Investor Presentation

March 2011

Multiple Fuel Sources
Singular Value

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 2009 Annual Report to shareholders and other disclosure documents filed with securities regulators.

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

Outline

- Value proposition and strategy
- Near and longer-term upside potential
- Financial strength and capital allocation

TransAlta

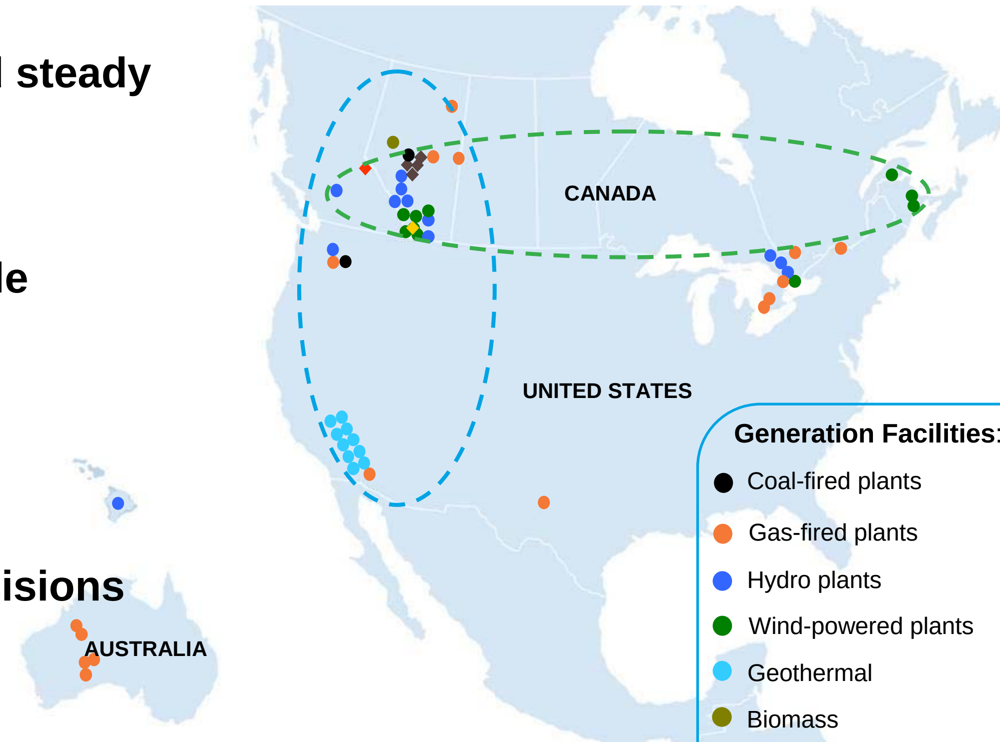
Canada’s largest publically traded wholesale power generator & marketer

Yield, upside potential, and steady disciplined growth

Low-to-moderate risk profile

Financial strength

Disciplined investment decisions



Generation Facilities:

Coal-fired plants	4,092 MW
Gas-fired plants	1,843 MW
Hydro plants	893 MW
Wind-powered plants	1,064 MW
Geothermal	164 MW
Biomass	25 MW
Net generation in operation	**8,081 MW**
Coal-fired under construction	286 MW
Hydro under development	18 MW

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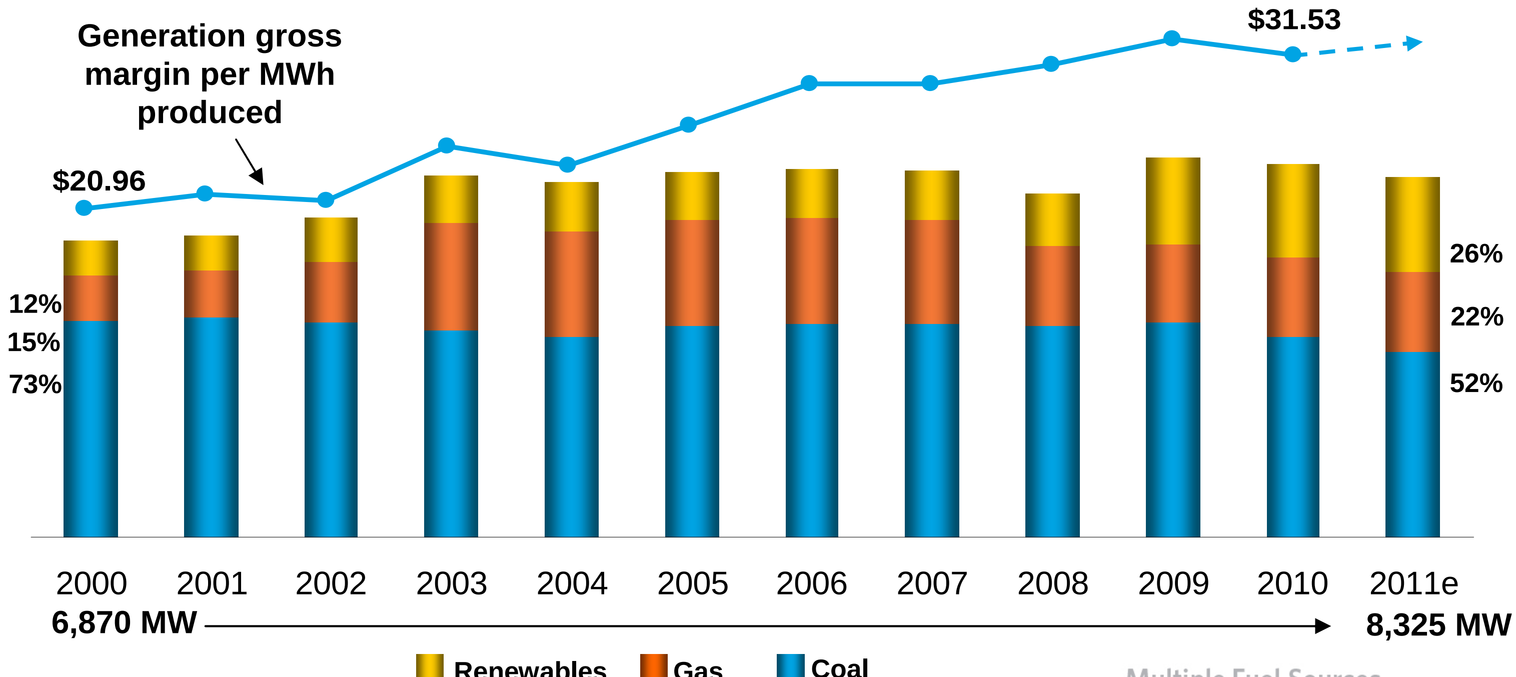
Strategy: The last 10 years

Diversified growth & optimization have driven a 55% increase in gross margins

Acquired Centralia | Acquired Vision Quest | Acquired CE Gen | Constructed Genesee 3 | Transitioned to PRB coal | Divested Mexico | Renegotiated Sarnia | Acquired Canadian Hydro | Retired Wabamun | Constructed Keephills 3



