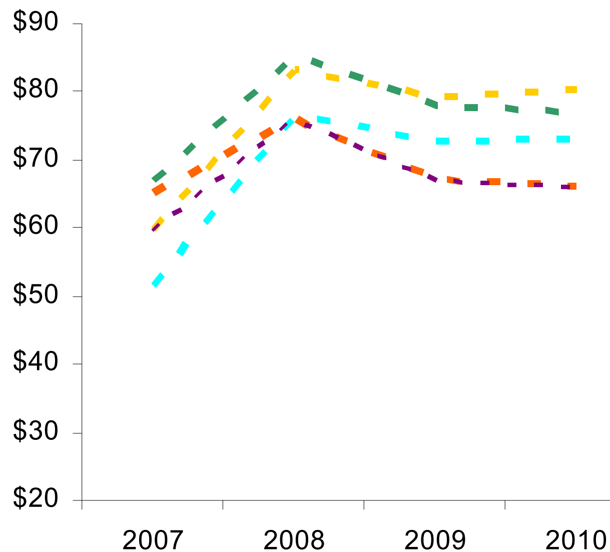
- Re-regulation momentum; even Alberta
- Canada legislation requires significant emissions reductions; U.S. to be determined
- Technology race to find best CO2 capture and sequestration solutions
- Equipment shortages and cost escalation
- Future natural gas prices uncertain
- Accelerated credit cycles; risk of demand destruction

Western market fundamentals support financial expectations

RESERVE MARGIN[1&2]

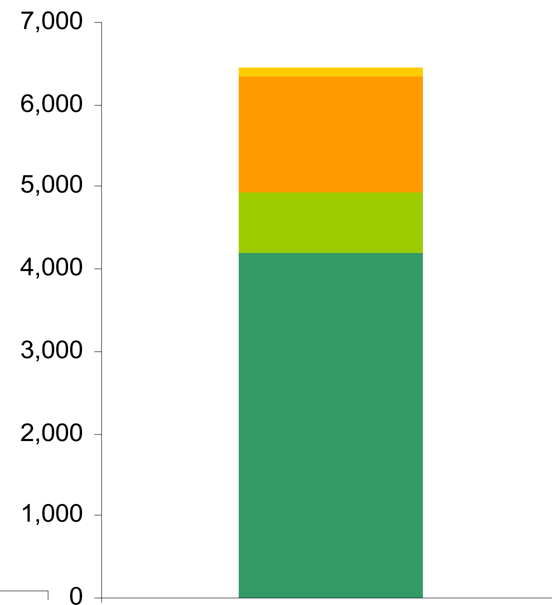


AVERAGE FORWARD TRADING PRICES[1&3]



Alberta
PacNW
California
Desert South West
BC

WESTERN MARKET EXPOSURE



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

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Balanced capital allocation plan creates consistent value over time

Increasing capital efficiency is the focus of management and the Board

ALTERNATIVES	DIRECTION	ACTION
Portfolio Optimization	Divest or improve under-performing assets Divest non-core assets	Mexico - PSA signed for USD $303.5 MM Sarnia - pursuing improved long-term contract Centralia Gas - assessing contracting options Australia - no action at this time
Dividend	Provide shareholders sustainable dividend growth	2008 annual dividend increased 8% to $1.08; Board policy is to target a payout of 60 - 70% of comparable EPS
Share Buyback	Provide shareholders incremental return of capital	NCIB expanded to full 10%; 4.3 million shares repurchased to-date = $135 million 2008 plan is to renew and utilize significant portion of NCIB
Asset Investment	Projects must deliver unlevered, free cash, after tax IRR >10%: Greenfield Acquisitions Targeting W. U.S. and W. Canada	Announced ~$1.3 billion to date ▪ 225 MW Keephills 3 $815 MM ▪ 96 MW Kent Hills $170 MM ▪ 66 MW Blue Trail $115 MM ▪ 53 MW Sun 5 Uprate $ 75 MM ▪ 66 MW Summerview II $123 MM

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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
  - Co-generation
  - Clean Coal (AB)
- Portfolio optimization[1]
- CO_2 offsets

Medium-term: 2011 - 2015

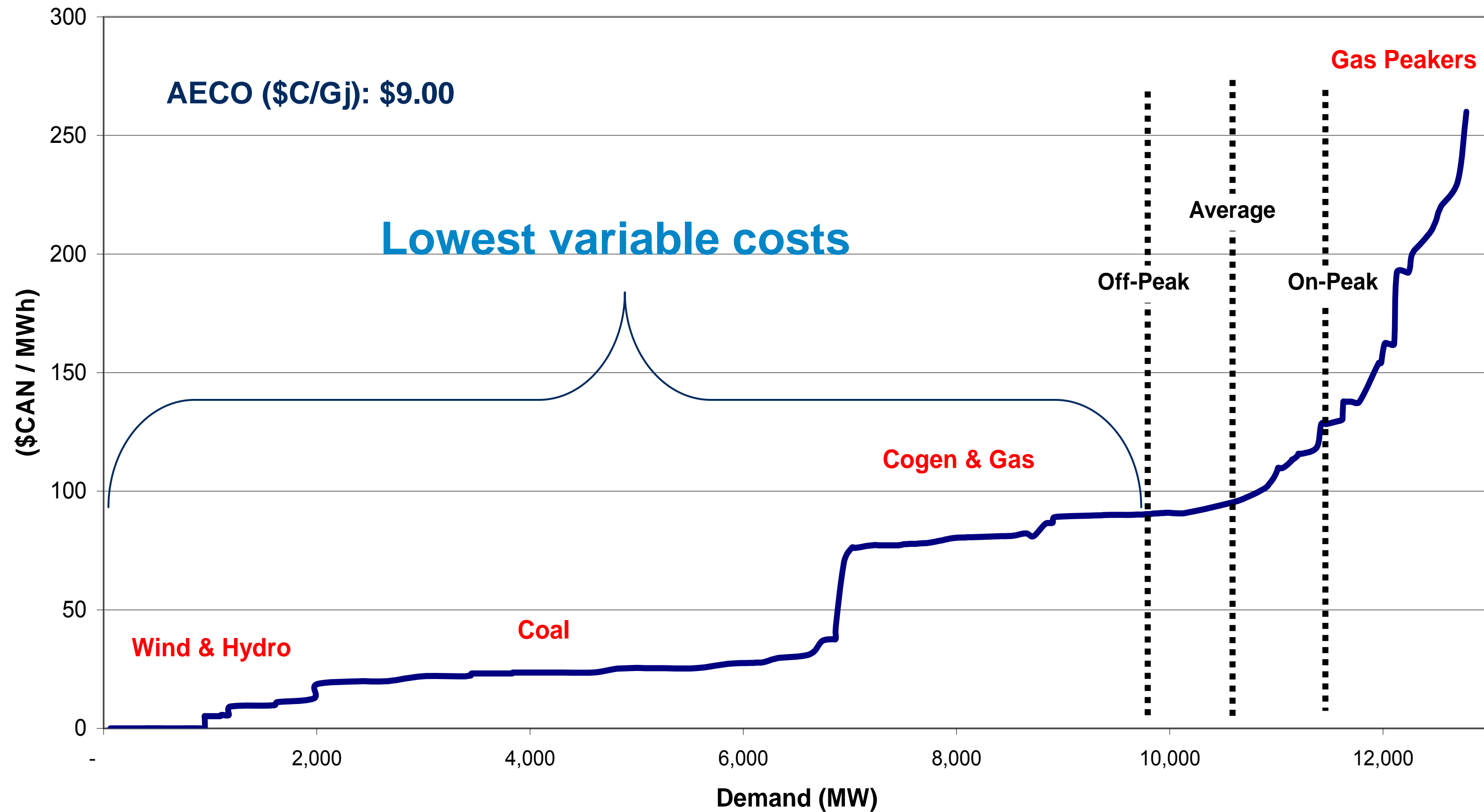
- AB Thermal investments
- Small hydro
- Clean coal investment
- CO_2 offsets

