2011 Second Quarter Results.

100 Years ON

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 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

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

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Results driven by strong operational performance across the fleet and increased Energy Trading gross margins

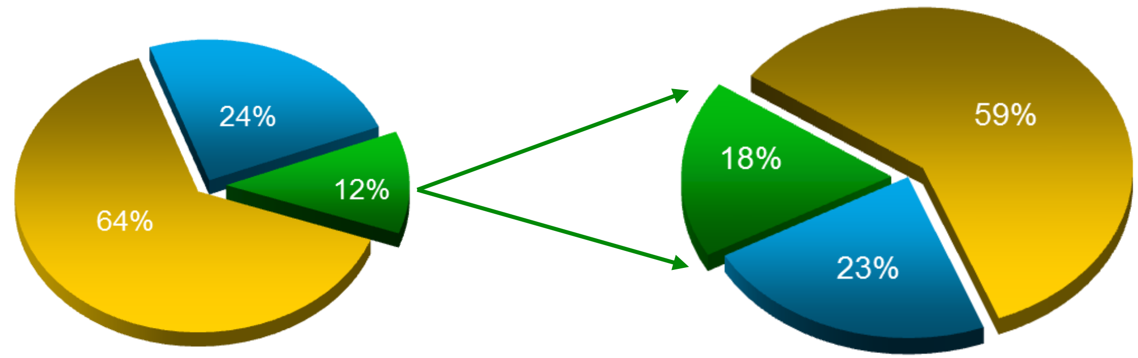
- **Comparable earnings per share increased 93% to $0.29 vs. $0.15 in Q2 2010**
  - Comparable generation gross margin increased by $34 million to $356 million due to:
    - Strong base operations and fleet availability of 89.2%[1]
    - Increased hydro margins and higher wind volumes
    - Lower planned and unplanned outages at the Alberta coal facilities
  - Energy Trading gross margin of $37million
- **YTD comparable earnings per share of $0.63 vs. $0.42 for the same period in 2010**
- **Funds from operations (FFO) increased $24 million to $226 million vs. $202 million in Q2 2010**
  - Higher cash earnings primarily as a result of fewer outages at the Alberta coal facilities, increased hydro margins, and higher wind production

(1) Adjusted for economic dispatching at Centralia Thermal

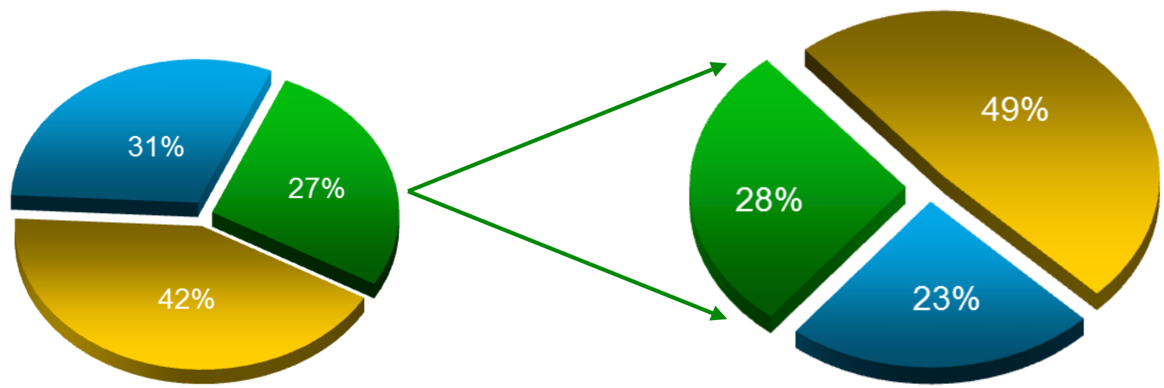
Renewable portfolio continues to grow; contributing higher production volumes and margins quarter-over-quarter