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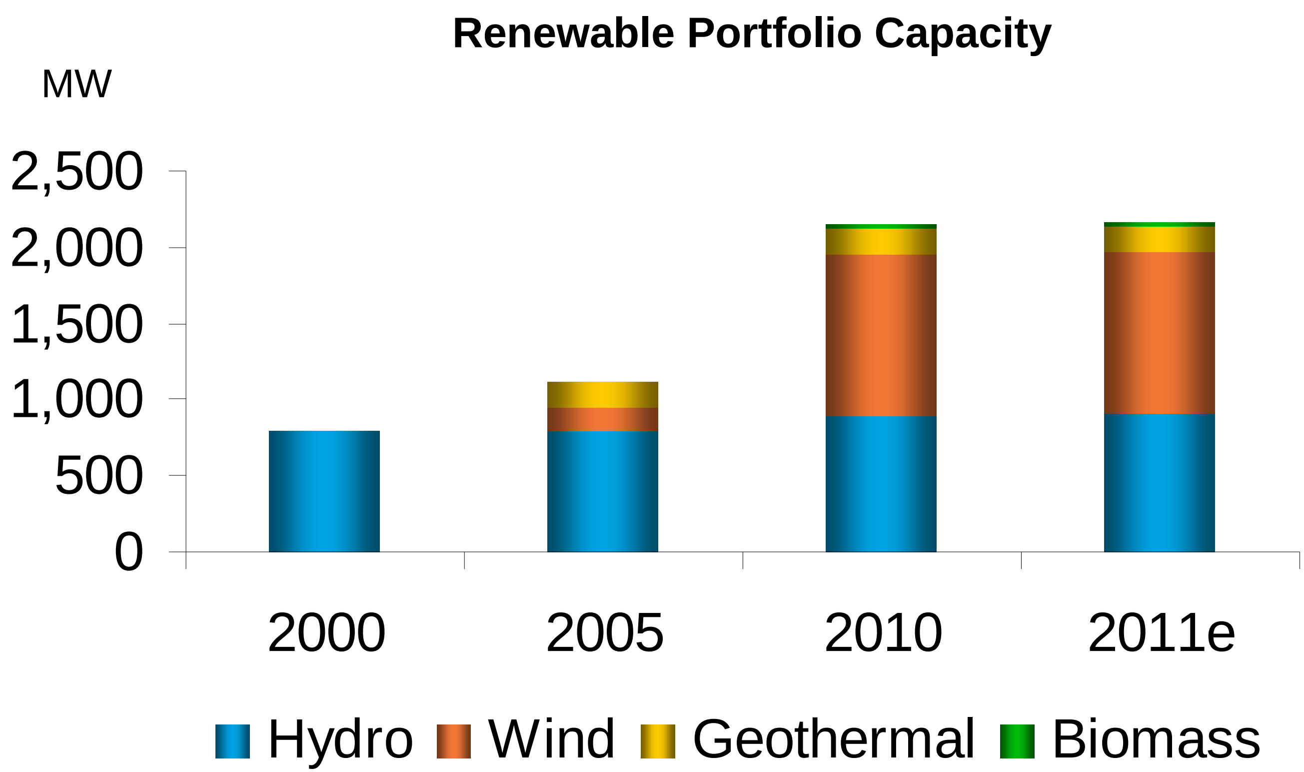
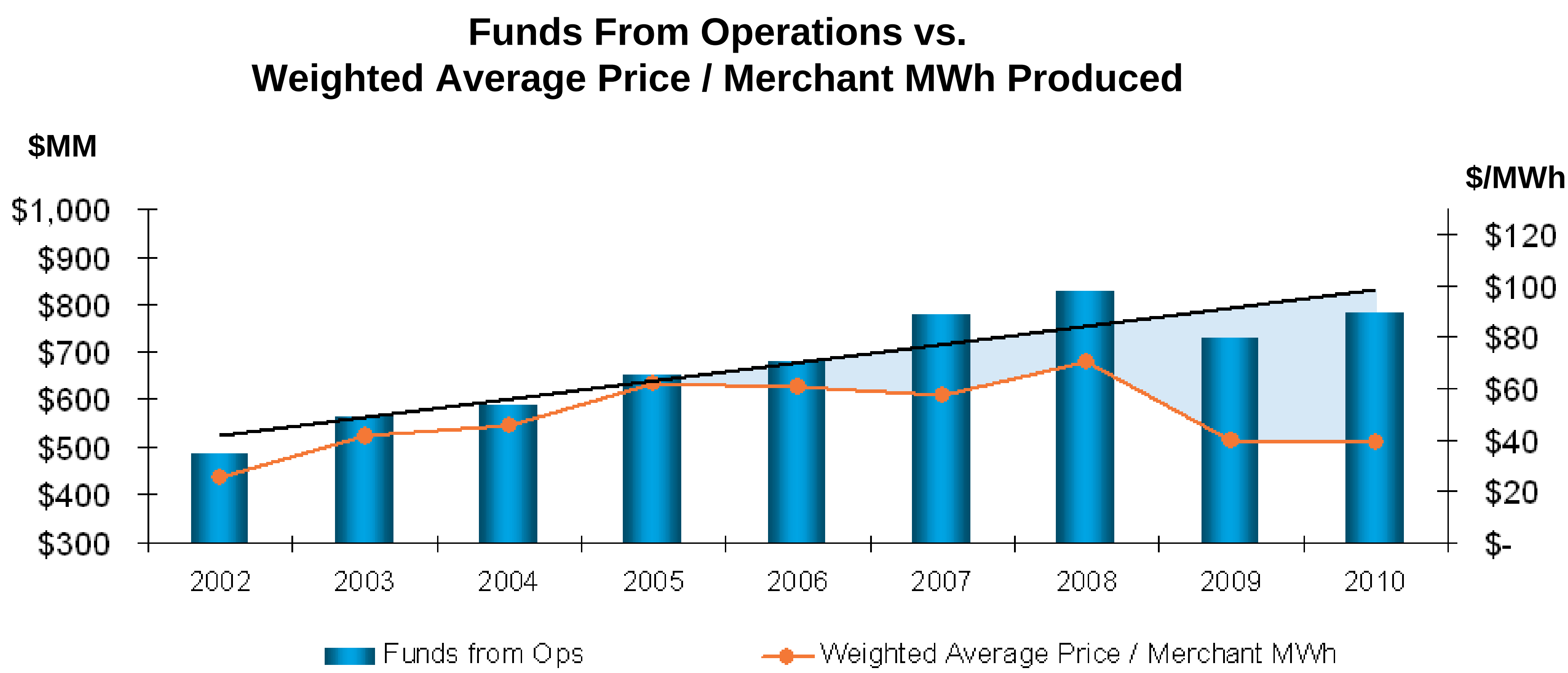
Strategy: The last 10 years

Significantly increased renewable portfolio



Funds from operations have grown despite lower market prices



Next 10 years

	Near Term 2011 - 2014	Long Term 2014 - 2020
Drive the Base	• Continue to drive productivity and lower costs • Sustain improved operational performance	• Information technology & strategic suppliers drive productivity • Prepare transition from PPAs
Green & Diversify Our Portfolio	• Deliver on 304 MW of announced growth • Maintain development pipeline of over 1,405 MW • Continue to target 200 – 300 MW growth / yr	• Continue to build multiple options for the future • Gas & hydro baseload • Secure natural gas supply • Strong acquisition potential
Reposition Coal	• Unit specific maintenance plans for pending 45 year proposal • Maintain options around coal sites • Finalize Centralia transition plan • Participate in CCS technology development	• Implement capital stock transition • “Green Coal”

Centralia Update

On March 5th, 2011, Washington State Senate passed a bill regarding Centralia

Key Terms

- Closure of one unit by 2020 and the other by 2025
- TransAlta agrees to install SNCRs by 2013 (~$30 million) but Bill becomes null and void if required to install more stringent SCRs
- Protected from any future State GHG regulation, and commitment by State to work to exempt facility from any future Federal GHG regulations
- Ability to enter into long-term contracts with utilities; incentives established for utilities to enter into long-term contracts
- TransAlta to provide $55 million by 2025 into community and technology funds - $3.9 million / year
  - ~$0.40 / MWh per year
- Bill still requires approval by House of Representatives

Benefits to TransAlta

- Ability to enter into long-term contracts
  - Utilities incented to enter into contracts
  - Process for approving contracts streamlined
  - Centralia is one of the lowest cost providers of electricity in the region
- Protected from any future State GHG requirements and more stringent NOx/SOx requirements
- Provides date certainty to allow TransAlta to optimize operation and capex
- Expedited permitting for a replacement gas plant
- Future gas plant exempt from future State GHG regulations

