





We're committed to finding innovative solutions to the industry challenges we all face.

We have sustainability rooted in every decision we make, every action we take. We're proud of our progress to date and confident in our ability to find the right answers for a sustainable future. At the core of all our efforts are our people, making a difference at every level of our business.

(Left to right) Lorelei Keating, Wayne Hobbs, Troy Pederson, Dave Barazzuol, Ken Munch, and Stacy Burge, employees at our Alberta Thermal operations.

2007: a snapshot

- Employee safety injury frequency rate reduced by 50 per cent.
- Carbon capture and storage technology advanced as the next step in emissions control.
- Mercury control technology tested at Alberta operations, indicating that significant emissions reductions can be achieved.
- Sustainability performance recognized by the North American Dow Jones Sustainability Index, the FTSE4Good Index and the Jantzi Social Index.
- Climate disclosure leadership recognized, with TransAlta ranking third of 200 companies in the Climate Disclosure Project.
- Coal gasification project advanced, in conjunction with the Clean Power Coalition.
- Record year achieved in terms of comparable earnings and cash flow.
- TransAlta's governance practices recognized.
- Our newest wind farm, Kent Hills in New Brunswick, permitted and construction begun.
- Wabamum Lake water debt repayment achieved in January, six months ahead of schedule.
- Stakeholder relations processes strengthened at Alberta Thermal.
- Contractor injury frequency rate increased by 23 per cent.



ready for change

At TransAlta, we see sustainability as a responsible and proactive balancing of environmental stewardship, careful growth, and positive and rewarding relationships with the people who work here and the communities that are home to our operations. This approach has positioned the company as a leader in sustainable development, a responsibility we take very seriously.

We have established a pattern of adopting action and testing solutions ahead of regulation. By voluntarily leading the way, we can share what we learn with policy-makers and the rest of industry, typically resulting in more workable and practical answers. TransAlta is a trusted industry advisor to governments and is involved in emerging regulations across all of our jurisdictions.

We are concerned about climate change and the potential impact of mercury emissions on human health and the environment. Careful research over recent years has built our understanding that coal is a viable and economic fuel source that will continue to be used well into the future. Our efforts have to be focused on managing air emissions. In early 2008, we announced a carbon capture and storage project that we will pilot with Alstom in Alberta. This pilot project will reduce CO₂ emissions by one million tonnes per year. Our work in piloting mercury reduction technology at our Alberta thermal facilities has shown that a significant reduction in mercury emissions is achievable.

Water is an emerging issue, and TransAlta plays a key role in managing this resource for all users, particularly in Alberta where we have most of our operations. We are in the midst of refocusing our strategies to support economic growth, environmental stability and society's growing needs.

Our mining activities, plant operations and associated transport impact the land and biodiversity, and we see our role as one of stewardship. In all of our activities we ensure that reclamation plans are developed far in advance to ensure that land and habitats are minimally disturbed, or returned to their pre-mining state or better. Ongoing biomonitoring programs ensure that we are aware of potential impacts well before they are an issue.

We work closely with and support our local communities. And as both a community member and employer, safety remains our number one priority.

To ensure that we continue to prudently and effectively balance business growth with employee, community and environmental priorities, we have environment, health and safety management systems in place across our organization. Facilities are audited regularly, as are key company processes. Findings are reported to the Board of Directors.

TransAlta is recognized for its independent Board and committees, and transparent disclosure. Our Board committees ensure high level oversight of all of our environmental, social and economic activities.



“Climate change is a global issue that requires collaboration and funding from all stakeholders, including suppliers, customers and governments.”

STEVE SNYDER
TransAlta President and CEO

Challenges

The magnitude of change needed over the next 25 years is immense. The pressure to do more, sooner, is stressing all of our resources.

- **CLIMATE CHANGE** Effectively reducing greenhouse gas emissions while remaining a low-cost provider of electricity and generating returns for shareholders. We are approaching the physical and technological limits of our thermal units in regards to greenhouse gas emissions; the next step must come from new technology.
- **POLICY** Varying regulatory frameworks across all of our operating areas, limiting our

ability to institute broad, cost-effective solutions.

