TransAlta Corporation

Second Quarter 2018 Results

Friday, August 3, 2018

TransAlta™ CLEAN POWER

Forward Looking Statements

This presentation includes forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. All forward-looking statements are based on our beliefs as well as assumptions based on available information and on management's experience and perception of historical trends, current conditions, and expected future developments, as well as other factors deemed appropriate in the circumstances. Forward-looking statements are not facts, but only predictions and generally can be identified by the use of statements that include phrases such as "may", "will", "can", "believe", "expect", "anticipate", "intend", "plan", "project", "forecast", "foresee", "potential", "enable", "continue", or other comparable terminology. These statements are not guarantees of our future performance and are subject to risks, uncertainties, and other important factors that could cause actual results or outcomes to be materially different from those set forth in the forward-looking statements. In particular, this presentation includes forward-looking statements pertaining to, among other things: our business and strategy; capital plans, including as it pertains to funding growth or returning cash to shareholders over the next three years; Alberta market fundamentals, including expectations regarding power demand and price; capital allocation, including buying back shares, closing the acquisition of the Antrim wind project and the satisfaction of the necessary closing conditions; the construction of the Antrim, Big Level and Kent Hills wind farms, including the timing and costs thereof and the sources of funding; further reductions to our debt balance; the Corporation being 100% clean power by 2025; the implementation of the capacity market in Alberta; reducing emissions; completing further accretive growth opportunities; coal to gas conversions and realizing additional value from the hydro assets; and realizing continuous improvements. These forward-looking statements are not historical facts but are based on TransAlta's belief and assumptions based on information available at the time the assumptions were made. These statements 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: operational risks involving our facilities; changes in market prices where we operate; unplanned outages at generating facilities and the capital investments required; equipment failure and our ability to carry out repairs in a cost effective and timely manner; the effects of weather; disruptions in the source of fuels, water or wind required to operate our facilities; energy trading risks; failure to obtain necessary regulatory approvals in a timely fashion; negative impact to our credit ratings; legislative or regulatory developments and their impacts, including as it pertains to the capacity market being developed in Alberta; increasingly stringent environmental requirements and their impacts; increased competition; global capital markets activity (including our ability to access financing at a reasonable cost); changes in prevailing interest rates; currency exchange rates; inflation levels and commodity prices; general economic conditions in the geographic areas where TransAlta operates; disputes or claims involving TransAlta or TransAlta Renewables; and other risks and uncertainties discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time and as also set forth in the Company's MD&A and Annual Information Form for the year ended December 31, 2017. In light of these risks, uncertainties, and assumptions, the forward-looking events might occur to a different extent or at a different time than we have described, or might not occur at all. We cannot assure readers that projected results or events will be achieved. Readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this document are made only as of the date hereof and we do not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise, except as required by applicable laws. Certain financial information contained in this presentation, including Comparable EBITDA, FFO and FCF, may not be standard measures defined under International Financial Reporting Standards ("IFRS") and may not be comparable to similar measures presented by other entities. These measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. For further information on non-IFRS financial measures we use, see our most recently filed Management's Discussion and Analysis, filed with Canadian securities regulators on www.sedar.com and the Securities and Exchange Commission on www.edgar.com.

Agenda

- Second Quarter and YTD Highlights
- Segmented Cash Flows
- Growth in Free Cash Flow
- Successful Reduction of Net Debt
- Strong Credit Metrics
- Alberta Power Market Fundamentals
- Capital Allocation
- Transformation and Strategic Realignment
- Questions and Answers

Second Quarter and YTD 2018 Highlights

	3 Months Ended June 30		6 Months Ended June 30	
(in $CAD millions)	**2018**	2017	**2018**	2017
Comparable EBITDA[(1)]	**$225**	$268	**$641**	$542
FFO[(1)]	**$188**	$187	**$506**	$389
FCF[(1)]	**$96**	$30	**$334**	$125
Adjusted Availability[(2)]	**85.8%**	84.0%	**90.1%**	86.2%

- Improved segmented cash flows in all business units except Canadian Coal
- Reduced net debt by $345 million in the first half of 2018
- Raised $345 million of debt related to the off-coal payments and used the proceeds for the early redemption of the $400 million Notes expiring in 2019
- Announced the retirement of Sundance Unit 2
- Completed drop-down of three renewable assets to TransAlta Renewables