Alberta market

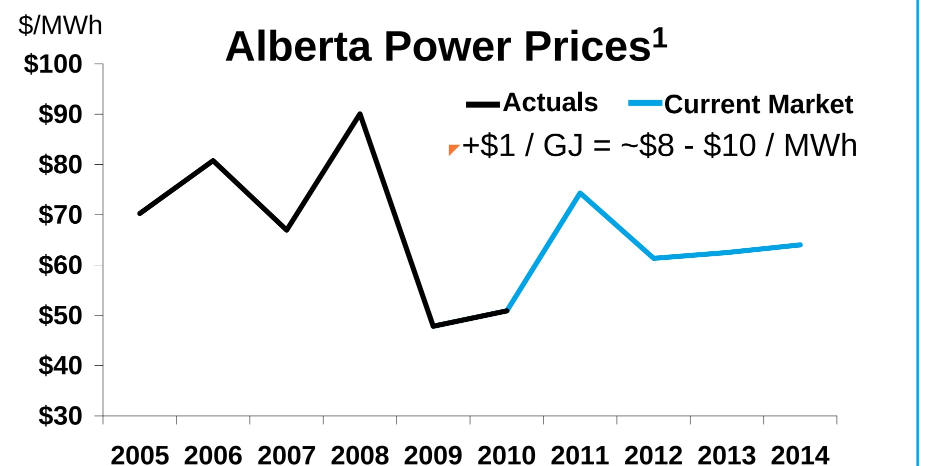
Forward prices remain soft due to low natural gas prices and capacity additions, long-term fundamentals remain strong, driven by oil sands recovery

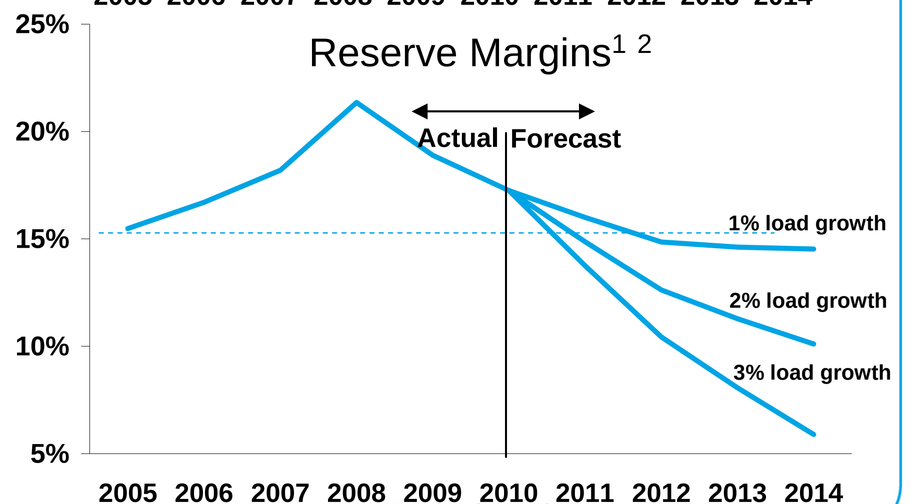
Positives

- Alberta Economics: GDP growth to range from 2.1% - 5.5% annually for 2010 – 2020
- Oil sands recovery driving load growth
- 2.5% demand growth per year for the next three years

Challenges

- Over 800 MW of new supply in 2011
- Weak natural gas prices expected to continue throughout 2011





[1] Figures as of March 7, 2011

[2] Includes transmission; does not include assumptions around announced facilities, only facilities under construction

PacNW market

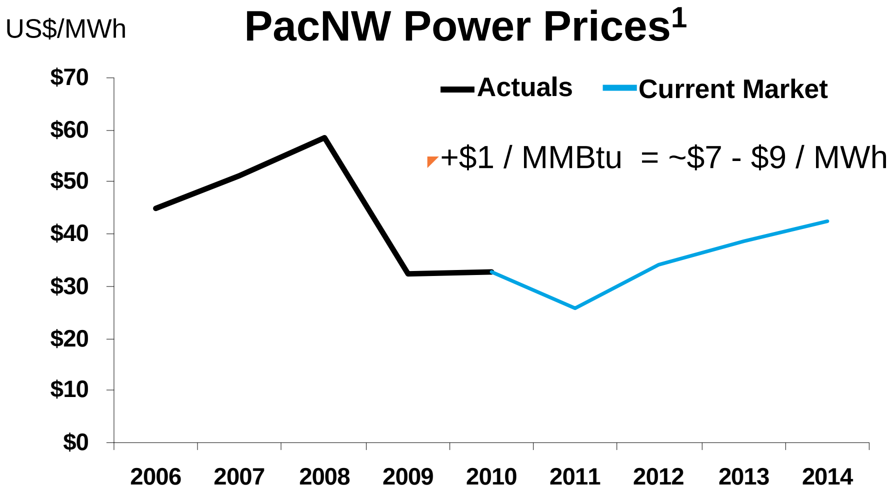
Improvements in demand; forward price recovery driven by natural gas

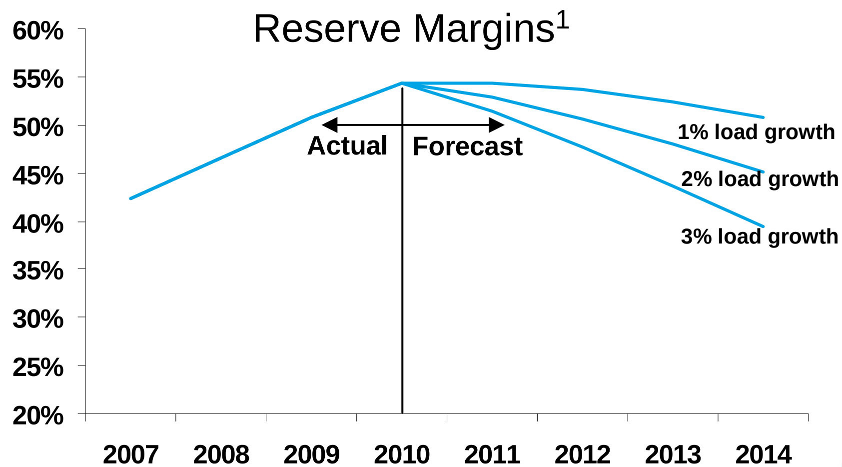
Positives

- Demand destruction slowing down; -1.8% for 2010 versus -3.2% last year
- 1.9% demand growth per year for the next three years due to expectations of a modest economic recovery

Challenges

- Economic recovery losing momentum in recent months
- Weak natural gas prices expected to continue throughout 2011
- Continued growth in renewables expected over the next few years