- **TRANSMISSION CONSTRAINTS** Transmission is at capacity in most jurisdictions, limiting the ability to bring new projects on-line.
- **COSTS AND LABOUR** Increasing costs, including the cost of meeting evolving regulations, equipment expenses, labour shortages and inflationary pressures from global economic expansion.
- **WATER** Water resources and rights are a growing public concern and may impact our operations.

Opportunities

- Increased demand for power and encouraging opportunities for new investments in renewables and high-efficiency cogeneration in North America.
- Opportunities to lead the implementation of emission reduction technologies.
- Invitations from governments across our jurisdictions to provide industry input to developing regulatory frameworks.

environment



(Left to right) Cheryl McNeil, Craig Beattie, Terry Brown, Jack Dykstra, Teresa Trodd, and Bill Grant at our mercury testing pilot site, Keephills, Alberta.

EMISSIONS TO AIR

Our emissions reduction strategy encompasses: investigating emission reduction technologies and improving fuel consumption rates; technology retrofits for older facilities or in building new plants; growing our renewables portfolio; and emissions trading and offsets.

Innovative technology

For the last two years, we have examined a number of options for low carbon power generation, including nuclear, gasification, pulverized coal and solar. And while we believe that the responsible approach is to continue to investigate alternative or complementary solutions, we know that we are, and will continue to be, primarily a coal-based power provider.

CARBON CAPTURE AND STORAGE We believe that carbon capture and storage is the answer. It has been proven to be effective in small scale facilities. Now we must scale it up and test its viability for applications on major facilities. If successful, growing equipment demand should substantially reduce costs over time.

In early 2008, TransAlta announced an agreement with Alstom, a global leader in power generation technology, to work together to develop a large scale CO₂ capture and storage facility at one of our coal-fired generation stations west of Edmonton. Alstom's technology is a post-combustion process for capturing CO₂ from flue gas, and is specially designed to retrofit existing coal plants. We believe that Alstom's technology is one of the more promising and potentially lowest cost solutions for CCS.

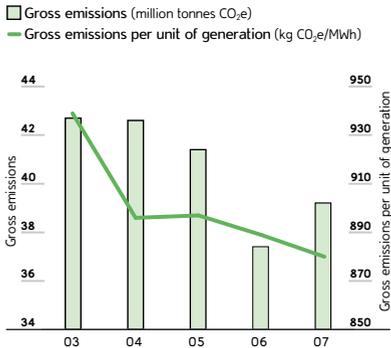
The first phase of the project will begin in 2008 and will involve selecting the plant at which we will test the technology, as well as engineering, stakeholder relations and regulatory work. This and subsequent phases are subject to partner and government funding and will continue over the next five years, with testing expected to commence in 2012. Chilled ammonia capture is a post combustion process for capturing CO₂ from flue gas. This is a unique process developed by Alstom specifically to retrofit existing coal plants.

COAL GASIFICATION TransAlta began a four-year engineering study of coal gasification in 2007. Led by EPCOR and supported by TransAlta and Sask Power, the project is being operated under the auspices of the Canadian Clean Power Coalition (CCPC). Results from the gasification project will be shared with all of industry.



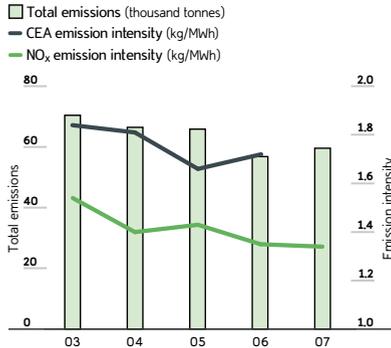
Where there is challenge, we find opportunity. In early 2008 TransAlta signed a multi-year agreement with Alstom to develop a new carbon capture and storage project in Alberta. This pilot project will reduce CO₂ emissions by one million tonnes per year.

GREENHOUSE GAS EMISSIONS



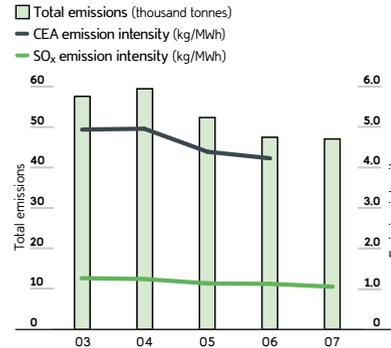
TransAlta's total GHG emissions increased in 2007 primarily because of higher production at our plants. However, emission intensity decreased over the same period, reflecting operational improvements that resulted in higher efficiency.

