



# 2009 First Quarter Results

powering on

**Trans**Δ**lta**

# 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 2008 Annual Report to shareholders and other disclosure documents filed with securities regulators.

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



A photograph of a wind farm at sunset. Three large white wind turbines are visible in the foreground and middle ground, set against a sky with soft, golden clouds. The ground is a flat, open field.

# Outline

TransAlta

- First Quarter Results
- Performance Against Key Measures
- 2009 Outlook

# Q1 2009 - Results

Results (MM)	Q1 2009	Q1 2008
Revenue	\$756	\$803
Gross margin	\$381	\$433
Operating Income	\$85	\$189
Comparable Earnings	\$36	\$99
Net Earnings	\$42	\$33
Comparable earnings per share	\$0.18	\$0.50
Basic and diluted earnings per share	\$0.21	\$0.17
Cash flow from operating activities	\$83	\$237
Cash dividends declared per share	\$0.29	\$0.27
Availability (%)	86.4	91.8
Production (GWh)	12,173	13,226

# Q1 2009 – Higher plant maintenance lowers results

- **Comparable earnings of \$0.18 per share down from \$0.50 a year ago**
  - Over 700 GWh of planned maintenance completed in the quarter
  - 328 GWh of lost production from the Sundance 4 derate; force majeure claim in progress
- **Net earnings per share of \$0.21 compared to \$0.17 in Q1 2008**
  - Lower income taxes paid and a \$65 million after tax equity loss recorded in Q1 2008 for sale of TransAlta's Mexico business
- **Energy trading gross margins of \$15 million, same as Q1 2008**
- **Cash flow from operations of \$83 million compared to \$237 million in Q1 2008**
  - Decrease in cash flow due to receipt of an extra PPA payment of \$116 million in 2008 and lower cash earnings

# Q1 2009 - Comparable earnings

Results (MM)	Q1 2009	Q1 2008
<b>Net Earnings</b>	<b>\$42</b>	<b>\$33</b>
Sale of assets at Centralia, net of tax	-	(4)
Change in life of Centralia parts, net of tax	1	5
Other income	(7)	-
Writedown of Mexican investment, net of tax	-	65
<b>Earnings on a comparable basis</b>	<b>\$36</b>	<b>\$99</b>
Weighted average common shares outstanding in the period	198	200
<b>Earnings on a comparable basis per share</b>	<b>\$0.18</b>	<b>\$0.50</b>

# Q1 2009 – Net earnings

	Q1 2009
<b>Net Earnings, 2008</b>	<b>\$33</b>
Decrease in Generation gross margins	(50)
Mark-to-market movements - Generation	(2)
Increase in operations, maintenance, and admin costs	(39)
Increase in depreciation expense	(13)
Decrease in equity loss	97
Decrease in income tax expense	10
Other	6
<b>Net Earnings, 2009</b>	<b>\$42</b>



# Q1 2009 – Highlights

- **Dividend Increase**

January 29, TransAlta's Board of Directors increased the quarterly dividend by two cents to \$0.29 per share to yield an annual dividend of \$1.16 versus \$1.08

- **Keephills Units 1 and 2 Uprates**

January 29, TransAlta announced two 23 MW efficiency uprates at Unit 1 and Unit 2 of its Keephills facility for an estimated \$68 million

## Subsequent Event

- **Ardenville Wind Power Project**

April 28, TransAlta announced Ardenville, a 72 MW wind power project in Southern Alberta, estimated at \$135 million. Commercial operations estimated for early 2011

- **Chief Operating Officer**

April 28, Dawn Farrell appointed to new role





# Q1 2009 – Balance sheet ratios are strong

Credit Ratios	Threshold	Q1'09	2008
Cash flow to interest	Min 4x	6.6x	7.2
Cash flow to total debt	Min 25%	29.9%	31.1%
Debt to total capital	Max 55%	46.5%	48.1%

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

Focus of 2009 capital: improving AB Thermal availability, increasing productivity and completing the Centralia transition

(MM)	2008	2009e	2010e
Sustaining	\$465	\$340 - 390	\$270 - 315
Routine	\$135	\$115 - 135	\$100 - 115
Productivity	\$32	\$40 - 45	
Mine	\$100	\$35 - 45	\$40 - 50
Centralia Fuel Blend	\$73	\$20 - 25	
Major Maintenance	\$125	\$130 - 140	\$130 - 150

# Growth capex spend

Growth capex highest in 2009 as Keephills 3 labour peaks; Sun 5 and Blue Trail are commissioned, and Summerview is substantially completed

