2010
Second Quarter Results

TransAlta™

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

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

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Results improved through increased production, lower OM&A costs, and more favourable pricing

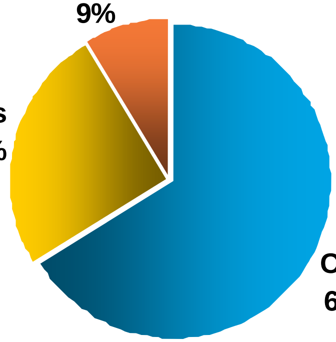
- **Increased comparable earnings per share to $0.10 versus a comparable loss per share of $0.03 in Q2 2009 due to:**
  - Improved Generation gross margins; increase of $22 million driven by higher production, higher margin renewables, Sarnia contract, and modest pricing improvements
  - Lower OM&A costs; decreased by $35 million due to lower planned outages, targeted cost savings across the company, and favourable foreign exchange rates
  - Higher earnings partially offset by the Sundance 3 outage and by Energy Trading results
- **YTD comparable earnings per share of $0.40 versus $0.16 for the same period in 2009**
- **Funds from operations of $184 million versus $94 million in Q2 2009; YTD funds from operations of $374 million versus $285 million in 2009**
  - Increased cash flow from operations; $98 million versus to $57 million in Q2 2010 due to higher cash earnings
  - YTD cash flow from operations of $272 million versus $140 million for the same period in 2009

Growth in renewables increased contribution to gross margin by nearly 10% compared to Q2 2009

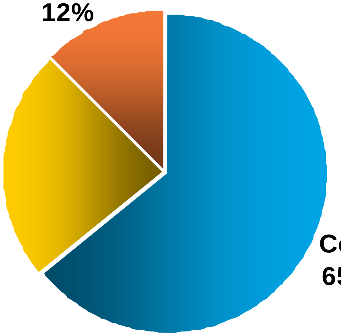
	Q2 2009	Q2 2010

Production Contribution

9,656 GWh

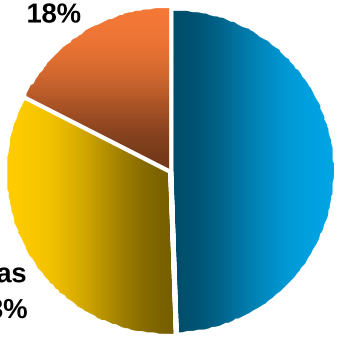


10,201 GWh

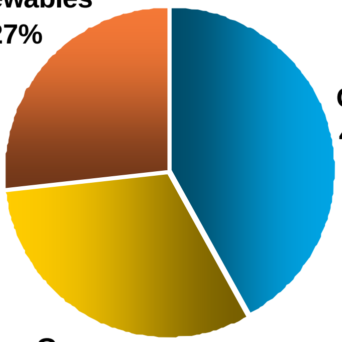


Gross Margin Contribution

$331 million



$353 million



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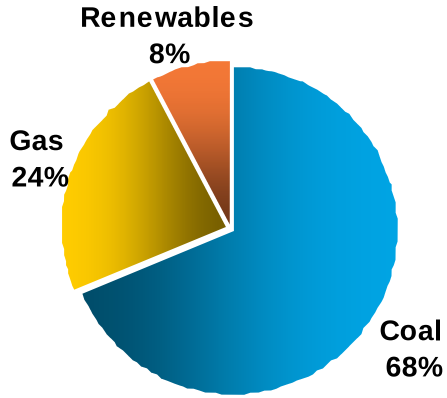
Growth in renewables has increased contribution to production and gross margin YTD

