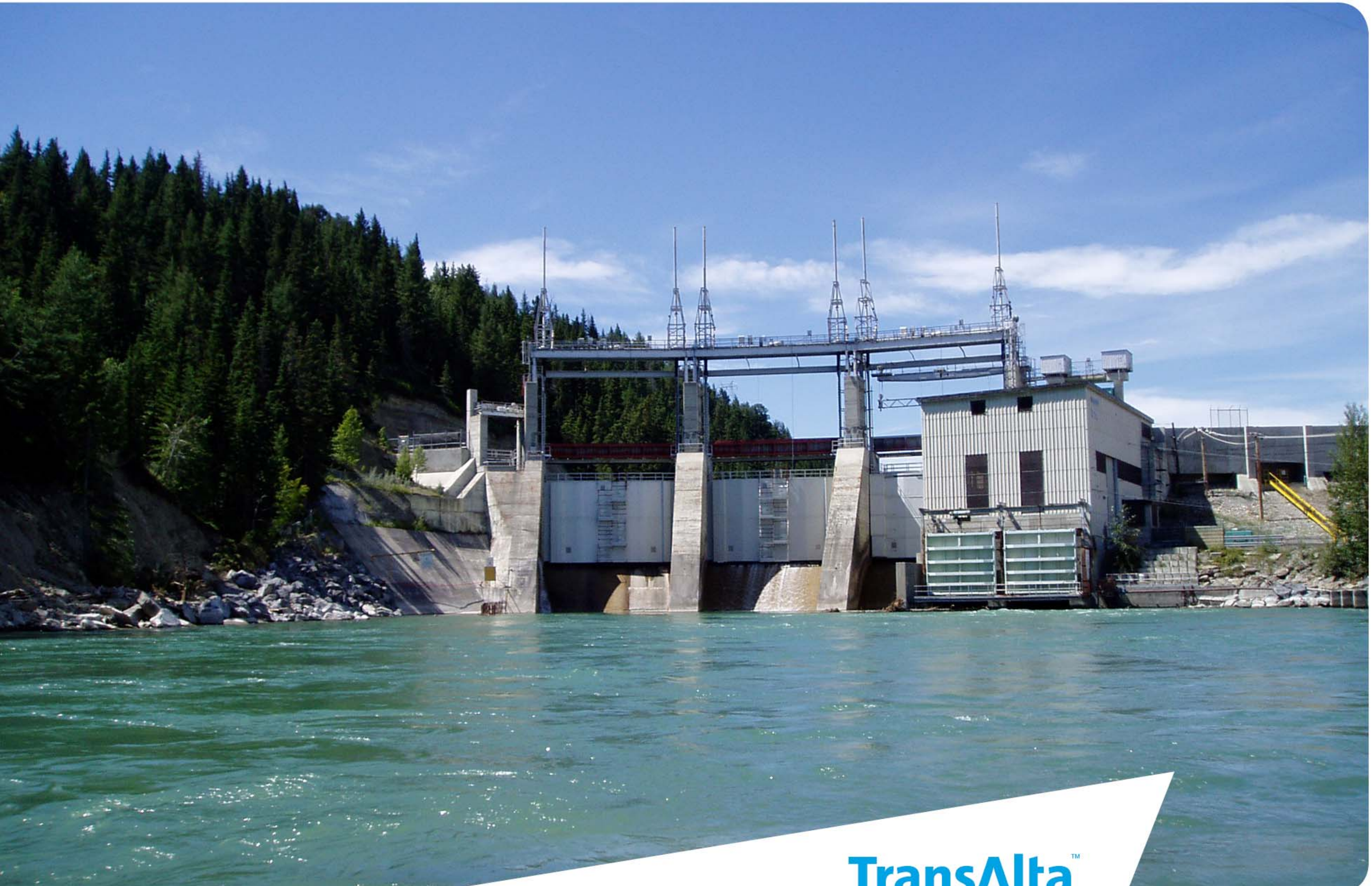
2010 Fourth Quarter & Annual Results.