(MM)	Total	2008	2009e	2010e	2011e
<b>Growth</b>	<b>\$ 1,404</b>	<b>\$541<sup>2</sup></b>	<b>\$485 - 550</b>	<b>TBD</b>	<b>TBD</b>
Keephills 3 <sup>1</sup>	\$888	\$336	\$235 - 255		
Blue Trail	\$115	\$26	\$85 - 90		
Sun Unit 5 Uprate	\$75	\$13	\$50 - 60		
Summerview II	\$123	\$25	\$80 - 90	\$5 - 15	
Keephills Unit 1 Uprate	\$34	-	\$5 - 10		
Keephills Unit 2 Uprate	\$34	-	\$5 - 10		
Ardenville	\$135		\$25 - 35		

1. Keephills 3 capital spend in 2007 was \$160M

2. Includes \$2M from the Sundance 4 uprate and \$139M from Kent Hills

# Performance goals

Financial ratios	Measures	2009 Goals	Q1 2009	Q1 2008	Review
Achieve top decile operations	Availability	90 - 92%	86.4%	91.8%	Decreased due to higher planned and unplanned outages at AB Thermal
Improve Safety	Injury Frequency Rate	10%/yr	Annual Metric	Annual Metric	TBD
Enhance Productivity	OM&A/installed MWh	Offset Inflation	\$9.61/MWh	\$7.33/MWh	Q1 higher costs due to increased maintenance and shift in timing
Grow Earnings and Cash Flow	Comparable EPS	>10%/yr	\$0.18	\$0.50	Decreased from \$0.50 to \$0.18 due to higher planned and unplanned outages at AB Thermal. Single digit comparable EPS growth expected.
	Operating Cash Flow	\$800 - 900 MM	\$83 MM	\$237 MM	Decreased in Q1 due primarily to an extra \$116 million PPA payment in Q1 2008 and due to lower cash earnings. We now expect \$750 - \$850 MM for the year.
Make Sustaining Capex Predictable	3-yr Avg. Sustaining Capex	\$230 - \$260	Annual Metric	Annual Metric	TBD
Maintain Investment Grade Ratings	Cash Flow to Interest Cash Flow to Debt Debt to Total Capital	Min. of 4X Min. 25% Max. 55%	6.6X 29.9% 46.5%	7.2X 31.1% 48.1%	Maintained strong balance sheet, financial ratios and ample liquidity
Deliver Long-term Shareowner Value	ROCE TSR IRR	>10%/yr >10%/yr >10%/yr	Annual Metrics	Annual Metrics	TBD



# 2009 Outlook

- On track to deliver single digit comparable earnings growth for the year
  - Approximately 95 per cent of portfolio contracted for 2009
  - Operations on track to return to higher historical availability levels in the second half of 2009
- Cash flow from operations expected to range between \$750 - \$850 million
- Energy trading gross margin objective of \$65 - \$85 million remains on track
- Maintain financial strength:
  - ✓ Strong balance sheet; ratios well within established thresholds
  - ✓ \$2.2 billion of committed credit facilities; \$1.5 billion remains available
- Sustaining capex spending estimate remains between \$340 - \$390 million
- Growth capex spending estimate increased to \$485 - \$550 million with the addition of \$25 - \$35 million for Ardenville



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Appendix

# Income Statement

(MM)	Q1 '09	Q1 '08
<b>Revenue</b>	\$ 756	\$ 803
Fuel & purchased power	(375)	(370)
<b>Gross margin</b>	<b>381</b>	433
OM&A	174	135
Depreciation & amortization	117	104
Taxes, other than income taxes	5	5
<b>Operating expenses</b>	<b>296</b>	244
<b>Operating Income</b>	<b>85</b>	189
Foreign exchange gain (loss)	1	(1)
Net interest expense	(33)	(33)
<b>Equity loss</b>	-	(97)
Other income	7	5
<b>Earnings before non-controlling interest and income taxes</b>	<b>60</b>	63
Non-controlling interests	14	16
<b>EBIT</b>	<b>46</b>	47
Income tax expense	4	14
<b>Net earnings</b>	<b>\$ 42</b>	\$ 33
<b>Net earnings per share</b>	<b>\$ 0.21</b>	\$ 0.17

# Cash Flow

(MM)

