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Investor Community Presentation

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Forward looking statements

This presentation contains 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 pricing in the market place, our inability to contract Centralia as expected, a reduction in our Dividend Reinvestment Plan participation, our inability to achieve funds from operations as expected, an increase in the cost of fuels to produce electricity, our inability to enter into long-term contracts due to prevailing market conditions, our inability to complete growth projects as planned, legislative or regulatory developments, changes in prevailing interest 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 September 11, 2012. The material assumptions in making these forward looking statements are addressed in our second quarter report, our 2011 Annual Report to shareholders and in our most recent Annual Information Form along with other disclosure documents filed with securities regulators.

Except to the extent required by law, we assume no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise. All forward looking statements in this presentation are expressly qualified in their entirety by these cautionary statements. For information on our risks please refer to the Company's Annual Information form which has been filed on SEDAR and can be accessed at www.sedar.com.

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

This presentation may contain references to comparable earnings comparable earnings per share, comparable EBITDA, funds from operations, and funds from operations per share which are not defined under IFRS. Refer to the Non-IFRS financial measures section of TransAlta's second quarter 2012 MD&A for an explanation and, where applicable, reconciliations to net earnings attributable to common shareholders and cash flow from operating activities. The presentation may also contain references to gross margin and operating income, which are Additional IFRS measures. Please refer to the Additional IFRS measures section of the MD&A.

- ▶ Canada's largest publicly traded wholesale power generator & marketer with over 100 years of operating experience
- ▶ Diversified asset base with over 75 facilities strategically positioned in Canada, Western U.S. and Western Australia
 - ▶ 2,200 MW of renewable energy
- ▶ 1,700 MW added since 2005
- ▶ Revenues of ~\$3 billion generated from an asset base of over \$9 billion
- ▶ Enterprise value of ~ \$9 billion with a market cap of ~\$3.5 billion
- ▶ Investment grade credit ratings
- ▶ Listed on Toronto and New York stock exchanges



▶ **Coal:**
4,946 MW



▶ **Gas:**
1,913 MW



▶ **Hydro:**
919 MW



▶ **Wind:**
1,129 MW



▶ **Geothermal:**
164 MW

Diversified generation portfolio located in growing markets

- Over 75 facilities spanning multiple fuels and geographies
- Well positioned in markets with opportunity for growth

Attractive yield supported by adequate cash flow

- 8.0% dividend yield
- Approximately \$350M per year in free cash anticipated in 2013
- Highly contracted assets
- Incremental cash flow from Solomon power station, New Richmond, Sundance A and fewer planned outages
- Significant incremental EBITDA expected post PPAs

Proven track record for growth with significant upside potential

- Over 1,700 MW added since 2005
- Significant growth potential given strong fundamentals in Western Canada and Australia

Financial strength to deliver

- Investment grade ratings
- \$2.4 billion of committed credit facilities
- Strong liquidity and access to capital markets
- Premium dividend expected to add ~\$185 million of equity on an annualized basis



