

# TransAlta Corporation Annual General Meeting

April 29, 2011  
Calgary, Alberta

## THE CHAIRPERSON:

Well, good morning, ladies and gentlemen. On behalf of the Board of Directors, it is my pleasure to welcome you to the 100th annual meeting of shareholders of TransAlta Corporation. The Board and Management very much appreciate you being here today.

My name is Donna Soble Kaufman, and as Chair of the Board of TransAlta, I will chair the meeting this morning.

Our Vice-President and Corporate Secretary, Maryse St.-Laurent, will act as Secretary of the meeting, and she is seated on the far left. I would also like to introduce Steve Snyder, who I am sure is known to many of you. Steve is our President and Chief Executive Officer. Also seated here to my left is Brett Gellner, our Chief Financial Officer.

This meeting is being webcast live, so I would like to welcome those joining us in our Internet broadcast audience as well.

We also welcome those of you who are not shareholders, but I remind you that only shareholders or proxy-holders are entitled to vote or to take an active part in the formal business of the meeting.

After the end of the formal part of the meeting, I will make some comments from a Board perspective. Ambassador Giffin will then speak, followed by Mr. Gellner, who will present the Chief Financial Officer's report, and Mr. Snyder will present the Chief Executive Officer's report.

Following these presentations, there will be time for any questions that you may have.

Before I call the meeting to order, I would like to ensure that everyone is familiar with the location of the emergency exit. There is an exit at the back of the room, and should an emergency occur, please proceed calmly through that exit.

I will now call the meeting to order.

We will first go through the formal parts of the meeting, and Mrs. Sandra Evans and Mr. Simon Law of CIBC Mellon Trust, our transfer agent, are in attendance today,

and I appoint them to act as scrutineers for the meeting.

Ms. St.-Laurent, would you please file a copy of the Notice of this meeting, which was mailed on March 23, 2011, to shareholders of record at the close of business on March 1, 2011. A copy of the Notice and Proof of Service will be filed with the record of this meeting.

The scrutineers have provided me with a preliminary report on attendance, and the count indicates that 1,927 shareholders are present in person and by proxy, representing 76,895,470 common shares. Accordingly, 34 percent of the common shares outstanding are currently represented at this meeting. I therefore declare that a quorum is present and that this meeting is properly constituted for the transaction of business. A copy of the scrutineers' report will be filed with the records of the meeting.

In order to have the meeting move smoothly, TransAlta employees who are shareholders or proxy-holders will move and second the motions to be put before the meeting.

I declare that the minutes of the last annual meeting of shareholders, which was held a year ago, April 29, 2010, have been verified and signed and are filed in the corporation's minute book. Anyone wishing a copy of the minutes may pick one up from the table located in the lobby just outside this room.

The next item of business is the receipt of the annual consolidated financial statements of the Corporation and the auditor's report for the year ended December 31, 2010. The annual consolidated financial statements of the Corporation and the auditor's report contained on pages 68 to 125 of our Annual Report were mailed to shareholders together with the Notice of this meeting. Copies are available on the table in the lobby outside the room, and I would request that the Secretary file a copy of the Annual Report with the minutes of this meeting.

Mr. Ryan MacDonald of Ernst & Young, the auditors of the Corporation, is available to answer questions during the general question period.

The next item of business is the election of the directors. The Board has set the number of directors to be elected at ten. We are satisfied that this number is appropriate to provide a significant range

and depth of expertise and to meet all corporate governance requirements.

I would like to introduce the directors standing for election to the Board and ask each of them to stand when I call their name.

William Anderson, Stephen Baum, Timothy Faithfull, Ambassador Gordon Giffin, Kent Jespersen, Michael Kanovsky, Gordon Lackenbauer, Karen Maidment, Dr. Martha Piper, Stephen Snyder, and I would now like to ask for nominations of directors to serve until the next annual general meeting.

MR. KYLE:

My name is Hume Kyle, and I am a shareholder, and I nominate William D. Anderson, Stephen L. Baum, Timothy W. Faithfull, Ambassador Gordon D. Giffin, C. Kent Jespersen, Michael M. Kanovsky, Gordon S. Lackenbauer, Karen E. Maidment, Dr. Martha C. Piper, and Stephen G. Snyder to be elected as directors of the Corporation, to hold office until the next annual meeting of shareholders or until their successors are elected or appointed.

THE CHAIRPERSON:

Thanks, Hume. Are there any other nominations?

Hearing none, I declare nominations closed. Since the number of nominees does not exceed the number of directors to be elected by the shareholders, I request a motion that the nominees be elected as directors of the Corporation to hold office until the next annual meeting of shareholders or until their successors are elected or appointed.

