TransAlta Corporation

Third Quarter 2018 Results

Wednesday, October 31, 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, including our growth strategy focused on highly contracted renewable assets and customer focused opportunities; the acquisition of the Antrim U.S. wind project and satisfaction of conditions precedent; ability to generate stable and growing cash flow in Alberta, including ensuring coal remains commercially available and ability to compete in the capacity market; transitioning to a clean power company; advancing the natural gas pipeline; aligning costs for the future business; and commissioning of two U.S. wind projects. 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

Third Quarter and YTD 2018 Highlights

Segmented Cash Flows

Diversified Generation Base

Strong Growth in Free Cash Flow

Alberta Power Prices and Canadian Coal Margins

Capital Allocation

Transformation and Strategic Focus

Questions and Answers

Third Quarter and YTD 2018 Highlights

(in $CAD millions)	3 Months Ended September 30		9 Months Ended September 30	
	2018	2017	**2018**	2017
Comparable EBITDA[1]	**$249**	$245	**$890**	$787
FFO[1]	**$204**	$196	**$710**	$585
FCF[1]	**$94**	$101	**$426**	$227
Adjusted Availability[2]	**93.7%**	86.5%	**91.3%**	86.3%

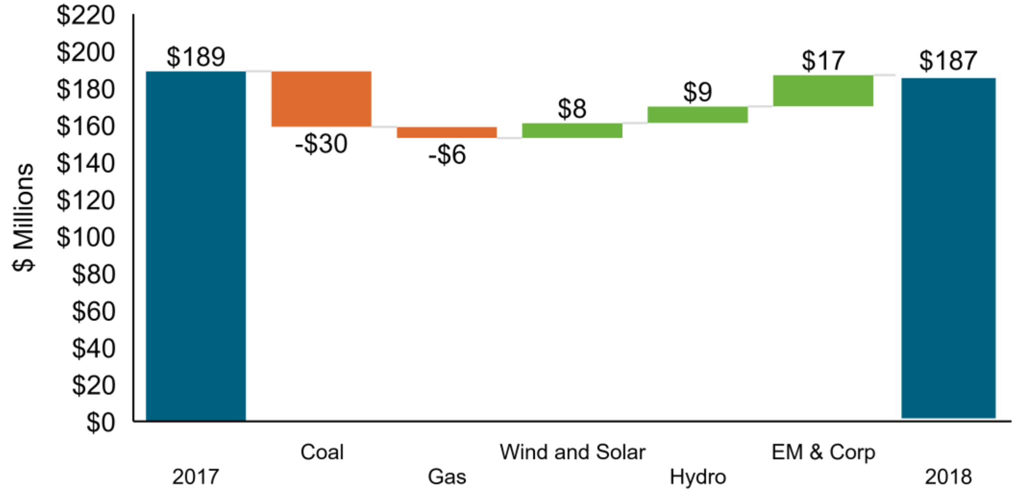
- Consistent results compared to last quarter
- Diversified Alberta asset base generating reliable cash flow
- Advanced growth strategy with recent announcements

(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.