NO_x EMISSIONS



TransAlta's NO_x emission intensity remained constant from 2006 to 2007 despite gross volumes increasing because of higher production volumes. Our emission intensity is lower than the Canadian Electricity Industry (CEA) benchmark levels.

SO_x EMISSIONS



TransAlta's SO₂ emission volumes and intensity levels have decreased since 2003. Our levels are significantly below CEA benchmark levels.

MERCURY TESTING TransAlta is testing enhanced activated carbon technology at select Alberta plants to reduce mercury emissions by 70 per cent and meet mandated mercury controls by the end of 2010. Results of the initial testing phase were promising: we recovered in excess of the 70 per cent threshold. Currently in the second phase, which involves a long-term pilot test, we are examining how the technology performs at different locations and in different ambient conditions. Knowing that regulations are pending, TransAlta voluntarily stepped up to identify and test potential technology. No proven mercury controls existed at the time the regulations were passed.

We began the installation, testing and certification of new mercury Continuous Emissions Monitoring Systems (CEMS) at TransAlta's Centralia, Washington operations in 2007 to meet the requirement to measure mercury emissions in the future. Targets and timelines are yet to be determined in Washington. TransAlta is implementing CEMS early and voluntarily.

KEEPHILLS 3 Plant is a partnership between TransAlta and EPCOR which will add 450 MW to Alberta's power grid when completed in 2011. The plant is expected to be six to seven per cent more effective than those in operation today and will reduce SO₂, NO_x and mercury by 60 to 80 per cent.

Increasing efficiencies

In 2007, TransAlta completed a two-year uprate on Sundance 4, adding 53 MW to the power grid while burning less fuel on a per megawatt basis. In Sarnia, we invested capital in asset reliability. A boiler upgrade reduced the amount of gas needed, which in turn increased plant efficiency. An uprate of Sundance 5 is slated for 2009.

Renewables

In January, we announced our Kent Hills wind power project, New Brunswick's first and Atlantic Canada's largest wind farm. The project will use three megawatt turbines on 80

metre towers, and is expected to add 96 MW of renewable power to New Brunswick and increase the proportion of renewable energy in our portfolio. Electricity production from the site is anticipated to begin in late 2008.

In February 2008 we also announced the development of the Blue Trail wind power project in southern Alberta, expected to be complete in 2009.

Offsets

TransAlta continues to build its offsets portfolio and, as an early adopter of this approach, is now realizing a significant competitive advantage. Alberta-based offsets purchasing, combined with increased plant efficiencies, are methods through which our company will meet emission reduction goals.

In March 2008, we announced the purchase of approximately 400,000 tonnes of offset credits from the Emissions Credits Corporation in Alberta, which will be used to comply with the Alberta Climate Change and Emission Management Act for 2007. The purchase of these offset credits created significant savings compared to the other options available. Additional credits from the transaction will be banked for use in future years.



We are growing our renewable portfolio and have two new wind projects underway: Kent Hills in New Brunswick and Blue Trail in southern Alberta, in photo rendition above.



Reclaimed wetlands at our Alberta Thermal operations.

BY-PRODUCTS AND RECYCLING

Our by-products business continues to grow, with revenues of approximately \$22 million in 2007. Coal combustion by-products, including fly ash and gypsum, are being used in applications such as concrete and wallboard. Fly ash replaces 15 to 30 per cent of cement in concrete production and has higher durability at lower temperatures as well as environmental benefits. For every tonne of cement that is displaced by fly ash, one tonne of CO₂ is not emitted.

Recycling was embraced in our office environments in 2007. Across Canada we switched to recycled paper in all printers, photocopiers and fax machines. In just 12 months, an estimated 400 trees and 250,000 gallons of water were saved.

WATER DEBT REPAYED

TransAlta reached a major milestone on January 1, 2007 by successfully eliminating its historic water debt to Lake Wabamun six months ahead of schedule. The debt was based on a cumulative withdrawal for our power plant and mining operations, which ultimately affected lake levels. TransAlta's investment in addressing this debt was approximately \$30 million.

