

May 2011 Investor Presentation.

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Years  ON

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 2010 Annual Report to shareholders and other disclosure documents filed with securities regulators.

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

- ▶ Value proposition and strategy
- ▶ Markets and contracting
- ▶ Growth
- ▶ Q1 2011 Financial and operational results
- ▶ 2011 Outlook

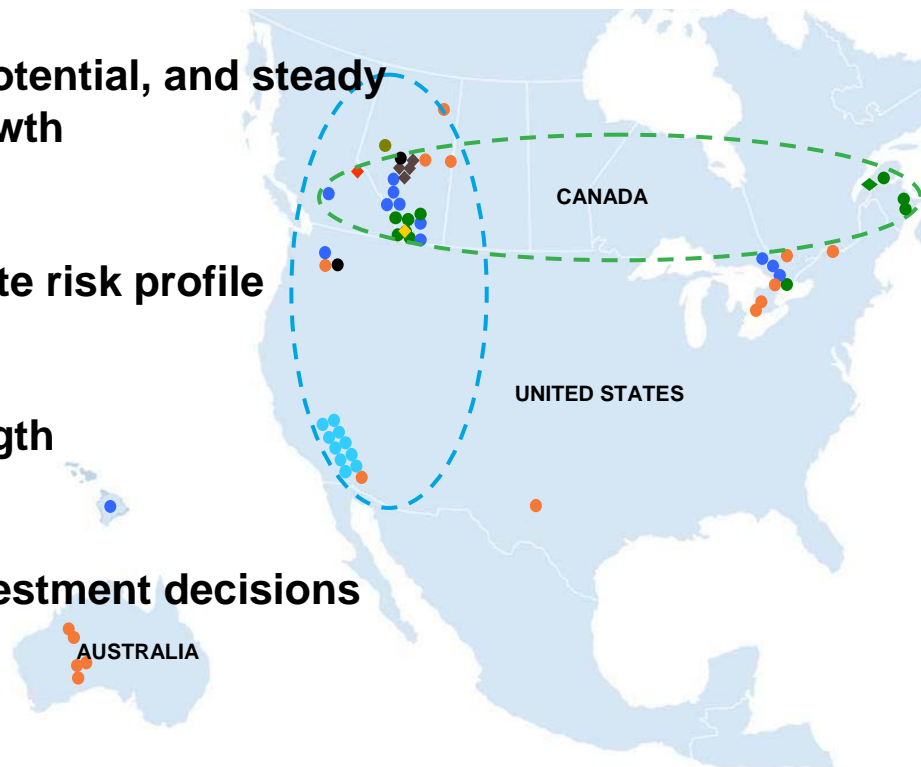
Canada's largest publicly traded wholesale power generator & marketer

Yield, upside potential, and steady disciplined growth

Low-to-moderate risk profile

Financial strength

Disciplined investment decisions



Quick Facts

TSX: TA; TA.Pr.D NYSE: TAC

Market Cap: \$5.0 billion

Enterprise Value: \$9.5 billion

Credit rating: BBB/Baa2

Generation Facilities:

● Coal-fired plants	4,092 MW
● Gas-fired plants	1,788 MW
● Hydro plants	893 MW
● Wind-powered plants	1,064 MW
● Geothermal	164 MW
● Biomass	25 MW
Net generation in operation	8,026 MW
◆ Coal-fired under construction	286 MW
◆ Hydro under development	19 MW
◆ Wind under development	66 MW

We have strong competitive advantages and are not dependent on a single fuel source or a single region

Financial Strength



Diversification



Technology



Multiple Geographies

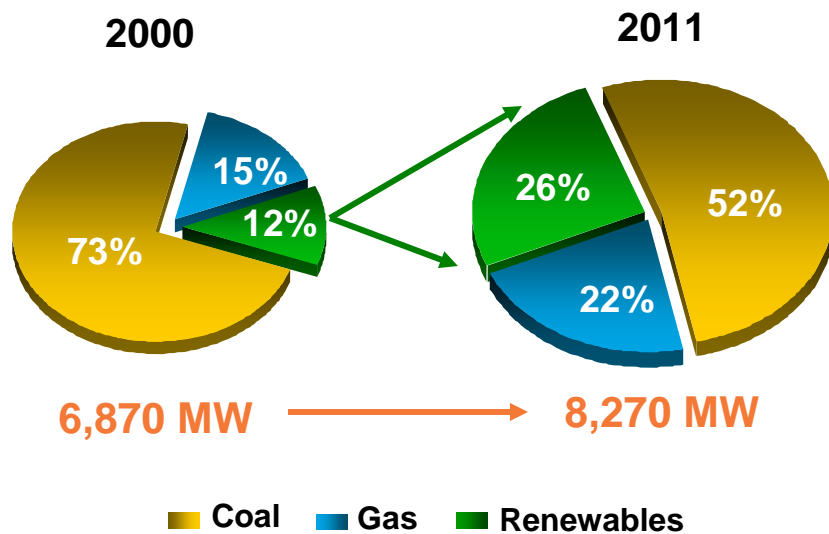


= Opportunity & Increased Shareholder Value

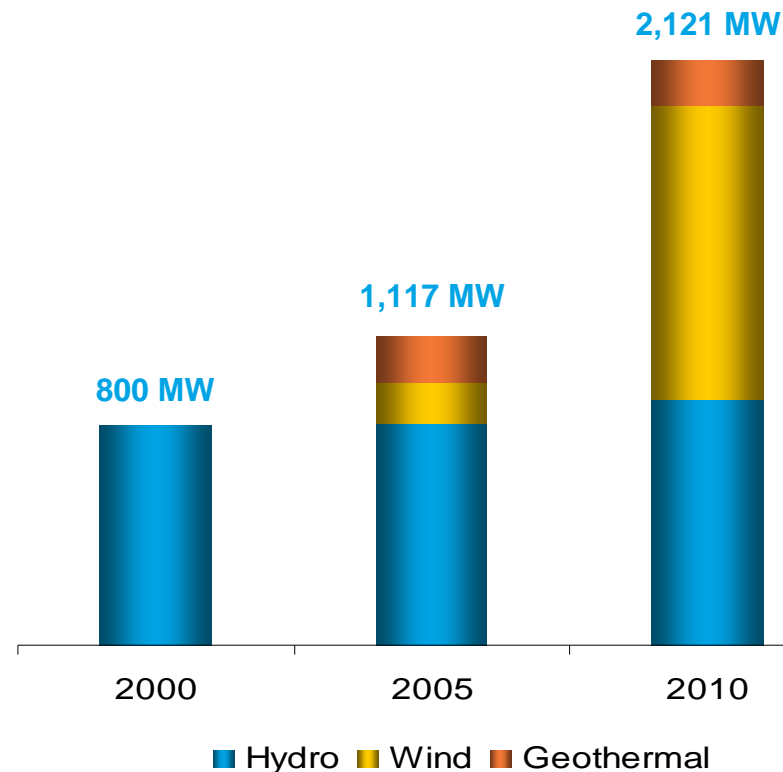
We have diversified our fuel mix and more than doubled our renewable portfolio

