



2009 Second Quarter Results

powering on

TransΔlta

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

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

Q2 2009 – Higher planned maintenance at Alberta Thermal and reduced water levels at hydro lower results

- **Comparable loss per share of \$0.03 versus comparable earnings of \$0.25 in Q2 2008**
 - Affected by accelerated major maintenance, Centralia boiler modifications, increased related major maintenance OM&A and depreciation, and reduced earnings from hydro assets due to drought conditions
 - Partially offset by lower unplanned outages and trading results
 - YTD comparable earnings of \$0.16 versus \$0.74 for same period in 2008
- **Cash flow from operations of \$57 million compared to \$171 million in Q2 2008**
 - Lower cash earnings as a result of major maintenance work and unfavorable changes in working capital
 - YTD cash flow from operations \$140 million compared to \$408 million for same period in 2008 due to lower earnings, unfavorable changes in working capital, and an extra \$116 million PPA payment in 2008

Alberta Thermal: Accelerated major maintenance plans expected to greatly improve second half of 2009 and 2010 availability

Majority of major maintenance work completed;
lower unplanned outage rate already evident

2008

- Maintenance in 2nd half 2008 improved performance of four units
- Operations Diagnostic Centre opened Q4; Improved trend analysis to allow for more predictive maintenance

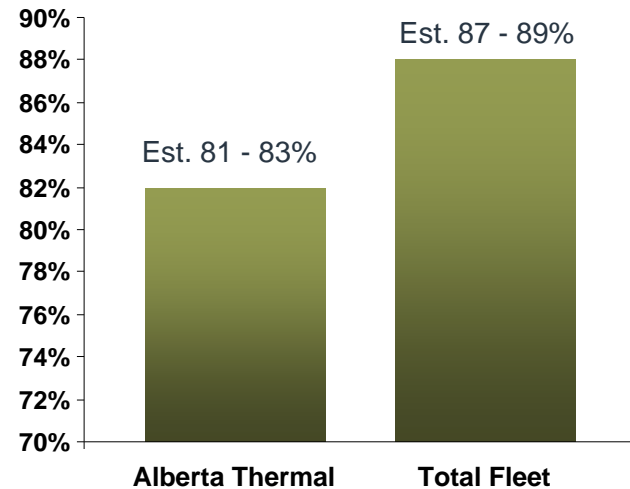
2009

- Turnarounds and pitstops on four major units completed
- Sundance 3 and 5 major turnarounds to be completed between Q2 and Q4

2010

- Turnarounds and pitstops scheduled for 4 units

2009 Availability



Fleet	Q1	Q2	Q3	Q4
2009 Planned Major Maintenance (Lost GWh's)	~700	~1,900	~650	~150
2008 Planned Major Maintenance (Lost GWh's)	~200	~2,000	~500	~700

Q2 2009 - Results

Results (MM)	Q2 2009	Q2 2008	YTD Q2'09	YTD Q2'08
Revenue	\$585	\$708	\$1,341	\$1,511
Gross margin	\$346	\$376	\$727	\$809
Operating income	\$14	\$93	\$99	\$282
Comparable (loss) earnings	\$(6)	\$49	\$31	\$148
Net Earnings	\$(6)	\$47	\$36	\$80
Comparable (loss) earnings per share	\$(0.03)	\$0.25	\$0.16	\$0.74
Basic and diluted (loss) earnings per share	\$(0.03)	\$0.24	\$0.18	\$0.40
Cash flow from operating activities	\$57	\$171	\$140	\$408
Cash dividends declared per share	\$0.29	\$0.27	\$0.58	\$0.54
Availability (%)	82.8	79.3	84.6	85.5
Production (GWh)	9,656	10,652	21,829	23,878

