2011 First Quarter Results.

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Years ON

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

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

Outline

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- First quarter results
- Performance against key measures
- 2011 Outlook

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Strong results driven by strong operational performance across the fleet and improvements in Alberta market conditions

- **Comparable earnings per share increased 26% to $0.34 vs. $0.27 in Q1 2010**
  - Comparable generation gross margin increased by $28 million to $394 million due to:
    - Favourable pricing
    - Strong base operations and fleet availability of 92.7%; (90.3% including Sundance Units 1 and 2)
    - Increased hydro margins
  - Energy Trading gross margin of $15 million
  - OM&A decreased by $6 million; lower costs resulting from no longer operating the Poplar Creek base plant partially offset by costs associated with several productivity initiatives
- **Funds from operations (FFO) increased $32 million to $226 million vs. $194 million in Q1 2010**
  - Primarily related to higher hydro margins and increased wind production as a result of commissioning Ardenville, Summerview 2, and Kent Hills 2 during Q4 2010

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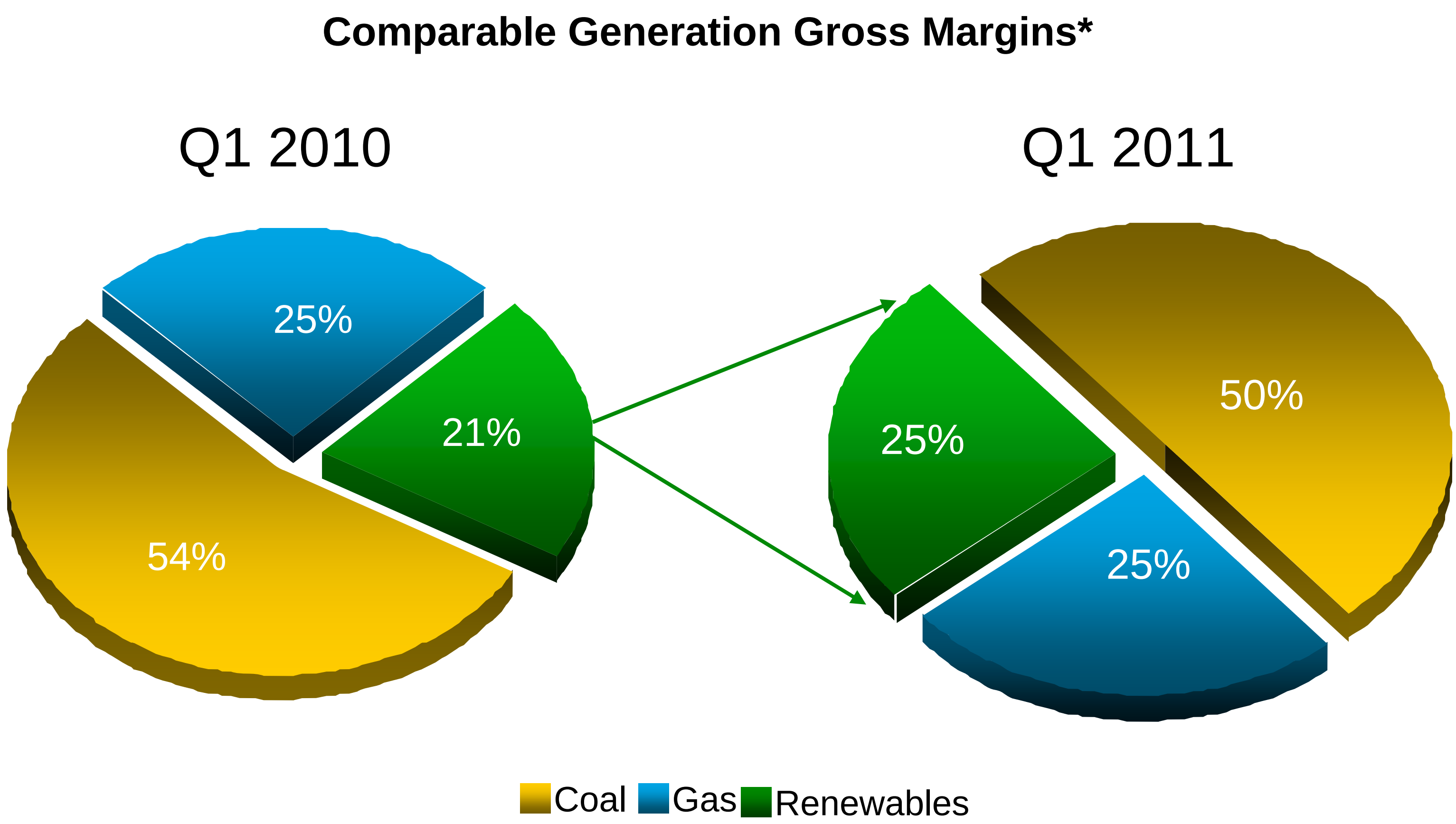
Renewable portfolio continues to generate higher margins; contributing 25% of total comparable generation gross margins