WETLANDS

Wetlands projects are incorporated into TransAlta's reclamation plans across the company. The largest wetlands mitigation project in Washington State—50 hectares in total—began adjacent to our Centralia site in 2007. The multi-year project compensates for nine hectares of land disturbed by mining, and will restore both the creek and the habitat surrounding it.

At our Whitewood mine in Alberta, we contoured land for a reclamation wetlands project in 2007 and will seed the area in 2008. At Highvale, we added willow trees to a wetlands project in 2007 and another project has been submitted for certification. A wetlands reclamation project takes approximately five years to be fully complete.

BIOMONITORING

In the vicinity of our Alberta Thermal operations, as part of a long-term biomonitoring study in partnership with EPCOR, we monitor several ecological receptors to assess potential impacts of emissions and increased power generation. These studies encompass air, water, soil, benthic invertebrates, sediment, fish, vegetation and voles.

Our studies also include monitoring of songbirds, raptors, owls, voles and amphibians. We also perform aerial surveys of ungulates (such as deer) and track collisions between ungulates and vehicles in the regions surrounding our power plants.

Results from 2007 biomonitoring indicate no increased impact to the test species from activities and emissions associated with power plants in the area.

workplace



(Left to right) Shane Bluhm, Mark Richardson, Ryan Mathena, Steve Lorenzo, Bill Alverson, Mike Lydon, Dan Fugate, and Chris Allen, employees at our Centralia Thermal Facility.

SAFETY

TransAlta's Environment, Health and Safety Management Systems ensure that our safety processes continually improve and that performance is communicated to the Board of Directors. Through 2007 and 2008, we are standardizing our processes across the organization to better track and improve our performance.

Safety performance improvement was a serious focus in 2007 because of the increased number of safety

incidents we saw in 2006. We succeeded in decreasing employee safety incidents by 50 per cent, but saw an increase in contractor safety incidents of 23 per cent. This is a significant concern, and contractor safety management is a major focus as we move forward. A vendor certification process is being implemented that will help address the increase in contractor safety incidents.

TransAlta believes that zero safety incidents is achievable, and has a long-standing program called Target Zero. Every non-unionized employee now has safety as a criterion in their performance evaluations for the year, from CEO Steve Snyder to staff on the front line. Safety now accounts for 20 per cent of all non-unionized staff's yearly bonuses. Additionally, most unionized staff have a safety metric in their gainshare program.

collective agreement that balances the needs of the business with a responsible package of wages and working conditions.

In 2007 we had our first strike action in the company's history. Between November 5 and December 7, 125 people at our Poplar Creek power station took job action. The company had contingency plans in place far in advance, and met our contractual obligations to Suncor and continued production at normal levels during the strike. Issues leading up to the action have now been successfully resolved.

RECORDABLE INJURY FREQUENCY RATE (injuries per 200,000 hours worked)



TransAlta's injury frequency rate (IFR) decreased by 50 per cent for employees and increased by 23 per cent for contractors in 2007, compared to 2006.

ORGANIZED LABOUR

TransAlta respects the right of employee groups to be represented by a bargaining agent. Where employee groups have made that election, we bargain in good faith to reach a

RECRUITMENT AND RETENTION

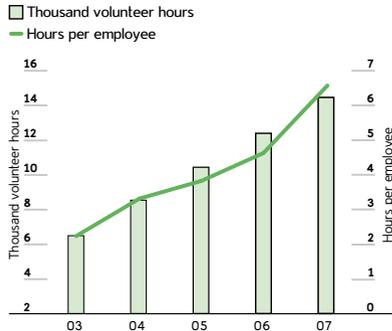
Labour issues continued to be a challenge in 2007, along with our aging workforce. We will continue to address both of these issues with new strategies for recruitment, succession planning and rotational job placement within the company that is structured to keep our people challenged and engaged.

community



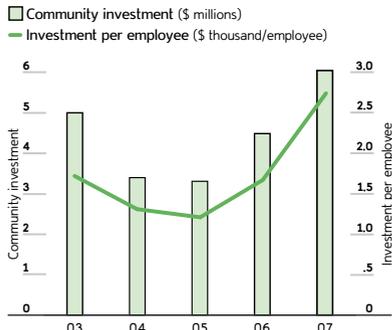
(Left to right) Barry Chappelle, Marylee Peters, Angela Mallow, Dennis Morr, Sandy Yanish, Tony Briggs, members of Centralia's community and stakeholder teams.