Q2 2009 - Comparable earnings

Results (MM)	Q2 2009	Q2 2008	YTD Q2'09	YTD Q2'08
Net (loss) earnings	\$(6)	\$47	\$36	\$80
Sale of assets at Centralia, net of tax	-	-	-	(4)
Change in life of Centralia parts, net of tax	-	2	1	7
Settlement of commercial issue, net of tax	-	-	(6)	-
Writedown of Mexican investment, net of tax	-	-	-	65
(Loss) earnings on a comparable basis	\$(6)	\$49	\$31	\$148
Weighted average common shares outstanding in the period	198	199	198	200
(Loss) earnings on a comparable basis per share	\$(0.03)	\$0.25	\$0.16	\$0.74

Q2 2009 – Net earnings

	Q2 2009	YTD Q2'09
Net earnings, 2008	\$47	\$80
Decrease in Generation gross margins	(23)	(73)
Mark-to-market movements - Generation	23	21
Decrease in COD gross margins	(30)	(30)
Increase in operations, maintenance, and admin costs	(29)	(68)
Increase in depreciation expense	(18)	(31)
Decrease in net interest expense	2	2
Decrease in equity loss	-	97
Decrease in income tax expense	24	34
Other	(2)	4
Net (loss) earnings, 2009	\$(6)	\$36

Q2 2009 – Significant events

- **Ardenville Wind Power Project**

April 28, announced plans to design, build, and operate Ardenville, a 69 MW wind project with a capital cost of \$135 million

- **Chief Operating Officer**

April 28, appointment of Dawn Farrell to the position of COO

- **NCIB**

May 6, renewal of NCIB program until May 6, 2010. Approval to purchase, for cancellation, up to 9.9 million of our common shares

- **Major Maintenance Plans**

May 20, announced the advancement of the Sundance 3 major maintenance outage into Q2 and Q3 of 2009

- **Senior Notes Offering**

May 26, issued an offering of \$200 million senior notes maturing in 2014 bearing an interest rate of 6.45%

Subsequent Events

- **Canadian Hydro Developers**

July 20, announced intention to acquire Canadian Hydro Developers, Inc. with an all-cash offer of \$4.55 per share. The offer formally commenced on July 22, and represents a premium of 30% over the 10-day value weighted average price prior to the announcement. The offer expires on August 27, 2009

Q2 2009 – Balance sheet ratios remain strong

Credit Ratios	Threshold	Q2'09	2008
Cash flow to interest*	Min 4x	5.9x	7.2x
Cash flow to total debt*	Min 25%	24.7%	31.1%
Debt to total capital	Max 55%	49.4%	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

*Calculated based on last 12 months

Sustaining capex spend

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

(MM)	2008	2009e	2010e
Sustaining	\$465	\$360 - 410	\$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	\$150 - 160	\$130 - 150

Growth capex spend

Growth capex highest in 2009 as Keephills 3 labour peaks, Sun 5 and Blue Trail are commissioned, and the addition of Ardenville

(MM)	Total	2008	2009e	2010e	2011e
Growth	\$ 1,404	\$541²	\$485 - 550	TBD	TBD
Keephills 3 ¹	\$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	Q2 2009	Q2 2008	Review
Achieve top decile operations	Availability	90 - 92%	88.8%	79.3%	Increased due to lower unplanned outages at AB Thermal plants, lower planned and unplanned outages at Centralia and no planned maintenance at Genesee 3.
Improve Safety	Injury Frequency Rate	10%/yr	Annual Metric	Annual Metric	TBD
Enhance Productivity	OM&A/installed MWh	Offset Inflation	\$11.30/MWh	\$9.72/MWh	Increased primarily due to higher planned outages and unfavorable foreign exchange rates.
Grow Earnings and Cash Flow	Comparable (loss) EPS	>10%/yr	\$(0.03)	\$0.25	Decreased due to higher planned maintenance at AB Thermal and lower hydro generation.
	Operating Cash Flow	\$800 - 900 MM	\$60 MM	\$171 MM	Decreased due to lower cash earnings and unfavorable changes in working capital. We now expect \$650 - \$750 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%	5.9X 24.7% 49.4%	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

- Well positioned to deliver strong second half of 2009:
 - ✓ Over 95% of portfolio contracted for 2009
 - ✓ Accelerated major maintenance program substantially complete; operations on track to return to historical availability levels in the second half of 2009
 - ✓ New production expected from Blue Trail and Sundance 5 uprate in November