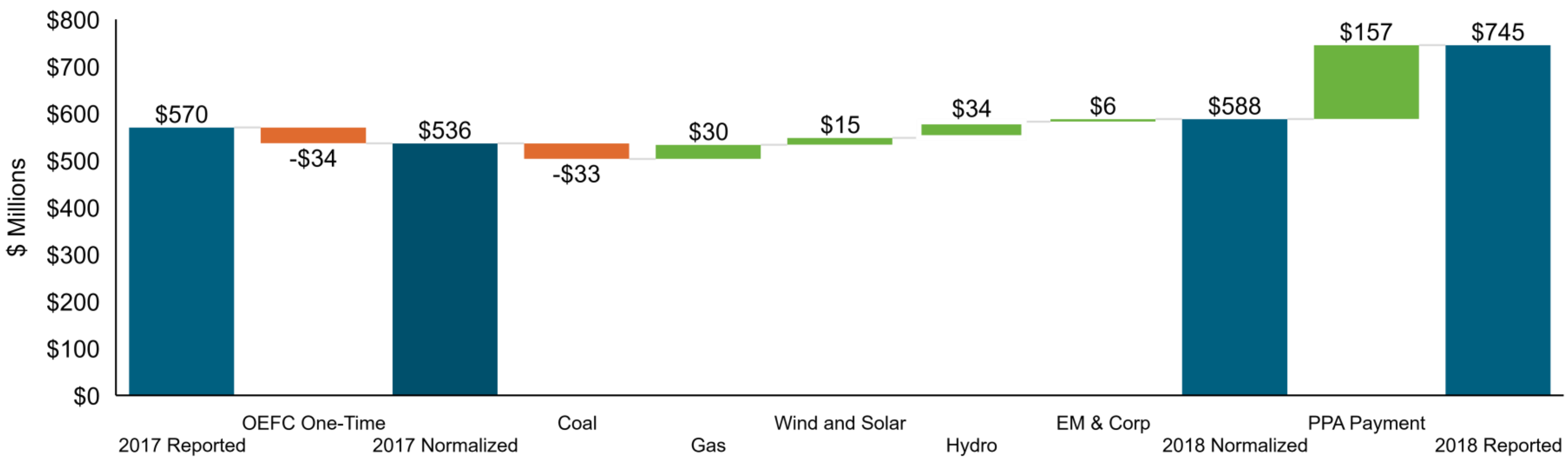
Segmented Cash Flows

- Strong segmented cash flows due to improved power prices and lower sustaining capital