MS. MOHAMED:

My name is Parviz Mohamed. I am a shareholder, and I so move.

MS. JOHNSTON:

My name is Cynthia Johnston. I am a shareholder, and I second the motion.

THE CHAIRPERSON:

All in favour?

Contrary, if any?

BARONESS KNIPSCHEER:

Discussion, please. May we have discussion on the motion?

I realize the motion is a *fait accompli*. My name is

Knipscheer, Baroness Knipscheer. I am a shareholder. I realize the motion is a *fait accompli*. However, having said that, I cannot sit still and not say what I need to say.

I take a look in the circular, and I see in particular two directors who we are to be voting upon, and they have five directorships -- that means elsewhere they have directorships -- one has six. I am wondering how on God's earth they can divide their time and give us at TransAlta a decent amount of time. Someone who has five directorships, and that should be Michael Kanovsky according to this brochure, and also six directorships, Kent Jespersen, according to this brochure. Five would mean one day per week. Most people work five days a week, and they don't earn what our directors earn, so therefore I'm also wondering how on earth can they ever give us proper due diligence and overlook things.

Further to that, without any disrespect, an Ambassador, wonderful person to have; however, I know from Ambassadors they have many duties to fill, not always within the country. They are here, there, and everywhere doing a lot of work. How can that person possibly give us the proper amount of time for the amount of money that we pay these people, which by the way, all you shareholders, comes off all of our bottom line.

THE CHAIRPERSON:

Thank you for your comments. What I think I would like to do is, I hear your concerns, I understand them. If we could, I think we will have this conversation outside the meeting. I can assure you -- I think I'll take the Ambassador first. He is a former Ambassador. It is an honorary title that stays with Ambassadors forever. He is no longer an Ambassador, so we have dealt with that one now.

I can tell you, having chaired this Board for six years, that every single one of our directors is very diligent, has all the time they need to prepare for our meetings, and I have always been completely satisfied, as has the rest of the Board, that they are extremely diligent, and that we, as shareholders, are very well served.

If you would like to continue the conversation afterward, some of the Board will be available afterward to do so. Thanks for the intervention.

Now, all in favour? Contrary, if any?

Passed, okay. Thank you.

The next item of business is the appointment of auditors. I request a motion that Ernst & Young be appointed auditors of the Corporation to hold office until the close of the next annual meeting of shareholders at such remuneration as shall be fixed by the Board of Directors.

MR. JACKSON:

My name is Doug Jackson. I am a shareholder, and I so move.

MR. SCHAEFER:

My name is Rob Schaefer. I am a shareholder, and I second the motion.

THE CHAIRPERSON:

Thanks, Doug and Rob.

All in favour? Contrary, if any? I declare the motion carried.

The next item of business is the consideration and approval on an advisory basis of an ordinary resolution approving TransAlta's approach on executive compensation. The text of the resolution set out in the management proxy circular which was mailed to all shareholders with the materials for the meeting.

Since your vote is advisory, the results are not binding on the Board of Directors. The Board and the Human Resources Committee will consider the outcome of the vote as part of its ongoing review of executive compensation.

The results of the shareholder advisory vote will be included in the company's report on voting results, which is filed with securities regulators.

I request a motion that the resolution to accept the company's approach to executive compensation, as set out in the March 10, 2011 management proxy circular, be approved on an advisory basis.

MR. RIDGE:

My name is Martin Ridge. I am a shareholder, and I so move.

MS. STENE:

My name is Deanne Stene. I am a shareholder, and I second the motion.

THE CHAIRPERSON:

Thank you, Martin and Deanne.

Now we will conduct the vote by ballot. Ms. St.-Laurent, would you please explain the voting procedure.

MS. ST.-LAURENT:

Yes.

THE CHAIRPERSON:

I almost did it for her. I think she might have been happy if I had.

MS. ST.-LAURENT:

Yes, I would have appreciated that.

If you have already voted your shares by proxy, your vote has already been recorded. You may choose to change your vote, and if you want to do so, you will have to raise your hand, and then the scrutineers will pass you a yellow ballot.

For those of you who just registered this morning as either a shareholder or a proxy-holder, you were handed a yellow ballot on your way into the meeting, so we would just ask that you vote for or against the motion by indicating an X on the form, and please sign the ballot.

You are not required to fill in the bottom of the form; the scrutineers will complete that for you. So those of you who may want a ballot, please raise your hands, and if you have already completed your ballot, the scrutineers are coming down and will pick them up from you. Thank you.

THE CHAIRPERSON:

So everybody either has a ballot or does not require one?

With the permission of the meeting, we will continue the business of the meeting while the scrutineers prepare their report on that vote.