Longer-term: 2016+

- Transmission options

1. On February 20, 2008, TransAlta announced the sale of its Mexican business (511 MW). The sale is subject to regulatory approval and is expected to close by the end of the third quarter.

Investment will be in low variable cost assets



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

	WIND	CO-GEN	HYDRO	GEOTHL	THERMAL	TOTAL @ 07 / 08
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

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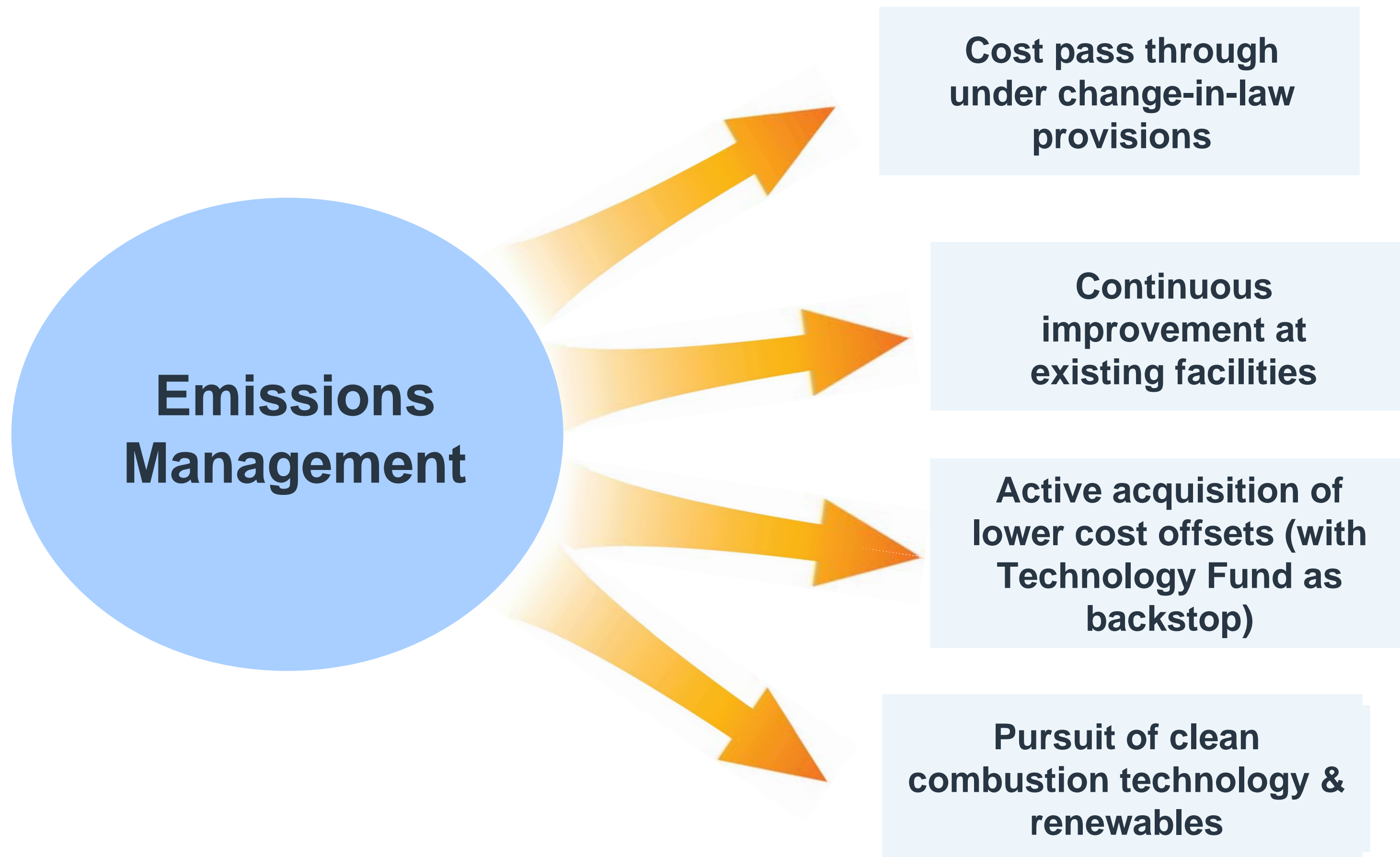
Our development track record

Project	Genesee III Alberta	Sun 4 Uprate Alberta	Kent Hills NB	Blue Trail Alberta	Keephills III Alberta
Type	Supercritical Coal	Efficiency Uprate	Wind	Wind	Supercritical Coal
Size	225 MW[1]	53 MW	96 MW	66 MW	225 MW[1]
Total Project Cost	$357 MM	$58 MM	$170 MM	$115 MM	$815 MM
Expected Annual Revenues[2]	$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