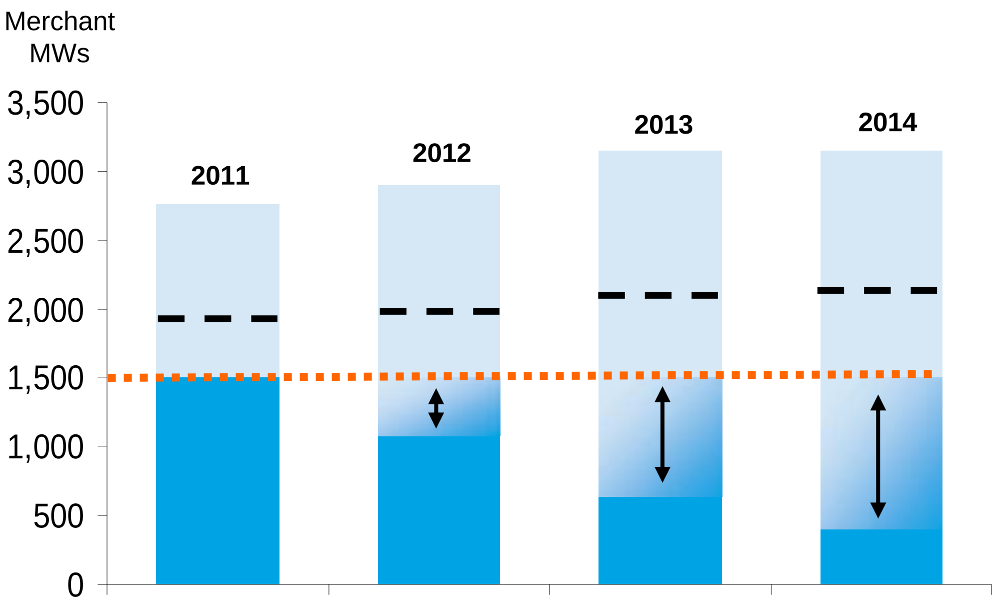


[1] Figures as of March 7, 2011

Significant upside to price plus growth in the medium-term

Hedging strategy provides leverage to power price recovery

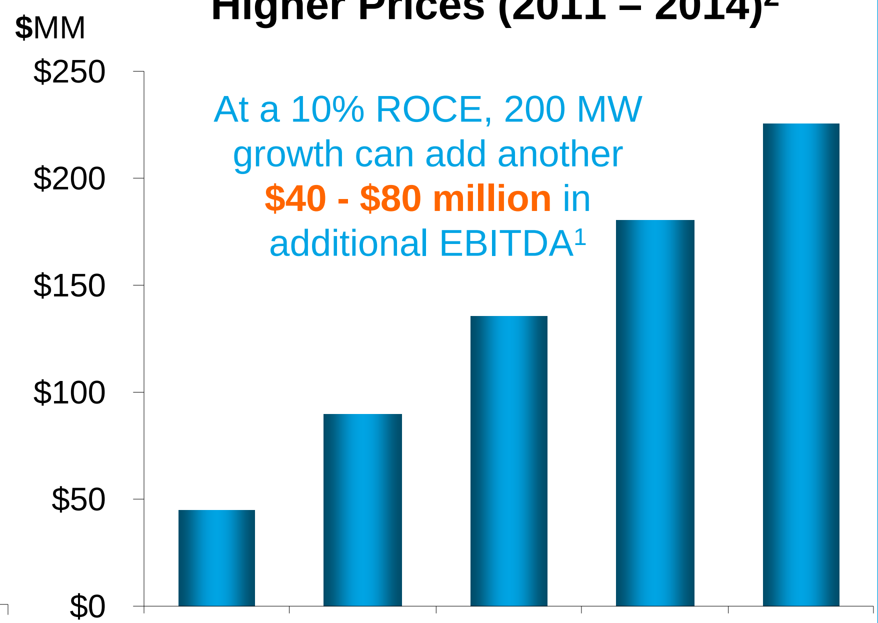
Merchant Portfolio Contractedness



	2011	2012	2013	2014
Alberta[1]:	$65 - $70	$65 - $70	$60 - $65	$50 - $55
PacNW[1]:	$55 - $60	$55 - $60	$45 - $50	$45 - $50

Contracted
To be contracted
Open
90% target
Capacity adjustments

Avg. Incremental EBITDA From Higher Prices (2011 – 2014)[2]



Alberta	$55	$60	$65	$70	$75
PacNW	$40	$45	$50	$55	$60

[1]Based on a 10% ROCE, $1,500 – $3,000 per KW and a 30 year depreciation
[2] Relative to a base of $50/MWh in Alberta and $35/MWh in the PacNW

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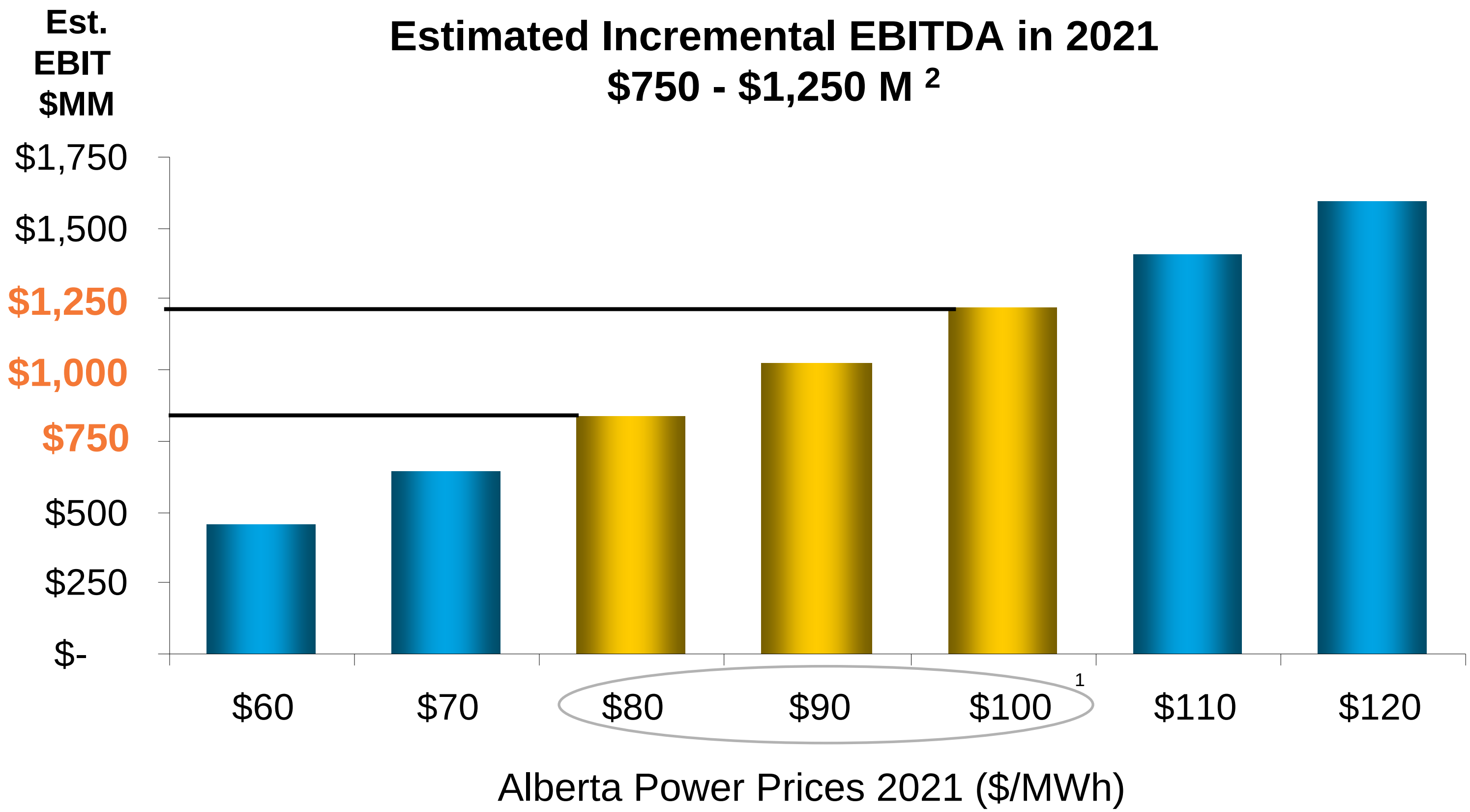
End of PPAs will provide significant EBITDA upside as production reverts back to TransAlta