The next item of business on the agenda is a shareholder proposal submitted by the Sierra Club. The Sierra Club has, however, notified us that they are withdrawing their shareholder proposal. Instead they have asked us to relay the following message to you, and I quote:

"The Sierra Club has reached an historic agreement with TransAlta, the Governor, and Washington State Legislature on the retirement of the Centralia coal plant in Washington State. As such, we are

withdrawing our shareholder resolution submitted for consideration at your 2011 annual meeting of shareholders. We look forward to working with TransAlta to continue to move beyond coal."

So the resolution having been withdrawn, we will dispense with holding a vote on this matter.

BARONESS KNIPSCHEER:  
Discussion on the motion?

THE CHAIRPERSON:  
Yes, madam.

BARONESS KNIPSCHEER:  
Sorry for interrupting again. Again, I would like to discuss the say on pay, and I will say thank you very much for having put it on the agenda, because I know that down in the States it is now become a big thing where we have an advisory vote, although TransAlta is Canadian. Like I say, it is a big thing down in the States now.

However, having said that, even though we have a say on what may go on, that doesn't mean it will happen, and being as we are voting on the say on pay and the compensation of executives, I would like to point out again in this brochure -- and it may sway some people's votes, it may not, although I know the vote is a *fait accompli* again -- when you take a look at especially what our Chief Executive Officer is earning in total compensation, and I know that the answer is, we have got to follow the herd like everybody else, otherwise we can't get the people, and I say that's not an acceptable answer.

I do look at what this individual is earning as a total compensation, Mr. Snyder I believe his name is, and I'm looking at \$4,609,000 as an average over a three-year period. Who in this audience as a regular working person even amasses that kind of an asset base in their whole lifetime, and this is an average per year. I think it's absolutely revolting that we pay people this much.

Number two, when I take a look at the number two person, Mr. Burden, does that mean Mr. Burden, who has an average of 1.7 million per year, does that mean he is almost two-and-a-half times less worthy and less valuable than our 4.6 million individual? It just doesn't make sense to me, and I'm sorry, but I'm just not in favour of taking these great amounts of moneys and giving them to people who are running our corporations. They can do an equal amount of good job, less pay, and, guess what, the rest of us shareholders who are putting

money in after taxes, we could get a better return.

THE CHAIRPERSON:

Again, I thank you very much for your comments. I take it that there are people who share your view. The vote, as you said, is advisory. All of your comments and thoughts will be taken into consideration by the Human Resources and Compensation Committee, by the full Board as they go through the compensation packages for next year.

The Secretary has just advised me that the motion has been carried by 86 percent of shareholders present or represented by proxy at this meeting. Accordingly, on an advisory basis, I declare the resolution passed.

Now, these are big numbers again. The scrutineers have also completed their attendance report, which I am obliged to inform you of, and there's going to be a test on this afterward.

The scrutineers advise that the count indicates 1,934 common shareholders are present in person and by proxy representing -- is that possible -- 76,915,657 common shares and 34 percent of the outstanding common shares are represented at the meeting.

With the consent of the meeting, then, I declare the formal business of the meeting at an end.

Before I turn the podium over, I would like now to make a few remarks of my own.

It is a very great pleasure for me, again, to welcome you today as TransAlta's Board reports to you on the first year of this great company's second century in business. This is a milestone that marks another year of progress, during which we continued to press forward with an agenda of good governance and sustainable business practices.

We oversaw the ongoing creation of shareholder value through the study and deliberate stewardship of TransAlta's assets and opportunities.

Supported by an experienced management team, dedicated employees, a strong balance sheet, an array of growth opportunities, and the industry's most diverse portfolio of assets and fuel sources, TransAlta enters into 2011 as Canada's largest publicly traded generator and marketer of electricity.

At a time of uncertainty on a number of fronts, we are well positioned for continued long-term growth while maintaining our low-to-moderate risk profile.

With our unique combination of capabilities, TransAlta enters its second century with the strength to weather the current regulatory, environmental, and economic uncertainties and the flexibility to capitalize on opportunities for growth as they emerge.

These are important capabilities, but equally important are the principles that guide the Board's accountability to you, our shareholders.

Your directors are fully engaged with Management on the execution of TransAlta's long-term growth strategy. We have invested time and effort to ensure that TransAlta has appropriate risk mitigation policy and practices across the entire enterprise. We are diligent and disciplined in our capital allocation decisions. We are focused, as always, on maintaining our commitment to pay a strong dividend. We are committed to shareholder engagement, by which we mean ensuring an open and ongoing dialogue with our shareholders.