Total Portfolio Fuel Mix

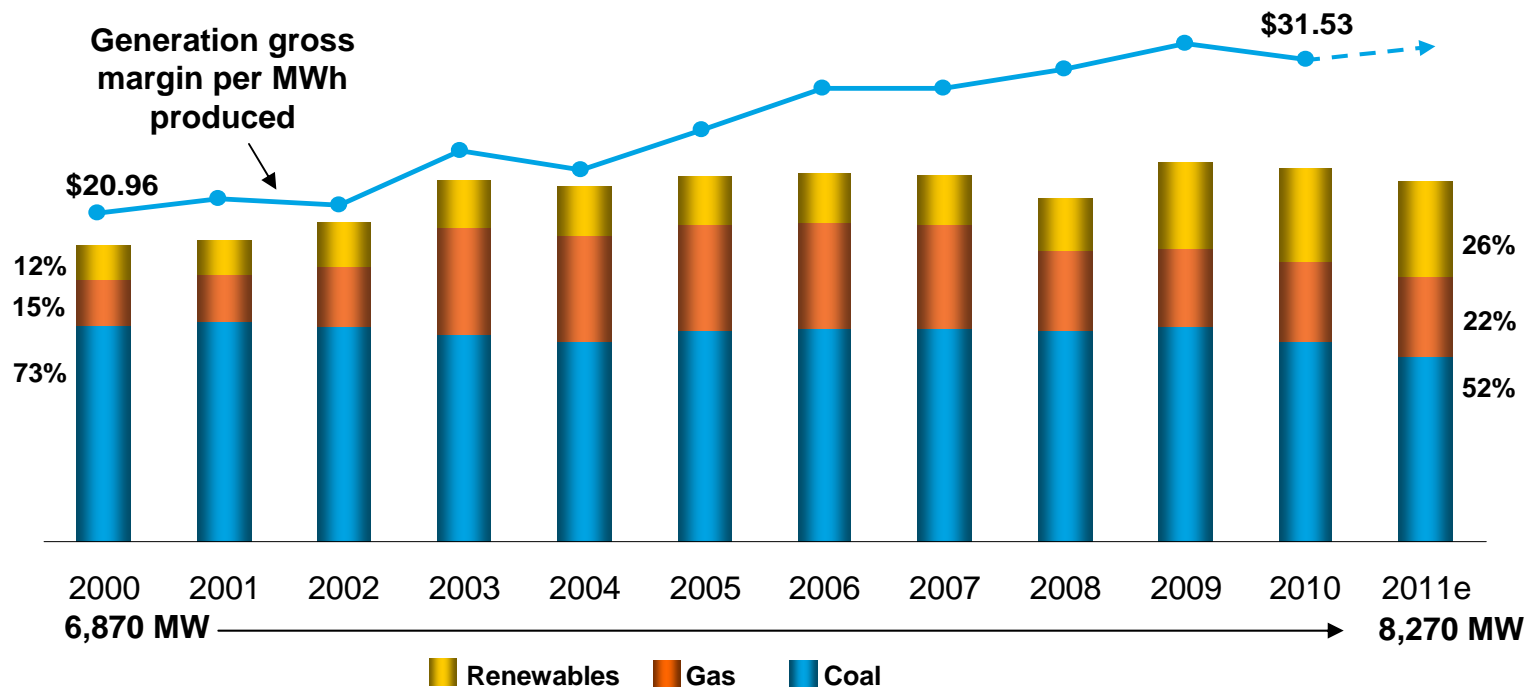
Canada's largest investor owned renewable energy provider



Renewable Portfolio Capacity

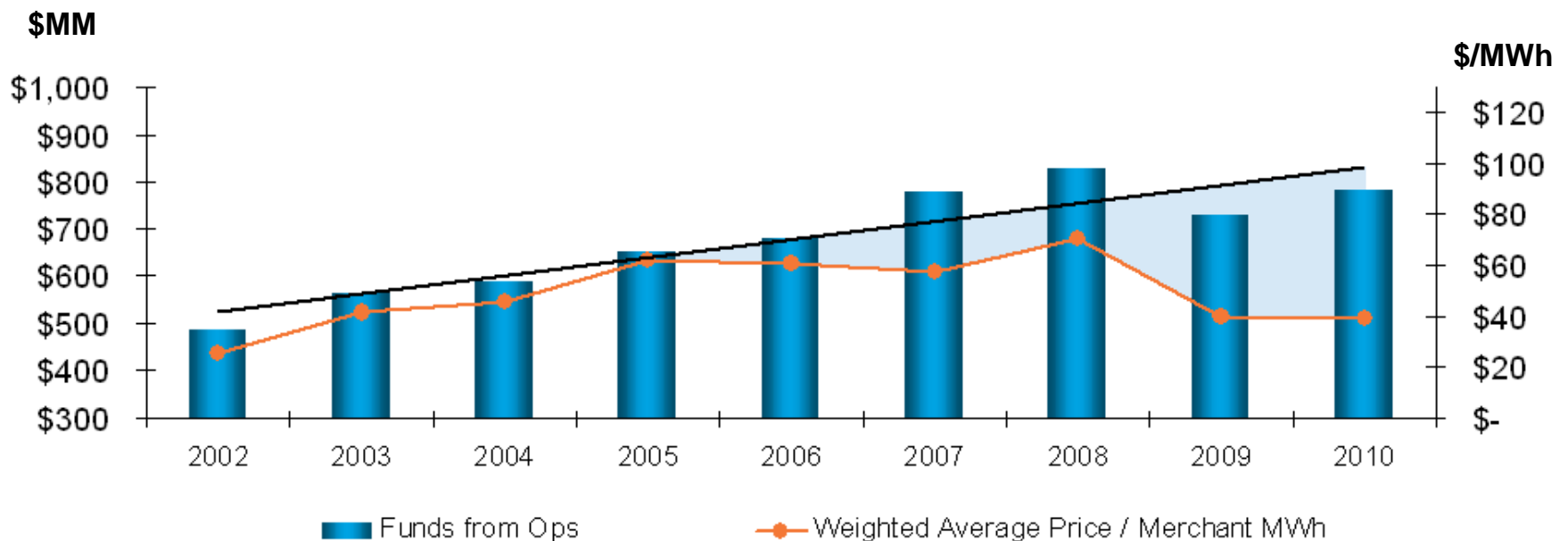


Diversified growth & optimization have driven increased gross margins



Funds from operations have grown despite volatility in market prices

Funds From Operations vs. Weighted Average Price / Merchant MWh Produced



▶ Average dividend coverage of 2.1x

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 371 MW of announced growth
- Execute on development pipeline
- Targeting 200 – 300 MW growth per year

- Continue to build multiple options for the future
- Gas & hydro baseload
- Secure natural gas supply
- Strong acquisition potential