VOLUNTEER HOURS



TransAlta employees and retirees are committed to our communities. In total, they spent 14,475 hours on community initiatives during 2007, a TransAlta record.

COMMUNITY INVESTMENT



We are proud that our investment in communities grew to more than \$6 million in 2007.

INVESTING IN OUR COMMUNITIES

We take the responsibility of operating in our communities seriously and we are committed to working with local communities to add value. In 2007 we invested more than \$6 million in the communities where we operate.

TransAlta's community investment program has four focus areas:

- Environment
- Education
- Arts and Culture
- Health and Human Services

The United Way is TransAlta's cornerstone community program. Run by employees, with retiree involvement, campaigns are undertaken at all of our locations. TransAlta matches employee and retiree donations dollar for dollar.

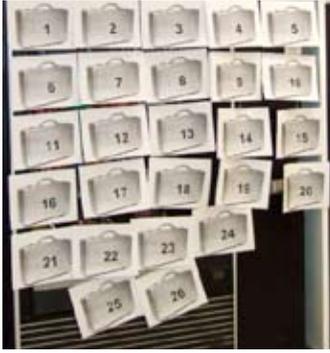
Highlights of the 2007 campaign include:

- More than \$1.3 million raised through employee contributions and company matching;
- 79 per cent participation at U.S. locations; and
- 100 per cent participation at our Ottawa location for the ninth consecutive year.

TransAlta also has groups of employee volunteers called TransAlta Community Transformers (TACT) teams, who have the pulse of local community priorities, and oversee regional donations.

TRANSALTA VOLUNTEERS

Our employees and retirees are committed to our communities. In total, they spent 14,475 hours on community initiatives during 2007, a TransAlta record. Retirees involved in POWER (Projects Organized With Energetic Retirees) totalled 8,771 hours. Staff time spent on our company-wide United Way campaign and projects through the year added up to 2,599 hours. At Centralia, Washington, employees volunteered more than 2,000 hours of work time to help victims of the worst



At our Poplar Creek facility, employees played "Deal or no Deal" to raise money for United Way.



United Way Coordinators pitch in at the community kitchen in Calgary.



TransAlta purchased bottled water and Campeche plant staff helped deliver it to victims of flooding near Campeche, Mexico.



Staff at our Centralia operations put in more than 2,000 hours of work time to flood relief efforts, while maintaining normal operations.

flooding the region has seen in many years. In Mexico, Campeche plant employees rallied to volunteer their time to help victims of a major flood which occurred in the region of our Campeche Plant.

STAKEHOLDER ENGAGEMENT

In 2007, a stakeholder relations strategy was developed at our Alberta Thermal operations to deal specifically with issues of concern to neighbours and other stakeholders. As a result, seven new policies were created in collaboration with key stakeholder groups to ensure consistent and fair methods of engagement and business in the region. The process started early in 2007 and by mid-year the policies had been shared with municipalities and employees.

ABORIGINAL RELATIONS

TransAlta is committed to building positive relationships with our Aboriginal neighbours.

A remnant from the time when the company was also a transmission provider, we have transmission lines through the lands of all 13 First Nations in Alberta. In 2007, we established the TransAlta Advisory Committee, involving all Alberta First Nations, industry and government. The goal of the Advisory is to expose the bands to the business of the transmission lines on their lands and find ways to reconcile issues between them and industry.

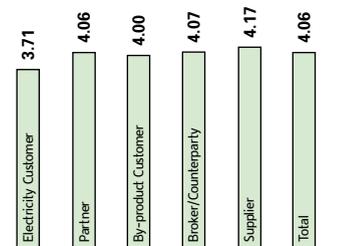
MEETING CUSTOMER EXPECTATIONS

A survey of TransAlta customers and other stakeholders was conducted in 2007 with an extremely high participation rate and positive results. Of the 190 distributed, 121 were completed and returned. Overall, respondents indicated a very positive view of TransAlta's image and most indicated high levels of customer satisfaction.



Open houses are one means by which TransAlta is able to listen to area stakeholders' concerns, and answer their questions.