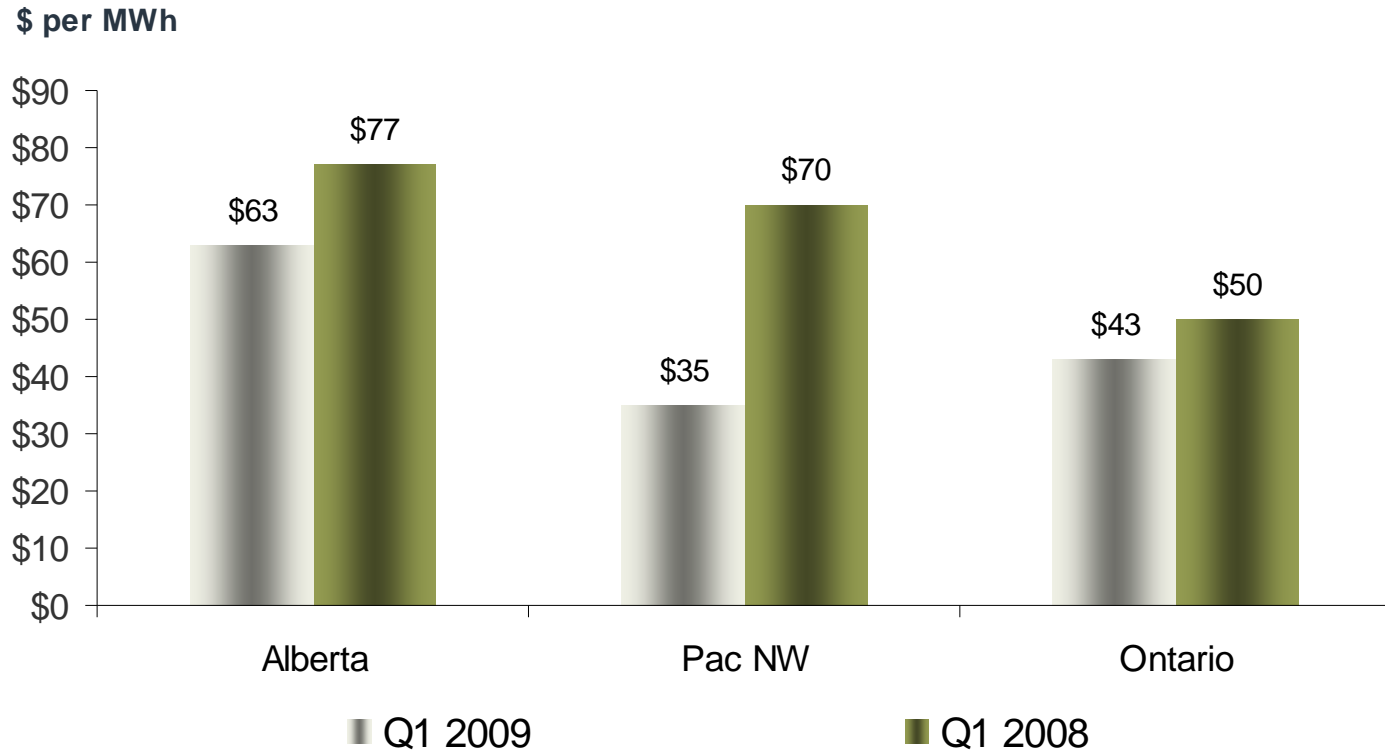
	<u>Q1 '09</u>	<u>Q1 '08</u>
<b>Operating Activities</b>	<b>\$ 191</b>	<b>\$ 233</b>
Change in non-cash working capital	<u>(108)</u>	<u>4</u>
	<b>83</b>	<b>237</b>
<b>Investing Activities</b>		
Additions to property, plant, and equipment	(131)	(150)
Proceeds on sale of property, plant, and equipment	1	16
Restricted Cash	(1)	3
Realized (losses) gains on financial instruments	(6)	19
Collateral received from counterparties	192	-
Collateral paid to counterparties	9	-
Settlement of adjustments on sale of Mexican investment	(7)	-
Other	6	(1)
	<u>63</u>	<u>(113)</u>
<b>Financing activities</b>		
Decrease in short-term debt	(76)	(64)
Repayment of long-term debt	(2)	(4)
Dividends paid on common shares	(54)	(51)
Funds paid to repurchase common shares under NCIB	-	(7)
Realized gains on financial instruments	-	12
Distributions to subsidiaries' non-controlling interests	(16)	(17)
Other	-	11
	<u>(148)</u>	<u>(120)</u>
<b>Cash flow (used in) from operating, investing, and financing</b>	<b>(2)</b>	<b>4</b>
<b>Effect of translation on foreign currency cash</b>	<b>1</b>	<b>3</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<u><b>(1)</b></u>	<u><b>7</b></u>



# Free Cash Flow

(MM)	Q1 2009	Q1 2008
<b>Cash flow from operating activities</b>	\$83	\$237
Add (Deduct):		
Sustaining capital expenditures	(69)	(83)
Dividends on common shares	(54)	(51)
Distribution to subsidiaries' non-controlling interest	(16)	(17)
Non-recourse debt repayments	(1)	-
Timing of contractually scheduled payments	-	(116)
Other income	(7)	-
Cash flows from equity investments	-	(1)
<b>Free cash flow</b>	<b>\$(64)</b>	<b>\$(31)</b>

# Average spot electricity prices



# Average spark spreads