Reposition Coal

- Maintain options around coal sites
- Contract Centralia under new legislation
- Participate in CCS technology development

- Implement capital stock transition
- “Green Coal”

Recent strength in Alberta power prices due to supply constraints; long-term fundamentals remain strong driven by oil sands recovery

Positives

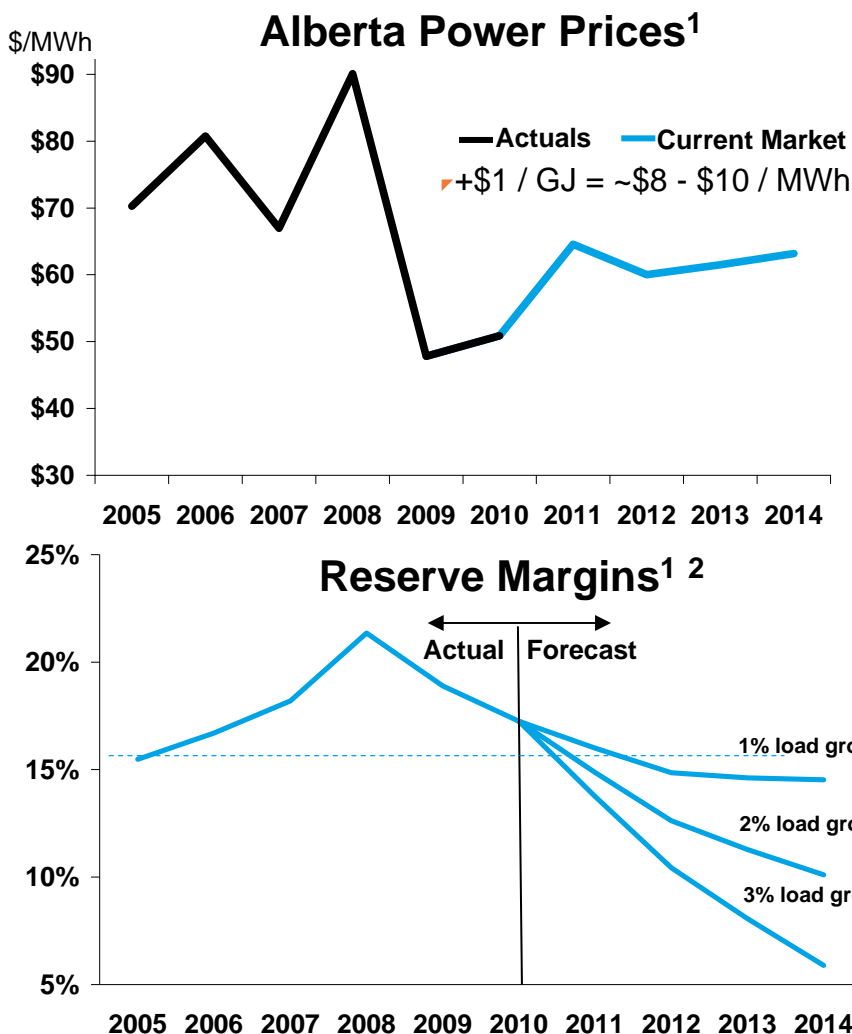
- Tightening reserve margins
- Oil sands recovery driving load growth
- 2.5% demand growth per year for the next three years

Challenges

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

¹ Figures as of May 4, 2011

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



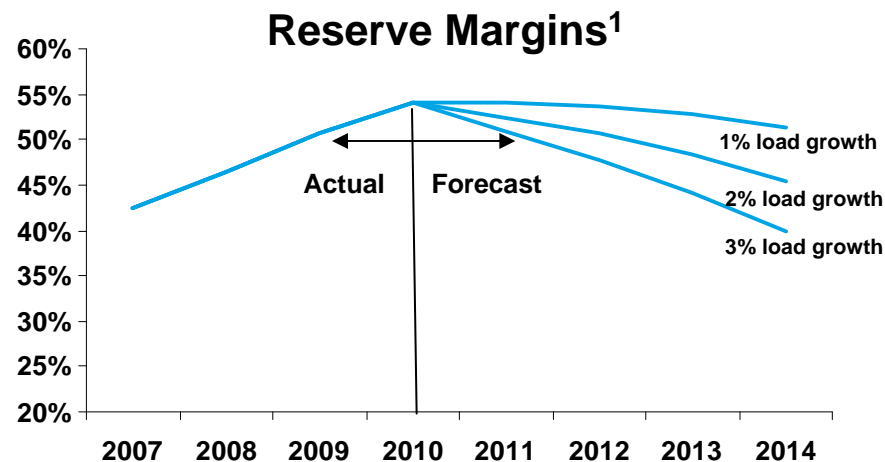
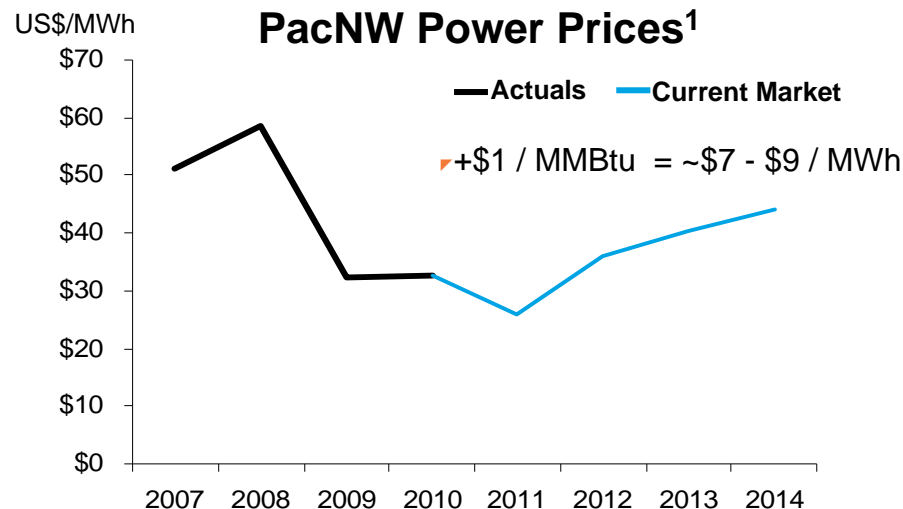
Improvements in demand; forward price recovery driven by natural gas

Positives

- Strong demand growth of 6.5% in Q1 2011 vs. Q1 2010
- 1.9% demand growth per year for the next three years due to expectations of a modest economic recovery

Challenges

- Pace of economic recovery is still uncertain due to a weak housing market and job growth in the region
- Weak natural gas prices expected to continue throughout 2011
- Continued growth in renewables expected over the next few years