- Energy trading gross margin objective of \$65 - \$85 million remains on track

- Cash flow from operations expected to range between \$650 - \$750 million

- Maintain financial strength:
 - ✓ Strong balance sheet; ratios well within established thresholds
 - ✓ \$2.1 billion of committed credit facilities; \$1.3 billion remains available

- Capital spending for 2009 remains on track:
 - ✓ Sustaining capex spend estimate remains at \$360 - \$410 million
 - ✓ Growth capex spending estimate remains at \$485 - \$550 million



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Appendix

Income Statement

(MM)

	Q2 '09	Q2 '08	YTD Q2 '09	YTD Q2 '08
Revenue	\$ 585	\$ 708	\$ 1,341	\$ 1,511
Fuel & purchased power	(239)	(332)	(614)	(702)
Gross margin	346	376	727	809
OM&A	207	178	381	313
Depreciation & amortization	118	100	235	204
Taxes, other than income taxes	7	5	12	10
Operating expenses	332	283	628	527
Operating Income	14	93	99	282
Foreign exchange gain (loss)	2	-	3	(1)
Net interest expense	(33)	(35)	(66)	(68)
Equity loss	-	-	-	(97)
Other income	1	-	8	5
Earnings before non-controlling interest and income taxes	(16)	58	44	121
Non-controlling interests	10	7	24	23
EBIT	(26)	51	20	98
Income tax expense	(20)	4	(16)	18
Net (loss) earnings	\$ (6)	\$ 47	\$ 36	\$ 80
Net (loss) earnings per share	\$ (0.03)	\$ 0.24	\$ 0.18	\$ 0.40

Cash Flow

(MM)