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

- Fourth Quarter and 2010 Annual Results
- Performance Against Key Measures
- 2011 Outlook

2010: Q4 and annual results

Strong results driven by higher availability and increased Energy Trading gross margins; partially offset by weak power prices and the decommissioning of Wabamun

- **Comparable earnings per share of $0.40; the same as Q4 2009**
  - Increased availability of 91.4% compared to 87% in Q4 2009; due to lower planned and unplanned outages at our Sundance plant, and lower unplanned outages at Centralia Thermal
  - Energy Trading gross margins increased by $14 million to $24 million
  - Q4 results partially offset by weak power prices in Alberta and the decommissioning of Wabamun
  - Full year 2010 comparable earnings of $0.98 versus $0.90 for same period in 2009 as a result of increased availability and production, higher generation gross margins, lower OM&A costs, and lower depreciation expense

- **Cash flow from operations of $309 million compared to $246 million in Q4 2009**
  - Cash was higher in the quarter due to favourable movements in working capital as a result of lower operational expenditures and the timing of related payments
  - Full year 2010 cash flow from operations of $811 million compared to $580 million for same period in 2009 driven by higher cash earnings and favourable movements in working capital

2010: Q4 and annual highlights

Results ($M)	Q4 2010	Q4 2009	FY 2010	FY 2009
Revenues	$811	$763	$2,819	$2,770
Gross margin	$480	$435	$1,617	$1,542
Operating income	$210	$159	$497	$378
Comparable earnings	$88	$84	$214	$181
Net earnings applicable to common shares	$62	$79	$218	$181
Comparable earnings per share	$0.40	$0.40	$0.98	$0.90
Net earnings per common share, basic and diluted	$0.28	$0.37	$1.00	$0.90
Comparable EBITDA	$301	$300	$965	$888
Funds from operations	$225	$266	$783	$729
Cash flow from operating activities	$309	$246	$811	$580
Cash flow from operating activities per share	$1.40	$1.17	$3.70	$2.89
Free cash flow (deficiency)	$130	$78	$204	$(117)
Cash dividends paid per common share	$0.29	$0.29	$1.16	$1.16
Availability (%)	91.4	87.0	88.9	85.1
Production (GWh)	12,757	12,297	48,614	45,736

2010: Q4 Significant events

Significant events

- **Sale of Meridian**
  Dec. 20, TA Cogen, a subsidiary that is owned 50.01 per cent by TransAlta, entered into an agreement for the sale of its 50 per cent interest in the Meridian facility. The sale is expected to close in early 2011.

- **Sundance Unit 1 & 2 Outage**
  Dec. 16 and Dec. 19, Unit 1 and Unit 2, respectively, of our Sundance facility were shut down due to conditions observed in the boilers at both units. As a result, all 560 MW from both units were unavailable as inspections were carried out to determined the scope of repairs that may be needed. The units cannot be restarted without the inspection and approval from the Alberta Boiler Safety Association. As a result of the outage, production was reduced by 182 GWh for the year ended Dec. 31, 2010. Under the terms of the PPA, we notified the PPA Buyer and the Balancing pool of a force majeure event. Under force majeure, we are entitled to receive our PPA capacity payments and are protected from having to pay penalties for the units' lack of availability, to the extent the events meets the force majeure criteria set out in the PPA.

- **Sale of Preferred Shares**
  Dec. 10, we completed our public offering of 12 million Series A Cumulative Rate Reset First Preferred Shares, resulting in gross proceeds of $300 million.

- **Project Pioneer**
  Nov. 28, the Global Carbon Capture and Storage Institute awarded TransAlta AUD$5 million to share knowledge around the world from Project Pioneer, Canada's first fully-integrated CCS project involving retro-fitting a coal-fired generation plant.

- **Ardenville & Kent Hills 2**
  Nov. 10, our 69 MW Ardenville wind farm began commercial operations on time and on budget. Nov. 21, the 54 MW expansion of our Kent Hills wind farm began commercial operations on time and on budget. Natural Forces Technologies, Inc. exercised their option to purchase a 17 per cent interest in the Kent Hills 2 project.