Delivering shareholder value through yield and growth

Objectives

Targets

Actions

Drive
Shareholder
Value

TSR = 8 – 10% / yr

Consistent growth

Optimize capital
allocation

Maintain
Financial
Strength &
Flexibility

Investment Grade

Strong liquidity

Access to capital

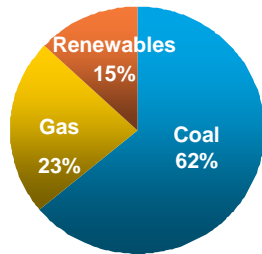
Continuous
improvements

Diversify risk

Leading provider of renewable energy
with over 2,000MW of capacity

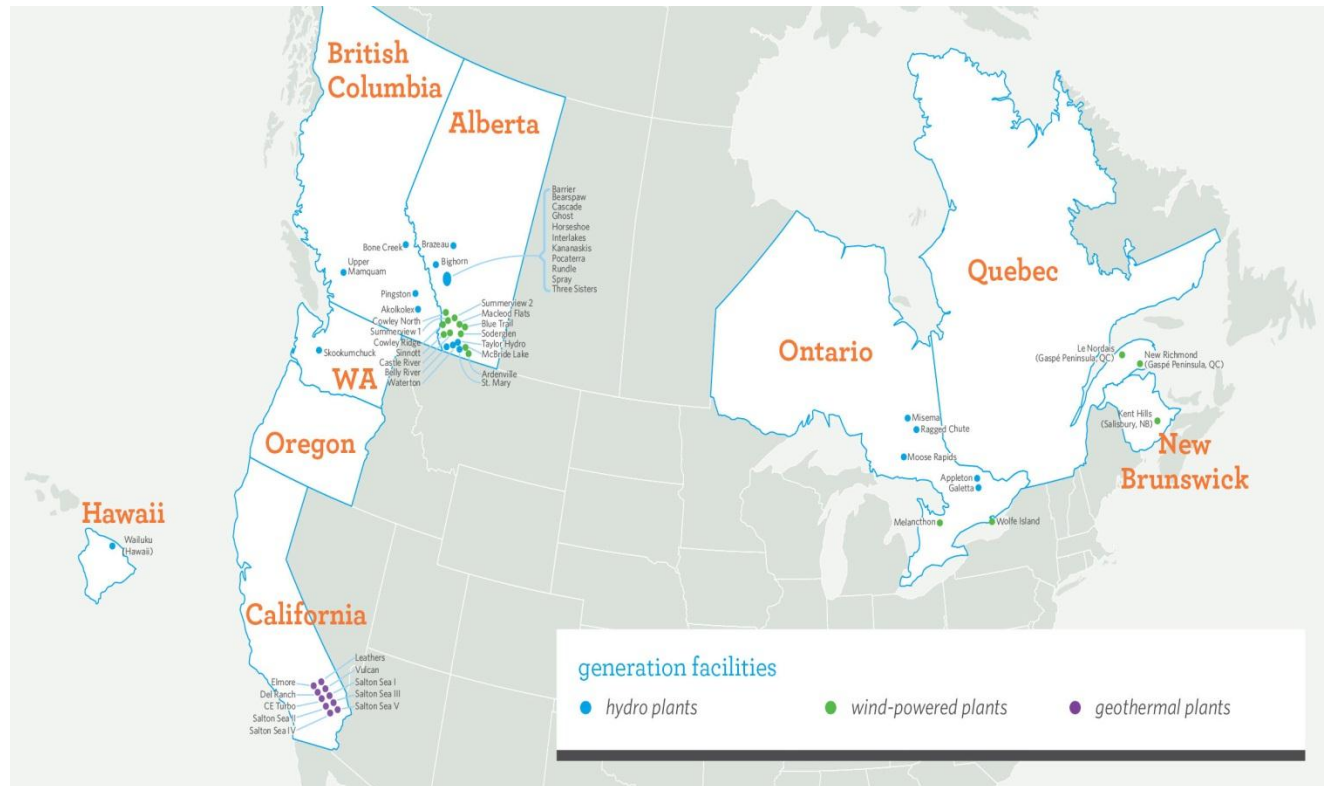
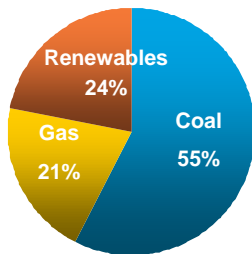
2008

TA: 7,963 MW



2013

TA: 9,071 MW



Hydro: 919 MW

Wind: 1,129 MW

Geothermal: 164 MW

- ▶ Above average planned maintenance program in 2012 with majority of outages completed
- ▶ Resolved Sundance A decision which adds incremental cash flow especially beginning in 2018
- ▶ Signed anchor contract at Centralia, reducing merchant risk
- ▶ Reduced operating and capital costs at Centralia
- ▶ Achieved full year contribution of K3 and Bone Creek
- ▶ Expanded presence in Australia with recent acquisition, adding ~\$40 million per year of cash flow
- ▶ Progressed construction of long-term contracted New Richmond wind farm in Quebec
- ▶ Realized more flexibility and 43 additional years of operation from recently announced Federal GHG regulations

- \$318 million acquisition of Solomon Power Project (125 MW) to supply Electricity to Fortescue Mining Group (FMG)
- 16-year Power Purchase Agreement with FMG; guaranteed value for 21 years either through a 5 year extension or sale of plant back to FMG
- Escalating capacity payment adds \$40 million in pre-financing cash flow; payments not tied to production volumes
- Accretive to earnings and free cash flow per share with low double digit after tax IRR
- Flow through of fuel, O&M and maintenance capital costs
- Fits strategically with growth strategy for Western Australia and provides opportunity for future growth