Q2 2010 **Q2 2011**

Production Contribution*



Comparable Generation Gross Margin Contribution*



Coal Gas Renewables

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

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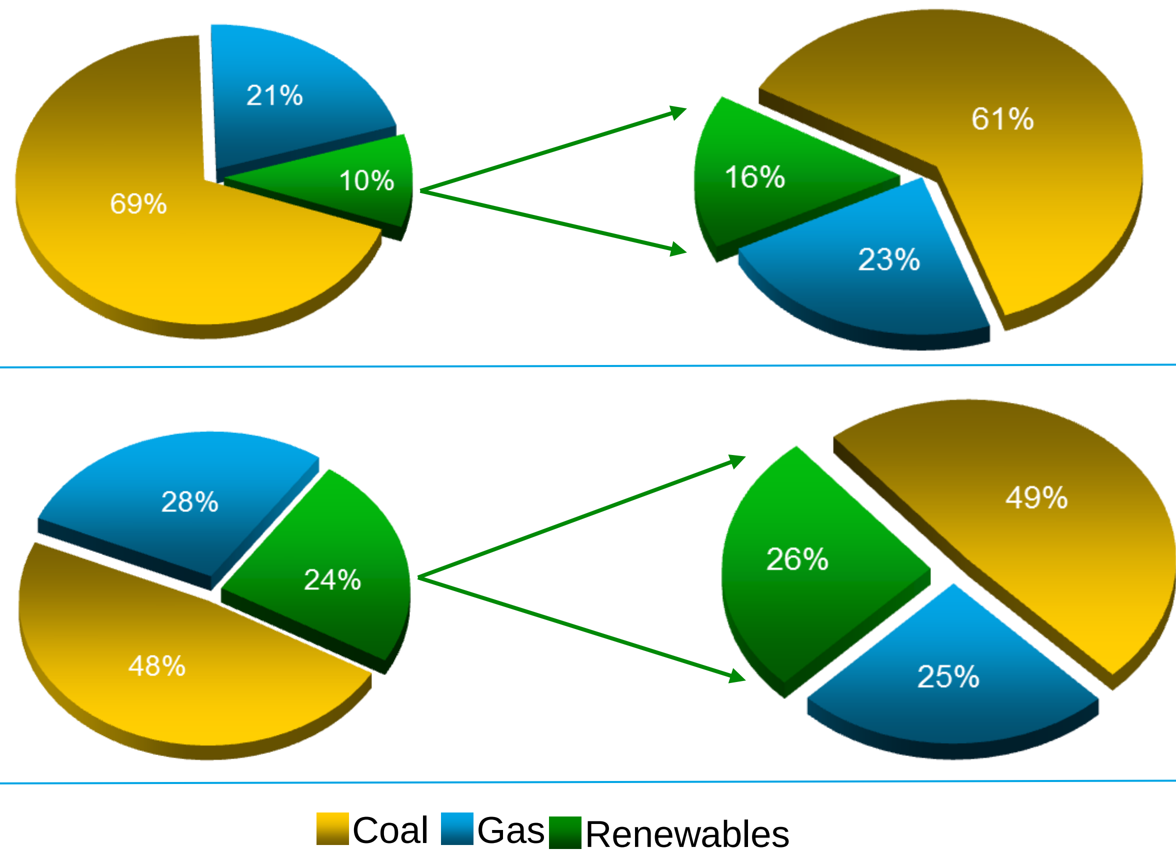
Renewable portfolio has contributed 16% of overall production and 26% of total comparable generation gross margins YTD

YTD 2010 **YTD 2011**

Production Contribution*

Comparable Generation Gross Margin Contribution*



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

Q2 Highlights

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($M, except per share amounts)	**Q2 2011**	Q2 2010	**YTD 2011**	YTD 2010
Revenues	**515**	547	**1,333**	1,243
Gross margin	**328**	322	**936**	701
Operating income	**67**	70	**426**	203
Net earnings attributable to common shareholders	**12**	63	**216**	123
Net earnings per common share, basic and diluted	**0.05**	0.29	**0.97**	0.56
Comparable earnings	**65**	33	**140**	93
Comparable earnings per share	**0.29**	0.15	**0.63**	0.42
Comparable EBITDA	**271**	194	**558**	443
Funds from operations	**226**	202	**452**	396
Funds from operations per share	**1.02**	0.92	**2.04**	1.81
Cash flow from operating activities	**144**	126	**291**	297
Free cash flow	**80**	10	**179**	87
Dividends paid per common share	**0.29**	0.29	**0.58**	0.58
Availability (%)	**76.9**	81.9	**83.7**	86.7
Production (GWh)	**8,878**	10,201	**18,982**	23,115