¹ Figures as of May 4, 2011

Washington State's bill regarding Centralia poses many benefits to TransAlta

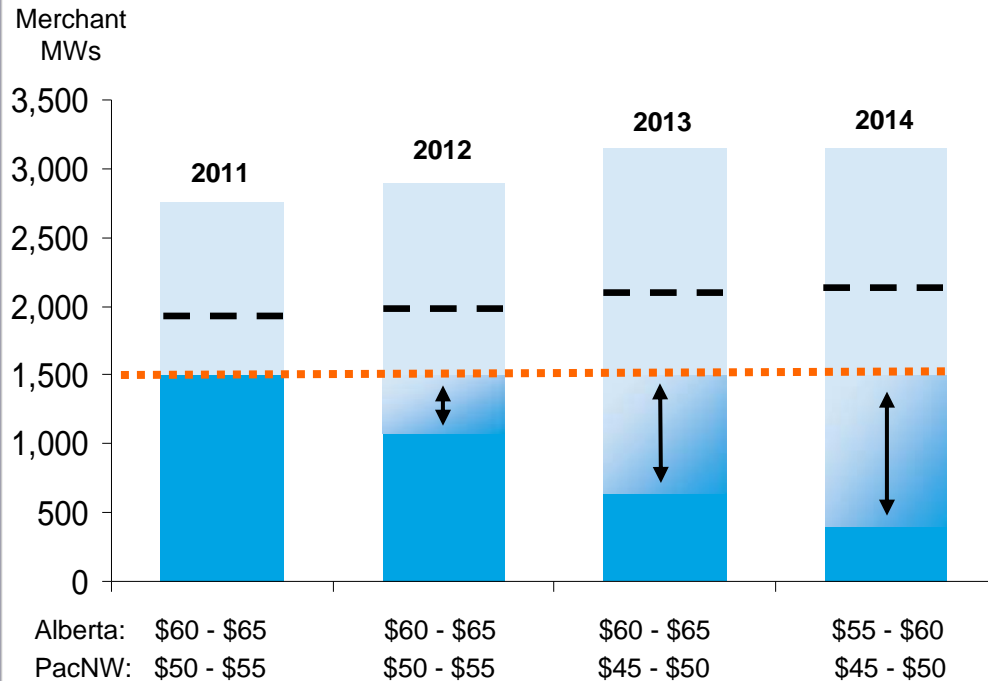
Benefits to TransAlta:

- 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

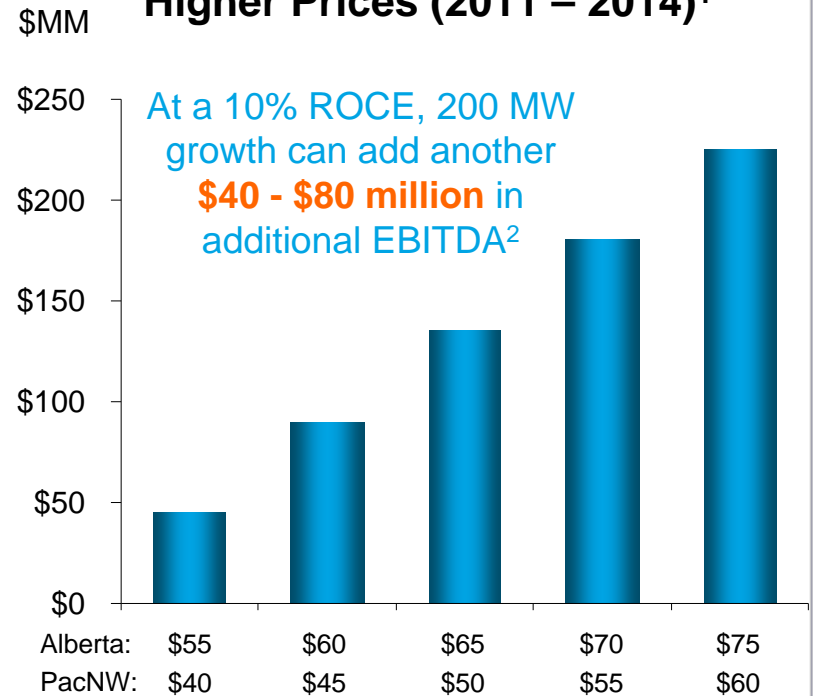


Hedging strategy provides leverage to power price recovery

Merchant Portfolio Contractedness



Avg. Incremental EBITDA From Higher Prices (2011 – 2014)¹



■ Contracted ■ To be contracted ■ Open
- - - 90% target - - - Capacity adjustments

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

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

					
	Bone Creek	Keephills 3	Keephills 1 & 2 Upgrades	Sundance 3 Upgrade	New Richmond
Location	British Columbia	Alberta	Alberta	Alberta	Quebec
Type	Hydro	Supercritical Coal	Efficiency Upgrades	Efficiency Upgrade	Wind
Size	19 MW	225 MW ¹	46 MW (23 MW each)	15 MW	66 MW
Total Project Cost	\$48 MM ²	~\$1,015 MM ³	\$68 MM	\$27 MM	\$205 MM
Unlevered after tax IRR	10%+	10%+	15%+	15%+	2 – 4% above Cost of Capital
Commercial Operations Date	Q2 2011	Q3 2011	Q4 2012 ⁴	Q4 2012	Q4 2012
Contract Status	LTC	Merchant	Merchant	Merchant	Quebec PPA
On time / On budget	Tracking	Tracking	Tracking	Tracking	Tracking

¹ 450 MW gross size

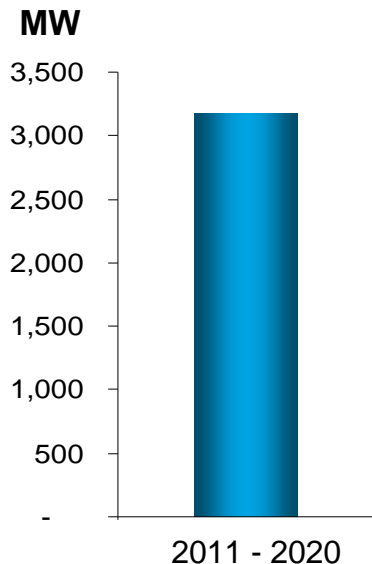
² Bone Creek's capital spend prior to the acquisition was \$23 MM which does not form part of our total project cost

³ Keephills 3 capital spend increased from \$988 MM to \$1,015 MM and its COD was revised from Q2 2011 to Q3 2011 due to testing