[1] 450 MW gross size
[2] Expected range based on $70-$100+/MWh

Environmental leadership

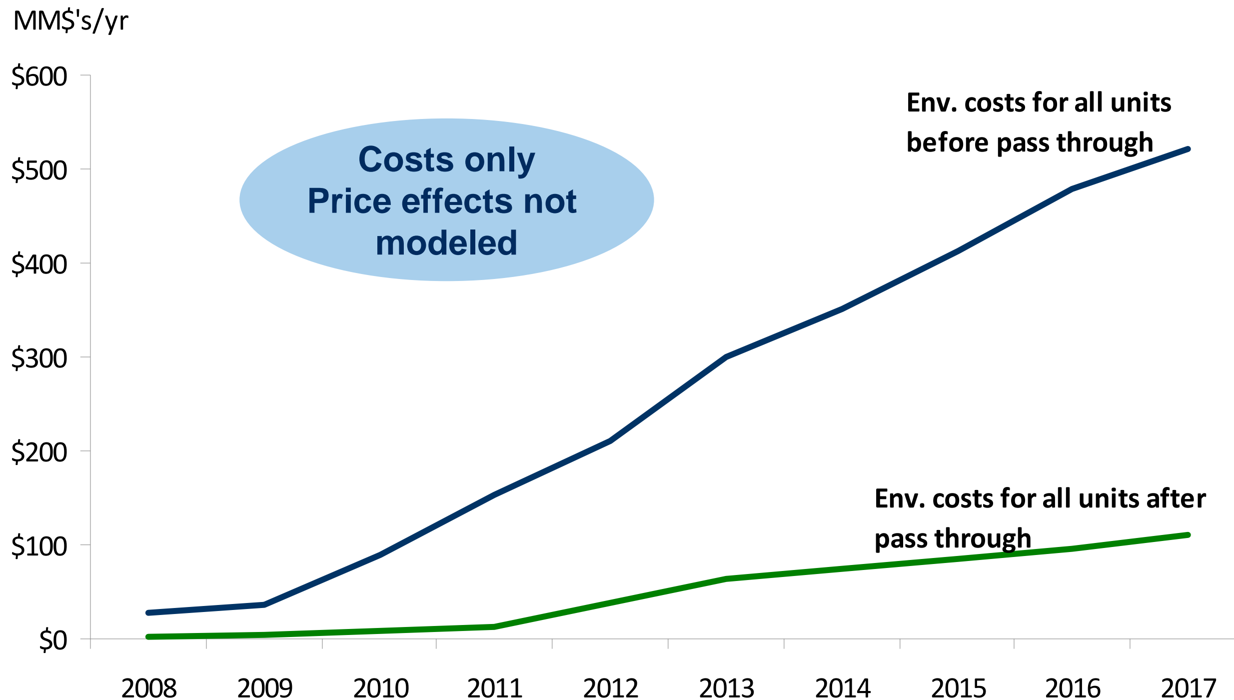
TransAlta is competitively positioned to mitigate emissions costs through early engagement, a portfolio of initiatives and pass through contracts



Fleet costs from environmental regulation

In the next decade, over 75% of emissions compliance costs are transferred by pass through mechanisms; shareowners are protected

ENVIRONMENTAL OPERATING COST FORECAST



Compliance cost forecasts include all emissions - GHG's, NOx, SO2 and mercury, with the vast majority being GHG's. Capital costs are not included since the targets and schedules for NOx and SO2 are not yet established. Regardless, over 85% of those costs would also be transferred by pass through mechanisms.

Carbon capture and storage

TransAlta signs agreement with technology partner Alstom Canada to develop a large scale CO_2 capture and storage facility

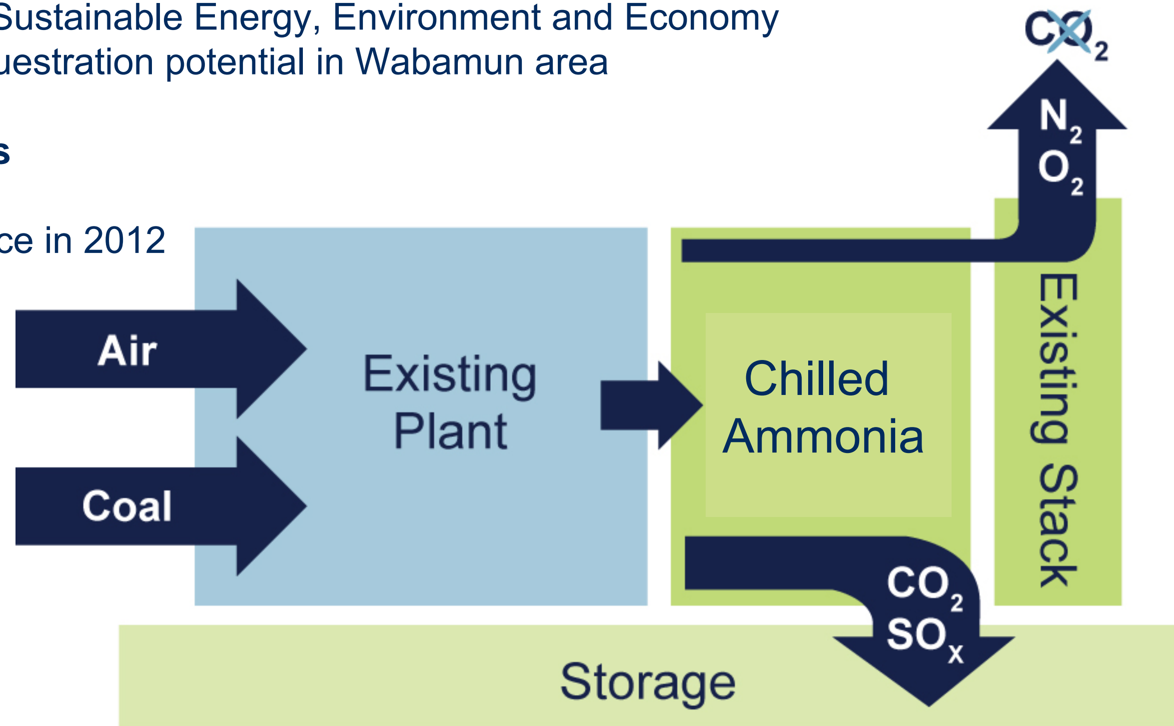
Phase 1 – Improving our Understanding

- Start in 2008
- Detailed engineering
- Stakeholder relations
- Regulatory work
- Partnership with Institute for Sustainable Energy, Environment and Economy (ISEEE) to quantify CO2 sequestration potential in Wabamun area

