2011 Third 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.

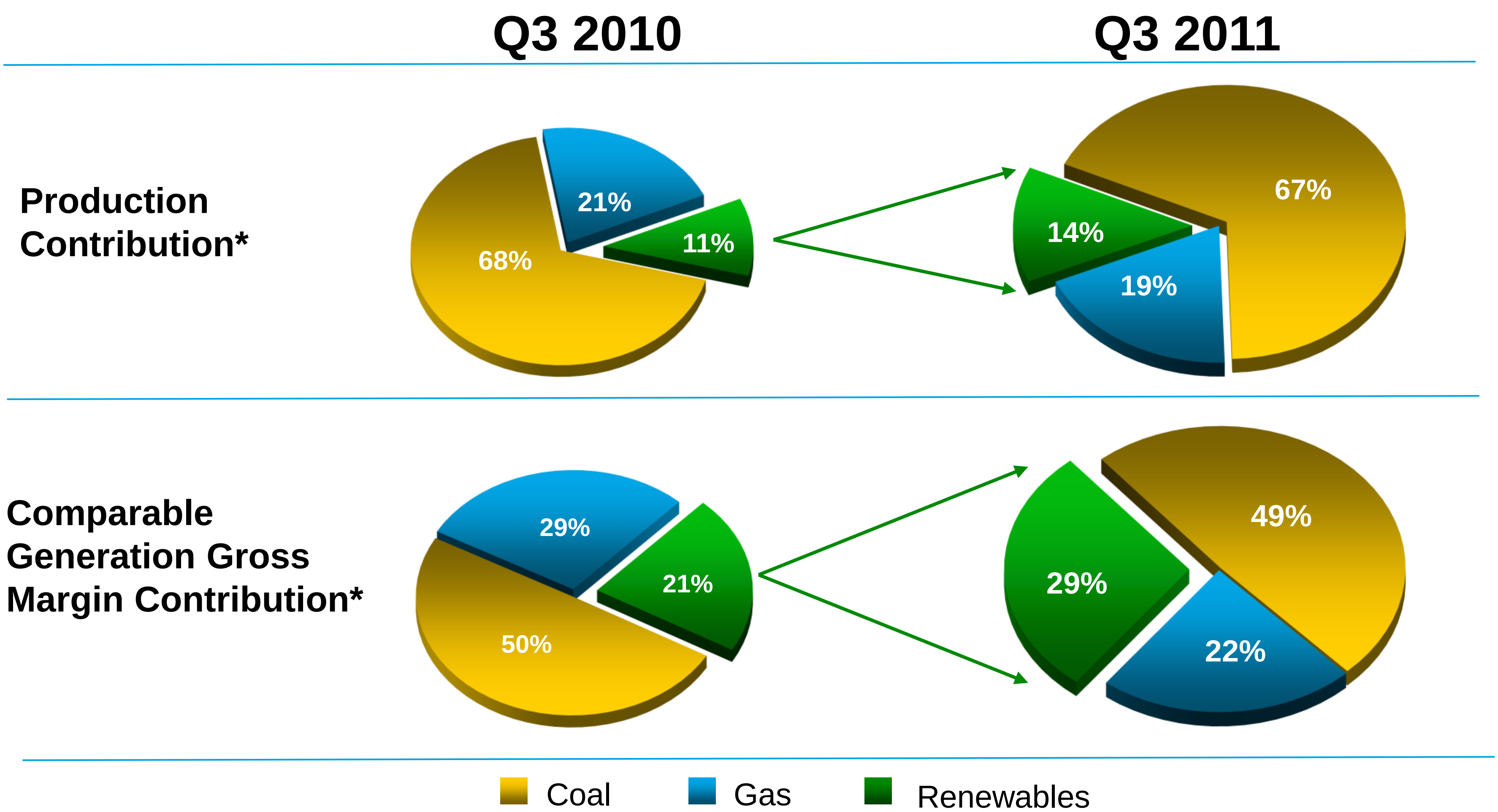
Outline

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

Results driven by strong operational performance and higher Energy Trading gross margins