Subsequent event

- **Sundance Unit 1 and 2 Outage**
  Feb. 8, 2011 we announced that we had issued a notice of termination for destruction on its Sundance 1 and 2 coal-fired generation units under the terms of the PPA. This action was based on the determination that the physical state of the boilers is such that the units cannot be economically restored to service under the terms of the PPA. Under the PPA, termination for destruction permits the recovery of the net book value specified in the PPA.

  Feb. 18, 2011 the PPA Buyer has provided notice that it intends to dispute our notice of force majeure and termination for destruction, and intends to pursue the dispute resolution process as set out under the terms of the PPA. Although no assurance can be given as to the ultimate outcome of these matters, 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.

2010: Q4 and annual results

Comparable earnings Results ($M)	**Q4 2010**	**Q4 2009**	**FY 2010**	**FY 2009**
Net earnings applicable to common shares	**$62**	**$79**	**$218**	**$181**
Asset impairment charge, net of tax	54	10	54	10
Unrealized gains related to ineffectiveness in certain hedging relationships, net of tax	(28)	-	(28)	-
Income tax recovery related to the resolution of certain outstanding tax matters	-	-	(30)	-
Settlement of commercial issue, net of tax	-	-	-	(6)
Change in life of Centralia parts, net of tax	-	-	-	1
Tax rate change	-	(5)	-	(5)
Earnings on a comparable basis	**$88**	**$84**	**$214**	**$181**
Weighted average common shares outstanding in the period	220	211	219	201
Earnings on a comparable basis per share	**$0.40**	**$0.40**	**$0.98**	**$0.90**

2010: Q4 and annual results

TransAlta

Net earnings	Q4 2010	FY 2010
Net earnings applicable to common shares, 2009	**$79**	**$181**
(Decrease) increase in Generation gross margins	(15)	36
Mark-to-market movements – Generation	46	45
Increase (decrease) in Energy Trading gross margins	14	(6)
(Increase) decrease in OM&A costs	(11)	33
Decrease in depreciation expense	18	16
Asset impairment charges	(73)	(73)
Increase in net interest expense	(6)	(34)
Decrease in other income	-	(8)
Decrease in non-controlling interests	11	18
(Increase) decrease in income tax expense	(1)	14
Other	-	(4)
Net earnings applicable to common shares, 2010	**$62**	**$218**

Performance metrics

Performance Goals	Measures	2010	2009	Review
Availability & Production: Achieve 89 – 90% fleet availability and optimize production	Availability Production	88.9% 48,614	85.1% 45,736	Availability fell just short of the target as a result of the Sundance force majeure events. Improved availability was driven by lower planned and unplanned outages at Alberta Thermal and lower unplanned outages at Centralia Thermal.
Safety Target an IFR of 1 by 2015	Injury Frequency Rate	1.19	1.41	We significantly improved our IFR in 2010, achieving the best in TransAlta's history.
Productivity Offset the impact of inflation on OM&A expenses	OM&A/installed MWh	$7.97/MWh	$8.91/MWh	OM&A/installed MWh decreased by 10% year-over-year due to lower planned and unplanned outages, cost savings from various productivity initiatives, and higher installed capacity.
EBITDA, Earnings & Cash Flow Steadily grow EBITDA, comparable EPS and FFO on a trend-line basis over the commodity cycle	Comparable EBITDA Comparable EPS FFO	$965 $0.98 $783 M	$888 $0.90 $729 M	EBITDA and comparable EPS increased due to higher availability and production, the addition of higher margined renewable assets and lower OM&A costs. FFO increased as a result of higher cash EBITDA.
Sustaining Capex Undertake sustaining capital expenditures that ensure our facilities operate reliably and safely	Sustaining Capex	$308	$380	Sustaining capex in 2010 was in line with the target of $275 - $320 million.
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.	4.3X 18.3% 53.6%	4.9X 20.5% 56.1%	We've maintained a strong balance sheet, financial ratios, ample liquidity and investment grade credit ratings. Cash flow to total debt decreased just below our target due to higher debt levels associated with the acquisition of KHD and due to cyclically lower power prices.
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	 8.0% 2.0%	 8.3% 12.3%	ROCE has been below our goal due to low power prices, and because we have invested a considerable amount of capital in new investments during the last few years. Given a slow economic recovery and lower power prices, the five-year rolling avg. TSR was below our goal in 2010.