Phase 2 & Subsequent Phases

- Start in 2009
- Testing expected to commence in 2012

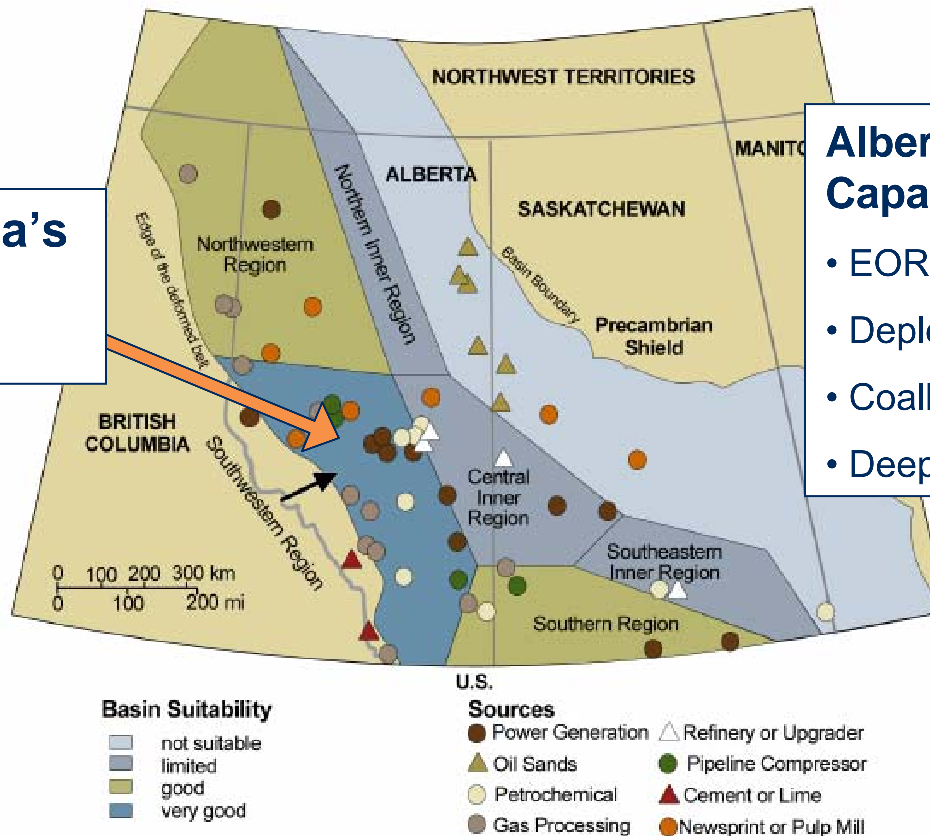
Phase 1 & all subsequent phases are subject to partner and government funding



Alberta has significant sequestration capacity

TransAlta's plants are located above geology that is capable of storing CO_2

TransAlta's Thermal Fleet



Alberta CO_2 Sequestration Capacity:

- EOR – 1,000 Mt
- Depleted reservoirs – 3,000 Mt
- Coalbed methane resources – 5,000 Mt
- Deep saline aquifers – 10,000 Mt

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Financial strategy supports consistent shareholder value creation

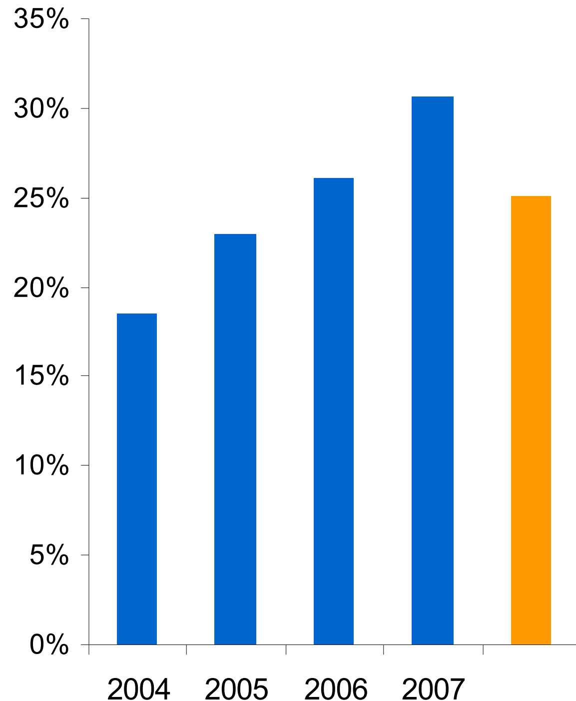
Financial strength provides shareowners an advantage in a long-cycle, capital intensive, cyclical industry

- **Maintain balanced capital allocation plan**
  - 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
  - Maintain access to all potential sources of capital to cost effectively finance business plan
  - Maintain sufficient liquidity to support contracting activities
- **Maintain focus on IRR, ROCE, 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

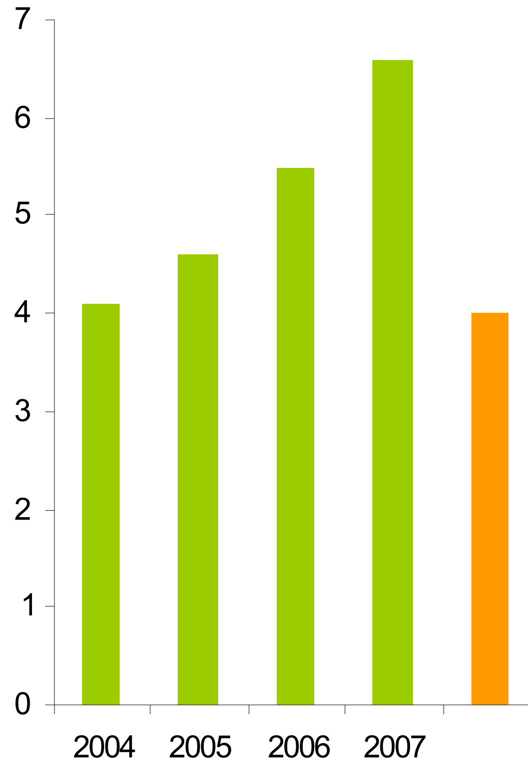
Financial ratios indicative of financial strength

Given strong market conditions, we will shift capital structure to higher end of our leverage limits

