

2009 Third Quarter Results

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.

Outline

- ▶ Third Quarter Results
- ▶ Performance Against Key Measures
- ▶ 2009 Outlook

Results (\$M)	Q3 2009	Q3 2008	YTD Q3'09	YTD Q3'08
Revenue	\$666	\$791	\$2,007	\$2,302
Gross margin	\$380	\$398	\$1,107	\$1,207
Operating income	\$120	\$124	\$219	\$406
Comparable earnings	\$66	\$62	\$97	\$210
Net Earnings	\$66	\$61	\$102	\$141
Comparable earnings per share	\$0.34	\$0.32	\$0.49	\$1.06
Basic and diluted earnings per share	\$0.34	\$0.31	\$0.52	\$0.71
Cash flow from operating activities	\$194	\$202	\$334	\$610
Cash dividends declared per share	\$0.29	\$0.27	\$0.87	\$0.81
Availability (%)	83.9	86.0	84.4	85.7
Production (GWh)	11,610	12,357	33,439	36,235

Increased results from Canadian Generation and OM&A savings partially offset by lower results from Centralia Thermal and Energy Trading

- **Comparable net earnings per share of \$0.34 versus comparable earnings of \$0.32 in Q3 2008**
 - Accelerated major maintenance program resulting in positive performance from the majority of Alberta coal units; higher availability at Keephills partially offset by unplanned outages Sundance
 - New 16.5 year, long-term contract at Sarnia natural gas co-gen facility adds incremental economic value
 - Lower OM&A driven by targeted cost savings across the organization
 - Higher unplanned outages at Centralia Thermal Unit 1 and lower Energy Trading gross margins offset gains
 - YTD comparable earnings of \$0.49 versus \$1.06 for same period in 2008; due to reduced earnings from hydro assets as a result of poor water conditions in Alberta, higher unplanned outages at Centralia Thermal and higher planned outages at Alberta coal plants

- **Cash flow from operations of \$194 million compared to \$202 million in Q3 2008**
 - Decrease in cash flow due to lower improvement in working capital offsetting higher cash earnings
 - YTD cash flow from operations \$334 million compared to \$610 million for same period in 2008 due to lower cash earnings, an extra \$116 million PPA payment in 2008, and higher inventory balances in 2009

Comparable earnings

Results (\$M)	Q3 2009	Q3 2008	YTD Q3'09	YTD Q3'08
Net earnings	\$66	\$61	\$102	\$141
Sale of assets at Centralia, net of tax	-	-	-	(4)
Change in life of Centralia parts, net of tax	-	1	1	8
Settlement of commercial issue, net of tax	-	-	(6)	-
Writedown of Mexican investment, net of tax	-	-	-	65
Earnings on a comparable basis	\$66	\$62	\$97	\$210
Weighted average common shares outstanding in the period	198	198	198	199
Earnings on a comparable basis per share	\$0.34	\$0.32	\$0.49	\$1.06

Net earnings

	Q3 2009	YTD Q3'09
Net earnings, 2008	\$61	\$141
Increase (decrease) in Generation gross margins	4	(69)
Mark-to-market movements - Generation	(8)	13
Decrease in COD gross margins	(14)	(44)
Decrease (increase) in operations, maintenance, and admin costs	17	(51)
Increase in depreciation expense	(3)	(34)
Increase in net interest expense	(3)	(1)
Decrease in equity loss	-	97
Decrease in non-controlling interest	12	11
(Increase) decrease in income tax expense	(5)	29
Other	5	10
Net earnings, 2009	\$66	\$102

Significant Events

➤ **Sarnia Contract**

Sept 30, entered into a new agreement with the Ontario Power Authority for our Sarnia power plant. The new contract is from July 1 through to the end of 2025.

Subsequent Events

➤ **Keephills 3**

Oct 26, the Board of Directors approved an increase in the construction cost of Keephills 3 to \$988 million and a change to the commencement of commercial operations to the end of the second quarter of 2011. Keephills 3 is still expected to meet our greenfield investment hurdles.

➤ **Carbon Capture and Storage**

Oct 14, Project Pioneer received committed funding of more than \$750 million from the Canadian federal and Alberta provincial governments. The funding will support the undertaking of a Front End Engineering and Design (FEED) study to determine if the project is viable. FEED is planned for 2010.

➤ **Acquisition of Canadian Hydro Developers (TSX: KHD)**

On Oct. 20, TransAlta's wholly-owned subsidiary had taken up approximately 125 million common shares of KHD, representing ~ 87% of the outstanding common shares. The common shares taken up pursuant to the Offer were paid for on October 23. The offer has been extended to 3:00 p.m. (Calgary time) on November 3, 2009 to allow additional time for Canadian Hydro Developers shareholders to tender to the Offer.