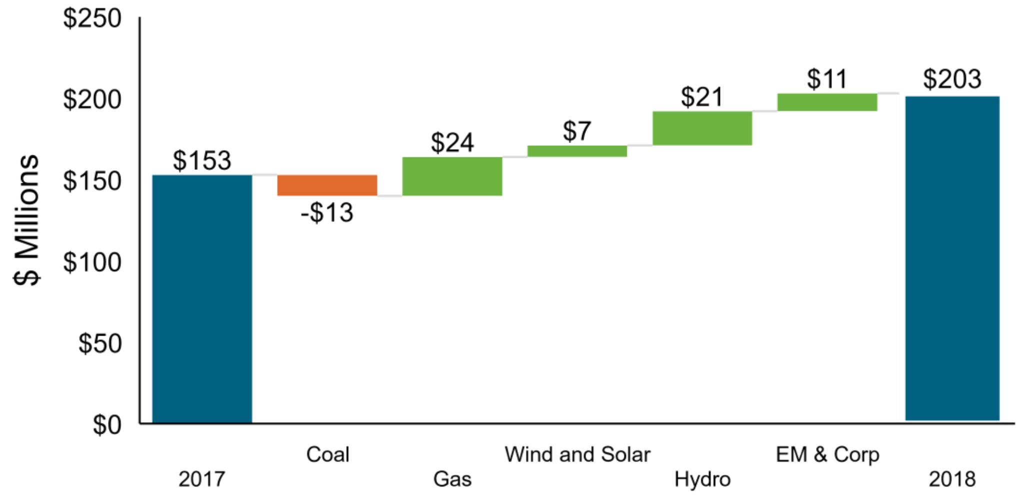
(1) As reported. Includes the $157 million received during the first quarter of 2018 related to the Sundance B and C termination payment and the $34 million OEFC settlement payment received in the first quarter of 2017.
(2) Adjusted for economic dispatching at U.S. Coal.

Segmented Cash Flows

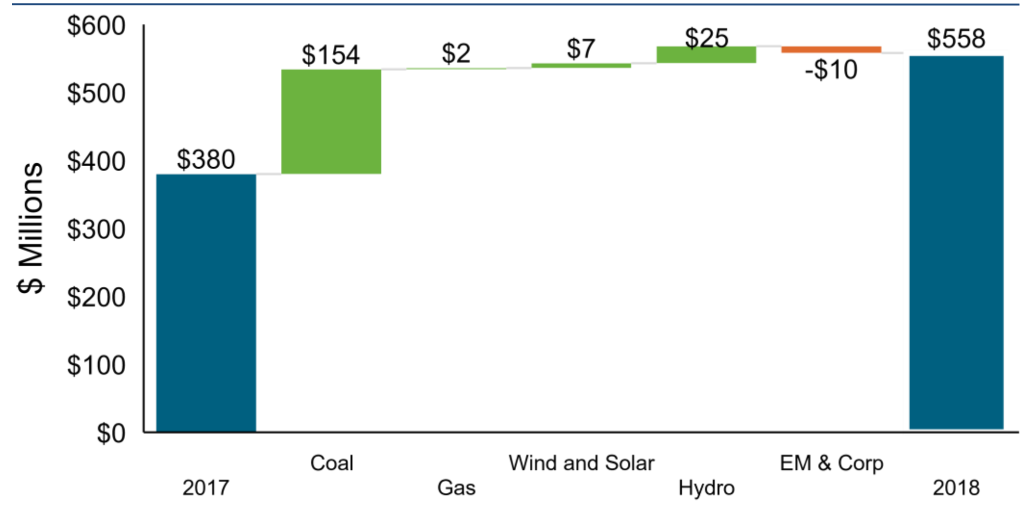
Strong Segmented Cash Flows Driven By:

- Strong prices for energy and ancillary services
- Lower sustaining capital requirements
- One-time PPA termination payment in Q1 2018