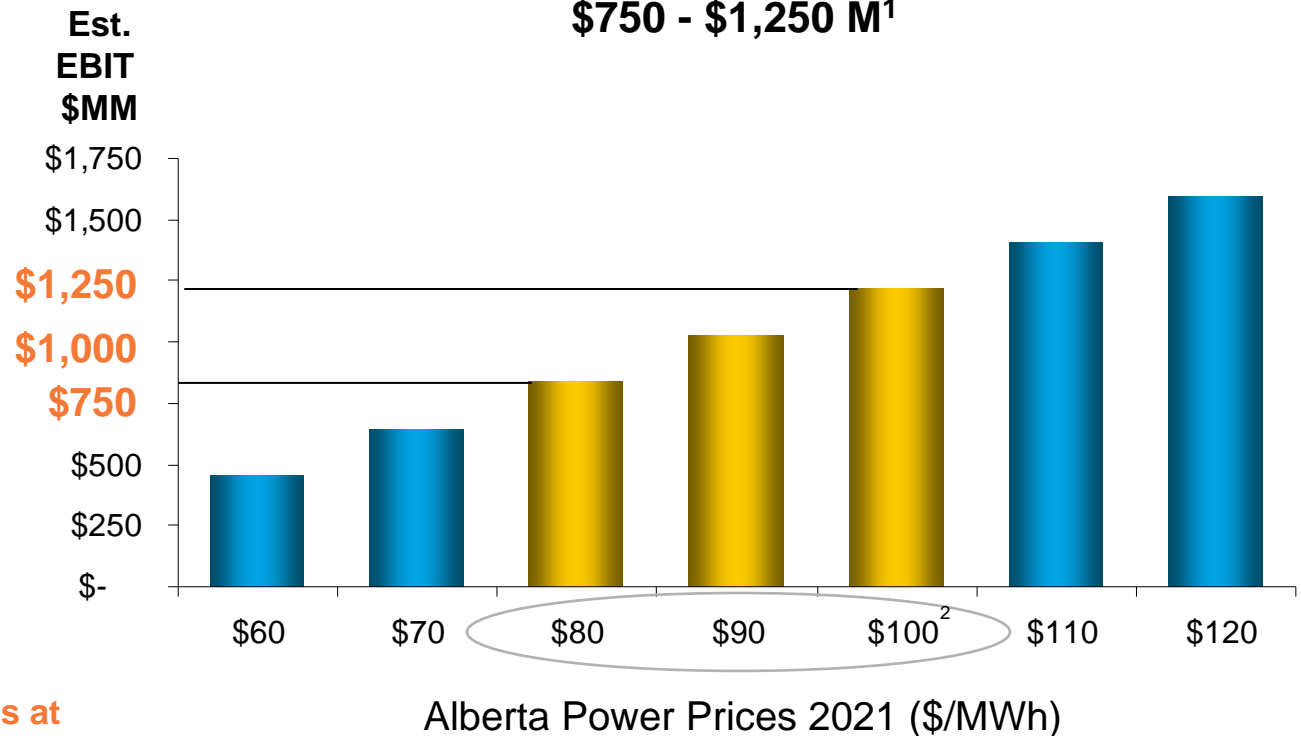
⁴ Keephills unit 1 upgrade has been moved to 2012

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

Facility MWs under PPAs¹



**Estimated Incremental EBITDA in 2021
\$750 - \$1,250 M¹**

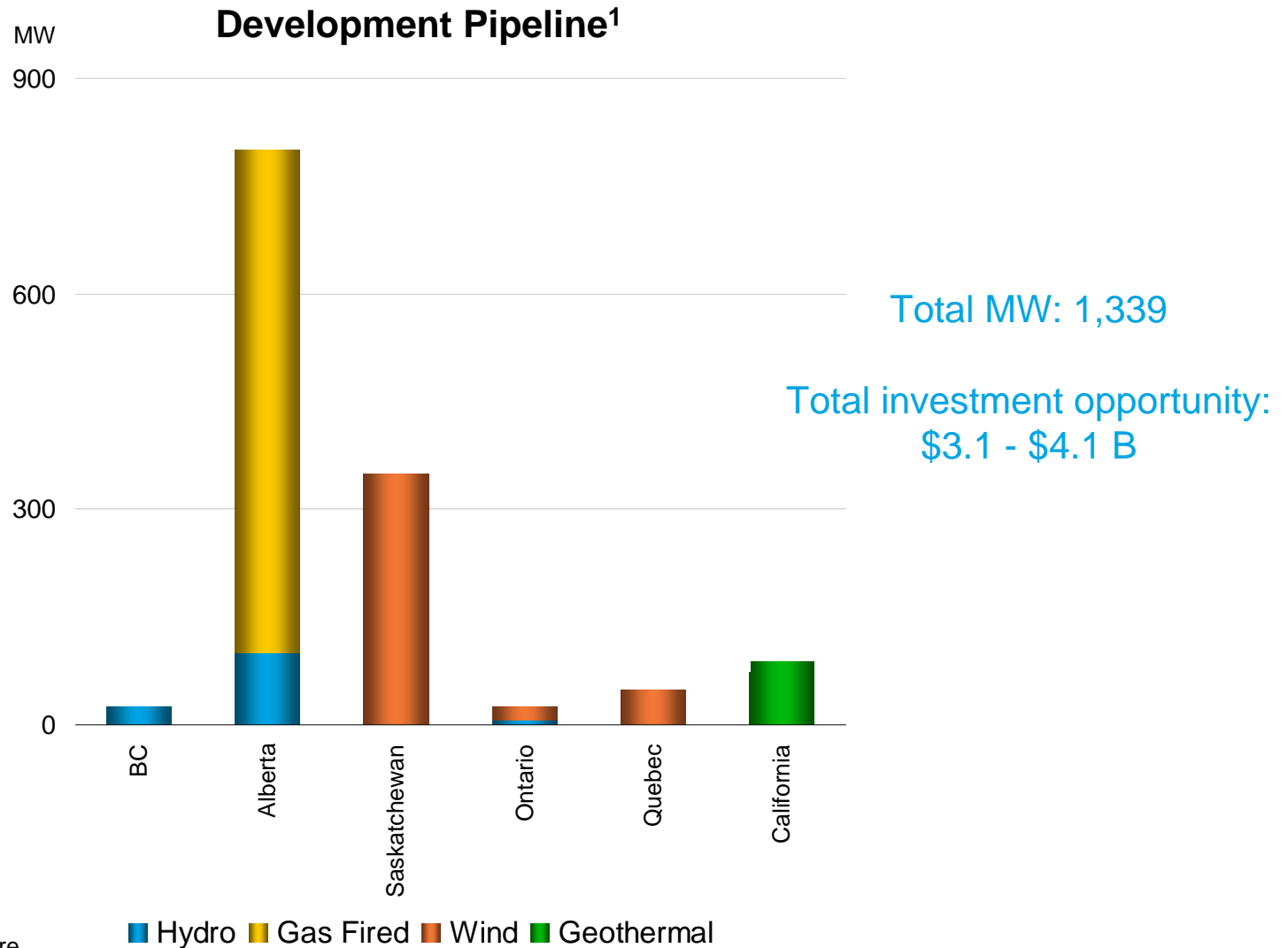


Over 3,000 MWs under PPAs at ~\$30 - \$35 per MWh until 2020

¹ Includes Sundance units 3 – 6, Keephills, Sheerness, and Alberta Hydro facilities