We put great effort into the governance of your Board, and we are disciplined and rigorous in our efforts to provide complete transparency. TransAlta is providing industry leadership in diversifying and expanding our power sources to meet the growing demand for clean, reliable, and competitively priced electricity. Our active pursuit of carbon-capture technology for cleaner coal-fired power stands at the forefront of global efforts to create a sustainable energy future.

Indeed, a third of TransAlta's electricity production this year came from natural gas and renewable energy sources. We are proud of the recognition that TransAlta has received for its dedication to environmental stewardship. In 2010, the company was again named to the Jantzi List of Canada's 50 Most Responsible Corporations. For the fifth consecutive year, TransAlta was included in the Dow Jones Sustainability Index, once again, the only Canadian company in the utility sector. For the ninth consecutive year, The Globe and Mail recognized TransAlta as one of the best governed companies in Canada.

From a personal perspective, 2011 marks a significant milestone for me personally. After 22 years as a director of TransAlta and having completed a six-year term as Chair, it is with deep gratitude, pride, and confidence in the company's future that I welcome my successor, Ambassador Gordon D. Giffin.

It has been a most rewarding journey, and I would like to extend my best wishes to Ambassador Giffin, my fellow directors, our exceptional management team, and our more than 2,200 dedicated employees and retirees.

Most importantly, I would like to offer my sincere thanks to our loyal shareholders for your support and confidence during my years of service to the Board. It has been truly an honour and privilege to serve alongside such dedicated colleagues and a very talented executive team.

I am completely confident that TransAlta will continue to flourish and will capitalize on the many opportunities of its second century. Thank you.

I will please ask Ambassador Giffin to come forward.

AMBASSADOR GIFFIN:

Thank you, Donna. I have to apologize to this group that because of the process of changing Chairs of the Board, you are going to be forced to listen to two Chairs instead of just one, so it is an accident of governance that I apologize for in advance.

Donna, I am honoured to follow in your footsteps as Chair of this great company, and I thank my colleagues on the Board for their confidence in me.

While American-born, I have lived much of my life in Canada. My family moved to Canada when I was three weeks old, and I grew up in Montreal and Toronto. I recognize that is the other end of the country, but it is still the same country.

I went to high school at a school in Toronto called Richview Collegiate, which many of you may not know is the high school that a fellow by the name of Stephen Harper also graduated from, although he is somewhat younger than I am.

My father was born in Pembroke, Ontario, and my grandfather, for whom I am named, was born in Brockville, Ontario, so Canada has been a big part of my life.

I was honoured to serve as the 19th US ambassador to Canada, which permitted my family to have the pleasure and honour of living in this great country, and we loved every single minute of our time. My daughter graduated from high school in Canada, as did I, and we look at Ottawa, actually, as our second home.

My job as Ambassador permitted me to travel this great country, to see all of its great and beautiful places, and meet its people. My experience has provided me with real evidence of how fortunate we are as residents of North America to have Canadians and Americans share this continent together.

Before going further, I would like to say a word about Donna Soble Kaufman. In Donna's tenure on this Board, she has helped guide this company through numerous significant developments in its history: The early years of market deregulation in Alberta, the company's progressive and significant commitment to renewable power with the acquisition of Vision Quest and Canadian Hydro Developers, and the selection of TransAlta by the governments of Canada and Alberta to advance world-leading carbon capture and storage technology.

Donna's commitment to TransAlta as a business and as a family has been total and sincere. Her thoughtful and caring leadership style as Board Chair will be missed by employees and directors alike. She is a remarkable professional and a dear friend.

On behalf of your fellow Board members, Donna, I would like to extend our deep gratitude for your tireless contributions and steady leadership over the past two decades. Our best wishes and appreciation go with you, and don't move far from your phone, because I'll be calling often.

Ladies and gentlemen, since 2002 I have been honoured to serve on the TransAlta Board alongside talented and dedicated colleagues like Donna, but I must say it is a distinct privilege to assume the new responsibilities as Chair at this time. A privilege because of the skill and commitment of the people at TransAlta who get up every day with the interests of our customers and our shareholders at heart; a privilege because of the character and dedication of TransAlta's executive team who set the tone and the strategy for our company; a privilege because of the experience, intellect and camaraderie of the Board of Directors; and a privilege because at this important moment in the life of TransAlta, I believe we have a firm foundation upon which to grow and a coherent vision for achieving that growth.

I feel very privileged, too, to be part of a Canadian company with as great a history as TransAlta. As you know, it has been mentioned that it is TransAlta's centennial year, and we will mark that milestone later this evening. There is much to celebrate in our past and

even more to anticipate as we grow in our second century.

Since leaving my diplomatic post, I have continued to work on both sides of our common border to advance the collective prosperity of our public societies and our private enterprises. The Canada-US relationship is unique in the world, and as such, it is essential that our countries work together closely in dealing with a broad range of opportunities.