- **Comparable earnings per share increased 50% to $0.27 vs. $0.18 in Q3 2010**
  - Comparable generation gross margin increased to $335 million due to:
    - Strong hydro and wind margins
    - Higher pricing in Alberta
    - Commissioning of the Keephills Unit 3 facility
    - Partially offset by higher planned and unplanned outages at our Alberta coal facilities and higher planned outages at our natural gas-fired facilities
  - Energy Trading gross margin of $45 million
- **YTD comparable earnings per share of $0.91 vs. $0.60 for the same period in 2010**
- **Comparable EBITDA increased $29 million to reach $246 million in Q3 2010**
- **Funds from operations (FFO) decreased $7 million to $168 million vs. $175 million in Q3 2010**
  - Higher earnings from Generation and Energy Trading were offset mainly by higher interest expense due to the addition of new assets and the timing of cash receipts

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



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

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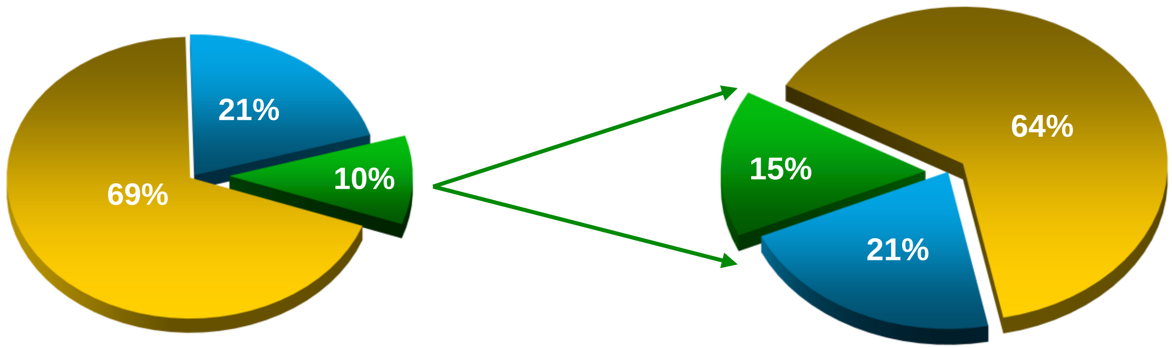
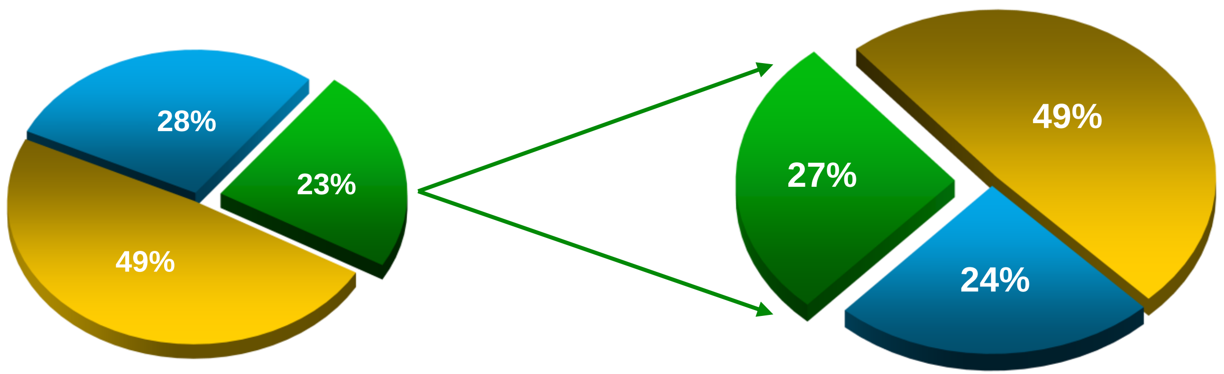
Renewable portfolio has contributed 15% of overall production and 27% of total comparable generation gross margins YTD

	YTD 2010	YTD 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

Q3 Highlights

($M, except per share amounts)	**Q3 2011**	Q3 2010	**YTD 2011**	YTD 2010
Revenues	**629**	651	**1,962**	1,894
Gross margin	**371**	336	**1,307**	1,037
Operating income	**111**	85	**537**	288
Net earnings attributable to common shareholders	**50**	40	**266**	163
Net earnings per common share, basic and diluted	**0.22**	0.18	**1.20**	0.74
Comparable earnings	**61**	40	**201**	133
Comparable earnings per share	**0.27**	0.18	**0.91**	0.60
Comparable EBITDA	**246**	217	**804**	660
Funds from operations	**168**	175	**620**	571
Funds from operations per share	**0.75**	0.80	**2.79**	2.60
Cash flow from operating activities	**221**	224	**512**	521
Free cash (deficiency) flow	**(7)**	26	**172**	116
Dividends paid per common share	**0.29**	0.29	**0.87**	0.87
Availability (%)	**83.9**	91.0	**83.7**	88.1
Production (GWh)	**10,368**	12,742	**29,350**	35,857