2010 Highlights

Progressed on longer-term key strategic imperatives to deliver strong results

- **Drive the Base**
  - Sustained high-level plant performance; achieved strong availability of 88.9% versus 85.1% in 2009
  - Enhanced core operating efficiencies through technological initiatives
  - Achieved cost savings and lowered overall OM&A by 5% due to lower planned maintenance and various productivity initiatives

- **Reposition Coal**
  - Leader in developing CCS technologies through Project Pioneer
  - Signed a Memorandum of Understanding with Washington state for developing a plan to reduce emissions from Centralia by 2025
  - Continued to work closely with policymakers to develop long-term plans for providing clean and sustainable electricity in our core markets

- **Green and Diversify our Portfolio**
  - Added 189 MW of wind power; commissioned Kent Hills 2 (54 MW), Ardenville (69 MW), and Summerview 2 (66 MW) wind facilities on time and on budget
  - Became Canada’s largest wind power generator; owning over 1,000 MW of wind capacity
  - Announced plans to develop Sun 7, a 700 MW natural gas-fired facility

2011 Outlook

Well positioned to continue to progress on strategic imperatives to create near and long-term value for shareholders

- **Drive the Base**
  - Grow comparable EBITDA, comparable EPS, and FFO on a trend line basis over the commodity cycle
  - Sustain 89 – 90% availability
  - Energy trading expected to contribute between $45 - $65 million in gross margin
  - Enhance core operational efficiencies by shifting plant control systems to digital technology
- **Reposition Coal**
  - Conclude the Front End Engineering and Design (FEED) study for Project Pioneer
  - Finalize agreement with Washington state for transitioning Centralia
- **Green and Diversify our Portfolio**
  - Bone Creek, 19 MW hydro facility expected to come online in Q1 2011
  - Keephills 3, 450 MW, coal-facility expected to come online in Q2 2011
  - Initiate 10-year plan to upgrade our existing hydro system

Appendix

Income statement

(MM)	Q4 '10	Q4 '09	2010	2009
Revenue	**$ 811**	$ 763	**$ 2,819**	$ 2,770
Fuel & purchased power	**331**	328	**1,202**	1,228
Gross margin	**480**	435	**1,617**	1,542
OM&A	**153**	142	**634**	667
Depreciation & amortization	**111**	129	**459**	475
Taxes, other than income taxes	**6**	5	**27**	22
Operating expenses	**270**	276	**1,120**	1,164
Operating Income	**210**	159	**497**	378
Foreign exchange gain	**6**	4	**10**	8
Asset impairment charges	**(89)**	(16)	**(89)**	(16)
Net interest expense	**(48)**	(42)	**(178)**	(144)
Other income	**-**	-	**-**	8
Earnings before non-controlling interest and income taxes	**79**	105	**240**	234
Non-controlling interests	**-**	11	**20**	38
EBIT	**79**	94	**220**	196
Income tax expense	**16**	15	**1**	15
Net earnings	**$ 63**	$ 79	**$ 219**	$ 181
Preferred share dividends	**1**	-	**1**	**-**
Net earnings applicable to common shares	**$ 62**	**$ 79**	**$ 218**	**$ 181**
Net earnings per share	**$ 0.28**	$ 0.37	**$ 1.00**	$ 0.90