Sustaining capex spend

- Focus of 2009 capital: improving Alberta coal plants' availability, increasing productivity and completing the Centralia transition

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

Growth capex spend

- Growth capex highest in 2009 due to Keephills 3 schedule, commissioning of Sun 5 and Blue Trail, and the addition of Ardenville

(\$M)	Total	2008	2009e	2010e
Growth	\$ 1,509	\$541²	\$490 - 555	TBD
Keephills 3 ¹	\$988	\$336	\$235 - 255	
Blue Trail	\$115	\$26	\$85 - 90	
Sun Unit 5 Uprate	\$80	\$13	\$55 - 65	
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. Our estimates have increased by another \$100 million due to changes in our original estimate and labour required to complete the project
2. Includes \$2M from the Sundance 4 uprate and \$139M from Kent Hills

Balance sheet ratios remain strong

Credit Ratios	Threshold	Q3 2009	2008
Cash flow to interest*	Min 4x	5.8x	7.2x
Cash flow to total debt*	Min 25%	23.6%	31.1%
Debt to total capital	Max 55%	50.1%	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

Performance goals



Financial ratios	Measures	2009 Goals	Q3 2009	Q3 2008	Review
Achieve top decile operations	Availability	90 - 92%	83.9%	86.0%	Decreased due to higher unplanned outages at Centralia Thermal and higher unplanned outages at Alberta Thermal
Improve Safety	Injury Frequency Rate	10%/yr	Annual Metric	Annual Metric	TBD
Enhance Productivity	OM&A/installed MWh	Offset Inflation	\$7.78/MWh	\$8.70/MWh	Decreased primarily due to targeted cost savings throughout the company and lower compensation costs
Grow Earnings and Cash Flow	Comparable EPS	>10%/yr	\$0.34	\$0.32	Increased due to increased generation gross margins and lower OM&A spend
	Operating Cash Flow	\$800 - 900 MM	\$194 MM	\$202 MM	Decreased due to unfavorable changes in working capital, partially offset by higher cash earnings
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%	5.8X 23.6% 50.1%	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 fourth quarter and into 2010:
 - ✓ Over 95% of portfolio contracted for 2009; 87% contracted in 2010
 - ✓ Completing accelerated major maintenance program, finalized a new long-term contract at Sarnia, completed acquisition of Canadian Hydro Developers
 - ✓ New production expected from Blue Trail and Sundance 5 uprate in November

- ▶ Energy trading gross margin objective of \$50 - \$70 million

- ▶ Cash flow from operations expected to range between \$550 - \$650 million

- ▶ Maintain financial strength:
 - ✓ Strong balance sheet; ratios well within established thresholds
 - ✓ \$2.1 billion of committed credit facilities; \$1.1 billion remains available

- ▶ Capital spending for 2009 updated:
 - ✓ Sustaining capex spending estimate lowered to \$340 - \$390 million
 - ✓ Growth capex spending expected to range between \$490 - \$555 million

Appendix

Income Statement



(MM)	Q3 '09	Q3 '08	YTD Q3 '09	YTD Q3 '08
Revenue	\$ 666	\$ 791	\$ 2,007	\$ 2,302
Fuel & purchased power	(286)	(393)	(900)	(1,095)
Gross margin	380	398	1,107	1,207
OM&A	144	161	525	474
Depreciation & amortization	111	108	346	312
Taxes, other than income taxes	5	5	17	15
Operating expenses	260	274	888	801
Operating Income	120	124	219	406
Foreign exchange gain (loss)	1	(4)	4	(5)
Net interest expense	(36)	(33)	(102)	(101)
Equity loss	-	-	-	(97)
Other income	-	-	8	5
Earnings before non-controlling interest and income taxes	85	87	129	208
Non-controlling interests	3	15	27	38
EBIT	82	72	102	170
Income tax expense	16	11	-	29
Net earnings	\$ 66	\$ 61	\$ 102	\$ 141
Net earnings per share	\$ 0.34	\$ 0.31	\$ 0.52	\$ 0.71

Cash Flow



(\$M)

	Q3 '09	Q3 '08	YTD Q3 '09	YTD Q3 '08
Operating Activities	\$ 178	\$ 175	\$ 463	\$ 579
Change in non-cash working capital	16	27	(129)	31
	194	202	334	610
Investing Activities				
Additions to property, plant, and equipment	(269)	(306)	(681)	(695)
Proceeds on sale of property, plant, and equipment	4	5	5	26
Proceeds on sale of minority interest in Kent Hills	-	-	29	-
Restricted Cash	1	2	(1)	247
Realized (losses) gains on financial instruments	(2)	14	(16)	37
Income tax receivable	-	(8)	-	(8)
Loan to equity investment	-	-	-	(245)
Net (decrease) increase in collateral received from counterparties	(15)	-	105	-
Net decrease in collateral paid to counterparties	2	-	9	-
Settlement of adjustments on sale of Mexican investment	-	-	(7)	-
Other	9	1	(5)	12
	(270)	(292)	(562)	(626)
Financing activities				
Net increase in credit facilities	182	308	300	107
Repayment of long-term debt	(2)	(110)	(20)	(240)
Issuance of long-term debt	-	-	200	502
Dividends paid on common shares	(58)	(58)	(169)	(163)
Funds paid to repurchase common shares under NCIB	-	(4)	-	(130)
Realized (losses) gains on financial instruments	-	(1)	-	12
Distributions to subsidiaries' non-controlling interests	(7)	(25)	(40)	(69)
Other	(5)	(1)	(5)	12
	110	109	266	31
Cash flow from operating, investing, and financing	34	19	38	15
Effect of translation on foreign currency cash	(2)	(3)	(2)	-
Increase in cash and cash equivalents	\$ 32	\$ 16	\$ 36	\$ 15