A particularly meaningful component of our collective success is the leadership provided by the private sector in shaping innovative public policy with solutions on the economy, on energy, and on the environment.

It is in that context in which I believe TransAlta can lead in the years ahead: continuing to provide Albertans and Canadians across this great country with reliable, affordable energy, while also growing components of our business south of the border. Importantly we will do so with a firm commitment to be a leader in addressing environmental concerns. This business plan can be achieved while delivering value to shareholders.

After 100 years of lighting our homes and powering our businesses, the 21st-century TransAlta team looks forward to a dynamic future predicated on our historic values and our progressive vision. We will focus on operational excellence, and we will continue to maintain the strong balance sheet upon which this company is based.

The Board will be the steward of these guiding principles, but it is your management and our family of dedicated employees who will deliver on that vision.

As you will hear next from Brett Gellner, the Chief Financial Officer, 2010 was a solid year for the company, and as you will hear further from Steve Snyder, the Chief Executive Officer, 2011 and beyond will be even better.

In sum, I am honoured to be part of this extraordinary organization, and we will now hear from Mr. Gellner.

Thank you very much.

MR. GELLNER:  
Thank you, Gordon.

Good morning, everyone. Just before I begin my presentation, I need to remind everyone that some of the information provided during this meeting is subject to the forward looking statement qualification that is outlined here in this slide.

What I am going to cover today is a review of our financial strategy, our 2010 annual results, and our 2011 first quarter results. I will also give you an update on our liquidity and balance sheet strength, as well as an outlook for the remainder of 2011.

In terms of our financial strategy, it remains unchanged and really is focused on three key fundamentals. The first is to maintain a strong balance sheet and financial flexibility. This is important as we want to continue to grow the company throughout the commodity cycle. This also helps us withstand periods of low market prices, like we saw in 2009 and 2010, but it also helps us finance a capital-intensive, long lead-time business like ours.

The second fundamental is remaining disciplined in how we invest, both in the existing business and in new opportunities. Just in terms of new opportunities, we will only invest in projects that generate returns above our cost of capital. The final aspect to our financial strategy involves optimizing and balancing the allocation of our excess cash flow. We will balance that primarily between dividends, debt repayment, and growth.

Overall, our goal is to deliver total shareholder returns averaging approximately 10 percent per year over the long term, and that will be delivered in the form of dividend yield and growth.

So just now turning to our 2010 performance. We were able to deliver solid results relative to 2009, despite continued weakness in the power markets and well below average wind and hydro resources.

Operationally we significantly improved availability year over year, particularly in our coal fleet. We also added higher-margin renewable assets to our portfolio, and we did that through both acquisitions and greenfield growth. You can see the impact of this growth on the chart on the right, which shows now that our renewables contributed 24 percent of our generation gross margin in 2010, up from 18 percent in 2009.

Our margins further increased in 2010 by renegotiating

certain power contracts, such as Sarnia, and by reducing our OM&A costs through various productivity initiatives.

The improvement in availability, asset mix, and margins translated into a significant improvement in our financial performance. Our EBITDA increased 77 million or 9 percent, reaching 965 million in 2010. Our funds from operation increased 54 million, or 7 percent, and our comparable EPS rose by 9 percent.

The solid performance we achieved in 2010 has carried forward into the first quarter of 2011. Our availability, when we adjust for our Sun 1 and 2 units, was 92.7 percent compared to 91.4 percent in Q1 2010.

Power prices in Alberta also improved, and we benefitted from stronger hydro resources and additional renewable assets we added to the fleet later in the year. All these factors have resulted in a strong financial performance in the quarter. As you can see, our comparable EBITDA is up 38 million or 15 percent, reaching 287 million. Our funds from ops were up 17 percent, and comparable EPS was up 26 percent.

The stronger financial performance has led to stronger credit metrics. On a trailing 12-month basis, all three of our credit metrics improved. We also continued to maintain ample liquidity. As of March 31st, we had approximately 1 billion available under our 2 billion of committed credit facilities.

So I am just going to wrap up now by providing an outlook for 2011.

We anticipate funds from operations to be in the range of 800 to 900 million for the year. As you can see from the chart on the left, after maintaining our existing business through sustaining Capex, we have significant cash flow available to cover the dividend and use for other things.

In terms of our other key metrics for the year, we are targeting availability of 89 to 90 percent and 45 to 65 million in gross margins from our energy trading business. So in summary, the financial foundation for growing the company and creating shareholder value remains strong.

With that, I am going to turn it over to Steve.

MR. SNYDER:

Thank you, Brett, and good morning, everyone.