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

Q1 Highlights

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Results ($M)	Q1 2011	Q1 2010
Revenues	$818	$696
Gross margin	$608	$379
Operating income	$359	$133
Comparable earnings	$75	$60
Net earnings attributable to common shareholders	$204	$60
Comparable earnings per share	$0.34	$0.27
Net earnings per common share, basic and diluted	$0.92	$0.27
Comparable EBITDA	$287	$249
Cash flow from operating activities	$147	$171
Funds from operations	$226	$194
Funds from operations per share	$1.02	$0.89
Free cash flow	$99	$77
Cash dividends paid per common share	$0.29	$0.29
Availability (%)	90.3	91.4
Production (GWh)	10,104	12,914

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Comparable earnings

Results ($M)	Q1 2011	Q1 2010
Net earnings applicable to common shares	**$204**	**$60**
Impacts associated with certain de-designated and ineffective hedges, net of tax	(129)	-
Earnings on a comparable basis	**$75**	**$60**
Weighted average common shares outstanding in the period	221	219
Earnings on a comparable basis per share	**$0.34**	**$0.27**

Q1 Results

Net earnings	Q1
Net earnings attributable to common shareholders, 2010	**$60**
Increase in Generation gross margins	28
Mark-to-market movements – Generation	200
Increase in Energy Trading gross margins	1
Decrease in OM&A costs	6
Increase in depreciation expense	(8)
Increase in net interest expense	(1)
Decrease in equity loss	4
Increase in income tax expense	(73)
Increase in net earnings attributable to non-controlling interests	(6)
Increase in preferred share dividends	(4)
Other	(3)
Net earnings attributable to common shareholders, 2011	**$204**

Q1 Significant events

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Significant events

- **New Richmond**
  March 28, TransAlta announced the construction of the 66 MW New Richmond wind project located in Quebec. New Richmond is contracted under a 20-year Power Purchase Agreement with Hydro-Quebec Distribution. The cost of the project is estimated to be ~$205 million and commercial operations are expected to commence in Q4 2012.

- **Centralia Coal**
  March 5, Washington State Senate passed the TransAlta Energy Transition Bill ("the Bill") that reflects the agreement reached with the Governor's office, state legislators, and local environmental groups to establish a transition plan that would allow the Centralia Coal plant to run until 2025.

  April 11, the Bill was passed by the Washington State House of Representatives. Because the Bill was amended in the House Environment and Capital Budget Committees, it was voted on again by the Senate on April 21, 2011 and passed. It must now be signed into Law by the Governor no later than May 14, 2011. We will continue to work with the State government and other impacted parties to successfully achieve and implement the transition plan.

- **Sundance Unit 1 and 2 Outage**
  Feb. 8, TransAlta issued a notice of termination for destruction of Sundance Units 1 and 2. This action was based on the determination that the physical state of the boilers was such that the units cannot be economically restored to service under the terms of the PPA.

  Feb. 18, the PPA Buyer provided notice that it intends to dispute the notice of force majeure and termination for destruction, and intends to pursue the dispute resolution process set out under the terms of the PPA. Although no assurance can be given as to the timing or ultimate outcome of these matters, which could impact cash flows during the interim period, we believe that they will be resolved in our favour. We remain committed to continuing to work with the PPA Buyer and the Balancing Pool under the processes established within the PPA.