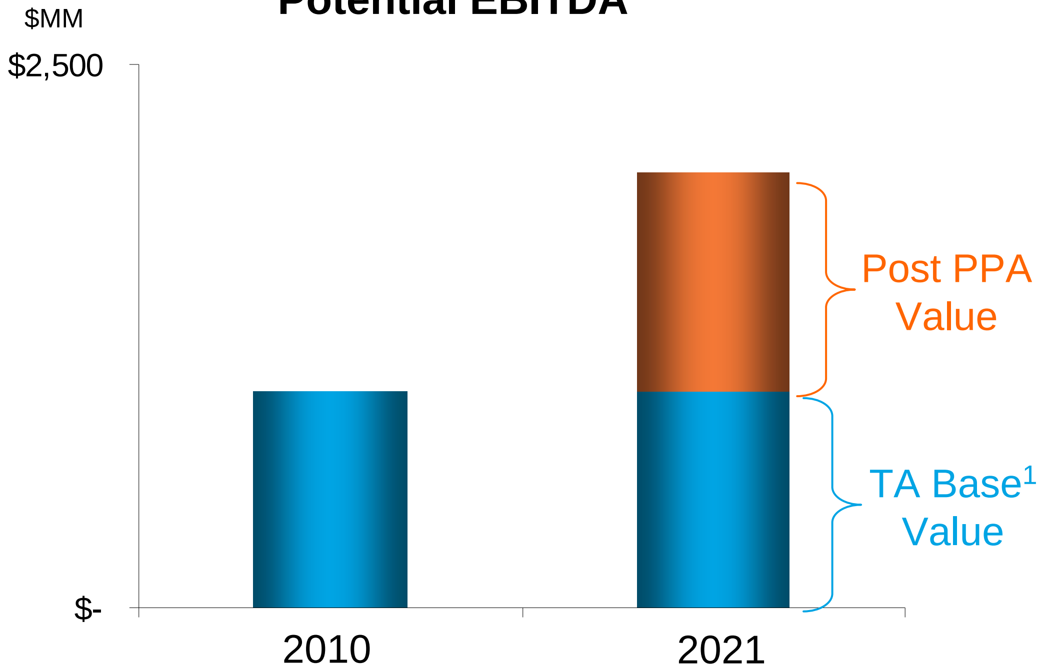


[1] Minimum power prices required for new NGCC facility

[2] Includes Sundance units 3 – 6, Keephills, Sheerness, and Alberta Hydro facilities

Excellent long-term potential from PPA facilities

Potential EBITDA



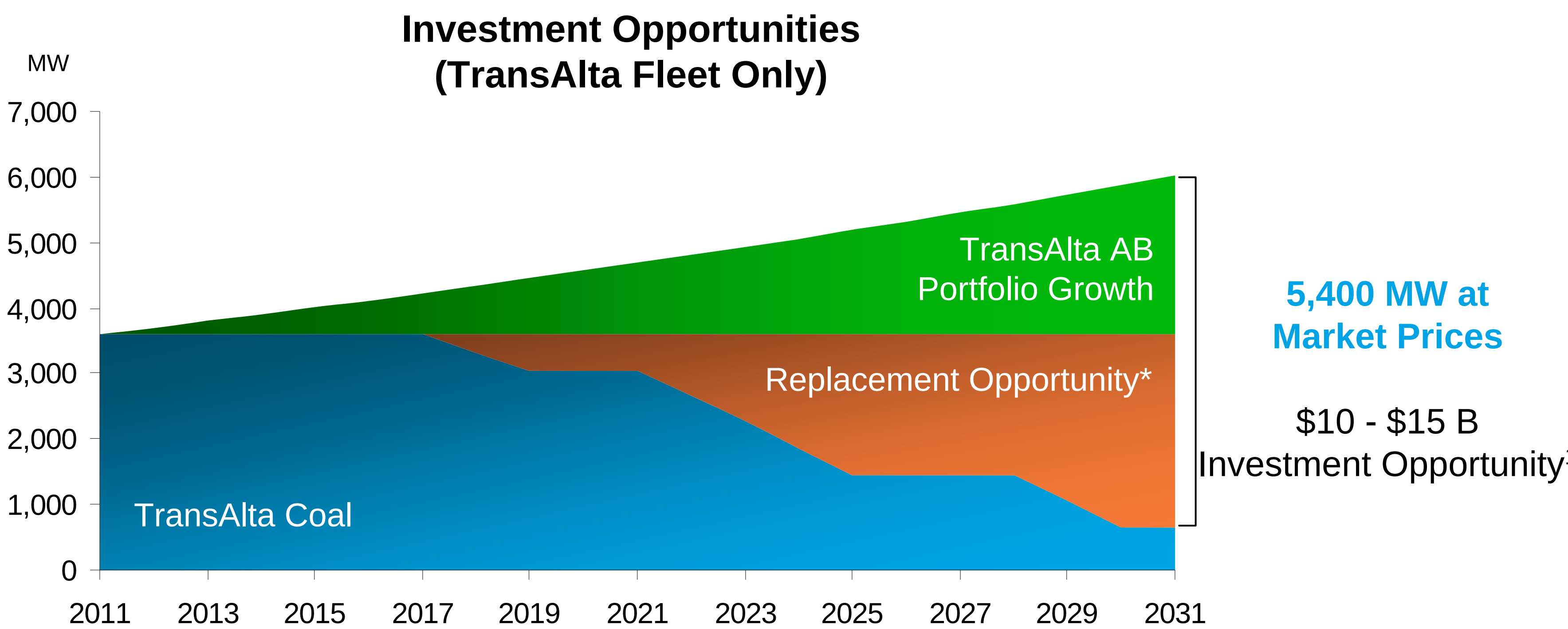
Cumulative Potential Upside from PPA Expiry (2018 – 2029)[1,2]

Price ($/MWh)		Upside
$60	→	$2.1 B
$120	→	$8.5 B

[1] Excludes upside from incremental growth, replacement opportunities and higher prices between 2010 and 2021
[2] Based on 45 year coal-life; and includes Sundance units 2 – 6, Keephills, Sheerness, and Alberta Hydro

Opportunity

Canada’s 45 year plan provides significant future investment opportunities in Alberta alone