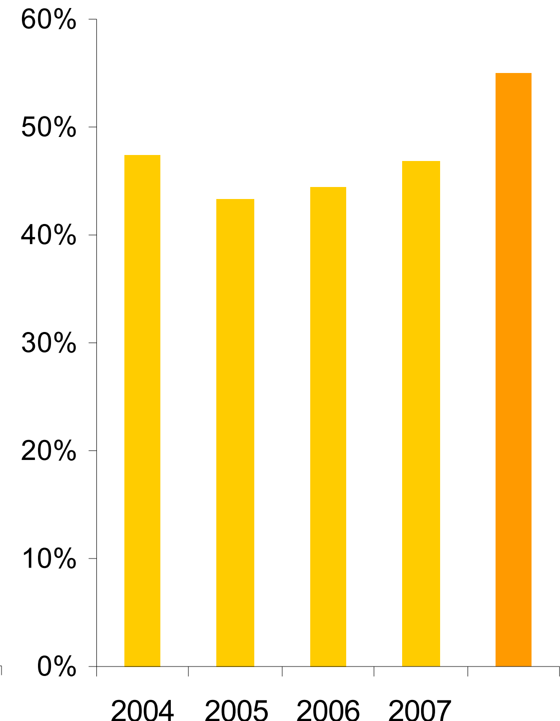
CASH FLOW TO DEBT (%)
Min. of 25%



CASH FLOW TO INTEREST (X)
Min. of 4X



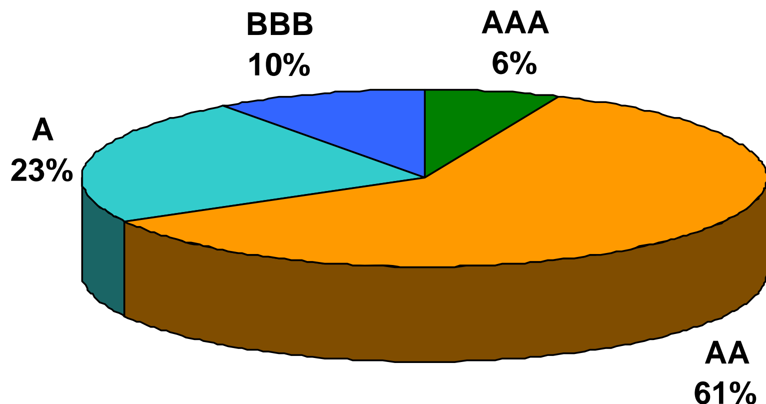
DEBT TO CAPITAL (%)
Max. of 55%



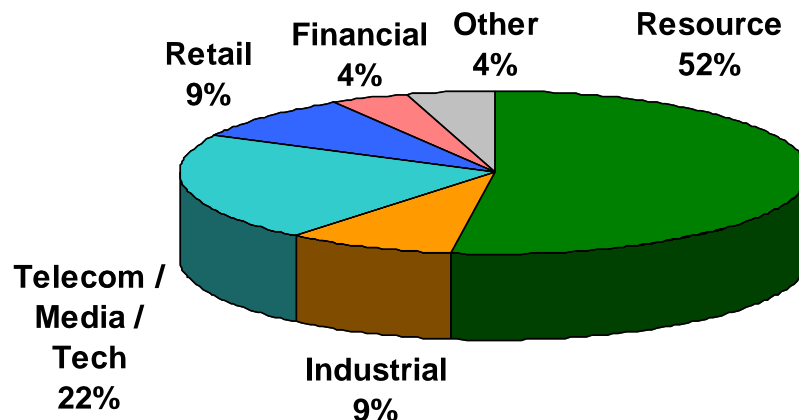
Maintaining access to Canadian debt capital markets adds flexibility

- There is no high yield debt market in Canada
  - In 2008[1], approx. 92% of Canadian debt issuances 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[1]



All Power & Utility Companies Have Investment Grade Ratings[2]



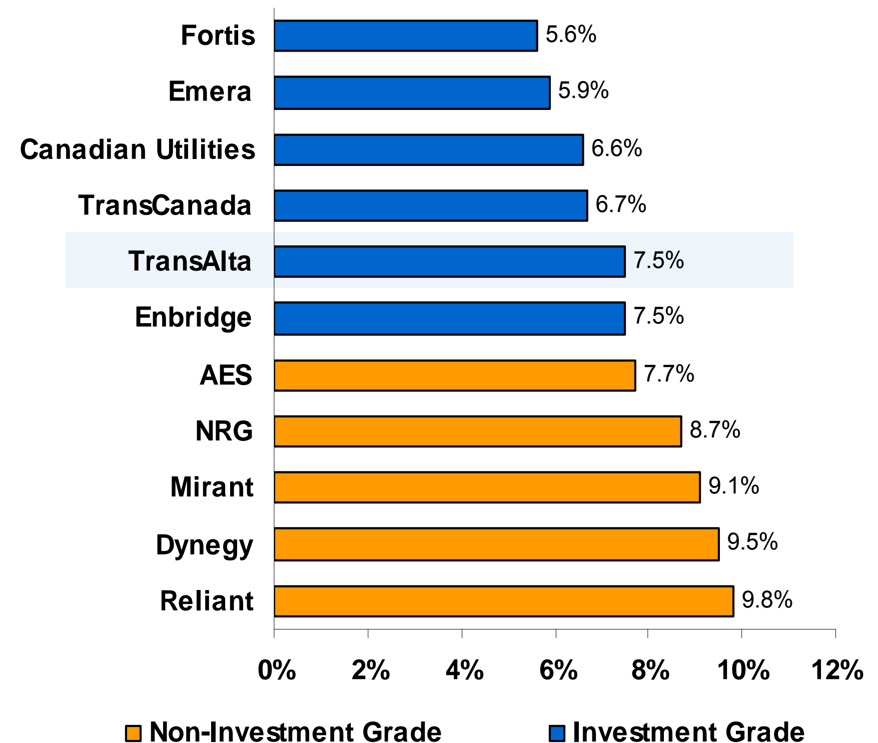
1. Data for 2008 through Aug 18, 2008
2. TSX-listed companies with at least $1Bn in market cap and a non-investment grade credit rating (as of June 30, 2008)