Cash flow statement

($M)	Q4 '10	Q4 '09	2010	2009
Operating Activities	**$ 225**	$ 266	**$ 783**	$ 729
Change in non-cash working capital	**84**	(20)	**28**	(149)
	309	246	**811**	580
Investing Activities				
Acquisiton of Canadian Hydro Developers Inc., net of cash acquired	**-**	(766)	**-**	(766)
Additions to property, plant, and equipment	**(197)**	(223)	**(790)**	(904)
Proceeds on sale of property, plant, and equipment	**3**	2	**6**	7
Proceeds on sale of minority interest in Kent Hills	**15**	-	**15**	29
Resolution of certain tax matters	**7**	1	**-**	-
Restricted cash	**17**	(41)	**29**	(41)
Realized losses on financial instruments	**(7)**	-	**(29)**	(16)
Net (decrease) increse in collateral received from counterparties	**(39)**	(18)	**47**	87
Net decrease (increase) in collateral paid to counterparties	**4**	(2)	**(2)**	7
Settlement of adjustments on sale of Mexican investment	**-**	-	**-**	(7)
Other	**-**	11	**4**	6
	(197)	(1,036)	**(720)**	(1,598)
Financing activities				
Net (decrease) increase in borrowings under credit facilities	**(356)**	320	**(400)**	620
Repayment of long-term debt	**(11)**	(776)	**(31)**	(796)
Issuance of long-term debt	**-**	919	**301**	1,119
Dividends paid on common shares	**(47)**	(57)	**(216)**	(226)
Net proceeds on issuance of common shares	**-**	398	**1**	398
Net procees on issuance of preferred shares	**291**	-	**291**	-
Realized gains on financial instruments	**11**	-	**3**	-
Distributions to subsidiaries' non-controlling interests	**(18)**	(18)	**(62)**	(58)
Other	**-**	1	**-**	(4)
	(130)	787	**(113)**	1,053
Cash flow (used in) from operating, investing, and financing	**(18)**	(3)	**(22)**	35
Effect of translation on foreign currency cash	**(4)**	(1)	**(2)**	(3)
(Decrease) increase in cash and cash equivalents	**$ (22)**	$ (4)	**$ (24)**	$ 32

Free cash flow

($M)	Q4 2010	Q4 2009	FY 2010	FY 2009
Cash flow from operating activities	$309	$246	$811	$580
Add (Deduct):				
Sustaining capital expenditures	(106)	(87)	(308)	(380)
Dividends paid on common shares	(47)	(57)	(216)	(226)
Distribution to subsidiaries’ non-controlling interests	(18)	(18)	(62)	(58)
Non-recourse debt repayments	(8)	(6)	(21)	(25)
Other income	-	-	-	(8)
Free cash flow (deficiency)	**$130**	**$78**	**$204**	**$(117)**

Sustaining capital

2011 - 2013 Sustaining capital plan[1]

($M)	2011e	2012e	2013e
Sustaining	$325 – 375	$435 - 480	$340 - 385
Routine Capital	$120 - 135	$115 - 130	$115 - 130
Major Maintenance	$180 - 210	$280 - 300	$190 - 210
Mine Capital	$25 - 30	$40 - 50	$35 -45
Other			
Repowering / Life Extension		$55 - 80	$30 - 50
Productivity	$10 - 20	$5 - 10	$20 - 30