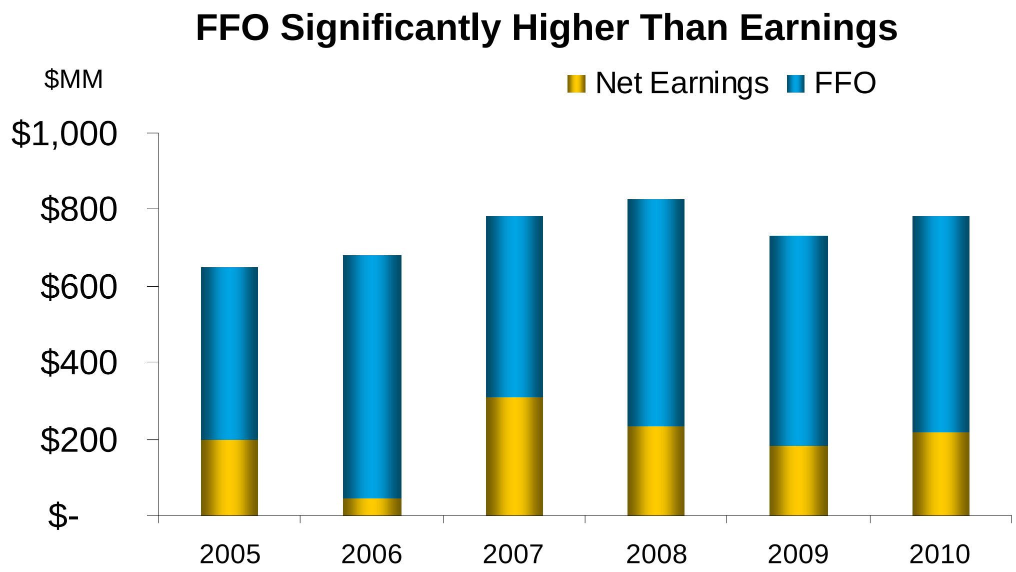


[1] Based on 45 year coal-life and $1,800 - $2,800 per KW

TransAlta

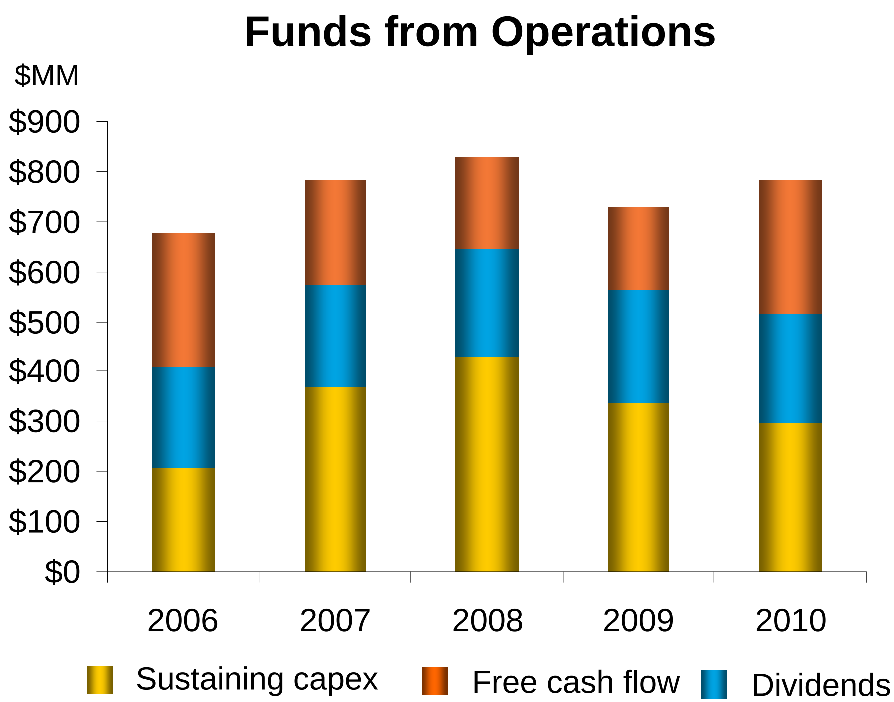
Cash flow accounts for tax pool benefits, adds back non-cash accounting charges, and captures future value of PPA expiry

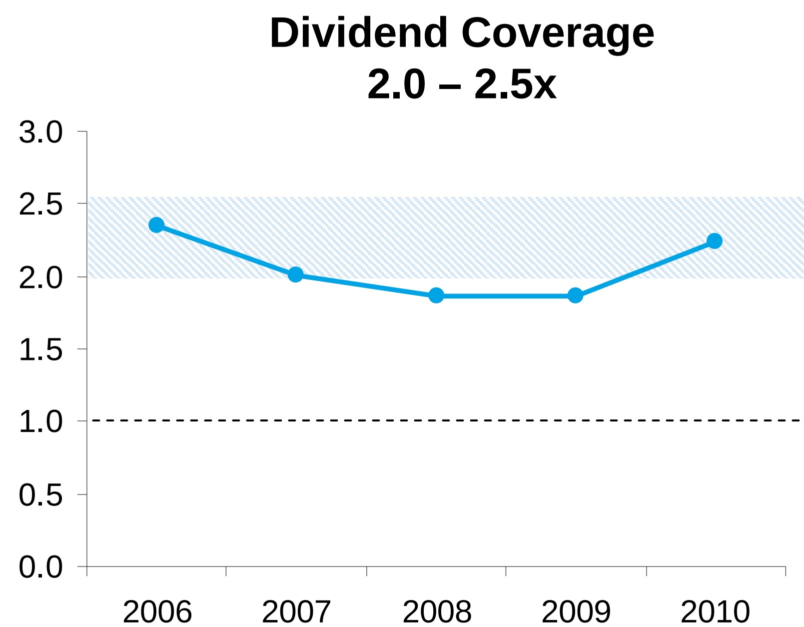
- Captures the benefit of our significant tax pools and attractive tax treatment of renewables
- Adds back non-cash accounting charges (e.g. dep`n) which can vary between companies
- Long-term cash flow analysis captures the significant value from PPA expiry and reinvestment opportunities



Strong near-term cash flows

Expecting $800 - $900 M in funds from operations for 2011





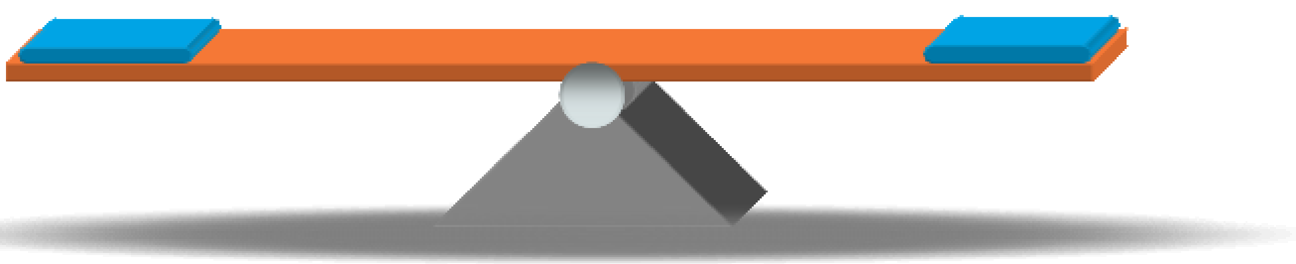
Capital allocation plan

We remain disciplined in how we manage our balance sheet and allocate capital

2011 - 2013

	($B)
Funds from operations	$ 2.8
Sustaining capex	$ (1.3)
Dividends	$ (0.8)
DRASP	$ 0.2
NCI	$ (0.2)
Total	**$ 0.7**

Balance sheet enhancement **Growth**



Appendix

Performance metrics

TransAlta

Performance Goals	Measures	2010	2009	Review
Availability & Production: Achieve 89 – 90% fleet availability and optimize production	Availability Production	88.9% 48,614	85.1% 45,736	Availability fell just short of the target as a result of the Sundance force majeure events. Improved availability was driven by lower planned and unplanned outages at Alberta Thermal and lower unplanned outages at Centralia Thermal.
Safety Target an IFR of 1 by 2015	Injury Frequency Rate	1.19	1.41	We significantly improved our IFR in 2010, achieving the best in TransAlta's history.
Productivity Offset the impact of inflation on OM&A expenses	OM&A/installed MWh	$7.97/MWh	$8.91/MWh	OM&A/installed MWh decreased by 10% year-over-year due to lower planned and unplanned outages, cost savings from various productivity initiatives, and higher installed capacity.
EBITDA, Earnings & Cash Flow Steadily grow EBITDA, comparable EPS and FFO on a trend-line basis over the commodity cycle	Comparable EBITDA Comparable EPS FFO	$965 $0.98 $783 M	$888 $0.90 $729 M	EBITDA and comparable EPS increased due to higher availability and production, the addition of higher margined renewable assets and lower OM&A costs. FFO increased as a result of higher cash EBITDA.
Sustaining Capex Undertake sustaining capital expenditures that ensure our facilities operate reliably and safely	Sustaining Capex	$308	$380	Sustaining capex in 2010 was in line with the target of $275 - $320 million.
Investment Grade Ratings CF to interest: 4 – 5X CF to debt: 20 – 25% Debt to invested capital: 55 – 60%	Cash Flow to Interest Cash Flow to Debt Debt to Invested Cap.	4.3X 18.3% 53.6%	4.9X 20.5% 56.1%	We've maintained a strong balance sheet, financial ratios, ample liquidity and investment grade credit ratings. Cash flow to total debt decreased just below our target due to higher debt levels associated with the acquisition of KHD and due to cyclically lower power prices.
Long-term Shareowner Value Achieve an average ROCE and TSR of 10% per year over the long term	<u>5-Year Rolling Avg.:</u> Comparable ROCE TSR	 8.0% 2.0%	 8.3% 12.3%	ROCE has been below our goal due to low power prices, and because we have invested a considerable amount of capital in new investments during the last few years. Given a slow economic recovery and lower power prices, the five-year rolling avg. TSR was below our goal in 2010.