We maintain a competitive weighted average cost of capital

Increasing Debt Spreads[1] for Non-Investment Grade Credits

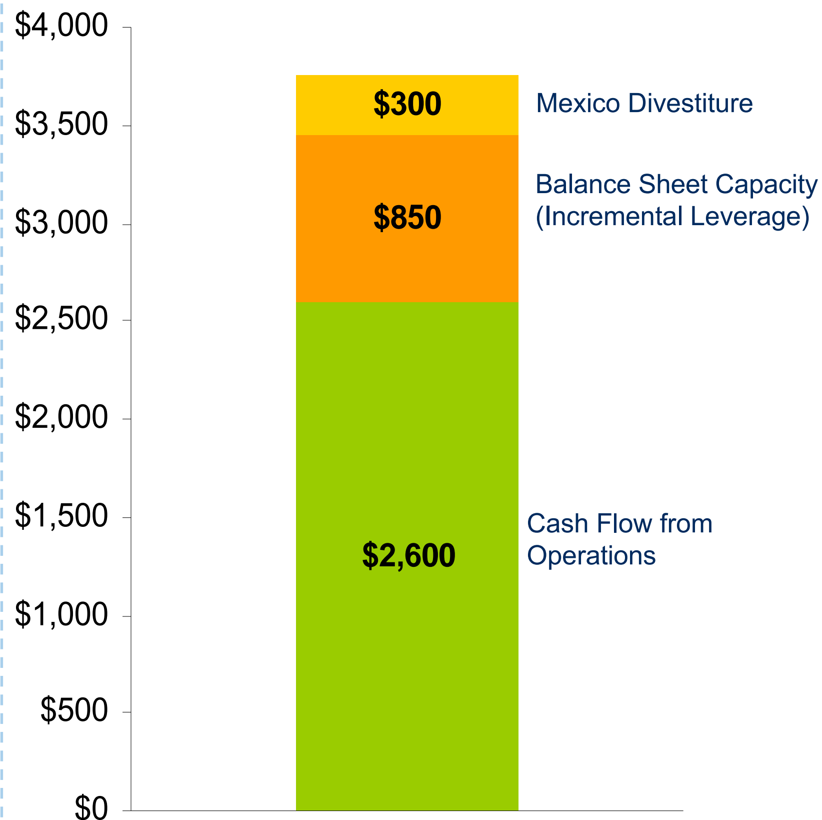
	Corporate Spreads to Treasuries (bps)			Spread to BBB (bps)	
Date	**BBB**	**BB**	**B**	**BB**	**B**
2004 YE	113	203	292	**90**	**179**
2005 YE	140	269	328	**129**	**188**
2006 YE	122	194	286	**72**	**164**
2007 YE	245	459	571	**214**	**326**
Current	325	531	809	**206**	**484**
Increase Since 2004	**212**	**328**	**517**		

Lower Weighted Average Cost of Capital[2] For Investment Grade Companies



1. Based on all sectors, as at July 18, 2008
2. Sourced from Bloomberg (market risk premiums, adjusted beta, risk-free rates, cost of debt and preferred, and market value of equity as of June 30, 2008) and Company filings (latest disclosed capital structure, statutory tax rate)

Capital allocation program funded through mix of cash, debt and potentially, equity



Asset divestitures supplement cash available

2008 – 2010 performance goals

OBJECTIVES	MEASURES	2008-2010 TARGETS
Achieve top decile operations	Availability	90 - 92%
Make sustaining capex predictable	3-yr Avg. Sustaining Capex	$290 - $325 million
Improve safety	Injury Frequency Rate	Reduce 10%/yr
Enhance productivity	OM&A/installed MWh	Offset inflation
Grow earnings and cash flow	Comparable EPS Operating cash flow	>10%/yr $850 - $950 million
Maintain investment grade ratings	Cash flow to interest Cash flow to debt Debt to invested capital	Min. of 4X Min. of 25% Max. 55%
Deliver long-term shareowner value	IRR ROCE TSR	> 10%/yr > 10%/yr > 10%/yr

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 shareowner 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

1. On February 20, 2008, TransAlta announced the sale of its Mexican business (511 MW). The sale is subject to regulatory approval and is expected to close by the end of the third quarter.

Appendix

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 – 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**

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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	$57	$ 113
(Decrease) / Increase in Generation gross margins	(16)	21
Mark-to-market movements - generation	7	21
Increase in COD gross margins	29	33
Increase in OM&A	(18)	(18)
Gain on sale of mining equipment	(12)	(7)
Decrease in net interest expense	2	6
Decrease / (Increase) in equity loss	2	(86)
Decrease in income tax expense	2	8
Other	(6)	(11)
Net Earnings, 2008	**$47**	**$ 80**

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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				

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Outstanding long-term debt

	Principal Amount ($000's)	Rate	Issued Date	Maturity Date
TAC				
CAD				
Series A Unsecured MTN	225,000	6.90%	2001/05/01	2011/06/01
Series A Unsecured MTN	205,000	6.60%	1999/10/13	2009/10/13
Series A Unsecured MTN	110,000	7.30%	1999/10/22	2029/10/22
Series A Unsecured MTN	141,100	6.90%	1995/11/15	2030/11/15
Building Lease	31,000	5.89%	2007/07/05	2023/05/31
U.S.				
Unsecured MTN [1]	300,000	6.75%	2002/06/25	2012/07/15
Unsecured MTN [1]	300,000	5.75%	2003/11/25	2013/12/15
Unsecured MTN [1]	500,000	6.65%	2008/05/09	2018/05/15
TAU				
Debentures - Series A Due 2033 [2]	50,000	5.66%	1998/08/20	2033/08/19

1. US denominated
2. Potential of early redemption in August 2009 if current market rates are greater than coupon rate

Centralia expected to be among top performing assets by 2010

2007 - 2009 Centralia coal-fired plant transition plan

- **Restores annual production to 10,500 GWh and provides long-term fuel flexibility**
- $45 - $50 MM investment in rail & coal unloading facilities
  - Plan accelerated for completion early 2008
- $140 - $150 MM investment in adaptation of coal plant
  - Plan incorporates seven months of test burn results
  - Scope includes safety and heat transfer equipment
  - Work to be completed first halves of 2008 and 2009
- Expected production
  - 2007 8,535 GWh
  - 2008e ~8,800-9,100 GWh
  - 2009e ~9,200-9,500 GWh
  - 2010e ~10,500 GWh