[1] Based on IFRS

Growth capital outlook
2011 - 2012

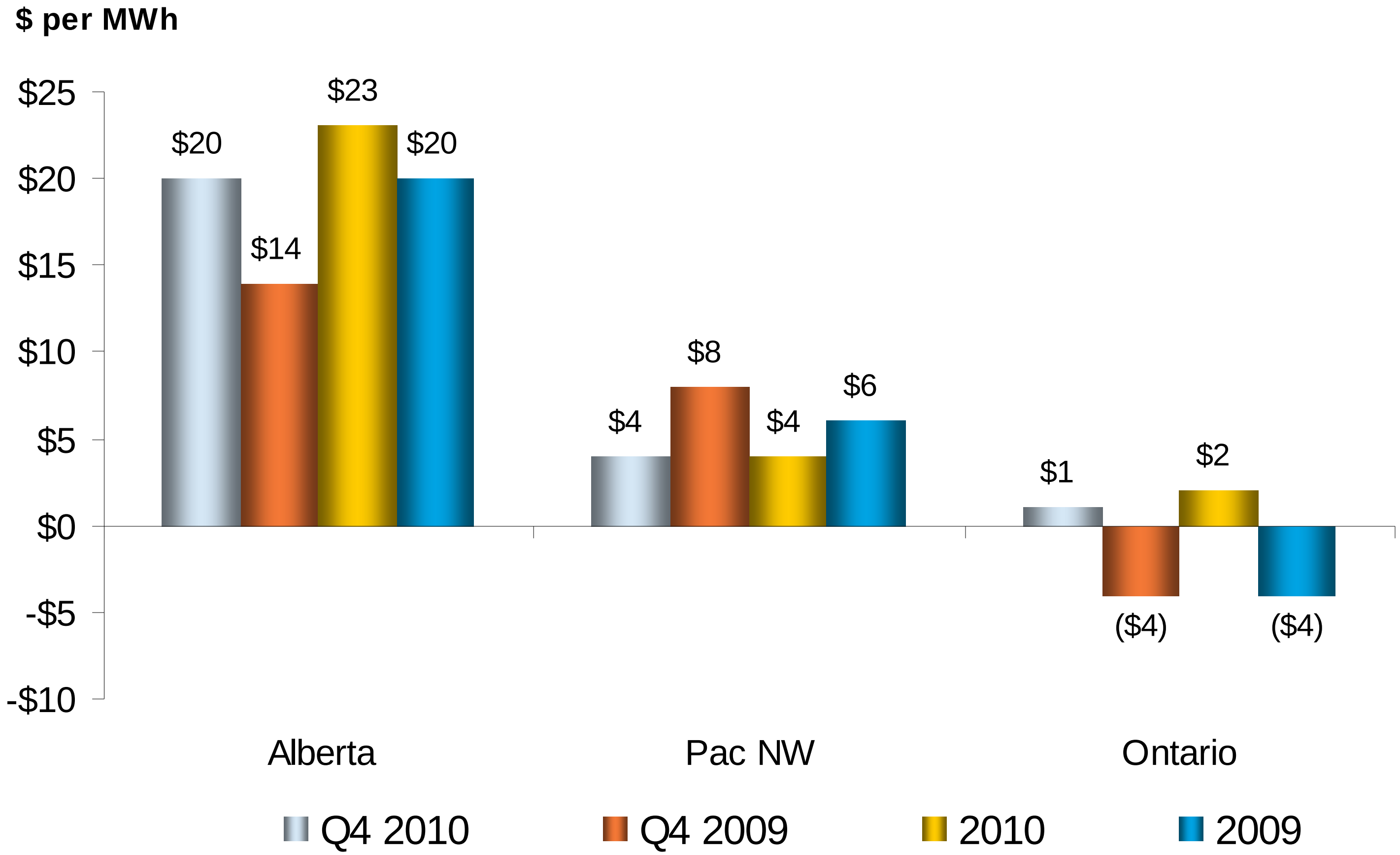
All projects tracking on time and on budget

Completed	MW	2010	Total
Summerview 2	66	$12	$118[1]
Kent Hills 2	54	$82	$100[2]
Ardenville	69	$108	$135[3]
	189	**$202**	**$353**

In Progress	MW	2010	2011e	2012e	Total
Bone Creek	19	$50			$48[4]
Keephills 3	225	$221	$20 - 30		$988[5]
KI & K2 uprates	46	$8	$25 - 35	$20 – 30	$68[6]
Sun 3 uprate	15	$3	$10 - 15	$10 - 20	$27
Total	**305**	**$282**	**$55 - 80**	**$30 - 50**	**$1.1B**

[1] Sunmmerview 2 capital spend prior to 2010 was $106 M
[2] Kent Hills 2 capital spend prior to 2010 was $18 M
[3] Ardenville capital spend prior to 2010 was $27 M
[4] Bone Creek capital spend prior to the acquisition was $23M which does not form part of our total project cost. Spend prior to 2010 was $4 M.
[5] Keephills 3 capital spend prior to 2010 was $707M
[6] K1 & K2 uprates spend prior to 2010 was $2 M

Average spark spreads



Average spot electricity prices