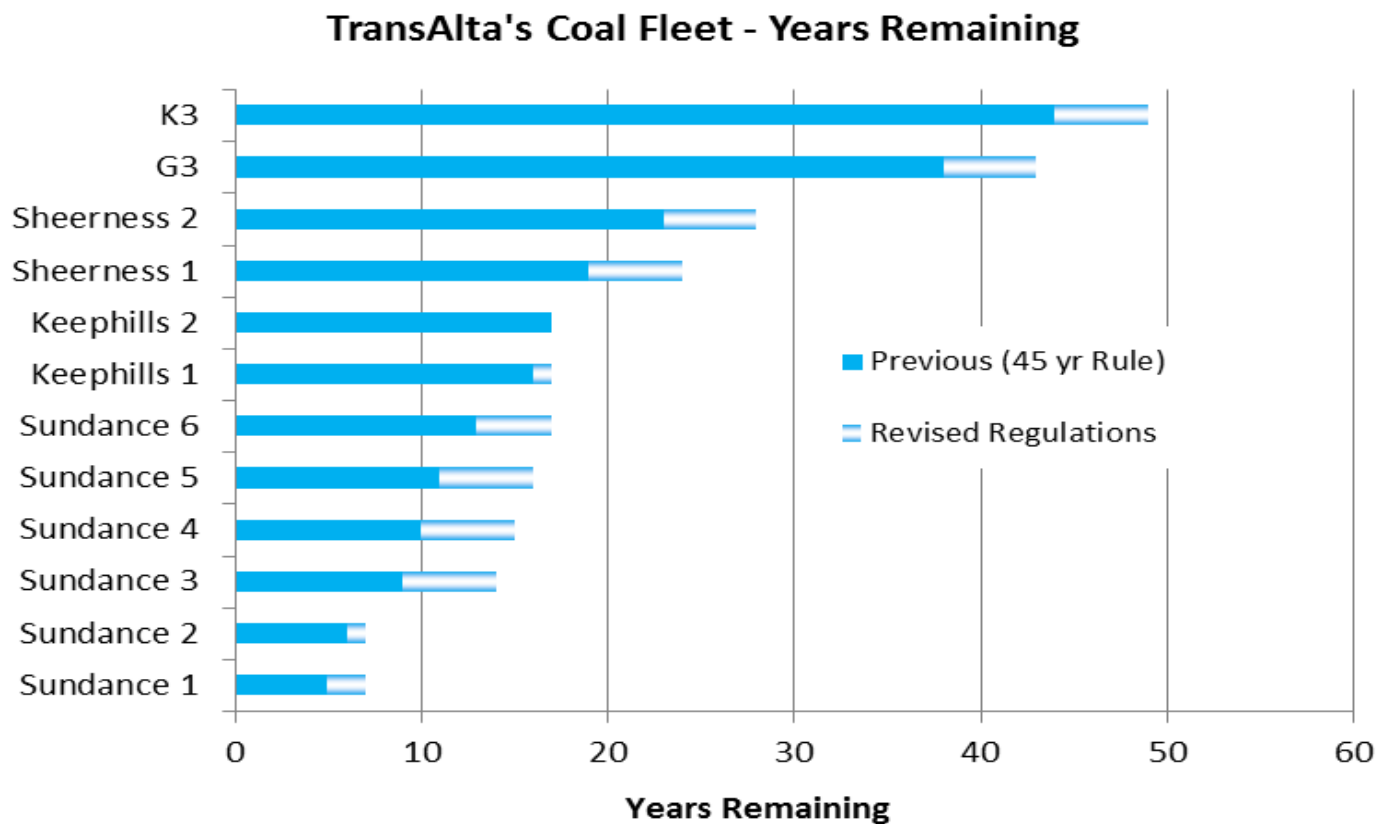


- ▶ End of Life:
 - ▶ For units built before 1975, the earlier of 50 years or Dec 31, 2019
 - ▶ For units built after 1974 but before 1986, the earlier of 50 years or Dec 31, 2029
 - ▶ Units built after 1986 - 50 years

- ▶ Performance standard required to operate beyond end of life = 420 tonnes CO₂/GWh

- ▶ Flexibility provisions
 - ▶ Units can be substituted for other units
 - ▶ Remaining years from units closed before end of life can be applied to extend the life of other units

Weighted average life of TransAlta's Alberta coal fleet is 19 years under revised regulations