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Comparable earnings

($M, except per share amounts)	**Q3 2011**	Q3 2010	**YTD 2011**	YTD 2010
Net earnings attributable to common shareholders	**50**	40	**266**	163
Impacts associated with certain de-designated and ineffective hedges, net of tax	**7**	-	**(80)**	-
Gain on sale of the Meridian facility, net of tax	-	-	**(2)**	-
Write off of wind development costs, net of tax	-	-	**3**	-
Writedown of capital spares, net of tax	-	-	**3**	-
Asset impairment charges, net of tax	**4**	-	**11**	-
Income tax recovery related to the resolution of certain outstanding tax matters	-	-	-	(30)
Earnings on a comparable basis	**61**	40	**201**	133
Weighted average common shares outstanding in the period	**223**	220	**222**	220
Earnings on a comparable basis per share	**0.27**	0.18	**0.91**	0.60

Q3 Significant events

Significant events

- **Keephills Unit 3**
  Sept. 1, TransAlta, in conjunction with its partner, Capital Power Corporation, began commercial operations of the 450 MW (225 MW net to TransAlta) Keephills Unit 3 supercritical coal facility. The total cost of the project is estimated to be $1.98 billion.

- **Grande Prairie Facility**
  July 27, we signed an agreement to sell our interest in the biomass facility located in Grande Prairie. This deal closed on Oct. 1, 2011.

- **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.

Subsequent event

- **U.S. Headquarters**
  Oct. 26, TransAlta announced it is launching plans to grow its presence in the western United States by opening the headquarters of TransAlta USA in Olympia, Washington.

Q3 Results

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Net earnings

($M, except per share amounts)	Q3	YTD
Net earnings attributable to common shareholders, 2010	**40**	**163**
(Decrease) increase in Generation gross margins	(2)	60
Mark-to-market movements – Generation	(5)	130
Increase in Energy Trading gross margins	42	80
Increase in OM&A costs	(19)	(19)
Decrease (increase) in depreciation expense	10	(2)
Increase in gain on sale of assets	-	3
Increase in asset impairment charges	(5)	(14)
Increase in net interest expense	(5)	(21)
Increase in equity income	3	8
Increase in income tax expense	(5)	(102)
Increase in net earnings attributable to non-controlling interests	(1)	(7)
Increase in preferred share dividends	(4)	(11)
Other	1	(2)
Net earnings attributable to common shareholders, 2011	**50**	**266**

Performance Metrics

2011 Goals	Measures	Q3 2011	Q3 2010	Review
Availability & Production: Achieve 89 – 90% fleet availability and optimize production	Availability Production	88.3%[1] 10,368 GWh	91.0% 12,742 GWh	Availability decreased due to higher planned and unplanned outages at our Alberta coal and natural gas-fired facilities. Production also decreased due to the shut down at Sundance 1 & 2, and higher planned and unplanned outages at Centralia Thermal.
Safety Target an IFR of 1 by 2015	Injury Frequency Rate	Annual Metric	Annual Metric	YTD IFR of 0.77. On track to meet annual target.
Productivity Offset the impact of inflation on OM&A expenses	OM&A/installed MWh	$7.63/MWh	$6.32/MWh	OMA/installed MWh increased due to higher costs associated with productivity initiatives and compensation, combined with lower installed capacity primarily due to the shut down of Sundance 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	$246 M $0.27 $168 M	$217 M $0.18 $175 M	Comparable EBITDA and EPS increased due to strong operational performance and Energy Trading results. FFO decreased primarily due to lower capitalized interest.
Sustaining Capex 2011 Target: $310 - $365 M	Sustaining Capex	Annual Metric	Annual Metric	YTD spend of $250 million. On track to meet annual target.
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 19.8% 55.0%	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 deliver a strong fourth quarter