Just before I start my formal remarks, I think I was the only person, when I looked outside when I came in around 10:30, that said, Fantastic, it's snowing in April. Because let me tell you, as CEO of a company that lives on bad weather, it was great news to see. So I know personally you are probably saying, I want spring to come here, but if you are a shareholder, you like to see it snow in April and May and June. So I hope it doesn't do that, but it was nice to see for a day.

Good morning, everyone, and welcome.

Brett, thank you for that excellent summary of the results for 2010 and for the first quarter of 2011.

First, Donna, I would like to thank you personally for your remarks, but more importantly for your fantastic contribution as a Board member and especially your leadership as Chair for the past six years. The company has benefitted from your guidance, as have I personally, and you have always put that extra effort to ensure there was effective and constructive feedback between the Board and the management team. You assured the tough issues were always addressed. You left no stone unturned in your drive to make this company successful, and I am going to miss your counselling, and I am going to miss you personally.

Over the course of 100 years, TransAlta has had many Chairs. Their combined efforts have helped to make TransAlta what it is today. That's a tough comparative group, but your tenure will surely stand out as our next 100-year history is written. So thank you so much for all of your fantastic contribution.

Gord, now that you are up here on the podium and joining us, welcome to your new position. Your board, your business, your legal, and all of your intellectual diplomatic skills are exactly the right mix, I believe, for what is needed at TransAlta in this period of our evolution. It is an exciting period ahead for our industry, as you have said, and I and the whole management team look forward to your stewardship as we move forward. Thank you for accepting this responsibility.

Now, before I begin my comments, I would like to remind all of you that following my comments, we will have time set aside for a question-and-answer period and try to respond to all those that you may have.

As I look around the room, I do see a large number of

familiar faces in the audience. Your continued investment and trust in TransAlta and your trust in us to manage your shareholdings is very much appreciated. I can guarantee you that I and every TransAlta employee do come to work every day to try to earn that support. I would like to leave you with three messages today.

The first is that the core operations at your company are performing strongly and are in excellent shape as we look forward; two, that the core planks of our strategy, to drive shareholder value, drive our base, reposition coal, and steady growth have stood the test of time and continue to be the basis for steadily improving shareholder value. And despite the abnormal amount of external uncertainty confronting our industry today, we are very well positioned to actually turn it into a competitive advantage and opportunity.

I have said our core operations are strong. Let me demonstrate why I say that with a few simple charts.

Our first strategic plank is driving the base, which leads to cost-effective delivery of sustained and sustainable high-level performance. The next three slides show our long-term delivery on key performance indicators.

The first chart shows our long-term cash flow through all types of market conditions. As you can see, it is as resilient as it comes. That is very important for the health of our company. It is a key metric for shareholder value. Just as importantly, it provides great coverage for our dividend, and it is the engine for our future growth.

The second chart shows our margins, again, another key indicator of our health. Through growth; diversification and fuel mix; productivity; and discipline cost control, we have consistently improved our margins in good times and in bad. Finally, my third chart for driving the base shows our plant availability for Alberta thermal and our gas fleet.

Availability is another key indicator of success. Quite often we are paid just as much for it as we are for power production. You can see here our solid track record of punching above the industry average.

There are many other long-term performance indicators that we constantly monitor. I will not

review them in detail. Suffice to say, I am confident that our core operations, the engine of our company, are all in good shape, and we will continue to put considerable effort and focus and resources behind that key goal.

Our second plank is to reposition coal. All thermal producers of power -- and when we say "thermal," we are talking about coal -- remain under great pressure to reduce our CO<sub>2</sub> emissions. We agree with that goal. We also strongly believe that we must do that in a way that minimizes impact on system reliability, local economies, and particularly customer prices, and of course in a way that is good for you, our shareholders.

We have made great strides, especially in 2011, and that is despite immense external challenges. In 2000, we were 73 percent coal; today, 52 percent - a reduction of nearly 30 percent. For a long-cycle capital-intensive business, that is impressive performance. As we continue to grow our gas and renewable fleet by 200 to 300 megawatts per year on average, we expect to be approximately 44 percent coal by 2018.

We are a North American leader in planning to retire old coal facilities. Our Wabamun plant was decommissioned in 2010. Sun 1 and 2 plants are planned to be decommissioned starting 2012.

We are a North American leader in working with all stakeholders to find common sense and economic solutions for the orderly but accelerated phase-out of these older facilities. Our recent plan for phasing out our Washington State Centralia plant is a great example.

It provides certainty and opportunity for our shareholders and our employees. It is now seen as a role model in the USA for utilities, regulators, and legislators. In fact, I will be travelling to Centralia tomorrow to be with the Governor of Washington State as she officially signs into law the legislation for this plan. But let me say right now that repositioning coal does not mean abandoning coal. Far from it.