Performance Metrics

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2011 Goals	Measures	Q1 2011	Q1 2010	Review
Availability & Production: Achieve 89 – 90% fleet availability and optimize production	Availability Production	90.3% 10,104 GWh	91.4% 12,914 GWh	Availability and production decreased due to higher planned and unplanned outages. Production was also impacted by economic dispatching at Centralia Thermal, retirement of Wabamun, Sun 1 & 2 outage, and sale of Meridian.
Safety Target an IFR of 1 by 2015	Injury Frequency Rate	Annual Metric	Annual Metric	TBD
Productivity Offset the impact of inflation on OM&A expenses	OM&A/installed MWh	$7.46/MWh	$7.05/MWh	OMA/installed MWh was slightly higher quarter over quarter as a result of lower installed capacity, which was primarily due to the shut down of Sundance Units 1 and 2.
EBITDA, Earnings & Cash Flow Steadily grow comparable EBITDA, comparable EPS and FFO on a trend-line basis over the commodity cycle	Comparable EBITDA Comparable EPS FFO	$287 M $0.34 $226 M	$249 M $0.27 $194 M	Comparable EBITDA, comparable EPS and FFO increased due to higher margins from the renewable portfolio, strong operational performance, and pricing improvements.
Sustaining Capex 2011 Target: $310 - $364 M	Sustaining Capex	Annual Metric	Annual Metric	TBD
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.	4.7X 20.7% 52.8%	4.6X* 19.6%* 53.1%*	Maintained strong balance sheet, financial ratios and ample liquidity
Long-term Shareowner Value Achieve an average ROCE and TSR of 10% per year over the long term	5-Year Rolling Avg.: Comparable ROCE TSR	Annual Metrics	Annual Metrics	TBD

*As of Dec. 31, 2010

Well positioned to steadily grow earnings and funds from operations on a trend-line basis over the commodity cycle

- **Drive the Base**
  - Sustain strong availability: On track to hit target of 89 – 90% for full year
  - Energy trading expected to contribute between $45 - $65 million in gross margin
  - Grow comparable EBITDA, comparable EPS, and FFO on a trend line basis over the commodity cycle
- **Reposition Coal**
  - Conclude the Front End Engineering and Design (FEED) study for Project Pioneer
  - Chart a new future for Centralia under the TransAlta Energy Transition Bill.
- **Green and Diversify our Portfolio**
  - Bone Creek, 19 MW hydro facility expected to come online in Q2 2011
  - Keephills 3, 450 MW, coal-facility expected to come online in Q3 2011

Appendix

Income Statement

(MM)	Q1 '11	Q1 '10
Revenue	**$ 818**	$ 696
Fuel & purchased power	**210**	317
	608	379
OM&A	**128**	134
Depreciation & amortization	**114**	106
Taxes, other than income taxes	**7**	6
	249	246
	359	133
Finance lease income	**2**	2
Equity loss	**-**	(4)
Foreign exchange gain	**1**	3
Net interest expense	**(49)**	(48)
Earnings before non-controlling interest and income taxes	**313**	86
Income tax expense	**92**	19
Net earnings	**221**	67
Net earnings attributable to:		
TransAlta shareholders	**208**	60
Non-controlling interests	**13**	7
	221	67
Net earnings attributable to TransAlta shareholders	**208**	60
Preferred share dividends	**4**	-
Net earnings attributable to common shareholders	**204**	60
Weighted average number of common shares outstanding in the period	**221**	219
Net earnings per share attributable to common shareholders, basic and diluted	**$ 0.92**	$ 0.27

Cash flow statement

($M)	Q1 '11	Q1 '10
Operating Activities		
Funds from operations	$ 226	$ 194
Change in non-cash working capital	(79)	(23)
Cash flow from operating activities	147	171
Investing Activities		
Additions to property, plant, and equipment	(87)	(121)
Additions to intangibles	(5)	(4)
Proceeds on sale of property, plant, and equiptment	1	2
Resolution of certain tax matters	2	-
Realized gain (losses) on financial instruments	2	(7)
Net (decrease) increase in collateral received from counterparties	(16)	80
Net increase in collateral paid to counterparties	(9)	(6)
Other	-	5
	(112)	(51)
Financing activities		
Net increase (decrease) in borrowings under credit facilities	40	(327)
Repayment of long-term debt	(2)	(2)
Issuance of long-term debt	-	301
Dividends paid on common shares	(47)	(59)
Dividends paid on preferred shares	(4)	-
Net proceeds on issuance of common shares	1	1
Realized losses on financial instruments	-	(17)
Distributions paid to subsidiaries' non-controlling interests	(17)	(14)
Cash received from finance leases	1	1
Other	(1)	(1)
	(29)	(117)
Cash flow from operating, investing, and financing activities	6	3
Effective change in value of foreign cash	(1)	-
Increase in cash and cash equivalents	5	3