² Minimum power prices required for new NGCC facility

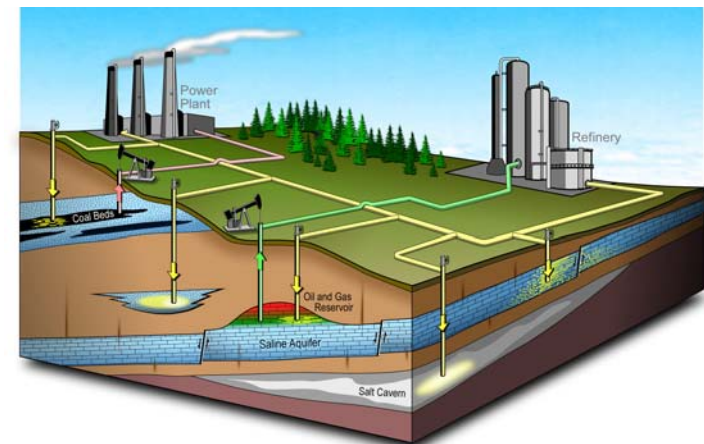
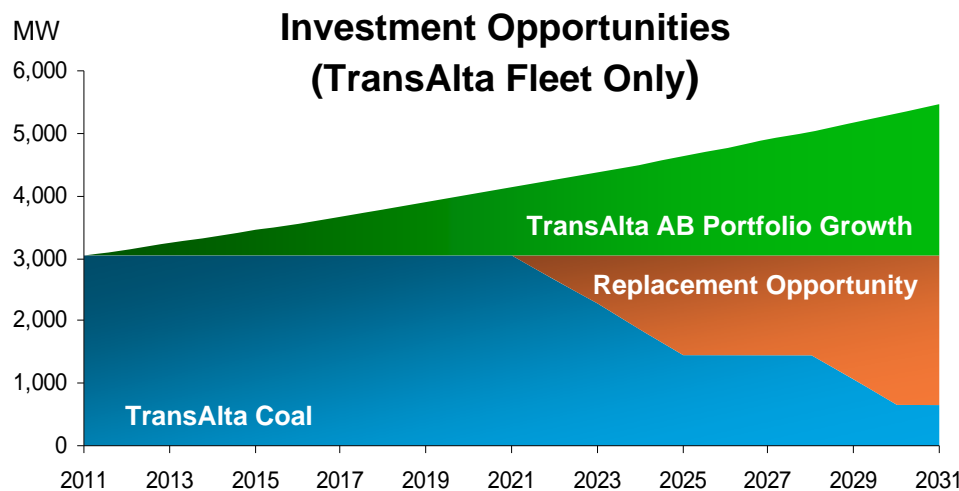
Over 1,300 MW of renewable energy in advanced development



¹ Based on TransAlta's share

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

We have significant opportunity with Carbon Capture and Storage (CCS)



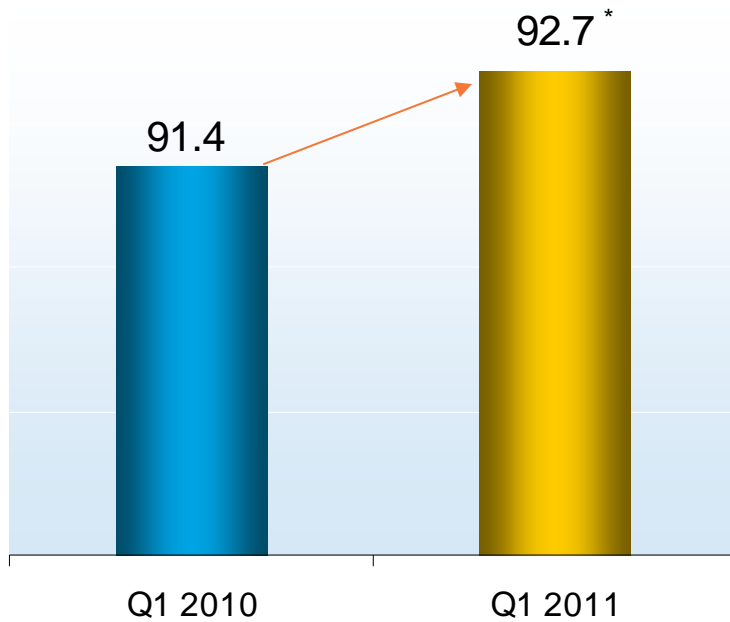
- Growth and replacement opportunity provide 4,800 MW at market prices and a \$8.6 - \$13.4 B Investment Opportunity¹

CCS provides:

- A mechanism for retrofitting and extending economic life of existing coal units
- Opportunities for new clean coal facilities
- Opportunity to utilize massive economic coal reserves in Alberta; 1,000 years of coal reserves
- A means for technology and regulatory development
- Strong competitive advantages

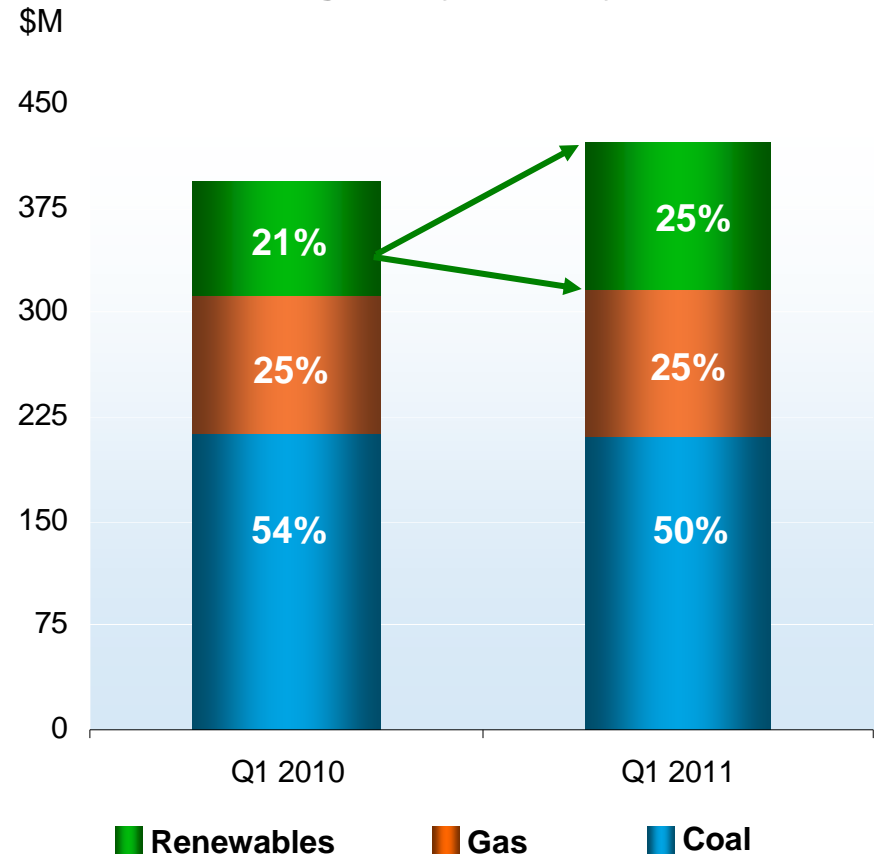
¹ Based on 45 year coal-life and \$1,800 - \$2,800 per KW