STAKEHOLDER SATISFACTION (1=low, 5=high)



Three-quarters of surveyed stakeholders indicated that they are either "satisfied" or "very satisfied" with TransAlta. Wholesale electricity customers who participated in our 2007 customer survey gave slightly lower marks for satisfaction.

economic



(Left to right) Simona Mitova, Danielle Stuart, Sunny Sehgal, Swean Sidhu, Brent Ward, employees at head office in Calgary.



Sarnia Plant employees provided a tour to the local Chamber of Commerce.

In Sarnia, our overall economic impact on the community is estimated to be between \$20 and \$25 million annually, largely directed toward local suppliers and contractors.



"For New Brunswickers, the Kent Hills wind farm represents a more diverse generation mix for our province, which lessens our dependence on volatile fuel markets worldwide to run some of our generating plants," Jack Keir, Energy Minister for New Brunswick, at the groundbreaking ceremony.

TransAlta achieved record results in 2007, in terms of comparable earnings and cash flow. Return on capital employed increased, total shareholder returns exceeded our target and our balance sheet at the end of the year remained strong.

TransAlta's combination of resources and proven strengths differentiate the company and better position it to capture the upside potential from today's electricity markets. We have long-term coal reserves, untapped hydro resources, optioned wind development sites, and highly sought brownfield sites that are connected to transmission systems, reservoirs for CO₂ storage, and access to water and multiple fuels. In addition, we have the skills to achieve top decile operations at our plants and mines, build out our fleet, navigate and influence regulatory and environmental challenges.

We have a balanced approach to capital allocation that includes returning capital to our shareholders through dividends and share buyback, and investing in assets in our core markets. Our growth investments are focused in the Western U.S. and Canada and in fuels and technologies we know such as renewable and high-efficiency technologies where we have proven competencies including wind, geothermal, small-scale hydro and natural gas cogeneration.

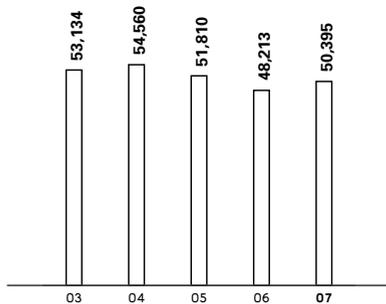
Please see our 2007 Annual Report for more discussion and analysis of business drivers and financial performance.

SALE OF MEXICAN ASSETS

In February 2008, TransAlta signed a purchase and sale agreement with InterGen Global Ventures B.V. InterGen will pay TransAlta US\$303.5 million for its Mexican business. The sale is subject to regulatory approvals.

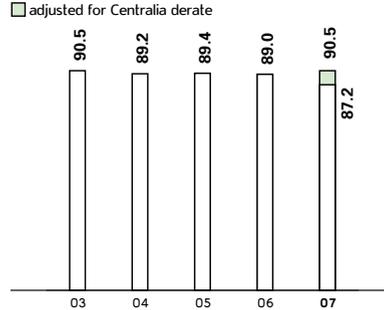
The decision to sell these assets was based on the size of our Mexican operations. With just over 500 megawatts, we determined that we either had to grow our operations in order to meet the costs of maintaining international operations and customer needs, or withdraw from the region.

ANNUAL ELECTRICITY PRODUCTION (Gwh)



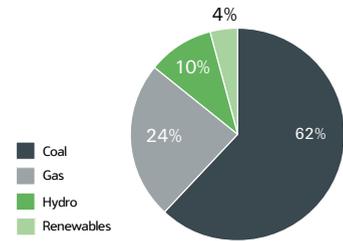
TransAlta produced 50,395 GWh of electricity in 2007, an increase of 4.5 per cent over 2006.

PLANT AVAILABILITY (%)



Our availability in 2007 was 90.5 per cent after adjusting for derates at Centralia Thermal.

CAPACITY IN OPERATION BY FUEL SOURCES (2007 %)



TransAlta's operational plant assets in 2007 were comprised of 62 per cent coal, 24 per cent gas, 10 per cent hydro and four per cent renewables.

MANAGING COSTS

TransAlta, along with the rest of our industry, is facing one of the most profound technological shifts in its history. This change is driven by the need to reduce the power industry's environmental footprint, particularly the production of greenhouse gases (GHGs), at the same time that we need to grow to meet rising demand for electricity.