- 95% contracted for the remainder of 2011
- On track to hit target of 89 – 90% fleet availability for the year[1]
- Energy Trading expected to contribute between $100 - $125 million in gross margin for the full year
- Funds from operations expected to meet goal of $800 - $900 million for the full year

[1] *Adjusted for economic dispatching at Centralia Thermal*

Appendix

Statement of Earnings

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($M, except per share amounts)	Q3 '11	Q3 '10	YTD '11	YTD '10
Revenues	**629**	651	**1,962**	1,894
Fuel & purchased power	**258**	315	**655**	857
	371	336	**1,307**	1,037
OM&A	**138**	119	**400**	381
Depreciation & amortization	**115**	125	**349**	347
Taxes, other than income taxes	**7**	7	**21**	21
	260	251	**770**	749
	111	85	**537**	288
Finance lease income	**2**	2	**6**	6
Equity income	**14**	11	**16**	8
Gain on sale of assets	**-**	-	**3**	-
Other income	**1**	-	**2**	-
Foreign exchange gain	**1**	1	**-**	4
Asset impairment charges	**(5)**	-	**(14)**	-
Net interest expense	**(54)**	(49)	**(151)**	(130)
Earnings before income taxes	**70**	50	**399**	176
Income tax expense (recovery)	**9**	4	**95**	(7)
Net earnings	**61**	46	**304**	183
Net earnings attributable to:				
TransAlta shareholders	**54**	40	**277**	163
Non-controlling interests	**7**	6	**27**	20
	61	46	**304**	183
Net earnings attributable to TransAlta shareholders	**54**	40	**277**	163
Preferred share dividends	**4**	-	**11**	-
Net earnings attributable to common shareholders	**50**	40	**266**	163
Weighted average number of common shares outstanding in the period	**223**	220	**222**	220
Net earnings per share attributable to common shareholders, basic and diluted	**0.22**	0.18	**1.20**	0.74

