2010 First Quarter Results

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

- First Quarter Results
- Performance Against Key Measures
- 2010 Outlook

Higher results from improved Alberta Coal performance and addition of Canadian Hydro assets

- **Increased comparable earnings per share; $0.31 versus $0.18 in Q1 2009**
  - Improvement in fleet availability to 91.4 per cent versus 86.4 per cent
  - Generation gross margin increase of $24 million due to:
    - Stronger fleet availability
    - Increased wind production resulting from acquisition of Canadian Hydro
    - Improved Alberta Coal performance
  - OM&A decreased by $14 million primarily due to lower planned maintenance activities
  - Energy Trading gross margins of $14 million in line with last year
  - Higher earnings partially offset by higher interest expense and taxes
- **Increased cash flow from operations; $174 million compared to $83 million in Q1 2009 due to more favourable movements in working capital**

Q1 2010

Results ($M)	Q1 2010	Q1 2009
Revenue	$726	$756
Gross margin	$404	$381
Operating income	$134	$85
Comparable earnings	$67	$36
Net Earnings	$67	$42
Comparable earnings per share	$0.31	$0.18
Basic and diluted earnings per share	$0.31	$0.21
EBITDA	$249	$212
Cash flow from operating activities	$174	$83
Cash dividends declared per share	$0.29	$0.29
Availability (%)	91.4	86.4
Production (GWh)	12,914	12,173

Comparable earnings

Results ($M)	Q1 2010	Q1 2009
Net earnings	**$67**	**$42**
Settlement of commercial issue, net of tax	-	(7)
Change in life of Centralia parts, net of tax	-	1
Earnings on a comparable basis	**$67**	**$36**
Weighted average common shares outstanding in the period	219	198
Earnings on a comparable basis per share	**$0.31**	**$0.18**

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Net earnings

	Q1 2010
Net earnings, 2009	**$42**
Increase in generation gross margins	24
Decrease in trading gross margins	(1)
Decrease in operations, maintenance, and admin costs	14
Decrease in depreciation expense	13
Increase in net interest expense	(15)
Decrease in other income	(7)
Decrease in non-controlling interest	9
Increase in income tax expense	(13)
Other	1
Net earnings, 2010	**$67**

Q1 2010 Significant events

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Significant events

- Decommissioning of Wabamun Plant

  Mar. 31, TransAlta fully retired all units of the Wabamun plant as part of our previously-announced shut down.

- Senior Notes Offering

  Mar. 9, TransAlta completed the offering of U.S.$300 million senior notes maturing in 2040 bearing an interest rate of 6.50%. Net proceeds from the offering were used to repay borrowings under existing credit facilities and for general corporate purposes.

- Summerview 2

  Feb. 23, TransAlta's 66 MW Summerview 2 wind farm began commercial operation on budget and ahead of schedule.

- Kent Hills Expansion

  Jan. 11, TransAlta announced a 25 year power purchase agreement with NB power and a 54 MW expansion of its wind farm for a cost of $100 million. The project is expected to be completed in Q4 2010.

Subsequent Event

- Centralia Thermal Contract

  Apr. 26, TransAlta announced it signed a memorandum of understanding (MOU) with the state of Washington to significantly reduce greenhouse gas emissions from the Centralia coal-fired plant and provide replacement capacity by 2025.

Performance goals

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Financial ratios	Measures	2010 Goals	Q1 2010	Q1 2009	Review
Achieve top decile operations	Availability	90%	91.4%	86.4%	Increased due to lower planned outages at Keephills and Sundance and lower unplanned outages at Sundance and Wabamun
Improve Safety	Injury Frequency Rate	1.0 by 2015	Annual Metric	Annual Metric	TBD
Enhance Productivity	OM&A/installed MWh	Offset Inflation	$8.00/MWh	$9.61/MWh	Decreased year-over-year due to less major maintenance activities in Q1 2010 and due to increased capacity
Grow Earnings and Cash Flow	Comparable EPS	>10%/yr	$0.31	$0.18	Increased due to lower planned and unplanned outages at Alberta Coal, higher wind volumes from the acquisition of Canadian Hydro, and the increased ARO from the decommissioning of Wabamun
	Operating Cash Flow	$850 - 950 MM	$174 MM	$83 MM	Higher operating cash flow due to more favourable movements in working capital
Make Sustaining Capex Predictable	Sustaining Capex	$295 - $340	Annual Metric	Annual Metric	TBD
Maintain Investment Grade Ratings	Cash Flow to Interest Cash Flow to Debt Debt to Total Capital	4 - 5X 20 - 25% 55 - 60%	4.6X 20.4% 54.9%	6.6X 29.9% 46.5%	Maintained strong balance sheet, financial ratios and ample liquidity
Deliver Long-term Shareowner Value	Comparable ROCE TSR IRR	>10%/yr >10%/yr >10%/yr	Annual Metrics	Annual Metrics	TBD