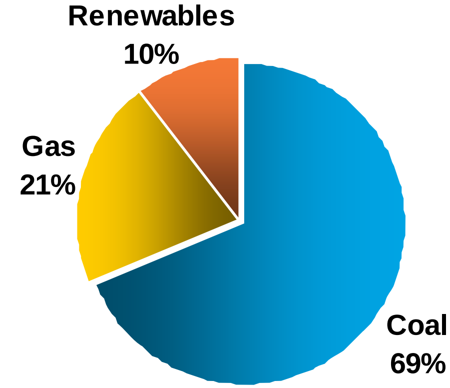
	YTD 2009	YTD 2010

Production Contribution

21,829 GWh

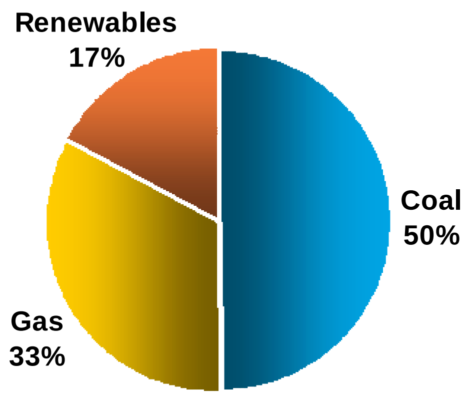


23,115 GWh

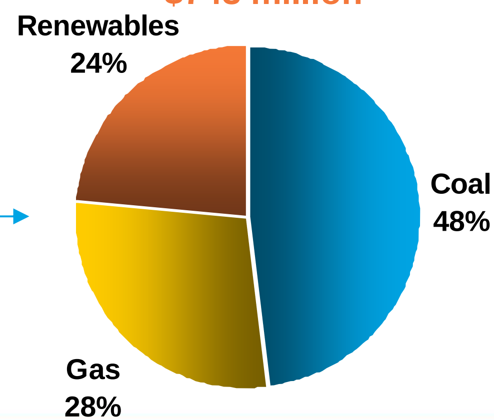


Gross Margin Contribution

$697 million



$743 million



Q2 2010 - Highlights

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Results ($M)	Q2 2010	Q2 2009	YTD 2010	YTD 2009
Revenue	$582	$585	$1,308	$1,341
Gross margin	$353	$346	$757	$727
Operating income	$55	$14	$189	$99
Comparable earnings (loss)	$21	$(6)	$88	$31
Net earnings (loss)	$51	$(6)	$118	$36
Comparable earnings (loss) per share	$0.10	$(0.03)	$0.40	$0.16
Basic and diluted earnings (loss) per share	$0.23	$(0.03)	$0.54	$0.18
EBITDA	$182	$142	$431	$354
Funds from operations	$184	$94	$374	$285
Cash flow from operating activities	$98	$57	$272	$140
Cash dividends declared per share	$0.29	$0.29	$0.58	$0.58
Availability (%)	81.9	82.8	86.7	84.6
Production (GWh)	10,201	9,656	23,115	21,829

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Comparable earnings

Results ($M)	Q2 2010	Q2 2009	YTD 2010	YTD 2009
Net earnings (loss)	**$51**	**$(6)**	**$118**	**$36**
Income tax recovery related to the resolution of certain outstanding tax matters	(30)	-	(30)	-
Settlement of commercial issue, net of tax	-	-	-	(6)
Change in life of Centralia parts, net of tax	-	-	-	1
Earnings (loss) on a comparable basis	**$21**	**$(6)**	**$88**	**$31**
Weighted average common shares outstanding in the period	219	198	219	198
Earnings (loss) on a comparable basis per share	**$0.10**	**$(0.03)**	**$0.40**	**$0.16**

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Net earnings

	Q2 2010	YTD 2010
Net (loss) earnings, 2009	**$(6)**	**$36**
Increase in Generation gross margins	22	46
Decrease in Energy Trading gross margins	(15)	(16)
Decrease in OM&A costs	35	49
Decrease in depreciation expense	-	13
Increase in net interest expense	-	(15)
Decrease in non-controlling interest	3	12
Increase in income tax recovery	16	3
Other	(4)	(10)
Net earnings, 2010	**$51**	**$118**

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Significant events

- **Project Pioneer**

  June 28, TransAlta announced Enbridge will officially participate in the development of Project Pioneer.

- **Chief Financial Officer (CFO)**

  June 18, Brett Gellner appointed CFO, succeeding Brian Burden who announced retirement.