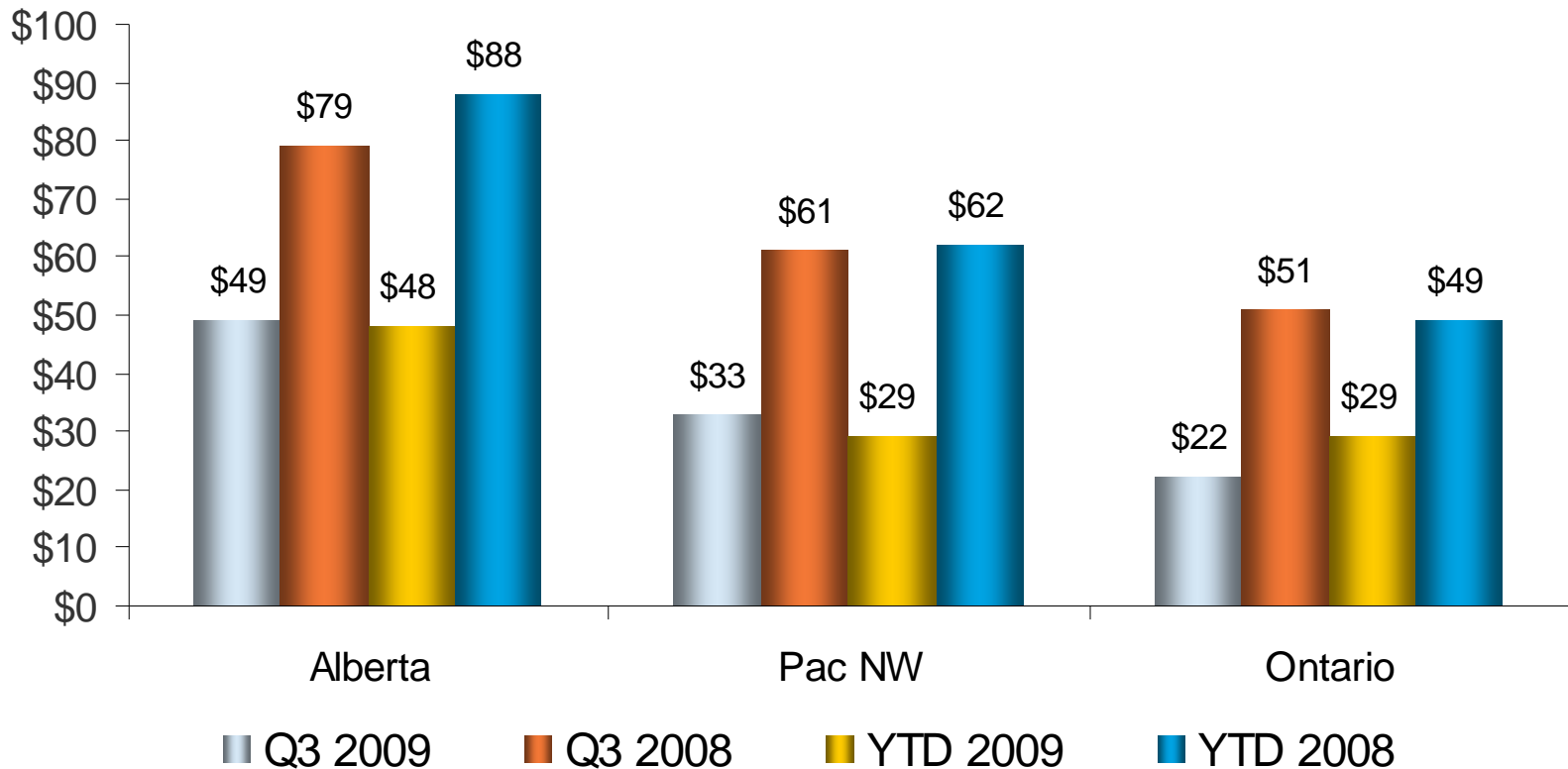
Free Cash Flow



(\$M)	Q3 2009	Q3 2008	YTD Q3'09	YTD Q3'08
Cash flow from operating activities	\$194	\$202	\$334	\$610
Add (Deduct):				
Sustaining capital expenditures	(116)	(97)	(294)	(294)
Dividends on common shares	(58)	(58)	(169)	(163)
Distribution to subsidiaries' non-controlling interest	(7)	(25)	(40)	(69)
Non-recourse debt repayments	(1)	(1)	(19)	(3)
Timing of contractually scheduled payments	-	-	-	(116)
Other income	-	-	(8)	-
Cash flows from equity investments	-	(1)	-	2
Free cash flow (deficiency)	\$12	\$20	\$(196)	\$(33)

Average spot electricity prices

\$ per MWh



Average Spark Spreads