Genesee III – Case Study

The Right Market & The Right Investment

Alberta Market (2003)		Genesee III
Need for Supply as it starts to lag behind Demand		225 MW[2] Supercritical Coal Brownfield Expansion 50:50 JV agreement with EPCOR
Reserve margins forecasted to decline (15% in '03 declining to ~10% in the 2006 – 2007 period)		Reserve margins providing support for higher future pricing
Price fundamentals $40/MWh - $55/MWh (2003-2006)		Forward price curves based on market fundamentals support 10%+ IRR (after-tax, free cash flow)

Genesee 3 - 2005

Capital Investment: $357M[1]

Estimated IRR: 15%+

Current forward market prices driving significantly higher returns

(1) Total disclosed cost was $695 million
(2) 450 MW gross

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Keephills III – Case Study

The Right Market & The Right Investment

Alberta Market (2007)		Keephills III
Supply continues struggle to keep pace with demand. Peak demand growth 3.2%; supply growth 3.1%		225 MW(2) Supercritical Coal 50:50 JV agreement with EPCOR
Reserve margins continue to tighten; estimated at less than 5% by 2010 – net importer status		No other significant new build under construction
Prices have shifted from $40-55/MWh (2003) to $70-85/MWh range (2007-2010)		Direction of the market and new forward price curves more than support investment decision
2011-2020 forecasts showing ~$80 to $100+/MWh pricing in the market		10%+ IRR (after-tax, free cash flow)

Keephills 3 - 2011

Capital Investment: $815M(1)

Estimated IRR: 10%+

(1) $1.6B total cost (Includes Mine Capital)
(2) 450 MW gross

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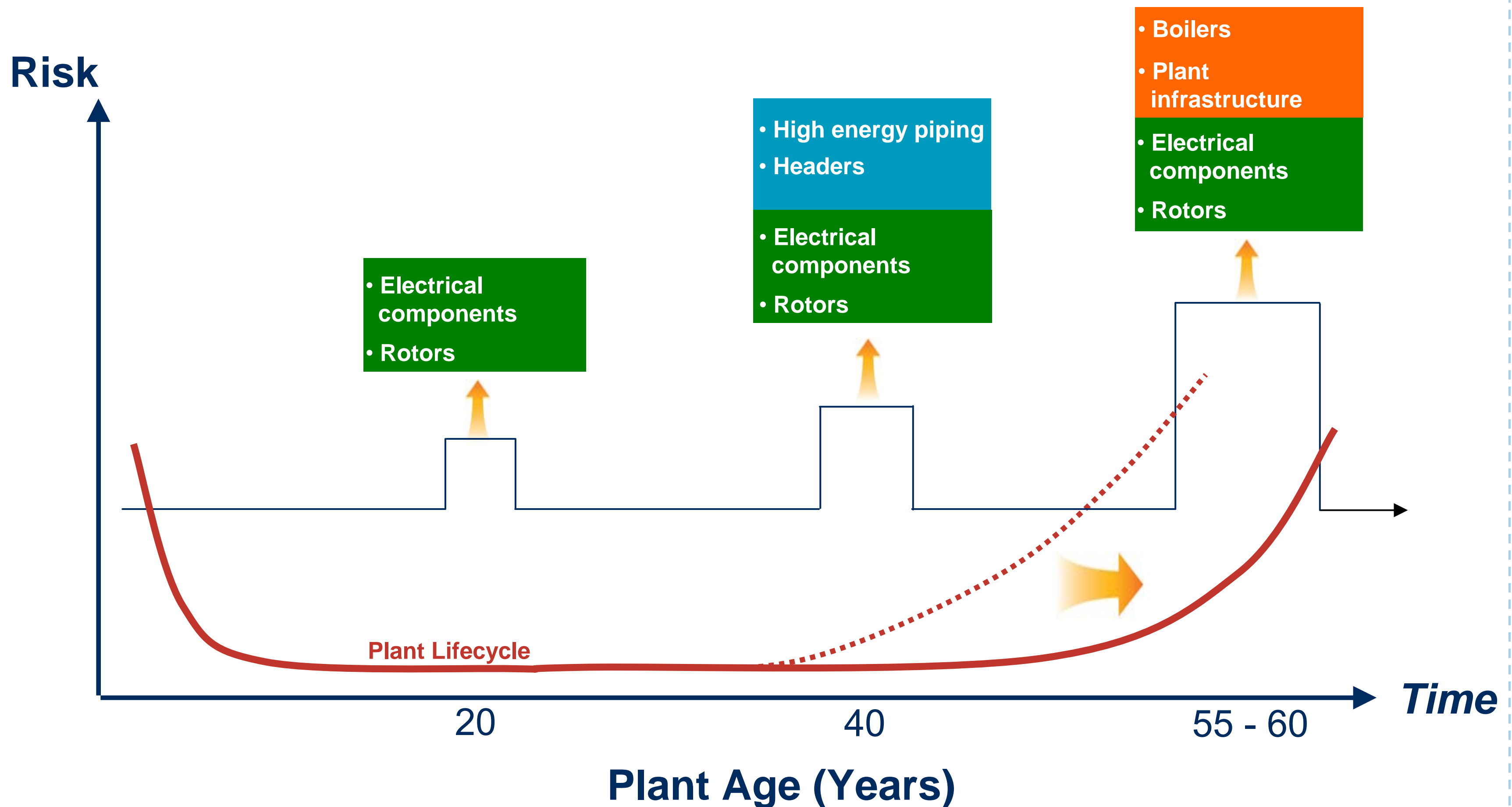
Key decision points in the life-cycle of a thermal asset

OEMs recommend specific maintenance and equipment replacement around the 40-year mark to run reliably for an additional 10 - 15 years