- **Sundance Unit 3 Outage**

  June 7, TransAlta announced its Sundance 3 unit experienced a mechanical failure of critical generator components and gave notice to the Balancing Pool of a high impact low probability (HILP) event of force majeure. TransAlta included a $13 million after-tax change in second quarter earnings and expects to recover this upon completion of the Power Purchase Arrangement process.

- **Centralia Thermal Memorandum of Understanding (MOU)**

  April 26, TransAlta announced the signing of a MOU with the State of Washington to enter discussions to develop an agreement to significantly reduce greenhouse gas emissions from the Centralia Thermal plant and to provide replacement capacity by 2025.

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Sustaining capex slightly reduced due to changes in natural gas plant major maintenance schedule

($M)	**2010e**	**2011e***	**2012e***
Sustaining	$275 - 320	$310 - 355	$310 - 360
Routine capital	$120 - 140	$115 - 130	$115 - 130
Productivity capital	$10 - 15	$5 - 10	$5 - 10
Mine	$20 - 25	$35 - 40	$40 - 50
Major Maintenance	$125 - 140	$155 - 175	$150 - 170

***Estimates provided at TransAlta's 2009 Investor Day have not been updated.**

All projects tracking on time and on budget

Completed	MW	2009	2010e	2011e	2012e	Total
Blue Trail	66	$87	-	-	-	$113[1]
Sun 5 uprate	53	$60	-	-	-	$ 77[2]
Summerview 2	66	$81	$15 - 25			$123[3]
Total	**185**	**$228**				**$313**

In Progress	MW	2009	2010e	2011e	2012e	Total
Kent Hills 2	54	$18	$80 - 85			$100
Bone Creek	18	$4	$40 - 45			$48[4]
Keephills 3	225	$231	$225 - 245	$20 - 30		$988[5]
Ardenville	69	$27	$95 - 105			$135
KI & K2 uprates	46	$2	$5 - 15	$25 - 35	$20 - 30	$68
Total	**412**	**$282**	**$445 - 495**	**$45 - 65**	**$20 - 30**	**$1.3B**

1. Blue Trail capital spend prior to 2009 was $26M
2. Sun 5 uprate capital spend prior to 2009 was $17M
3. Summerview II capital spend prior to 2008 was $25M
4. Bone Creek capital spend prior to the acquisition was $23M which does not form part of our total project cost
5. Keephills 3 capital spend prior to 2009 was $476M

On track to deliver on our strategic priorities; well positioned for a strong second half of 2010

Drive the base:

- Targeting double digit comparable EPS and EBITDA growth
- Approximately 92% contracted for 2010 providing a high degree of earnings protection
- 89 - 90% fleet availability target for 2010
- Cash flow from operations expected to range between $800 - $900 million
- Energy trading expected to contribute between $40 - $60 million in gross margin

Green our portfolio:

- New production expected from Kent Hills 2 (54 MW) expansion 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
- Keephills 3 (225 MW) expected to come online in Q2 2011

Reposition coal:

- Centralia transition planning underway to reduce GHG emissions and provide replacement capacity by 2025
- Strong competitive advantages in Alberta to navigate federal government's mandate to phase-out coal
- Project Pioneer Front End Engineering and Design (FEED) underway, expected to be completed by end of 2010

Appendix

Performance goals

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Financial ratios	Measures	2010 Goals	Q2 2010	Q2 2009	Review
Achieve top decile operations	Availability	90%	81.9%	82.8%	Decreased due to higher planned and unplanned outages at Centralia Thermal and the outage at Sundance Unit 3
Improve Safety	Injury Frequency Rate	1.0 by 2015	Annual Metric	Annual Metric	TBD
Enhance Productivity	OM&A/installed MWh	Offset Inflation	$8.76/MWh	$11.30/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	$0.10	$(0.03)	Increased due to lower planned outages at Keephills and increased production from the acquisition of Canadian Hydro
	Operating Cash Flow	$850 – 950* MM	$98 MM	$57 MM	Higher operating cash flow due to higher cash earnings
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 Invested Capital	4 - 5X 20 - 25% 55 - 60%	4.8X 20.1% 57.7%	5.9X 24.7% 49.4%	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