If we are to meet the environmental standards currently being contemplated by regulators, new technologies will be required. However, cost limitations must be addressed in order to avoid dramatic increases in electricity prices for customers. Our current power purchase agreements (PPAs) in Alberta flow cost increases through to customers. Therefore, we are understandably cautious in evaluating the technological solutions in front of us today. Selecting the right competitive technology will allow us to meet the most exacting environmental standards while delivering the lowest cost electricity to our customers. It also means continued earnings growth for our shareowners if we can economically run our thermal assets in a carbon-constrained world long after the power purchase agreements expire.

We are also working with governments to encourage a more uniform—and sustainable—approach to reducing GHG emissions. During 2007, the Governments of Canada, Alberta, Ontario, and Washington State each released their own plans. We are focused on implementing the best technological solutions that align with policy mandates, while diligently keeping control of costs related to new technology and environmental regulations. The targets, timelines and mechanisms for compliance vary from jurisdiction to jurisdiction, making a strategic and integrated company-wide response challenging and costly. TransAlta is working with governments to encourage broad, uniform initiatives. We believe a consistent approach will lower compliance costs for the same environmental benefits and better support communities and economic growth.

We will also continue to manage the costs of environmental investments at our existing operations by evaluating the investment against the expected lifespan of the facility. Where practical, we will upgrade existing facilities; where cost-prohibitive, we will redirect capital to where it will make the most impact.



In Australia, an innovative team of employees helped to design a new lifting frame to move turbines, allowing maintenance to be completed more safely and efficiently. This is an example of operational excellence helping to boost the bottom line.



Rising costs in material and labour are key challenges in the years ahead.

TransAlta 2008 Sustainability Targets

Environmental Focus	Target & Commitment
Advance carbon capture and storage technology to reduce greenhouse gas emissions	Evaluate emerging technologies for CO ₂ capture and deliver environmental leadership to extend the value of our existing fleet
Lead mercury reduction technology and testing	Take early action to complete a 10-month mercury capture pilot project at Keephills to reduce mercury emissions by at least 70 per cent
Continue to diversify our energy portfolio by increasing production in renewable energy	Add 96 MW of renewable energy to our portfolio through the construction of the Kent Hills Wind Farm
Manage our potential impact to biodiversity	Conduct biological studies in 2008 including vehicle/ungulate collisions and vole population surveys to better understand and manage our potential impact on biodiversity in the regions in which we operate
Reduce environmental impact	Reduce the number of spills or permit exceedances by 10 per cent over 2007 levels (2008 – 2010)
Social Focus	Target & Commitment
Improve safety performance	Reduce Injury Frequency Rate (IFR) by 10 per cent from 2007 levels (2008 – 2010)
Increase awareness of sustainability value within TransAlta	Integrate sustainability into new employee orientation and increase communication of sustainability issues with all employees
Improve talent management within the company	Implement programs to attract and retain a talented workforce, including system-wide leader development training, strategic recruitment programs and improved training management systems
Improve emergency response systems	Implement a corporate-wide Emergency Response Management Process to standardize and improve on existing emergency response practices at all TransAlta facilities
Focus investment in the community	Continue to be an Imagine Canada company by contributing at least 1 per cent of pretax earnings to community organizations
Formalize performance management processes for unionized employees	Build on existing performance management practices with unionized staff and implement a formalized process
Economic Focus	Target & Commitment
Deliver long-term shareholder value	Deliver consistent Total Shareholder Return (TSR) of >10 per cent and comparable Return On Capital Employed (ROCE) of >10 per cent
Maintain a strong financial position	Maintain financial strength and flexibility critical to sustainability through commodity and credit cycles, as measured by our financial ratios
Meet customer expectations	Incorporate feedback from 2006/07 Customer Satisfaction Survey to ensure we meet contracted material obligations
Achieve top decile operations	Achieve top decile operations through an availability rate of 90 to 92 per cent (2008 – 2010)

FOR MORE INFORMATION TransAlta's full 2007 Report on Sustainability will be published at www.transalta.com in June 2008.

We want to hear what you think. Send us your thoughts on our report, our performance, as well as what else you would like to see included in future reports, at:

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Forward-looking statements This report 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.