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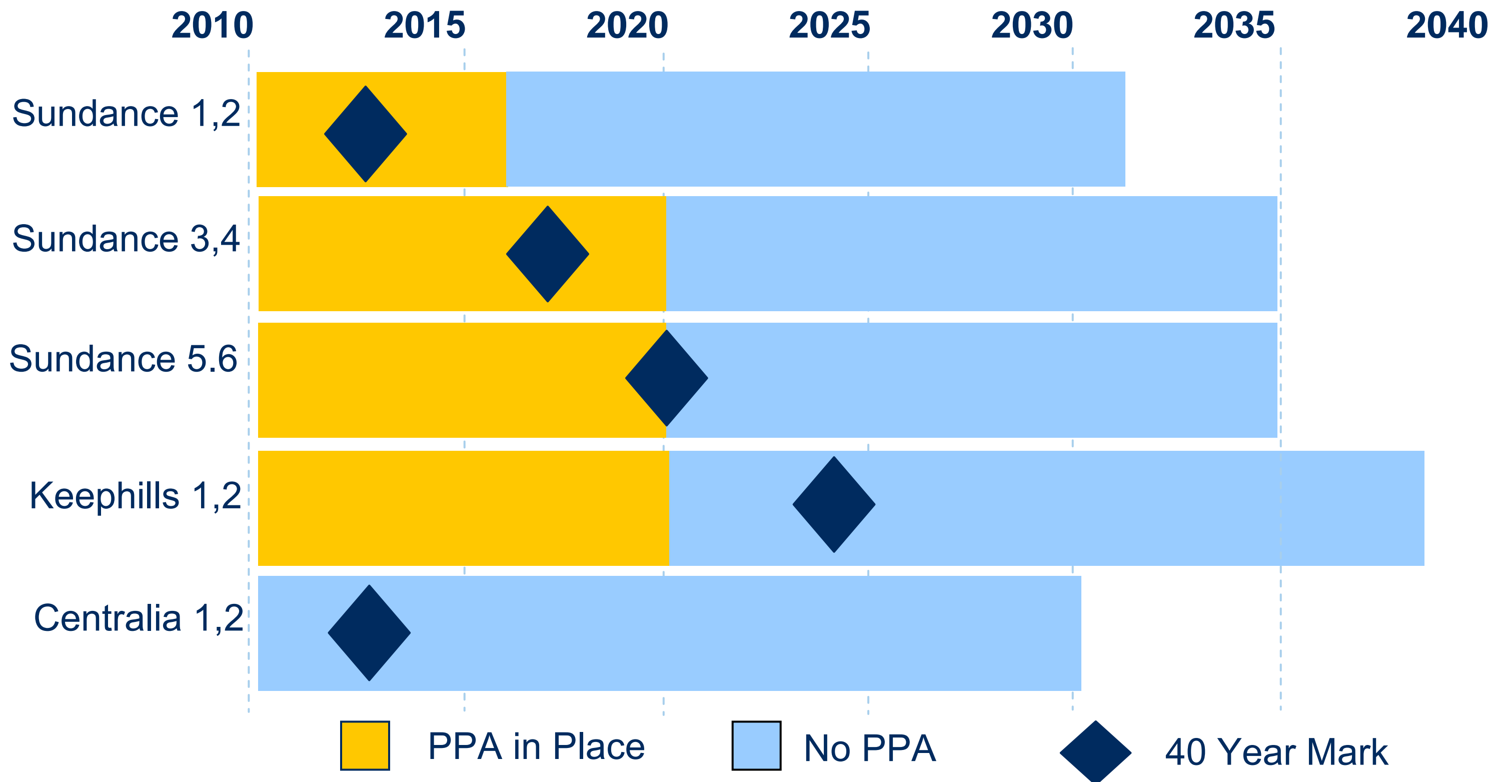
TransAlta life-cycle planning – 40 year maintenance interval planning has begun

- Work performed as part of regular maintenance outages
- Moving from feasibility to advanced engineering in 2008
- Based on OEM recommendations, initial estimate of incremental spend of $200 - $300 MM per unit; depends on unit and year of work



Alberta - First GHG compliance successfully completed

The majority of environmental costs are flowed through to PPA holders under change of law provisions. Alberta consumers' electricity price will reflect higher cost of compliance

Alberta Climate Change Regulation

Emissions intensity reduction by 12%; plant-by-plant
- Baseline is avg. of emissions from '03 – '05

Compliance options:
- Reductions at the source
- Payment into a Technology Fund at a cost of $15/ tonne of emissions over 12% target
- Application of emissions offsets from AB market

Plants commercially operational after 2000 given an eight-year phase-in period
- Three years no reductions
- Five years gradual reductions to achieve 12% target

Vast majority of compliance by large emitters in 2007 was achieved using the technology fund
- Only a handful of companies used offsets to reduce their cost generated from seven offset projects

Impact on TransAlta

Tough standard but achievable over time

Annual compliance cost within expectations

Capital stock turnover will create opportunities
- Existing and new wind and cogen assets create offsets reducing over all compliance costs

Province is the appropriate regulator, they know the sector and our business

All cogen plants and G3 are in the 8 yr phase in period and have reduced targets

2007 compliance achieved using offsets acquired at a cost significantly below $15/T
- Bank of offsets established for future compliance as well

Federal framework is tougher and requires more expensive compliance options than Alberta

Near-term compliance through purchase and trading of offsets and credits. Investment in new technologies key for long-term

Proposed Greenhouse Gas Regulation

- Existing plants: 18% intensity reduction starting in 2010, increasing at 2%/yr until 2020
- In 2020, a 20% absolute reduction in emissions will be required
- New plants: 3 yrs at zero, then increasing 2%/yr until 2020, plus subject to a clean fuel standard
- New coal-fired plants built after 2012 will be required to have carbon capture and storage implemented by 2018. Note: This will not affect our K3 project
- Cogeneration is given favourable treatment
- The electricity sector will be able to comply on a fleet-wide basis rather than plant-by-plant

In addition, reductions in air pollutants will also be required, although the targets and approach have not yet been determined

Regional impacts – merchant cost forecasts, next 10 years

Compliance costs net of pass through are built into cost models

	GHG	NOx/SO2	Mercury/PM
Canadian assets	**$2M/yr in 2008 growing to $26M/yr in 2017** *Potential to mitigate costs further through offsets*	**Est $1-$2M/yr after 2015** *Controls optimized across merchant fleet*	**~ $2M/yr in 2010, ~$3M/yr after 2015** *Costs are now well understood*

The above requirements result in fleet average costs growing from $0.6/MWh to $3.50/MWh

Market expectations are that much of these costs will get reflected in price

TransAlta

Regional impacts – merchant cost forecasts next 10 years

Compliance costs net of pass through are built into cost models

	GHG	NOx/SO2	Mercury/PM
US Assets	Regulatory regime uncertain, but estimating ~$25M/yr in 2012 growing to $50M/yr in 2017	$1M/yr NOx Beginning in 2013 Optimizing SO2 portfolio with surplus allowances being traded	Regulatory regime fluid, but estimating $15M-$30M/yr starting in 2013

The above requirements result in fleet average costs growing from $2.75/MWh (2012) to $7.25/MWh (2017)

Market expectations are that much of these costs at Centralia will be reflected in price because:

- It is one of only two baseload plants in the region, and
- Its operation is critical to grid stability