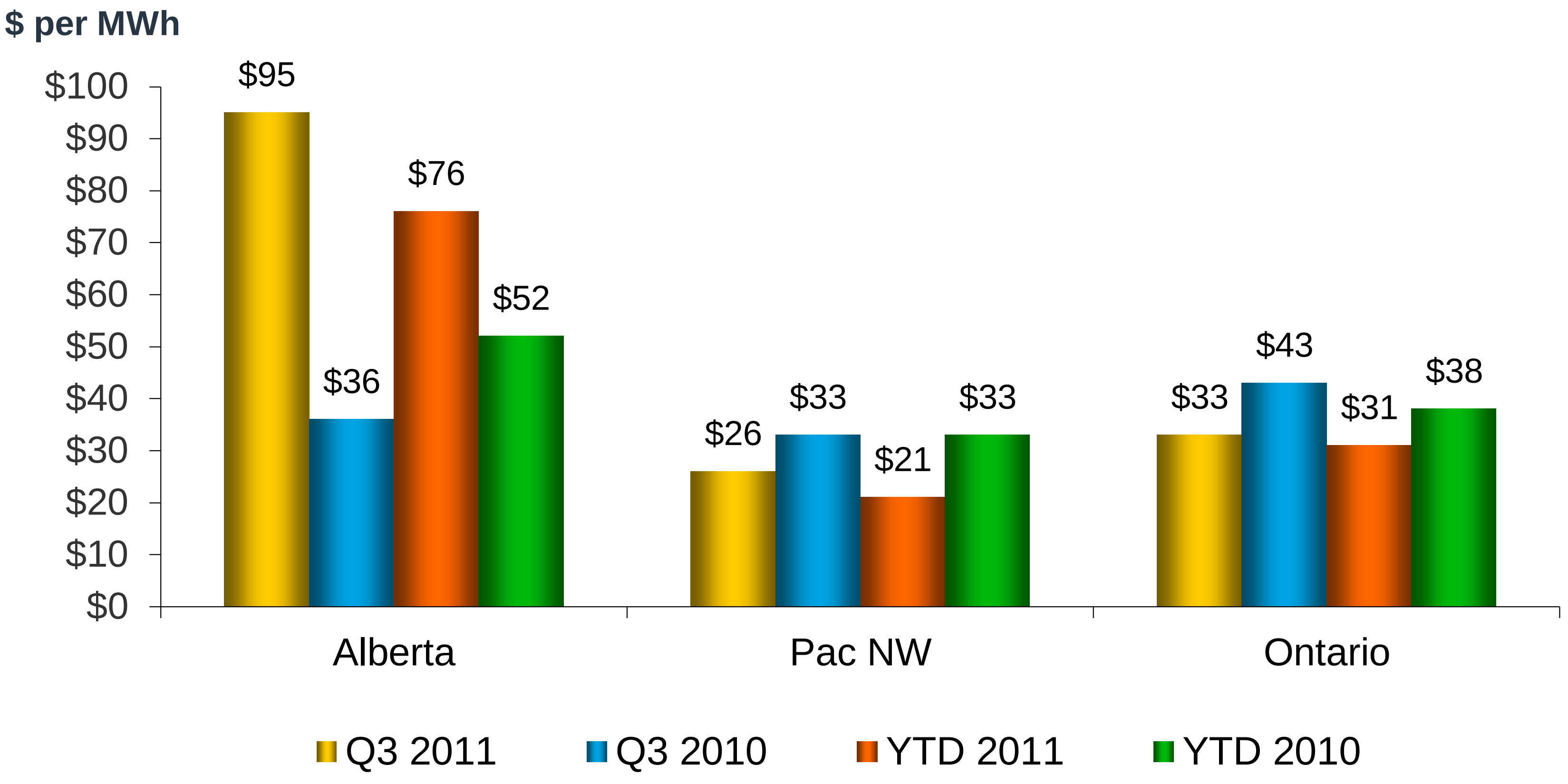
Statement of Cash Flows

($M) Operating Activities	Q3 '11	Q3 '10	YTD '11	YTD '10
Funds from operations	**168**	175	**620**	571
Change in non-cash working capital	**53**	49	**(108)**	(50)
Cash flow from operating activities	**221**	224	**512**	521
Investing Activities				
Additions to property, plant, and equipment	**(127)**	(193)	**(318)**	(615)
Additions to intangibles	**(5)**	(7)	**(16)**	(17)
Proceeds on sale of property, plant, and equiptment	**1**	-	**3**	3
Proceeds on sale of Meridian	**-**	-	**30**	-
Resolution of certain tax matters	**-**	12	**3**	12
Realized gains on financial instruments	**(3)**	(1)	**(5)**	(22)
Net (decrease) increase in collateral received from counterparties	**(40)**	60	**(96)**	86
Net decrease (increase) in collateral paid to counterparties	**1**	(4)	**(8)**	(6)
Other	**(19)**	(1)	**(4)**	7
Cash flow used in investing activities	**(192)**	(134)	**(411)**	(552)
Financing activities				
Net increase (decrease) in borrowings under credit facilities	**55**	(15)	**355**	(44)
Repayment of long-term debt	**(2)**	(2)	**(232)**	(7)
Issuance of long-term debt	**-**	-	**-**	301
Dividends paid on common shares	**(48)**	(49)	**(143)**	(169)
Dividends paid on preferred shares	**(4)**	-	**(11)**	-
Net proceeds on issuance of common shares	**-**	-	**1**	1
Realized losses on financial instruments	**5**	9	**5**	(8)
Distributions paid to subsidiaries' non-controlling interests	**(9)**	(15)	**(44)**	(44)
Reduction of the finance lease receivable	**1**	1	**2**	2
Other	**1**	-	**(4)**	-
Cash flow (used in) from financing activities	**(1)**	(71)	**(71)**	32
Cash flow from operating, investing, and financing activities	**28**	19	**30**	1
Effective change in value of foreign cash	**-**	6	**1**	3
Increase in cash and cash equivalents	**28**	25	**31**	4

Free cash flow

($M)	**Q3 2011**	**Q3 2010**	**YTD 2011**	**YTD 2010**
Cash flow from operating activities	**221**	224	**512**	521
Add (Deduct):				
Changes in working capital	**(53)**	(49)	**108**	50
Sustaining capital expenditures	**(114)**	(85)	**(250)**	(242)
Dividends paid on common shares	**(48)**	(49)	**(143)**	(169)
Dividends paid on preferred shares	**(4)**	-	**(11)**	-
Distributions to subsidiaries' non-controlling interests	**(9)**	(15)	**(44)**	(44)
Free cash (deficiency) flow	**(7)**	26	**172**	**116**

Average spot electricity prices



Average spark speads