2010 Outlook

Well positioned to improve results in 2010

Drive the base:

- Targeting low double digit comparable EPS and EBITDA growth
- Approximately 90% of portfolio contracted for 2010 providing a high degree of earnings protection
- Target 90% fleet availability for 2010
- Energy trading expected to contribute between $50 - $70 million in gross margin

Green our portfolio:

- Summerview 2 expansion (66 MW) completed on budget and ahead of schedule, Feb. 2010
- Kent Hills expansion (54 MW) expected to come online in Q4 2010
- Ardenville (69 MW) wind farm expected to come online in Q1 2011
- Bone Creek (18 MW) hydro facility expected to come online in Q1 2011

Reposition coal:

- Project Pioneer Front End Engineering and Design (FEED) underway, expected to be completed by end of 2010
- Lifecycle planning and flexibility provided by revising Alberta coal plants major maintenance schedule on a unit by unit basis
- Centralia transition planning underway to reduce greenhouse gas emissions and provide replacement capacity by 2025

Appendix

Income statement

(MM)	Q1 '10	Q1 '09
Revenue	**$ 726**	$ 756
Fuel & purchased power	**322**	375
Gross margin	**404**	381
OM&A	**160**	174
Depreciation & amortization	**104**	117
Taxes, other than income taxes	**6**	5
Operating expenses	**270**	296
Operating Income	**134**	85
Foreign exchange gain	**3**	1
Net interest expense	**(48)**	(33)
Other income	**-**	7
Earnings before non-controlling interest and income taxes	**89**	60
Non-controlling interests	**5**	14
EBIT	**84**	46
Income tax expense	**17**	4
Net earnings	**$ 67**	$ 42
Net earnings per share	**$ 0.31**	$ 0.21