At TransAlta, we firmly believe that technology will enable the world to use this massive, secure, and low-cost source of carbon and do it cost-effectively and with negligible emissions. We are seen as a leader on carbon-capture storage technologies, and with the support of the federal and Alberta governments, plus our industry partners, we continue to strive to have one of the world's largest carbon capture and storage demonstration plants up and running this decade.

Now, as shareholders, you continue to own some of the

best mine-mouth power plant coal mines in the world. Our goal is to unlock all that future earnings power in order to further drive the value of your holdings.

Now, in parallel with these actions in our coal fleet, we are aggressively pursuing natural gas opportunities. While these plants still produce CO<sub>2</sub> levels above what most governments are targeting for the longer term, they do provide an excellent transition fuel between retiring coal plants and the newer emerging technologies that are still 10 to 15 years away.

TransAlta is Alberta's largest producer of natural gas-produced electricity. We have already announced our Sun 7 project, which will see a 700-megawatt gas plant built at our Sundance site. We are targeting commercial operation of this plant in the 2015 time frame.

Of course, you have seen our growth in renewables, a challenge we took up ten years ago and perhaps long before much of the rest of the world jumped on that bandwagon. Today we are Canada's largest producer of wind power with over 1,100 megawatts of capacity. We are Alberta's largest producer of hydro power. We are a major player in geothermal power, and with our MidAmerican partner, own one of the largest undeveloped geothermal assets in North America. So from a humble predominantly coal generator, we have come a long way.

I have already discussed some of the elements of my third message today, growth. Despite the current tough economic environment, there are opportunities for TransAlta. These opportunities arise because we have a strong balance sheet, an investment-grade credit rating, and a strong operational core business. If an acquisition opportunity comes up, like Canadian Hydro, we have ability to access capital markets for funding.

Opportunities arise because of our vast experience in diverse fuels. If coal is out of favour, we can build natural gas. If wind development slows down, we can build run-of-river hydro. Opportunities arise because of staying on top of technological advancements. As new technologies develop, we can repower or convert our existing sites to increase their capacity factors. Opportunities arise because of our geographic diversity. If the Alberta market slows, we can build in eastern Canada. If the Pac-Northwest heats up, we can act quickly at the

base of our operations to capitalize on that market. The opportunities are there for TransAlta. In my opinion, there is no doubt about it.

Without growth, of course it is very difficult to increase shareholder value, so it is on our minds all the time. But something else is on our minds at the same time. We can never put this company at institutional risk as we grow it. Our customers buy from us because we are reliable and low cost; our shareholders buy us for our low to moderate risk profile and our yield. So managing this growth and constantly modifying it so that we get those opposing forces just right is what keeps me up at night. Since I am paid, well apparently, to be up at night, worrying about your company, I don't mind it at all.

I would say that this task has never been as challenging as it is now. Our industry is facing what a recent movie popularized with its name, black swan events. These are unpredictable, game-changing events that occur on a world basis. The earthquake in Japan and the Middle East revolutions are recent examples. They are game-changing and unexpected and immediately disruptive. For our industry they raise some key new issues and questions we must deal with.

What is the future of natural gas? Given its price, it's 75 percent of the cost of the power. That's a significant issue for power producers and our customers. Environmental regulations, what will be the targets? When will they apply? Will there be a price on carbon? Where are renewables going, given governments increasingly cannot continue the necessary subsidies. Is nuclear power dead or just slowed down as a result of the Japan situation?

I would suggest to you that while I may be kept awake at night by these thoughts, you should not be. As I have demonstrated, your company is in great shape. It sees more opportunities than problems in these challenges and has the discipline to ensure our growth decisions are clearly made within our means and low to moderate risk profile. We have other important safeguards as well.

We have over 2,400 employees who come to work every day with a clear-cut mission to focus on shareholder value. They are dedicated, they are resilient, and I can tell you they are some of the best operators in our business.

We also have a Board that knows the industry, knows their job, and is constantly and constructively overseeing and working with management to do the best we can for our investors.

Of course before we go into the Q&A period, I have to say that, most importantly, we have the support of our shareholders. We intend to return that loyalty and support with increasing growth and profitability and, of course, a strong yield.

So I want to thank you for your ongoing loyalty. Thank you for joining us today. With those comments, I would like to turn the audience, the question-and-answer period over to you.

A few rules of engagement here, if I could. There will be people with microphones. If you could just put your hand up, they will bring the microphone to you. We would ask that you identify yourself by name and confirm that you are a shareholder. With that, we will throw the forum open to questions.

Donna, perhaps Gord, you, and I have responded to all of the things that were on the shareholders' minds.