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Comparable earnings

($M, except per share amounts)	**Q2 2011**	Q2 2010	**YTD 2011**	YTD 2010
Net earnings attributable to common shareholders	**12**	63	**216**	123
Impacts associated with certain de-designated and ineffective hedges, net of tax	**42**	-	**(87)**	-
Gain on sale of the Meridian facility, net of tax	**(2)**	-	**(2)**	-
Write off of wind development costs, net of tax	**3**	-	**3**	-
Writedown of capital spares, net of tax	**3**	-	**3**	-
Asset impairment charges, net of tax	**7**	-	**7**	-
Income tax recovery related to the resolution of certain outstanding tax matters	**-**	(30)	**-**	(30)
Earnings on a comparable basis	**65**	33	**140**	93
Weighted average common shares outstanding in the period	**222**	219	**222**	219
Earnings on a comparable basis per share	**0.29**	0.15	**0.63**	0.42

Q2 Significant events

Significant events

- **Bone Creek**
  June 1, TransAlta's 19 MW Bone Creek hydro facility began full commercial operations. The total capital cost of the project was approximately $52 million.

- **Keephills 3**
  May 30, TransAlta, in conjunction with its partner, Capital Power Corporation, completed synchronizing the 450 MW (225 MW net to TransAlta) Keephills 3 supercritical coal facility to the grid. Keephills 3 is currently undergoing a final testing period and is expected to achieve commercial operations by the end of the third quarter.

- **Centralia Coal**
  April 29, the Washington State Governor signed the TransAlta Energy Transition Bill ("the Bill") into law. The Bill represents a collaborative agreement reached with the Governor's office, state legislators, and local environmental groups to establish a framework to transition from coal-fired energy produced at the Centralia Coal plant by 2025. The Memorandum of Agreement, which is part of the Bill, must be signed by the Governor no later than Jan. 1, 2012. We will continue to work with the State government and other impacted parties to successfully achieve and implement the transition plan.

Subsequent event

- **President and CEO**
  July 27, TransAlta announced that its President and CEO Steve Snyder will retire, effective Jan. 1, 2012. Dawn Farrell, TransAlta's Chief Operating Officer, will succeed Mr. Snyder as President and CEO on Jan. 2, 2012.

Q2 Results

Net earnings

($M, except per share amounts)	Q2	YTD
Net earnings attributable to common shareholders, 2010	**63**	**123**
Increase in Generation gross margins	34	62
Mark-to-market movements – Generation	(65)	135
Increase in Energy Trading gross margins	37	38
Increase in OM&A costs	(6)	-
Increase in depreciation expense	(4)	(12)
Increase in gain on sale of assets	3	3
Increase in asset impairment charges	(9)	(9)
Increase in net interest expense	(15)	(16)
Increase in equity income	1	5
Increase in income tax expense	(24)	(97)
Increase in net earnings attributable to non-controlling interests	-	(6)
Increase in preferred share dividends	(3)	(7)
Other	-	(3)
Net earnings attributable to common shareholders, 2011	**12**	**216**

Performance Metrics

2011 Goals	Measures	Q2 2011	Q2 2010	Review
Availability & Production: Achieve 89 – 90% fleet availability and optimize production	Availability Production	89.2%(1) 8,878 GWh	81.9% 10,201 GWh	Availability increased due to lower planned and unplanned outages at the Alberta coal facilities. Production decreased due to the shut down at Sundance 1 & 2, higher unplanned outages at Centralia Thermal, and the 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	$7.71/MWh	$6.87/MWh	OMA/installed MWh increased quarter over quarter due to higher Energy Trading compensation costs, combined with lower installed capacity primarily due to the shut down of Sun 1 & 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	$271 M $0.29 $226 M	$194 M $0.15 $202 M	Comparable EBITDA, comparable EPS and FFO increased due to strong operational performance, higher wind volumes & higher hydro margins. Comparable EBITDA and EPS also increased due to strong trading results.
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.	4.6X 20.2% 53.8%	4.6X(2) 19.6%(2) 53.1%(2)	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