Q2 2018 SEGMENTED CASH FLOWS



SIX MONTHS 2018 SEGMENTED CASH FLOWS

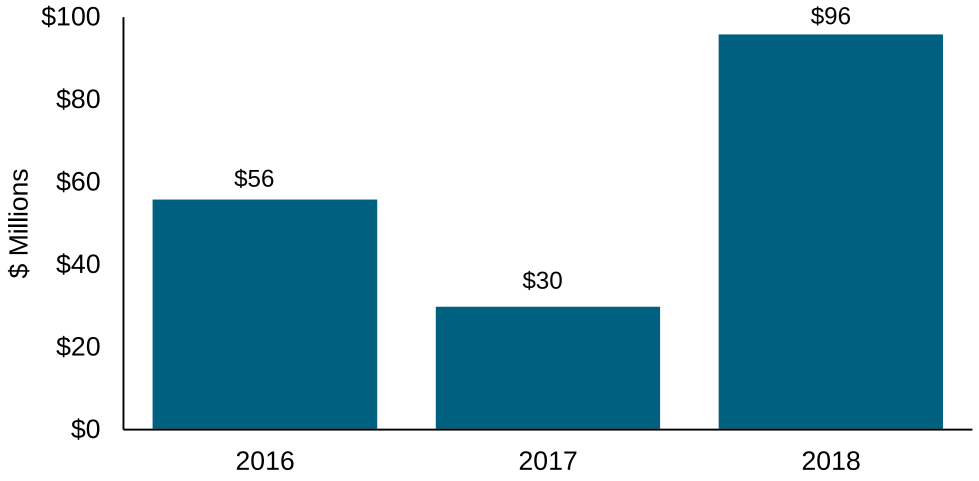


Growth in FCF

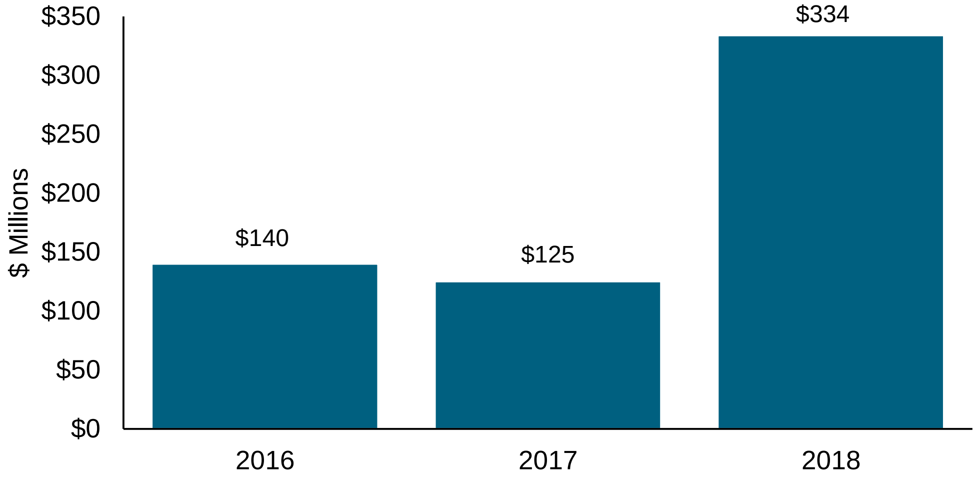
Strong FCF growth driven by:

- Strong performance
- Lower interest expense from having less debt
- One-time PPA termination payment in Q1 2018