Availability (%)



*Excludes the impact of Sundance Units 1 and 2

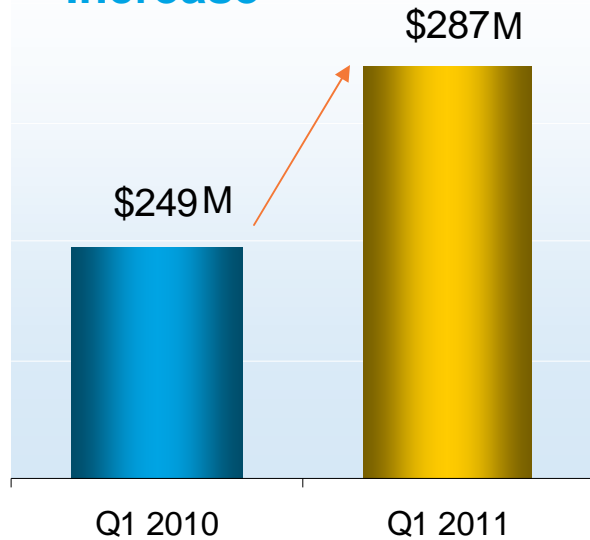
Comparable Generation Gross Margins by Fuel Type**



**Includes comparable gross margin from finance lease and equity investment assets

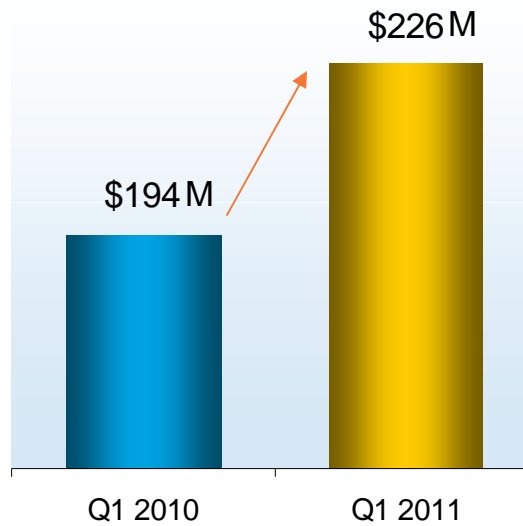
Comparable EBITDA

**15%
Increase**



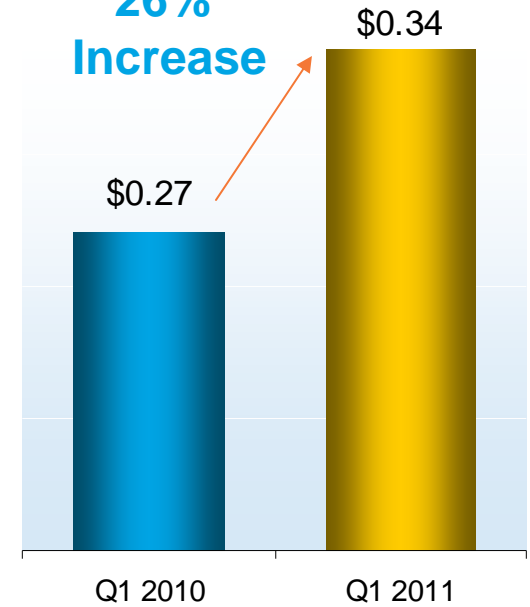
Funds from Operations

**17%
Increase**



Comparable EPS

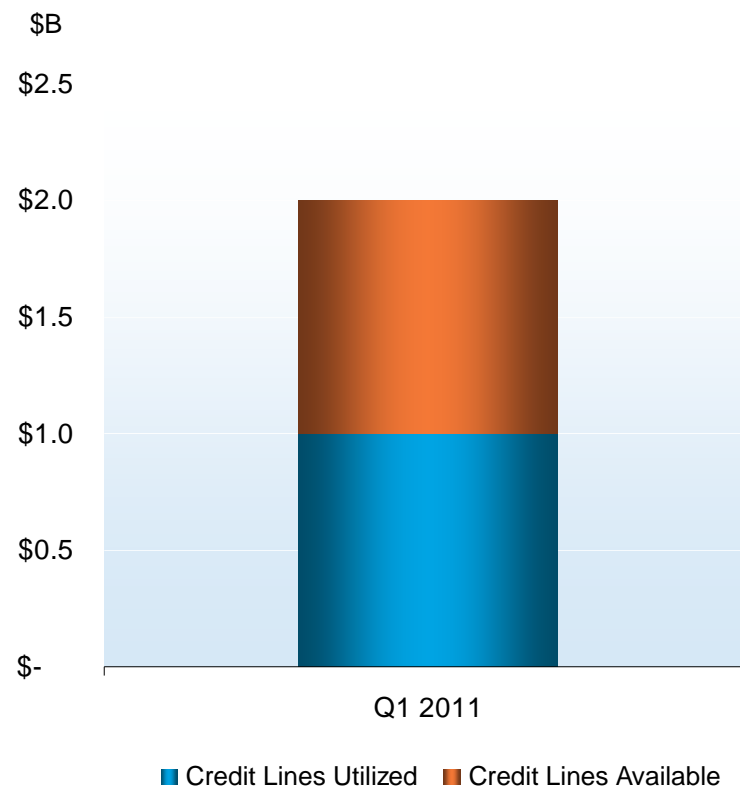
**26%
Increase**



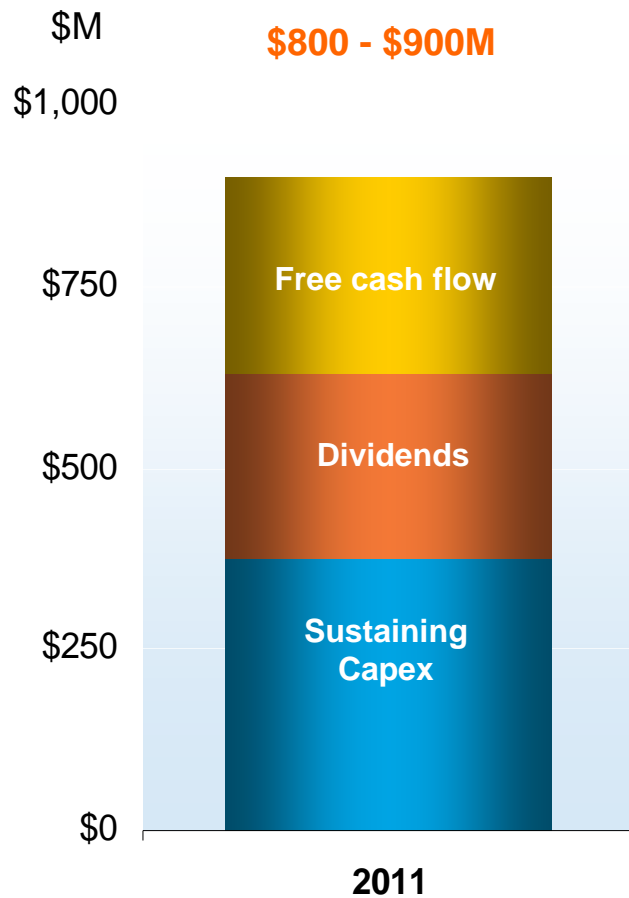
Investment Grade Credit Ratios

	Dec. 31 2010	Mar. 31 2011	Target Range
Cash flow to debt	19.6%	20.7%	20 – 25%
Cash flow to interest	4.6x	4.7x	4 – 5x
Debt to capital	53.1%	52.8%	55 – 60%