2010: Q4 and annual highlights

Results ($M)	Q4 2010	Q4 2009	FY 2010	FY 2009
Revenues	$811	$763	$2,819	$2,770
Gross margin	$480	$435	$1,617	$1,542
Operating income	$210	$159	$497	$378
Comparable earnings	$88	$84	$214	$181
Net earnings applicable to common shares	$62	$79	$218	$181
Comparable earnings per share	$0.40	$0.40	$0.98	$0.90
Net earnings per common share, basic and diluted	$0.28	$0.37	$1.00	$0.90
Comparable EBITDA	$301	$300	$965	$888
Funds from operations	$225	$266	$783	$729
Cash flow from operating activities	$309	$246	$811	$580
Cash flow from operating activities per share	$1.40	$1.17	$3.70	$2.89
Free cash flow (deficiency)	$130	$78	$204	$(117)
Cash dividends paid per common share	$0.29	$0.29	$1.16	$1.16
Availability (%)	91.4	87.0	88.9	85.1
Production (GWh)	12,757	12,297	48,614	45,736

2010: Q4 and annual results

Comparable earnings Results ($M)	Q4 2010	Q4 2009	FY 2010	FY 2009
Net earnings applicable to common shares	**$62**	**$79**	**$218**	**$181**
Asset impairment charge, net of tax	54	10	54	10
Unrealized gains related to ineffectiveness in certain hedging relationships, net of tax	(28)	-	(28)	-
Income tax recovery related to the resolution of certain outstanding tax matters	-	-	(30)	-
Settlement of commercial issue, net of tax	-	-	-	(6)
Change in life of Centralia parts, net of tax	-	-	-	1
Tax rate change	-	(5)	-	(5)
Earnings on a comparable basis	**$88**	**$84**	**$214**	**$181**
Weighted average common shares outstanding in the period	220	211	219	201
Earnings on a comparable basis per share	**$0.40**	**$0.40**	**$0.98**	**$0.90**

2010: Q4 and annual results

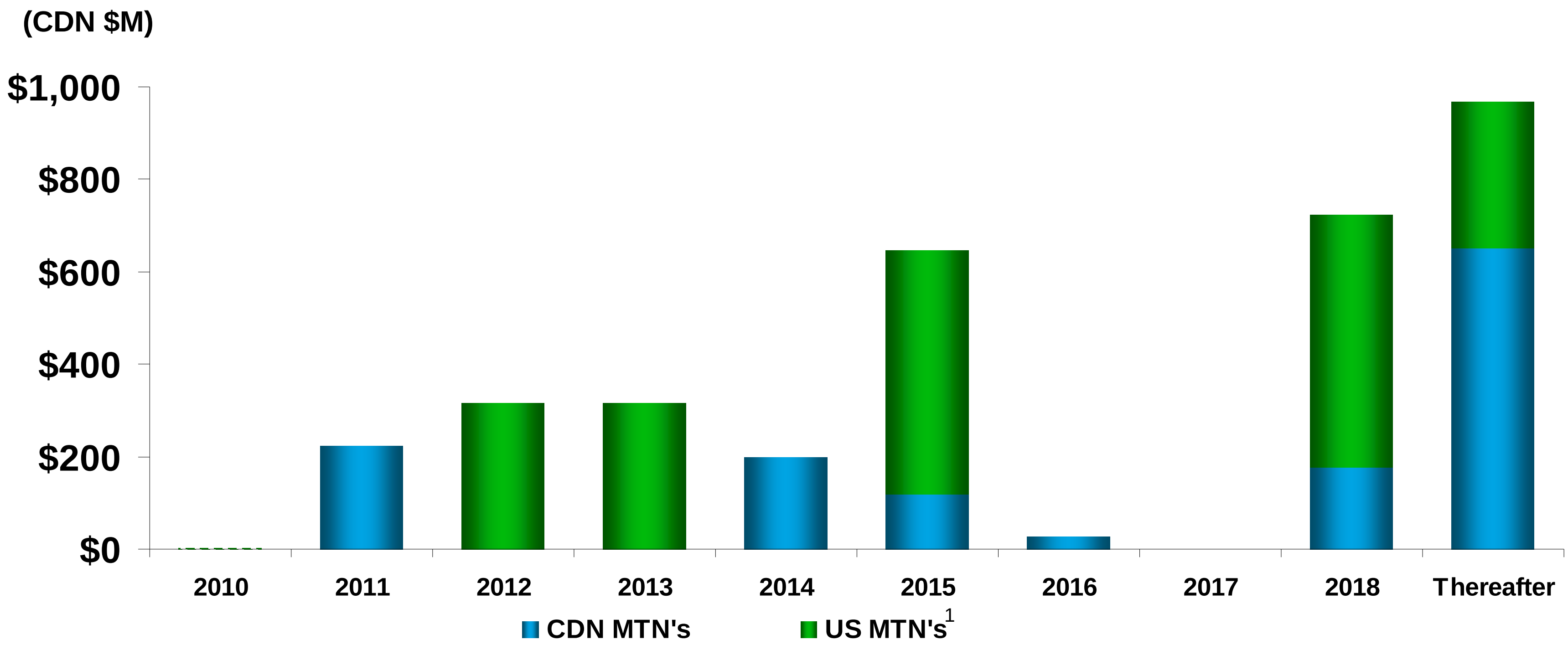
Net earnings	Q4 2010	FY 2010
Net earnings applicable to common shares, 2009	**$79**	**$181**
(Decrease) increase in Generation gross margins	(15)	36
Mark-to-market movements – Generation	46	45
Increase (decrease) in Energy Trading gross margins	14	(6)
(Increase) decrease in OM&A costs	(11)	33
Decrease in depreciation expense	18	16
Asset impairment charges	(73)	(73)
Increase in net interest expense	(6)	(34)
Decrease in other income	-	(8)
Decrease in non-controlling interests	11	18
(Increase) decrease in income tax expense	(1)	14
Other	-	(4)
Net earnings applicable to common shares, 2010	**$62**	**$218**

Free cash flow

($M)	Q4 2010	Q4 2009	FY 2010	FY 2009
Cash flow from operating activities	$309	$246	$811	$580
Add (Deduct):				
Sustaining capital expenditures	(106)	(87)	(308)	(380)
Dividends paid on common shares	(47)	(57)	(216)	(226)
Distribution to subsidiaries' non-controlling interests	(18)	(18)	(62)	(58)
Non-recourse debt repayments	(8)	(6)	(21)	(25)
Other income	-	-	-	(8)
Free cash flow (deficiency)	**$130**	**$78**	**$204**	**$(117)**

Debt profile

Minimal debt refinancing over the short-term provides ample financial flexibility