Q2 2018 FCF

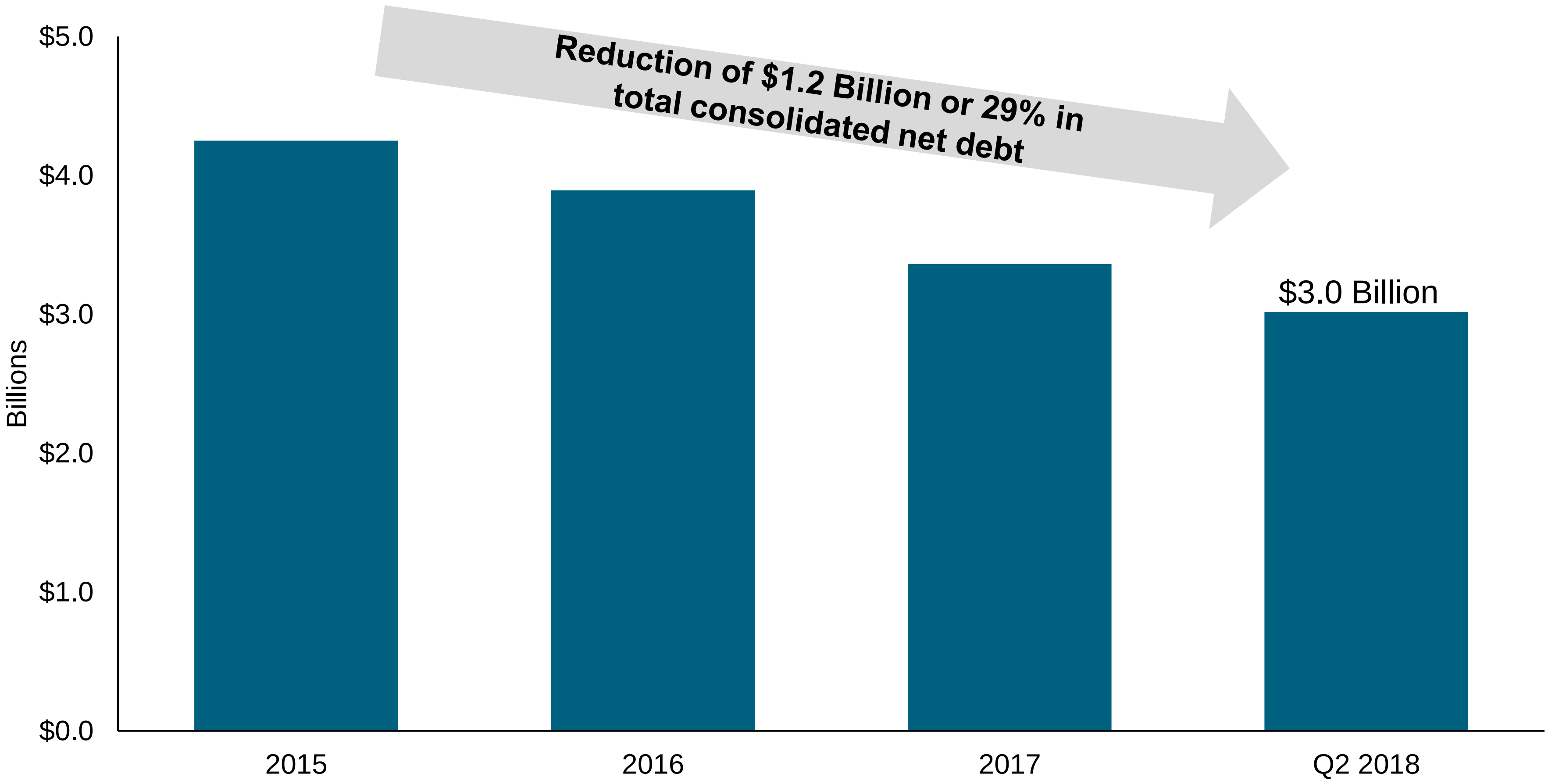


SIX MONTHS 2018 FCF



Successful Reduction of Net Debt

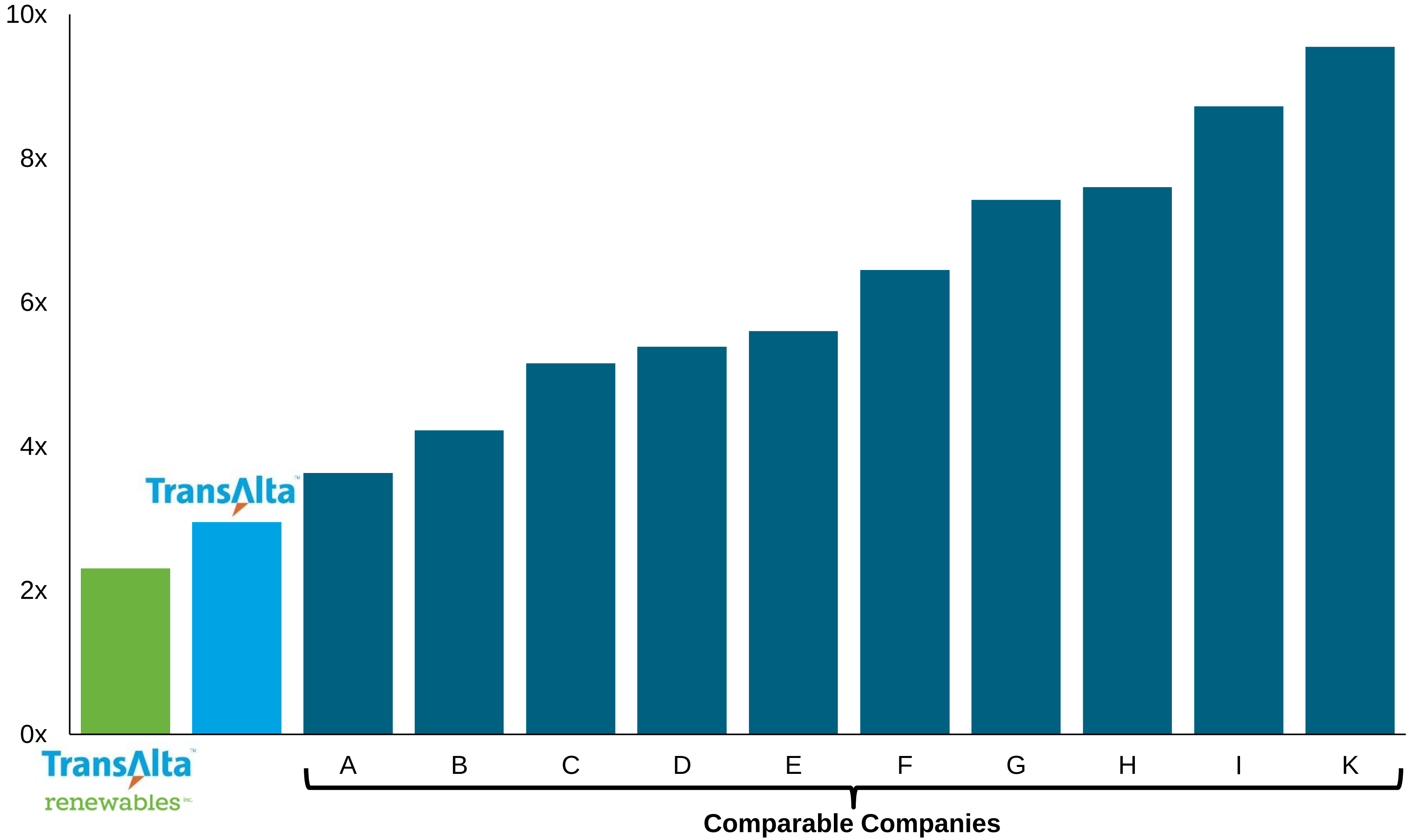
TOTAL CONSOLIDATED NET DEBT



Creating financial flexibility for the long-term

Strong Credit Metrics

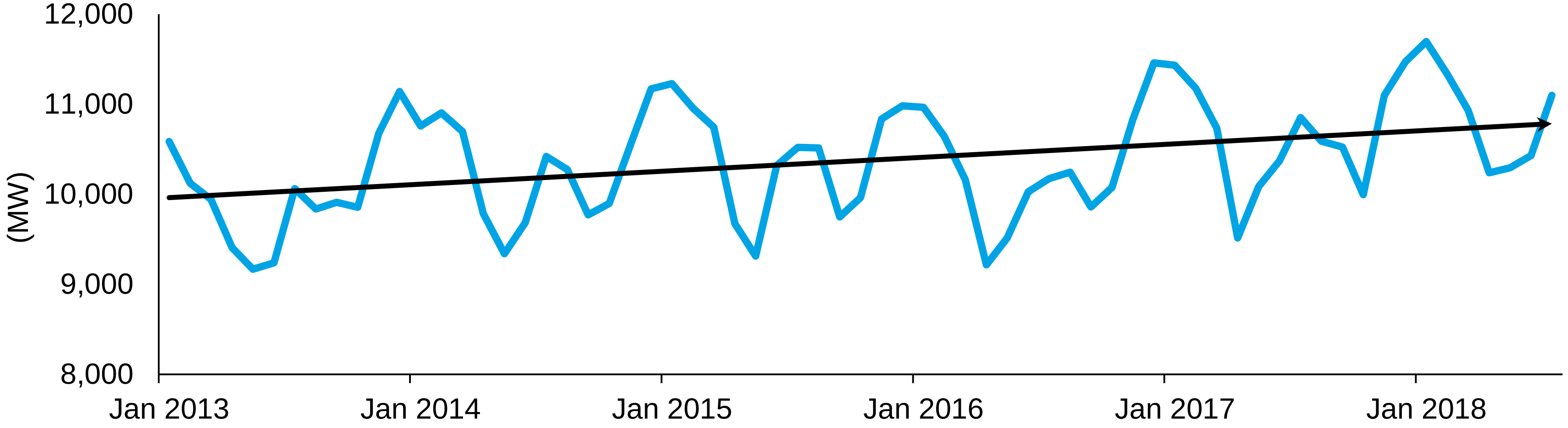
2018E NET DEBT/EBITDA



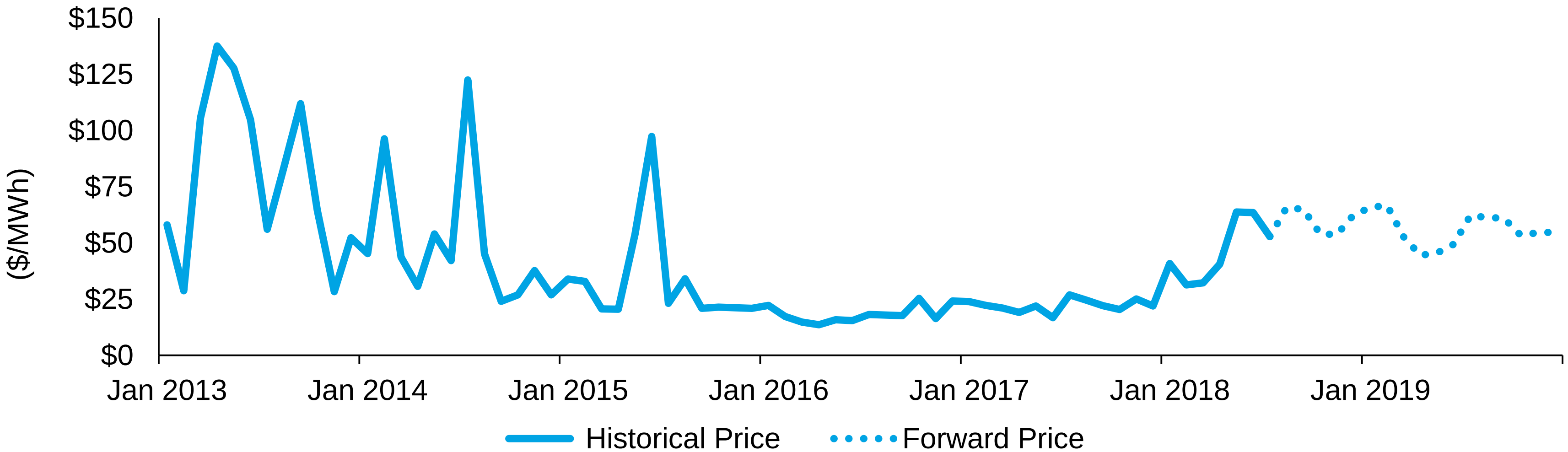
Source: FactSet, BMO, Scotiabank
Peers include: Algonquin Power, Boralex Inc, Brookfield Renewables, Canadian Utilities, Capital Power Corporation, Emera Inc, Fortis Inc, Innergex Renewable Energy, Northland Power and Pattern Energy

Alberta Power Market Fundamentals

ALBERTA PEAK POWER DEMAND



ALBERTA POWER PRICE



Source: AESO, NGX

Capital Allocation

- **Continue strengthening the balance sheet**
- **Buy back shares**
- **Position for growth and develop existing projects**
  - **Big Level - 90 MW Pennsylvania project**