Revised regulations adds 43 additional years and approximately 89 TWh of anticipated additional production to TransAlta

Plant	MW	Annual GWh ¹	45 Year Rule	Final Regulations	Years Increase	Total GWh
Sundance 1	280	2,085	2017	2019	2	4,170
Sundance 2	280	2,085	2018	2019	1	2,085
Sundance 3	368	2,740	2021	2026	5	13,701
Sundance 4	406	3,023	2022	2027	5	15,115
Sundance 5	406	3,023	2023	2028	5	15,115
Sundance 6	401	2,986	2025	2029	4	11,943
Keephills 1	406	3,023	2028	2029	1	3,023
Keephills 2	406	3,023	2029	2029	0	-
Sheerness 1	98	1,415	2031	2036	5	3,630
Sheerness 2	98	1,415	2035	2040	5	3,630
Genesee 3	225	1,675	2050	2055	5	8,377
Keephills 3	225	1,675	2056	2061	5	8,377
Total					43	89,166



Increase of 43 years and 89 TWh

¹ Based on 85% availability

Sundance units 1 & 2 are expected to generate positive cash flow under the new regulations

45 year rule

(\$M)

Net Payments ¹	(\$50)
Initial Repair Costs	(\$190)
Operating Cash Flow Range ²	\$225 - \$275
Total Cash Flow	(\$15) - \$35

Final Regulations

(\$M)

Net Payments ¹	(\$50)
Initial Repair Costs	(\$190)
Operating Cash Flow Range ²	\$415 - \$525
Total Cash Flow	\$175 - \$285

Additional value may occur if extended based on the flexibility language in the new regulations

¹ Penalties net of capacity payments

² Estimated EBITDA less Capex - Based on forward power price assumption of \$55-\$65 in 2013 increasing 2% per year reaching \$60-\$70 in 2018

- Load growth has been 3% per year for last 10 years (2002-2011) and last 20 years (1991-2011)

- AESO is forecasting similar growth rate going forward
 - Equivalent to the need of 400-500 MW of new capacity each year
 - By 2022, ~5,200 MW of new capacity required

- Load largely driven by industrial/commercial customers which generally require power 24/7

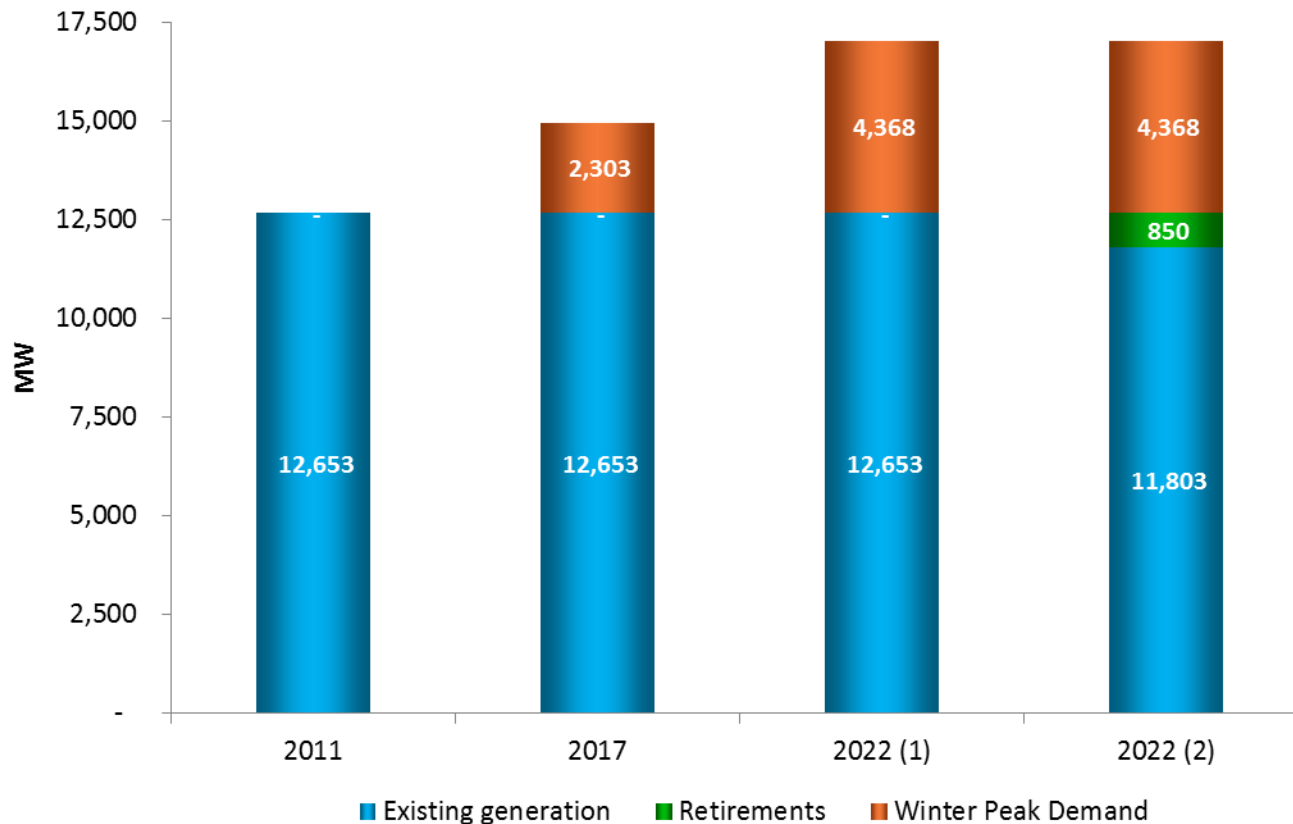
- Power prices have averaged \$65 / MWh during last ten years since deregulation