*Estimate revised to $800 - $900 million

Income statement

(MM)	Q2 '10	Q2 '09	YTD'10	YTD'09
Revenue	**$ 582**	$ 585	**$ 1,308**	$ 1,341
Fuel & purchased power	**229**	239	**551**	614
Gross margin	**353**	346	**757**	727
OM&A	**172**	207	**332**	381
Depreciation & amortization	**118**	118	**222**	235
Taxes, other than income taxes	**8**	7	**14**	12
Operating expenses	**298**	332	**568**	628
Operating Income	**55**	14	**189**	99
Foreign exchange gain	**-**	2	**3**	3
Net interest expense	**(33)**	(33)	**(81)**	(66)
Other income	**-**	1	**-**	8
Earnings (loss) before non-controlling interest and income taxes	**22**	(16)	**111**	44
Non-controlling interests	**7**	10	**12**	24
Earnings (loss) before income taxes	**15**	(26)	**99**	20
Income tax recovery	**(36)**	(20)	**(19)**	(16)
Net earnings (loss)	**$ 51**	**$ (6)**	**$ 118**	**$ 36**
Net earnings (loss) per share	**$ 0.23**	$ (0.03)	**$ 0.54**	$ 0.18

Cash flow

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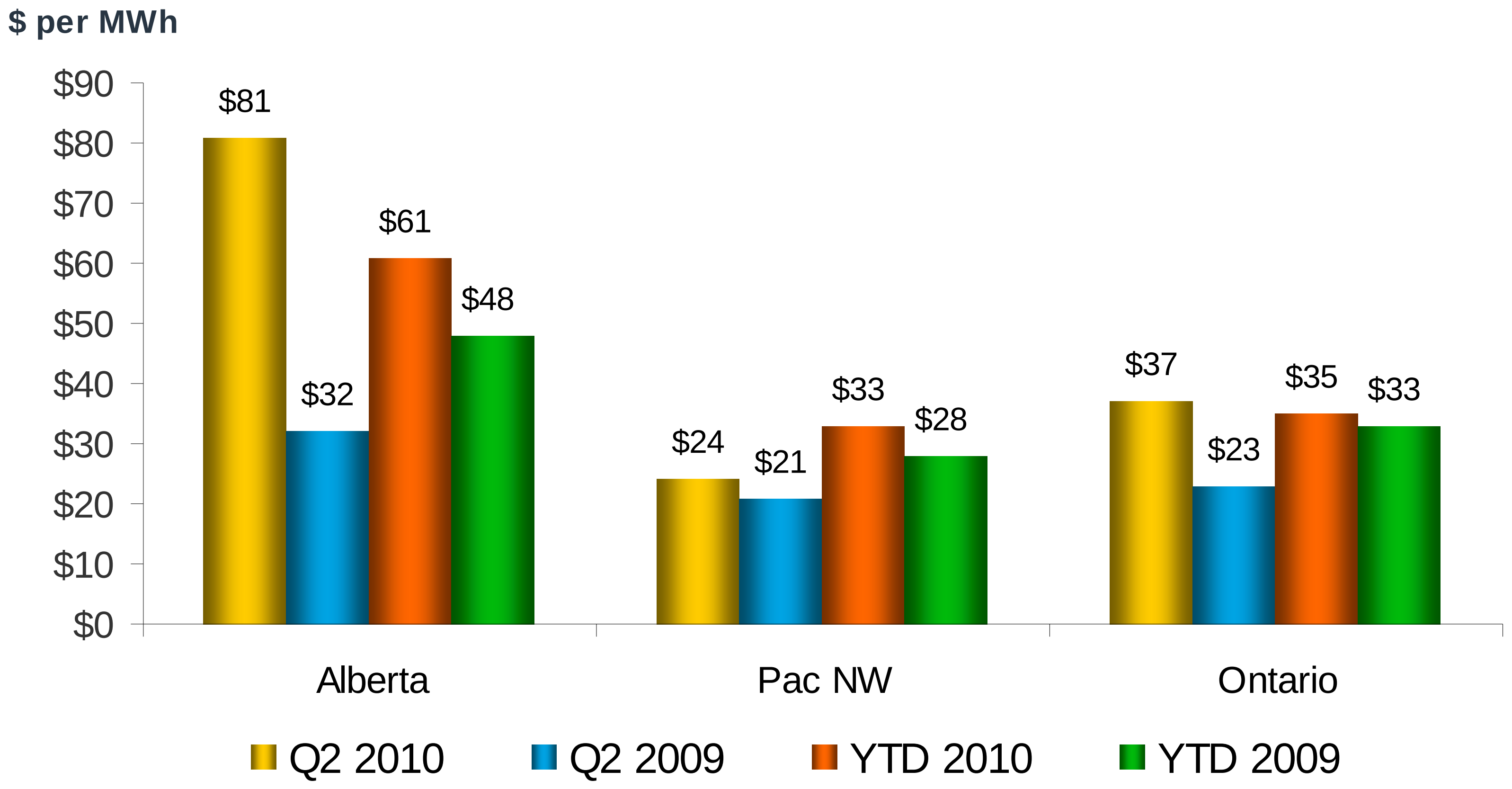
($M)	Q2'10	Q2'09	YTD'10	YTD'09
Operating Activities	**$ 184**	$ 94	**$ 374**	$ 285
Change in non-cash operating working capital balances	**(86)**	(37)	**(102)**	(145)
	98	57	**272**	140
Investing Activities				
Additions to property, plant, and equipment	**(283)**	(281)	**(409)**	(412)
Proceeds on sale of property, plant, and equipment	**1**	-	**3**	1
Proceeds on minority interest in Kent Hills	**-**	29	**-**	29
Restricted Cash	**-**	(1)	**-**	(2)
Realized losses on financial instruments	**(14)**	(8)	**(21)**	(14)