Committed Credit Lines



Funds from Operations



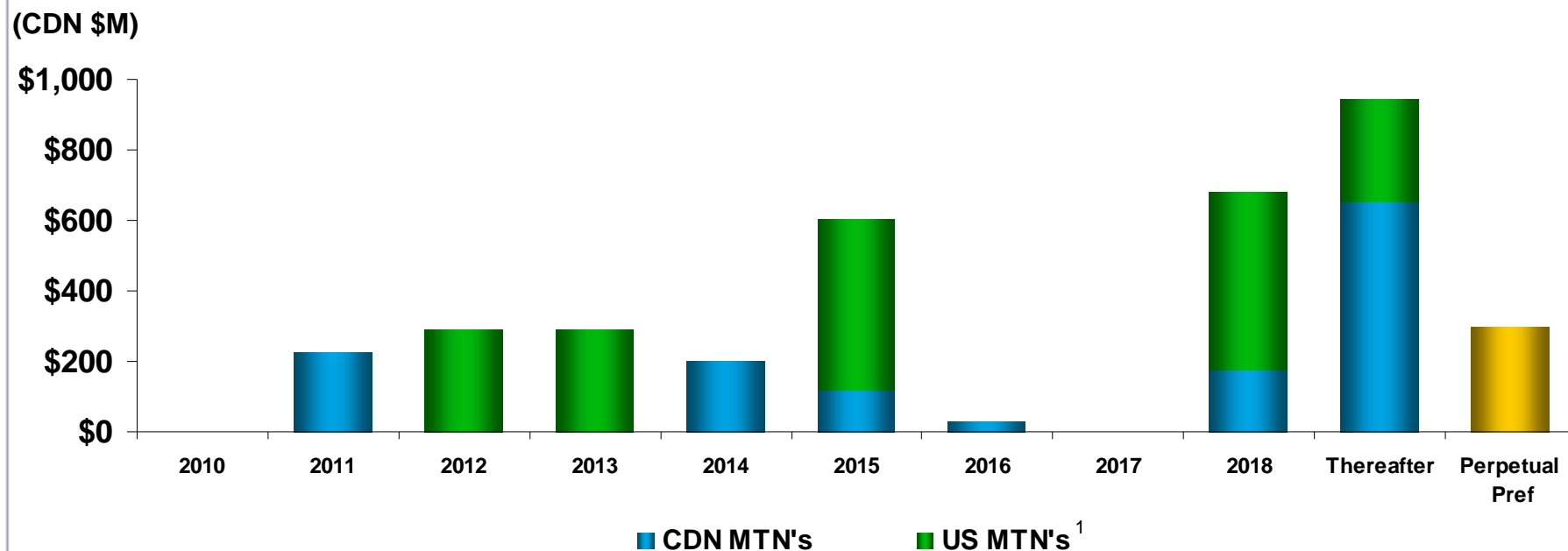
	2010 Actual	2011 Outlook
Availability	88.9%	89 – 90%
Funds from operations (IFRS)	\$805 M	\$800 – \$900 M
Energy Trading gross margin	\$41 M	\$45 – \$65 M
Sustaining Capex (IFRS)	\$355 M	\$310 – \$365 M

Near and long-term value driven by our unwavering commitment to provide strong yield and growth, maintain a disciplined strategy, and provide financial strength

- ▶ Disciplined and consistent strategy
- ▶ Strong and stable cash flow per share growth
- ▶ Highly contracted with leverage to power price recovery
- ▶ Excellent growth opportunities with multiple options for the future
- ▶ Significant upside as Alberta PPAs roll off
- ▶ Financial strength and stability

Appendix

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



¹ Based on March 31, 2011 FX rate of \$0.97 CAD/US

2011 - 2013 Sustaining capital plan¹

(\$M)	2011e	2012e	2013e
Sustaining	\$300 – 345	\$330 - 375	\$320 - 365
Routine Capital	\$95 - 105	\$80 - 95	\$85 - 100
Major Maintenance	\$180 - 210	\$210 - 230	\$180 - 200
Mine Capital	\$25 - 30	\$40 - 50	\$55 - 65
Other			
Repowering / Life Extension		\$85 - 110	\$15 - 35
Productivity	\$10 - 20	\$25 - 30	\$20 - 30

¹ Based on IFRS

2011 Major maintenance plan¹

(\$M)	Coal	Natural Gas and Renewables	Total
Capitalized	\$105 - 130	\$75 - 80	\$180 - 210
Expensed	-	\$0 - 5	\$0 - 5
GWh lost	1,770 - 1,790	370 - 380	2,140 - 2,170

¹ Based on IFRS

Projects in Advanced Development

LOCATION	PROJECT	CAPACITY MW	FUEL TYPE	RESOURCE & SITE CONTROL	ENVIRONMENTAL AND PERMITS		TURBINE SECURED	CAPEX RANGE \$ MM	PPA / LTC	TARGET COMMERCIAL OPERATION DATE
					Applied	Secured				
Quebec	St. Valentin	50	Wind	✓	✓		✓	\$150 - \$180	PPA/LTC	2012
Saskatchewan	Mistahay Utin	175	Wind	✓	✓		TBD	\$400 - \$500	PPA/LTC	2013
Saskatchewan	Willow Bunch	175	Wind	✓	✓		TBD	\$400 - \$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	✓	✓	✓	TBD	\$500 - \$700	Merchant	TBD
British Columbia	Clemina Creek	11	Hydro	✓	✓	✓	TBD	\$30 - \$40	PPA/LTC	TBD
British Columbia	Serpentine Creek	10	Hydro	✓	✓	✓	TBD	\$30 - \$40	PPA/LTC	TBD
British Columbia	English Creek	5	Hydro	✓	✓	✓	TBD	\$12 - \$20	PPA/LTC	TBD
Ontario	Royal Road	18	Wind	✓	✓		TBD	\$35 - \$45	PPA/LTC	TBD
Ontario	Yellow Falls	8*	Hydro	✓	✓		TBD	\$30 - \$45	PPA/LTC	TBD
TOTAL MW :		1,339						TOTAL COST:	\$3.0 B - \$4.1 B	

* TransAlta's share