- Prices need to be in the range of \$55 to \$125 / MWh to attract new combined cycle generation

¹ Source: AESO 2012 Long-range Plan

Alberta supply & demand fundamentals¹

At least 5,200 MW's of additional generating capacity required to meet forecasted peak demand over the next 10 years.

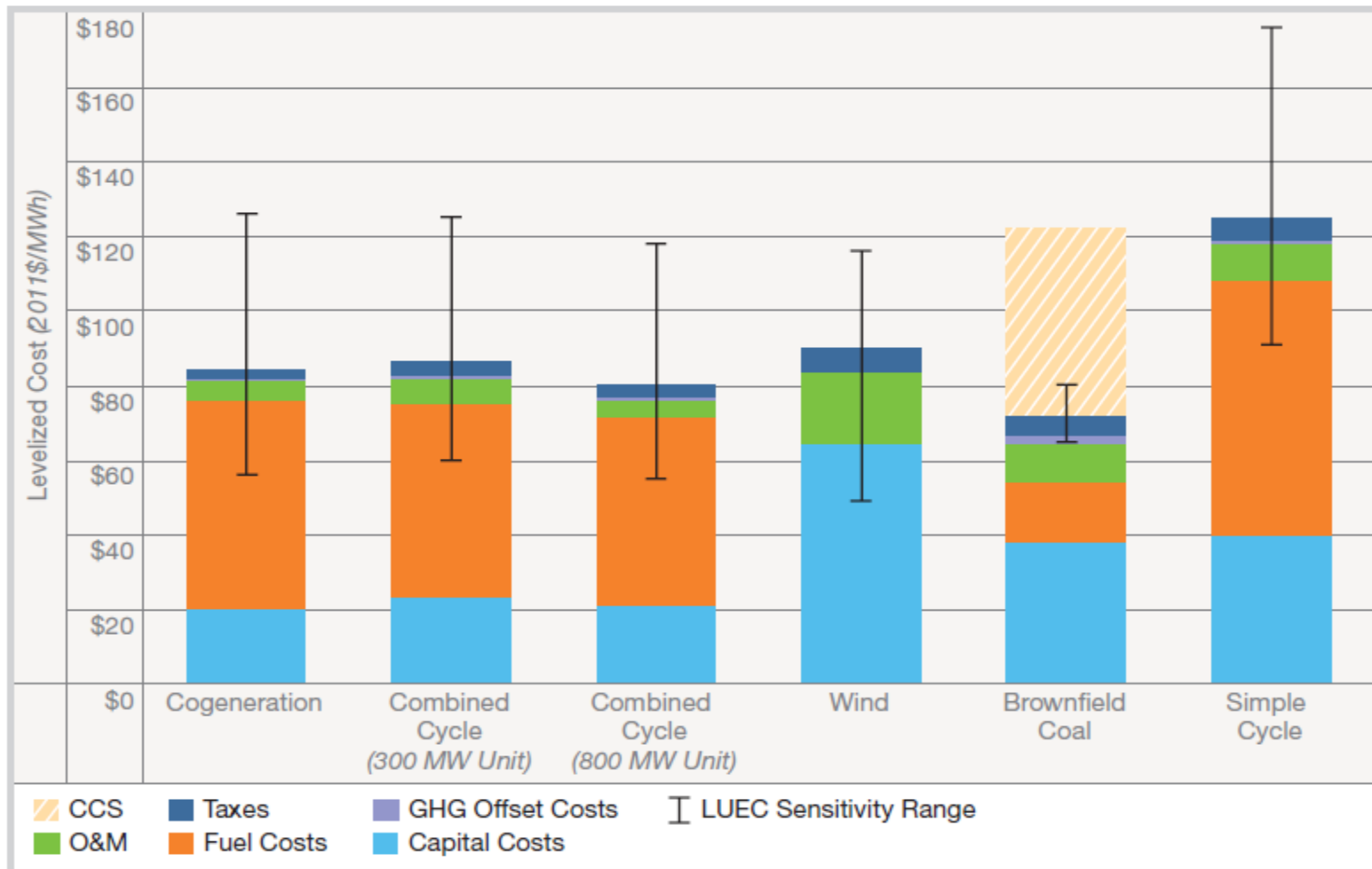


¹Above MW's exclude future retirements

²Above MW's include ~850 MW's of retirements

Price required to attract new generation¹

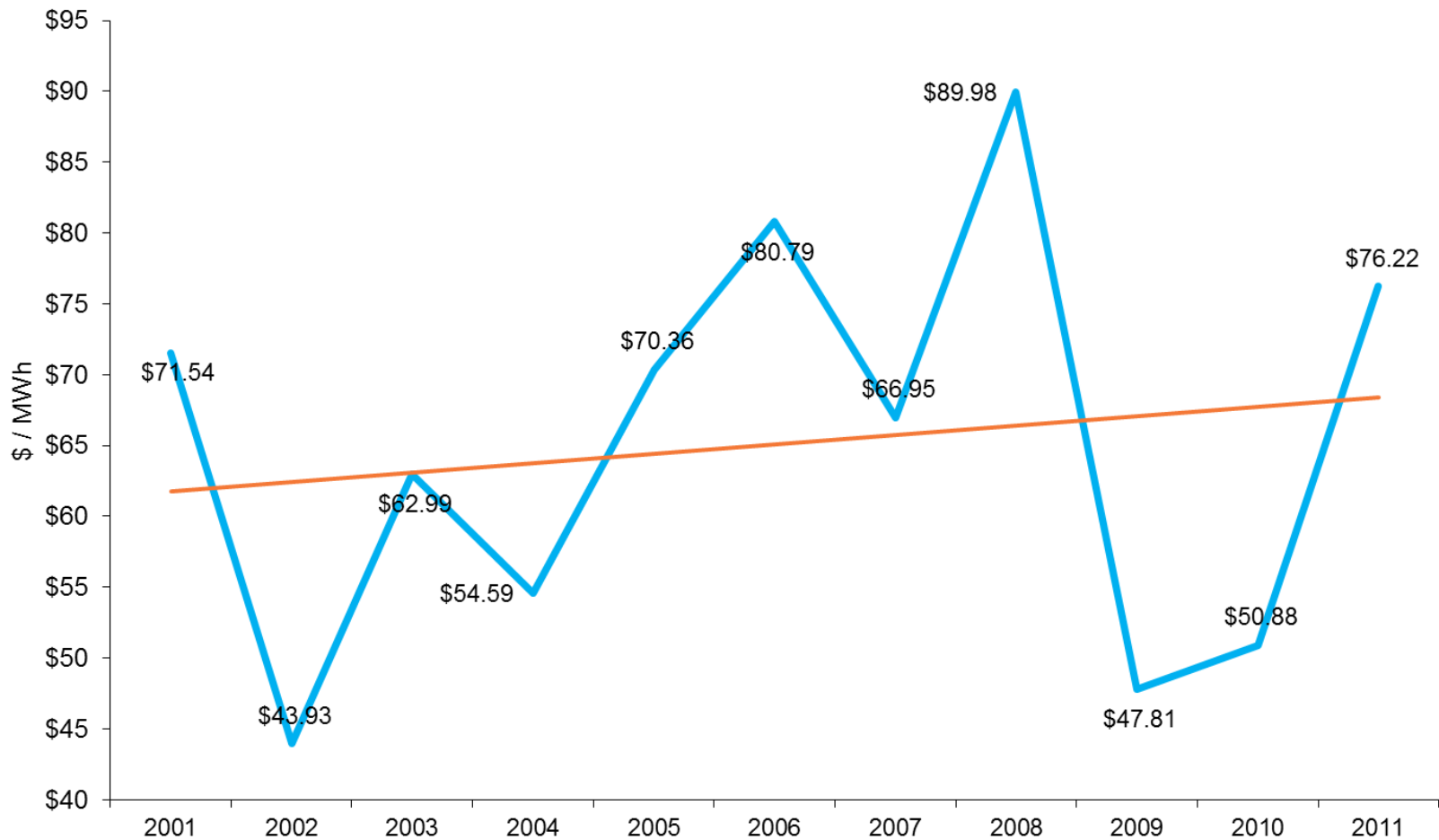
AESO estimates that prices in the range of \$55-\$125 / MWh are required to attract new combined cycle generation