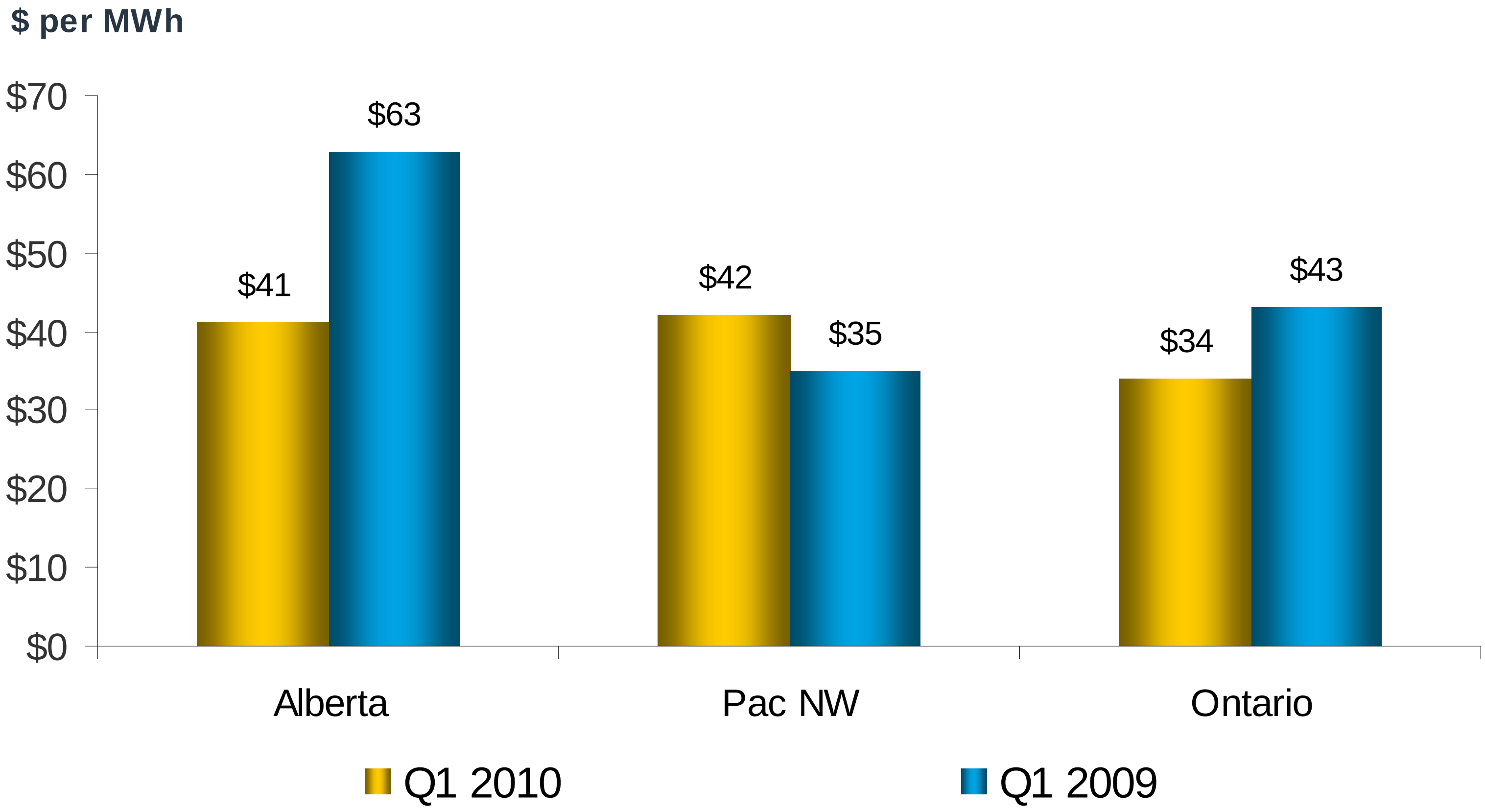
Cash flow

($M)	Q1'10	Q1'09
Operating Activities	**$ 190**	$ 191
Change in non-cash working capital	**(16)**	(108)
	174	83
Investing Activities		
Additions to property, plant, and equipment	**(126)**	(131)
Proceeds on sale of property, plant, and equipment	**2**	1
Restricted Cash	**-**	(1)
Realized losses on financial instruments	**(7)**	(6)
Net increse in collateral received from counterparties	**80**	192
Net (increase) decrease in collateral paid to counterparties	**(6)**	9
Settlement of adjustments on sale of Mexican investment	**-**	(7)
Other	**4**	6
	(53)	63
Financing activities		
Net decrease in credit facilities	**(327)**	(76)
Repayment of long-term debt	**(2)**	(2)
Issuance of long-term debt	**301**	-
Dividends paid on common shares	**(59)**	(54)
Net procees on issuance of common shares	**1**	-
Realized losses on financial instruments	**(17)**	-
Distributions to subsidiaries' non-controlling interests	**(14)**	(16)
Other	**(1)**	-
	(118)	(148)
Cash flow used in operating, investing, and financing	**3**	(2)
Effect of translation on foreign currency cash	**(1)**	1
Increase (decrease) in cash and cash equivalents	**$ 2**	$ (1)

Free cash flow

($M)	Q1 ‘10	Q1 ‘09
Cash flow from operating activities	$174	$83
Add (Deduct):		
Sustaining capital expenditures	(45)	(69)
Dividends on common shares	(59)	(54)
Distribution to subsidiaries’ non-controlling interest	(14)	(16)
Non-recourse debt repayments	-	(1)
Other income	-	(7)
Free cash flow (deficiency)	**$56**	**$(64)**

Average spot electricity prices



Average spark spreads