Operating Activities

Change in non-cash working capital

Investing Activities

Additions to property, plant, and equipment

Proceeds on sale of property, plant, and equipment

Proceeds on sale of minority interest in Kent Hills

Restricted Cash

Realized (losses) gains on financial instruments

Loan to equity investment

Net (decrease) increase in collateral received from counterparties

Net (increase) decrease in collateral paid to counterparties

Settlement of adjustments on sale of Mexican investment

Other

Financing activities

Net increase (decrease) in credit facilities

Repayment of long-term debt

Issuance of long-term debt

Dividends paid on common shares

Funds paid to repurchase common shares under NCIB

Realized gains on financial instruments

Distributions to subsidiaries' non-controlling interests

Other

Cash flow from (used in) operating, investing, and financing

Effect of translation on foreign currency cash

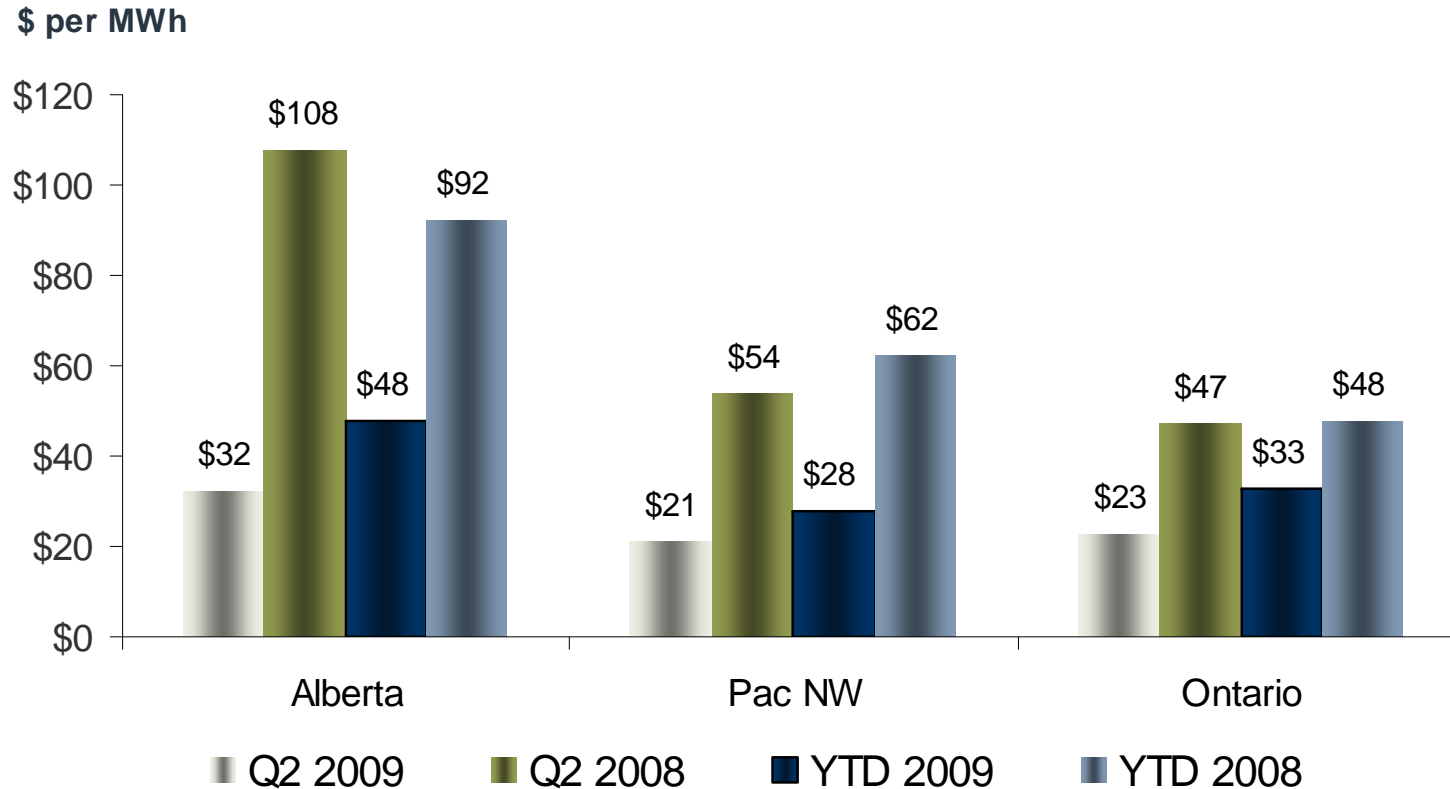
Increase (decrease) in cash and cash equivalents

	Q2 '09	Q2 '08	YTD Q2 '09	YTD Q2 '08
	\$ 94	\$ 171	\$ 285	\$ 404
	(37)	-	(145)	4
	57	171	140	408
	(281)	(239)	(412)	(389)
	-	5	1	21
	29	-	29	-
	(1)	242	(2)	245
	(8)	4	(14)	23
	-	(245)	-	(245)
	(72)	-	120	-
	(2)	-	7	-
	-	-	(7)	-
	(20)	12	(14)	11
	(355)	(221)	(292)	(334)
	194	(137)	118	(201)
	(16)	(126)	(18)	(130)
	200	502	200	502
	(57)	(54)	(111)	(105)
	-	(119)	-	(126)
	-	1	-	13
	(17)	(27)	(33)	(44)
	-	2	-	13
	304	42	156	(78)
	6	(8)	4	(4)
	(1)	-	-	3
	\$ 5	\$ (8)	\$ 4	\$ (1)

Free Cash Flow

(MM)	Q2 2009	Q2 2008	YTD Q2'09	YTD Q2'08
Cash flow from operating activities	\$57	\$171	\$140	\$408
Add (Deduct):				
Sustaining capital expenditures	(109)	(109)	(178)	(186)
Dividends on common shares	(57)	(54)	(111)	(105)
Distribution to subsidiaries' non-controlling interest	(17)	(27)	(33)	(44)
Non-recourse debt repayments	(17)	(11)	(18)	(15)
Timing of contractually scheduled payments	-	-	-	(116)
Other income	(1)	-	(8)	-
Cash flows from equity investments	-	4	-	3
Free cash flow (deficiency)	\$(144)	\$(26)	\$(208)	\$(55)

Average spot electricity prices



Average spark spreads