Free cash flow

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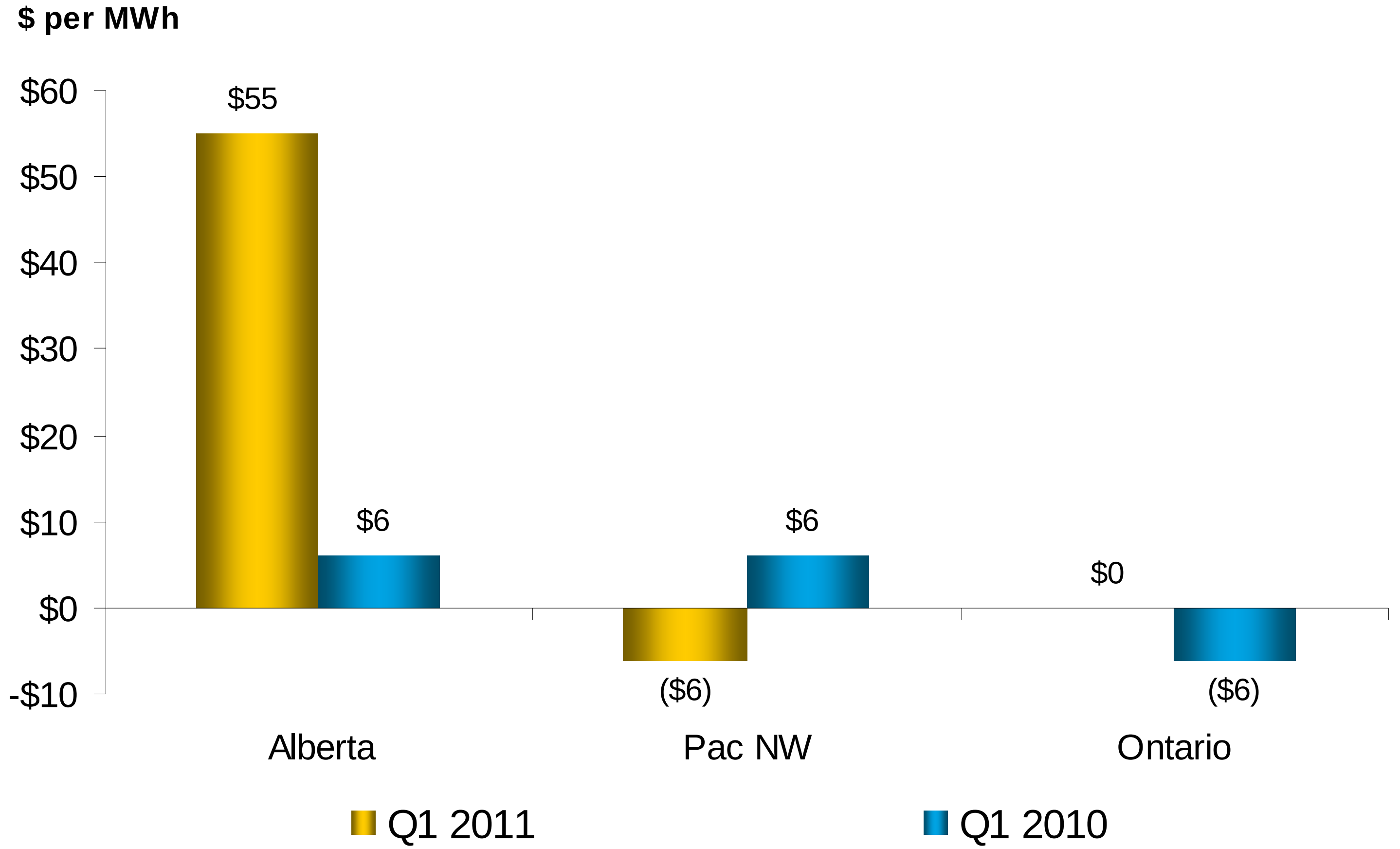
($M)	Q1 2011	Q1 2010
Cash flow from operating activities	$147	$171
Add (Deduct):		
Changes in working capital	79	23
Sustaining capital expenditures	(59)	(44)
Dividends paid on common shares	(47)	(59)
Dividends paid on preferred shares	(4)	-
Distribution to subsidiaries' non-controlling interests	(17)	(14)
Free (deficiency) cash flow	**$99**	**$77**

Average spark spreads



Average spot electricity prices