¹ Source: AESO

Historical power prices in Alberta

Since deregulation, AB Pool prices have averaged \$65 / MWh



¹ Source: TransAlta

B.C.

- ▶ Load growth of 3.5% per year over next ten years according to BC Hydro
- ▶ ~ 2,000 MW of power will be required by 2019.
- ▶ Key opportunities for gas powered generation are at Kitimat and potentially Fort Nelson (Horn River).
 - ▶ All opportunities are expected to be contracted

Western U.S.

- ▶ Load growth of ~1.4% / year over next ten years in both PacNW and California
- ▶ Based on analysis of PacNW utilities' IRP's, they plan to acquire ~4,400 MW of capacity in the next ten years
- ▶ In California, ~14,000 MW of new capacity required during next ten years.
- ▶ Coal retirements and nuclear retirements in PacNW and California should strengthen market, but natural gas prices remain a key factor

Ontario

- ▶ Ontario is expected to see declining load over the next 5 years (IESO Reserve Margin Outlook)
 - ▶ Nuclear retirements/refurbishments expected to drive need for new capacity longer term

Western Australia

- ▶ Strong load growth of 5 to 6% per year over next ten years requiring about 3,000 MW of new capacity
- ▶ Minerals extraction and oil and gas projects supporting load growth
- ▶ Majority of new generation will be contracted directly with customers

Adequate dividend coverage under the following range of FFO scenarios

Steady State Cash Flow/Dividend Coverage Sensitivity Analysis

¹ FFO Scenario	\$ 750	\$ 800	\$ 850	\$ 900	\$ 950
Sustaining Capex	\$ (355)	\$ (355)	\$ (355)	\$ (355)	\$ (355)
² Pfd share dividends and other distributions	\$ (90)	\$ (90)	\$ (90)	\$ (90)	\$ (90)
Free cash flow before common dividends	\$ 305	\$ 355	\$ 405	\$ 455	\$ 505
³ Common share dividends	\$ (265)	\$ (265)	\$ (265)	\$ (265)	\$ (265)
Net Cash Flow before Dividend Reinvestment Plan (DRP)	\$ 40	\$ 90	\$ 140	\$ 190	\$ 240
DRP at approximately 70% participation	\$ 185	\$ 185	\$ 185	\$ 185	\$ 185
Net Cash Flow after DRP for Debt Repayment/Growth	\$ 225	\$ 275	\$ 325	\$ 375	\$ 425
Common Share Dividend Payout					
Without DRP	87%	75%	65%	58%	52%
With DRP at a 70% participation rate	26%	23%	20%	18%	16%

¹ Excludes anticipated cash flow from Solomon power station acquisition

² Non controlling interest

³ Excludes recent sale of common shares

- Medium Term (2013 – 2017)
 - Maintain strong availability across the fleet
 - Complete rebuild of Sundance A
 - Optimize operating and capital costs
 - Continue to diversify the asset base through growth
 - Reduce merchant risk through additional contracts at Centralia and in Alberta
 - Pursue contracted growth in all core markets

- Long-Term (2018 +)
 - Deliver post PPA value from Alberta Coal fleet, starting with Sundance A in 2018, and Alberta hydro Fleet
 - Continue to add contracted assets in core markets