Net (decrease) increse in collateral received from counterparties	**(54)**	(72)	**26**	120
Net decrease (increase) in collateral paid to counterparties	**4**	(2)	**(2)**	7
Settlement of adjustments on sale of Mexican investment	**-**	-	**-**	(7)
Other	**2**	(20)	**6**	(14)
	(344)	(355)	**(397)**	(292)
Financing activities				
Net increase (decrease) in credit facilities	**298**	194	**(29)**	118
Repayment of long-term debt	**(16)**	(16)	**(18)**	(18)
Issuance of long-term debt	**-**	200	**301**	200
Dividends paid on common shares	**(64)**	(57)	**(123)**	(111)
Net procees on issuance of common shares	**3**	-	**4**	-
Realized losses on financial instruments	**-**	-	**(17)**	-
Distributions to subsidiaries' non-controlling interests	**(15)**	(17)	**(29)**	(33)
Other	**1**	-	**-**	-
	207	304	**89**	156
Cash flow (used in) from operating, investing, and financing	**(39)**	6	**(36)**	4
Effect of translation on foreign currency cash	**(2)**	(1)	**(3)**	-
Decrease (increase) in cash and cash equivalents	**$ (41)**	$ 5	**$ (39)**	$ 4

Free cash flow

($M)	Q2'10	Q2'09	YTD'10	YTD'09
Cash flow from operating activities	$98	$57	$272	$140
Add (Deduct):				
Sustaining capital expenditures	(98)	(109)	(143)	(178)
Dividends paid on common shares	(64)	(57)	(123)	(111)
Distribution to subsidiaries' non-controlling interests	(15)	(17)	(29)	(33)
Non-recourse debt repayments	(13)	(17)	(13)	(18)
Other income	-	(1)	-	(8)
Free cash flow (deficiency)	**$(92)**	**$(144)**	**$(36)**	**$(208)**

Average spot electricity prices



Average spark spreads