We have one at the back. I recognize the gentleman. I imagine this is going to be a dividend question.

UNIDENTIFIED SPEAKER:

Yes. Seeing it's your 100th year anniversary, you forgot about the shareholders, your Board members, and you, Mr. Snyder, forgot all about them.

MR. SNYDER:

How did we do that?

UNIDENTIFIED SPEAKER:

Well, you didn't raise the dividends.

MR. SNYDER:

See, I knew it was going to be a dividend question.

UNIDENTIFIED SPEAKER:

Even General Electric raised them one cent --

MR. SNYDER:

You just stay with us.

UNIDENTIFIED SPEAKER:

-- and you come from there.

MR. SNYDER:

I tell you, we are dedicated to growing this company and giving the Board the ability to raise the dividend, and as a major shareholder, I would like to see that. We have raised over the past few years, we did not

last year, but I think as you saw from Brett's presentation, we have a pretty powerful road in front of us, so let's hope that that can happen in the near future.

UNIDENTIFIED SPEAKER:

My question is, I am hearing all the accolades on the company here, and I was just looking at the meeting brochure that came out on page 51, and it's about the cumulative value of a 100-dollar investment. And if you look at that, then you see that TransAlta does not even meet the TSX composite. So could you explain that?

MR. SNYDER:

Yes. Well, that's clearly on our minds all the time, and I think that was the focus of our presentations today. It has been a very tough time in our industry the last three or four years between pricing and volume and external regulations that have put some handicaps on us, but I think all I can say is I think you need to look at Brett's presentation, and you listen to where our core strengths are, I believe that, as we go forward, we can change that equation around. That is what we are dedicated to do. It's easy to say, I guess, wait for the future, but I do think we are seeing those signs right now of the investments we have made and new plants and investments we have made in renewables, combined with a market that's improving should see our, I believe, ability to outdo the TSX as we go forward. Come back next year, and we will see how well we did against that.

Any other questions?

UNIDENTIFIED SPEAKER:

My name is Roman, and I represent my wife here.

THE CHAIRPERSON:

Okay. Good day. Welcome. Well, she can stand up too.

UNIDENTIFIED SPEAKER:

He says that because I am the shareholder.

UNIDENTIFIED SPEAKER:

Now, about this business of getting away from coal, the coal is the cheapest means of generating electricity or anything else.

Now, the pollution in this world is not caused by coal. It is caused by every one of us individually. 75 percent of carbon dioxide generated in this world is generated by a human being by cooking, eating, and breathing. Today, there are 7 billion people in this world, all right, and these people generate 75 percent of pollution directly, not from the coal, et cetera.

Therefore, I think that everyone is being manipulated by believing that if we reduce the coal, which is today very, very clean, means of generating electricity, that we're going to reduce the pollution.

No, we are going to reduce the pollution when we reduce the humanity. Today there are 7 billion people in the world producing 75 percent of carbon dioxide.

MR. SNYDER:

Okay.

UNIDENTIFIED SPEAKER:

That's what I want to tell you. Everyone should know that our activities in this world directly generate the pollution. That's all I want to say. Thank you.

MR. SNYDER:

Thank you for your comments. The only challenge we have had, we have had some difficulty convincing people not to eat or breathe, so until we can do that, we'll have to find some other ways to try to help deal with the situation. I think TransAlta's dealing with it quite responsibly.

I would share your view, and I had mentioned in my comments, that we certainly have a view at TransAlta that over the long term, coal will be a valuable and important fuel going forward. We just have to find the technology to allow us to use that, and that is why we're investing in CCS.

So I would say coal may be on a hiatus, but it's not going to disappear. The world will need all of that coal at some point. We need to find a way so that people can continue to breathe and eat and use the coal, and we're working hard on that.

Thank you for your comment. Any other comments before we declare the meeting closed? Yes, sir?

UNIDENTIFIED SPEAKER:

Okay. All right. This is just a suggestion. I am very much impressed with the Board. I think we have a good Board, but what a wonderful way to celebrate the 100th by giving 100 dollars dividend, that is 25 dollars per quarter instead of -- or something like that, to make it significant to the shareholders, and then you'll really get loyalty.

MR. SNYDER:

That's one of the best suggestions I've heard today.

It might put the Board in a bit difficult position for the fiscal responsibility of the company, but I'm sure they share the sentiment from a personal viewpoint.

I think that appears to be all the questions. Of course, the senior team, the management team identified by name tags and our Board identified by name tags will be available in the foyer after the meeting to respond to any other questions on a personal basis.

Thank you again for joining us. Thank you for your support, and I look forward to next year when, I think you see Brett's results, we should have some very good results to report to you.

Thank you. Good day. We will formally end the meeting.