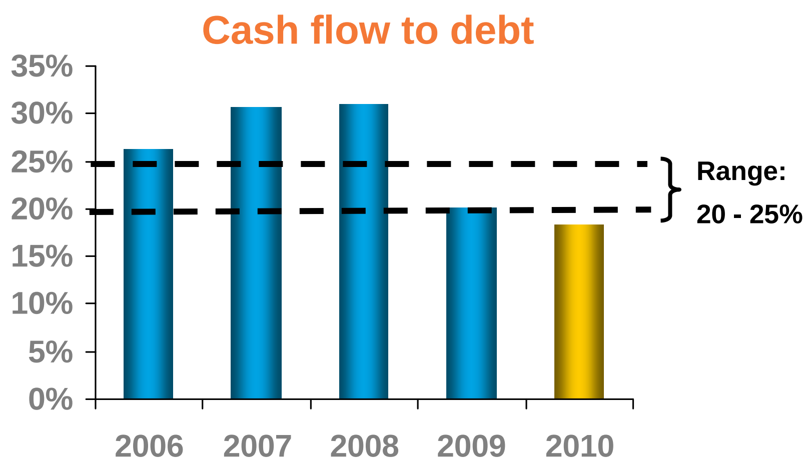


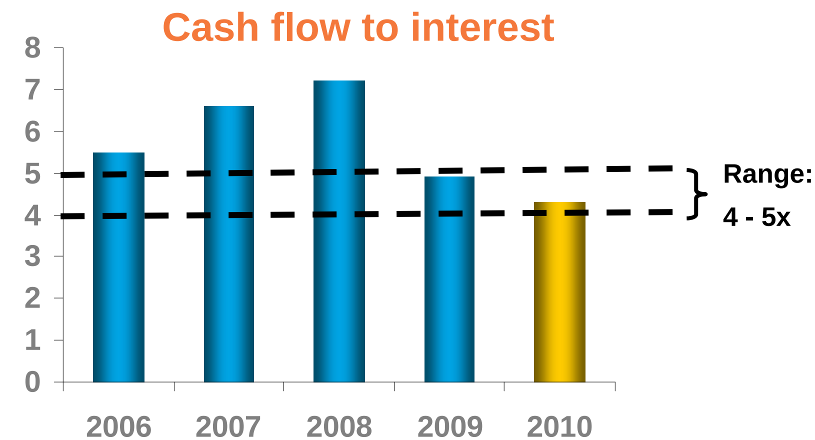
[1] Based on Sept. 30, 2010 FX rate of $1.03 CAD/US

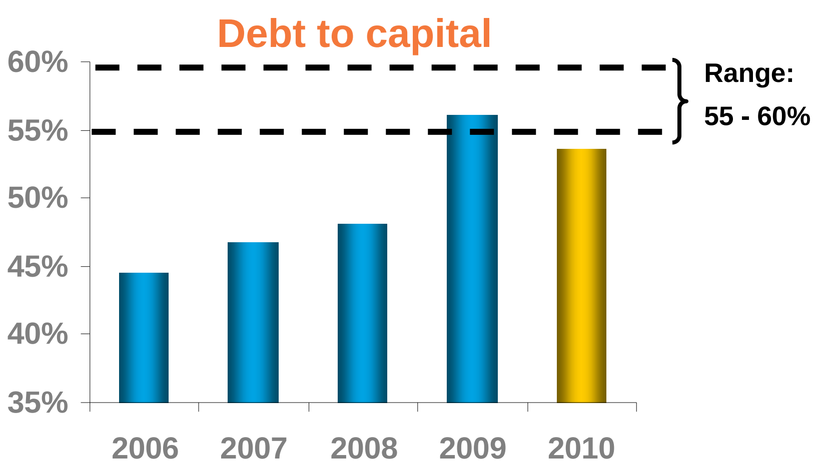
Maintaining investment grade ratios

TransAlta

Execute our plan while maintaining long-term financial strength and stability







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Sustaining capital

2011 - 2013 Sustaining capital plan[1]

($M)	**2011e**	**2012e**	**2013e**
Sustaining	$325 – 375	$435 - 480	$340 - 385
Routine Capital	$120 - 135	$115 - 130	$115 - 130
Major Maintenance	$180 - 210	$280 - 300	$190 - 210
Mine Capital	$25 - 30	$40 - 50	$35 -45
Other			
Repowering / Life Extension		$55 - 80	$30 - 50
Productivity	$10 - 20	$5 - 10	$20 - 30

[1] Based on IFRS

2011 Major maintenance plan[1]

($M)	Coal	Natural Gas and Renewables	Total
Capitalized	$105 – 130	$75 - 80	**$180 – 210**
Expensed	-	$0 - 5	**$0 - 5**
GWh lost	1,480 – 1,490	630 - 640	**2,110 – 2,130**

[1] Based on IFRS

Executing on our growth strategy

TransAlta's growth investments deliver long-term sustainable cash flow and earnings growth

   

Projects	**Bone Creek**	**Keephills 3**	**Keephills 1 and 2 Uprates**	**Sundance 3 Uprate**
Location	British Columbia	Alberta	Alberta	Alberta
Type	Hydro	Supercritical Coal	Efficiency Uprates	Efficiency Uprate
Size	19 MW	225 MW [1]	46 MW (23 MW each)	15 MW
Total Project Cost	$48 MM [2]	$988 MM [3]	$68 MM	$27 MM
Unlevered after tax IRR	10%+	10%+	15%+	15%+
Commercial Operations Date	Q1 2011	Q2 2011	Q4 2012 [4]	Q4 2012
Contract Status	LTC	Merchant	Merchant	Merchant
On time / On budget	Tracking	Tracking	Tracking	Tracking

[1] 450 MW gross size
[2] Bone Creek's capital spend prior to the acquisition was $23 MM which does not form part of our total project cost
[3] Keephills 3 capital spend increased from $888 MM to $988 MM and its COD was revised from Q1 2011 to Q2 2011
[4] Keephills unit 1 uprate has been moved to 2012

Advanced development pipeline

Projects in Advanced Development										
LOCATION	PROJECT	CAPACITY MW	FUEL TYPE	RESOURCE & SITE CONTROL	ENVIRONMENTAL AND PERMITS Applied	ENVIRONMENTAL AND PERMITS Secured	TURBINE SECURED	CAPEX RANGE $ MM	PPA / LTC	TARGET COMMERCIAL OPERATION DATE
Quebec	New Richmond**	66	Wind	✓	✓		✓	$180 - $210	PPA/LTC	2012
Quebec	St. Valentin**	50	Wind	✓	✓		✓	$150 - $180	PPA/LTC	2012
Saskatchewan	Mistahay Utin	175	Wind	✓	✓		TBD	$450 - $500	PPA/LTC	2013
Saskatchewan	Willow Bunch**	175	Wind	✓	✓		TBD	$450 - $500	PPA/LTC	2013
California	Black Rock 1-3	87*	Geothermal	✓	✓		In Progress	$400 - $500	PPA/LTC	2013/14
Alberta	Sundance 7	700	Gas-fired	✓	TBD		TBD	$1,000 - $1,500	Merchant	2015
Alberta	Dunvegan**	100	Hydro	✓	✓	✓		$500 - $700	Merchant	TBD
British Columbia	Clemina Creek**	11	Hydro	✓	✓	✓		$30 - $40	PPA/LTC	TBD
British Columbia	Serpentine Creek**	10	Hydro	✓	✓	✓		$30 - $40	PPA/LTC	TBD
British Columbia	English Creek**	5	Hydro	✓	✓	✓		$12 - $20	PPA/LTC	TBD
Ontario	Royal Road**	18	Wind	✓	✓			$35 - $45	PPA/LTC	TBD
Ontario	Yellow Falls**	8*	Hydro	✓	✓			$30 - $45	PPA/LTC	TBD
	TOTAL MW :	**1,405**					**TOTAL COST:**	**$3.3 B - $4.3 B**		

* TransAlta's ownership
** Based on initial estimates of Canadian Hydro

Growth capital outlook
2011 - 2012

All projects tracking on time and on budget

Completed	MW	2010	Total
Summerview 2	66	$12	$118[1]
Kent Hills 2	54	$82	$100[2]
Ardenville	69	$108	$135[3]
	189	**$202**	**$353**

In Progress	MW	2010	2011e	2012e	Total
Bone Creek	19	$50			$48[4]
Keephills 3	225	$221	$20 - 30		$988[5]
KI & K2 uprates	46	$8	$25 - 35	$20 – 30	$68[6]
Sun 3 uprate	15	$3	$10 - 15	$10 - 20	$27
Total	**305**	**$282**	**$55 - 80**	**$30 - 50**	**$1.1B**

[1] Sunmmerview 2 capital spend prior to 2010 was $106 M
[2] Kent Hills 2 capital spend prior to 2010 was $18 M
[3] Ardenville capital spend prior to 2010 was $27 M
[4] Bone Creek capital spend prior to the acquisition was $23M which does not form part of our total project cost. Spend prior to 2010 was $4 M.
[5] Keephills 3 capital spend prior to 2010 was $707M
[6] K1 & K2 uprates spend prior to 2010 was $2 M