(1) Adjusted for economic dispatching at Centralia Thermal *(2) 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[1]
  - Energy Trading expected to contribute between $45 - $65 million in gross margin, and we expect to be at the high end of the range
  - 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 achieved full COD in Q2 2011
  - Keephills 3, 450 MW, coal-facility expected to reach COD in Q3 2011

(1) Adjusted for economic dispatching at Centralia Thermal

Appendix

Statement of Earnings

($M, except per share amounts)	Q2 '11	Q2 '10	YTD '11	YTD '10
Revenues	515	547	1,333	1,243
Fuel & purchased power	187	225	397	542
	328	322	936	701
OM&A	134	128	262	262
Depreciation & amortization	120	116	234	222
Taxes, other than income taxes	7	8	14	14
	261	252	510	498
	67	70	426	203
Finance lease income	2	2	4	4
Equity income (loss)	2	1	2	(3)
Gain on sale of assets	3	-	3	-
Other income	1	-	1	-
Foreign exchange (loss) gain	(2)	-	(1)	3
Asset impairment charges	(9)	-	(9)	-
Net interest expense	(48)	(33)	(97)	(81)
Earnings before income taxes	16	40	329	126
Income tax (recovery) expense	(6)	(30)	86	(11)
Net earnings	22	70	243	137
Net earnings attributable to:				
TransAlta shareholders	15	63	223	123
Non-controlling interests	7	7	20	14
	22	70	243	137
Net earnings attributable to TransAlta shareholders	15	63	223	123
Preferred share dividends	3	-	7	-
Net earnings attributable to common shareholders	12	63	216	123
Weighted average number of common shares outstanding in the period	221	219	222	219
Net earnings per share attributable to common shareholders, basic and diluted	0.05	0.29	0.97	0.56