    - One 15-year PPA
    - Early stage construction underway
    - Capital cost of ~US$160 million
  - **Antrim - 29 MW New Hampshire project**
    - Two 20-year PPAs
    - Pending outcome of environmental permit appeal, construction could start in August
    - Capital cost of ~US$80 million
  - **Kent Hills 3 – 17 MW Expansion project**
    - Five additional turbines bringing total capacity to 167 MW
    - Entire wind farm is now fully contracted to 2035
    - Issued $260 million project level debt secured by cash flows
- **Fund transition to *<u>100% clean power by 2025</u>***

Transformation and Strategic Realignment

	Stabilize & Adapt (2015-2017)	Transform & Grow (2018-2020)	Realize Value (2021+)
Policy and Strategy	✓ Preserve maximum value for coal assets ✓ Negotiate off-coal agreement for renewables ✓ Assist in the development of the capacity market ✓ Commission South Hedland Power Facility	✓ Realign strategy to be competitive in a capacity market ✓ Expand Kent Hills wind farm and develop two US wind projects • Complete further accretive growth opportunities	***Deliver 100% clean power and be the energy provider of choice by 2025*** • Realize value in hydro and complete CTG conversions • Grow by expanding customer-focused business model • Focus on continuous improvements
Balance Sheet	✓ Realign debt structure with increased non-recourse debt ✓ Reduce total net debt	✓ Reduce net debt by over 40% by 2020 ✓ Complete project level debt financing strategy	
Emissions	✓ Continued focus on emission reductions	• 30% reduction in emissions over 2015 levels	
Objective	*Ensure existing assets remain competitive in the future supported by a strong balance sheet* **Complete**	*Execute on developed transformation plan* **On Schedule**	

Question and Answer

TransAlta CLEAN POWER