Statement of Cash Flows

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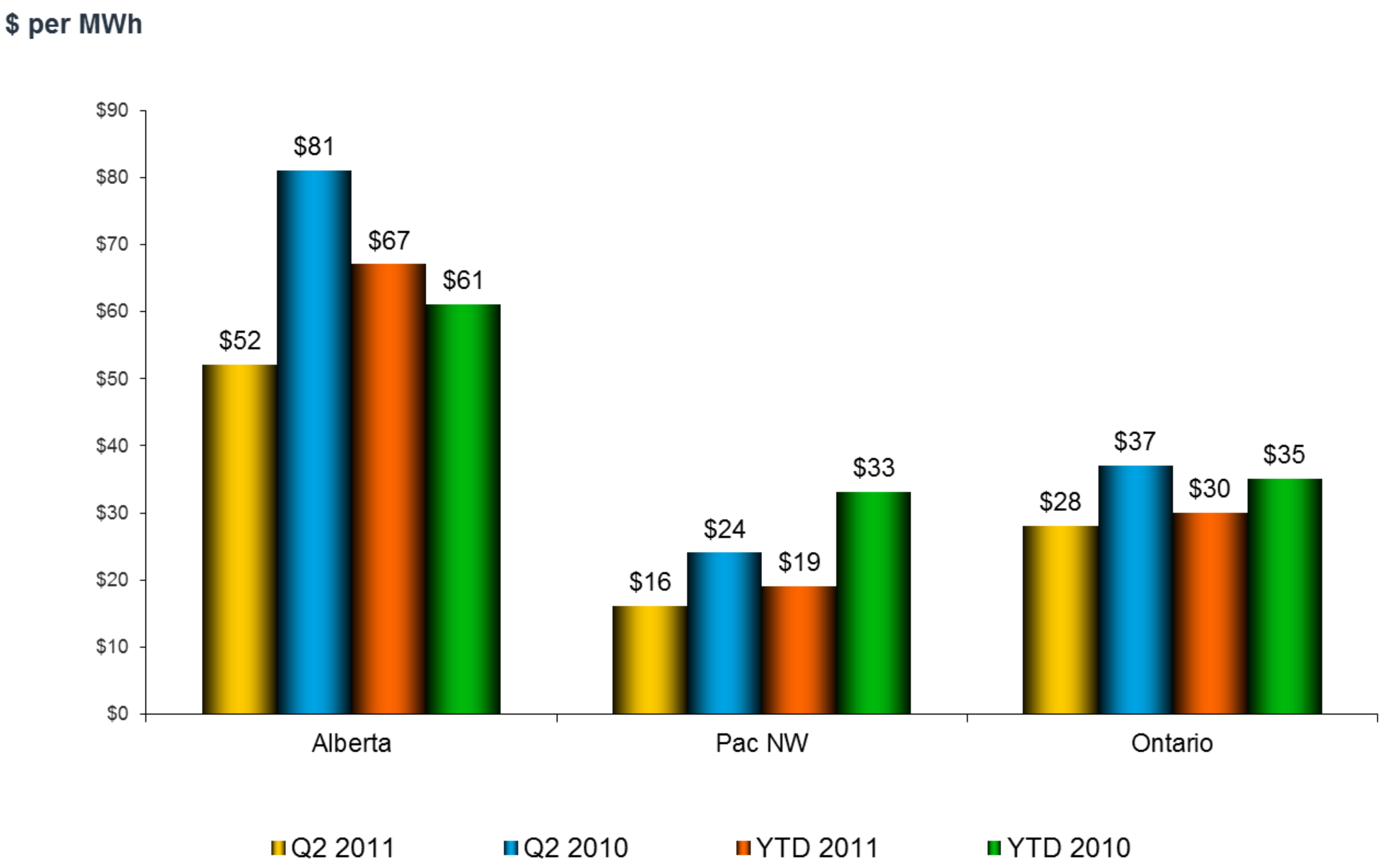
($M)	Q2 '11	Q2 '10	YTD '11	YTD '10
Operating Activities				
Funds from operations	**226**	202	**452**	396
Change in non-cash working capital	**(82)**	(76)	**(161)**	(99)
Cash flow from operating activities	**144**	126	**291**	297
Investing Activities				
Additions to property, plant, and equipment	**(104)**	(301)	**(191)**	(422)
Additions to intangibles	**(6)**	(6)	**(11)**	(10)
Proceeds on sale of property, plant, and equiptment	**1**	1	**2**	3
Proceeds on sale of Meridian	**30**	-	**30**	-
Resolution of certain tax matters	**1**	-	**3**	-
Realized (gains) losses on financial instruments	**(4)**	(14)	**(2)**	(21)
Net increase (decrease) in collateral received from counterparties	**(40)**	(54)	**(56)**	26
Net increase (decrease) in collateral paid to counterparties	**-**	4	**(9)**	(2)
Other	**15**	3	**15**	8
Cash flow used in investing activities	**(107)**	(367)	**(219)**	(418)
Financing activities				
Net increase (decrease) in borrowings under credit facilities	**260**	298	**300**	(29)
Repayment of long-term debt	**(228)**	(3)	**(230)**	(5)
Issuance of long-term debt	**-**	-	**-**	301
Dividends paid on common shares	**(48)**	(64)	**(95)**	(123)
Dividends paid on preferred shares	**(3)**	-	**(7)**	-
Net proceeds on issuance of common shares	**-**	3	**1**	4
Realized losses on financial instruments	**-**	-	**-**	(17)
Distributions paid to subsidiaries' non-controlling interests	**(18)**	(15)	**(35)**	(29)
Reduction of the finance lease receivable	**-**	-	**1**	1
Other	**(4)**	1	**(5)**	-
Cash flow (used in) from financing activities	**(41)**	220	**(70)**	103
Cash flow (used in) from operating, investing, and financing activities	**(4)**	(21)	**2**	(18)
Effective change in value of foreign cash	**2**	(3)	**1**	(3)
(Decrease) increase in cash and cash equivalents	**(2)**	(24)	**3**	(21)

Free cash flow

($M)	**Q2 2011**	**Q2 2010**	**YTD 2011**	**YTD 2010**
Cash flow from operating activities	**144**	126	**291**	297
Add (Deduct):				
Changes in working capital	**82**	76	**161**	99
Sustaining capital expenditures	**(77)**	(113)	**(136)**	(157)
Dividends paid on common shares	**(48)**	(64)	**(95)**	(123)
Dividends paid on preferred shares	**(3)**	-	**(7)**	-
Distributions to subsidiaries' non-controlling interests	**(18)**	(15)	**(35)**	(29)
Free cash flow	**80**	10	**179**	**87**

Average spot electricity prices



Average spark spreads

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