Q3 2018 SEGMENTED CASH FLOWS



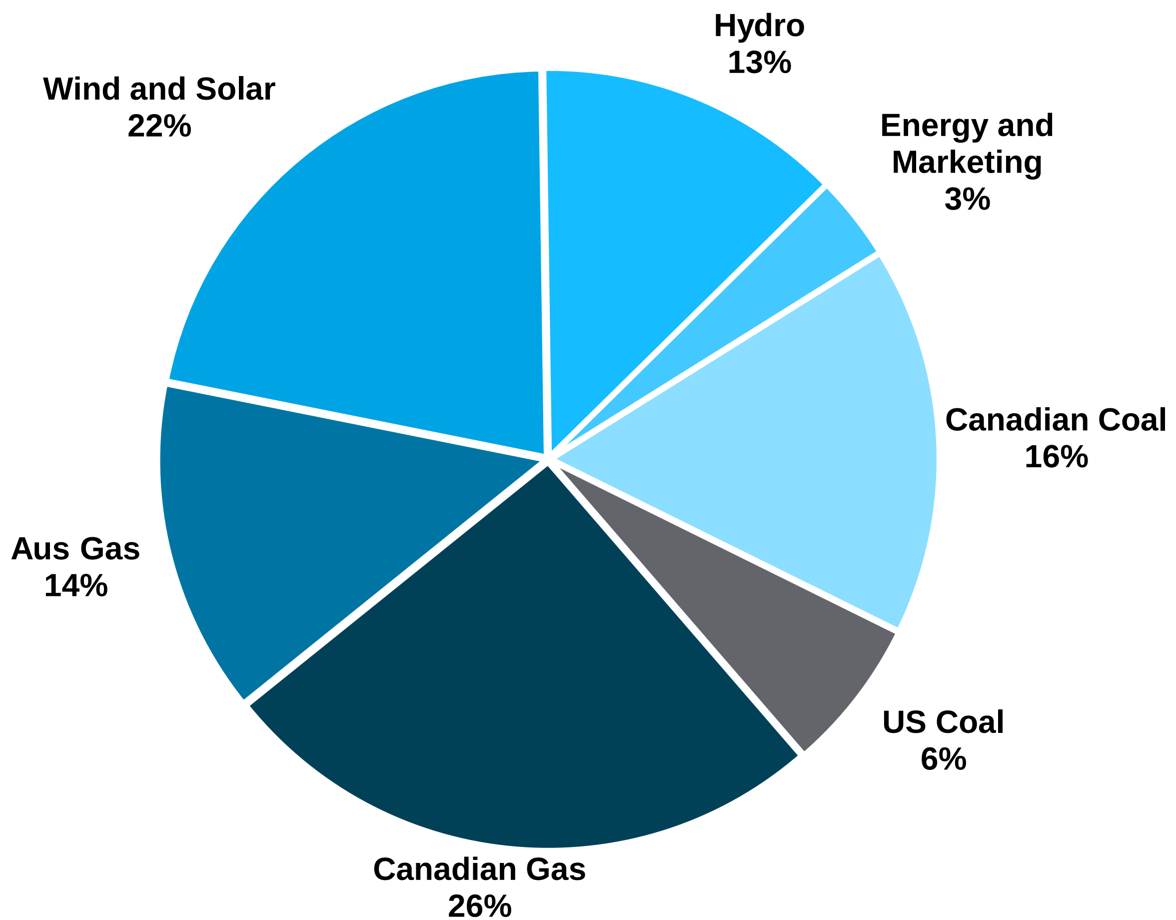
NINE MONTHS 2018 SEGMENTED CASH FLOWS



Diversified Generation Base

- Over 70 facilities in Canada, the US and Australia
- Diversified portfolio provides strong and stable cash flows

NINE MONTHS 2018 SEGMENTED CASH FLOWS [(1)]

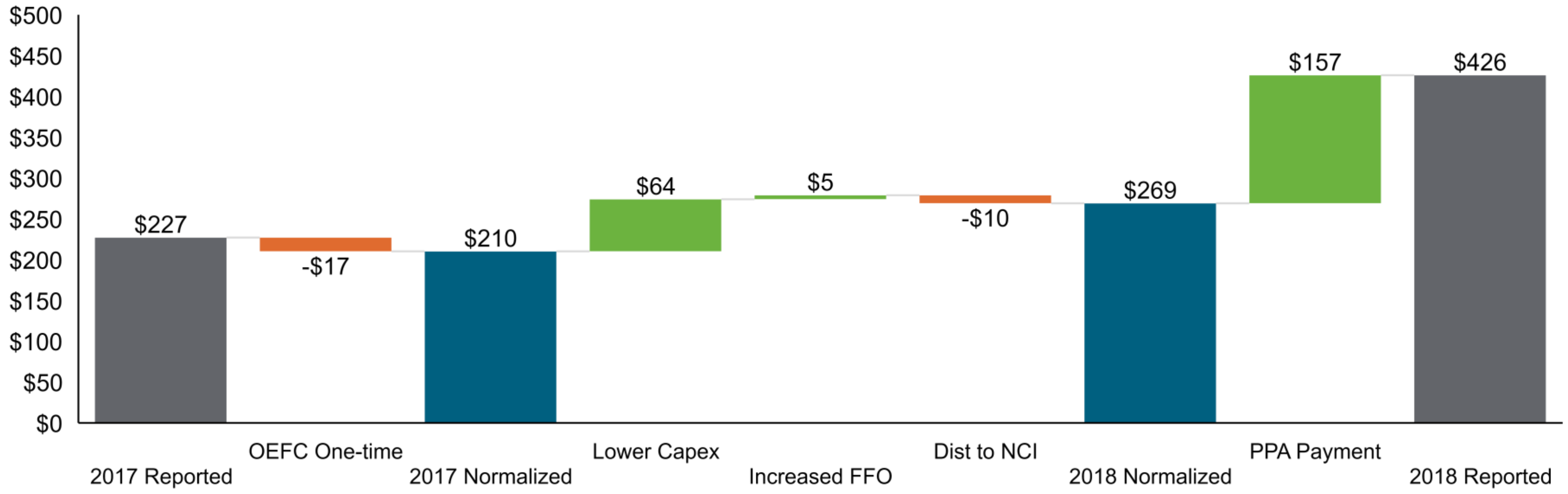


(1) Nine months 2018 numbers have been normalized to exclude from Canadian Coal the $157 million received during the first quarter of 2018.

Strong Growth in Free Cash Flow

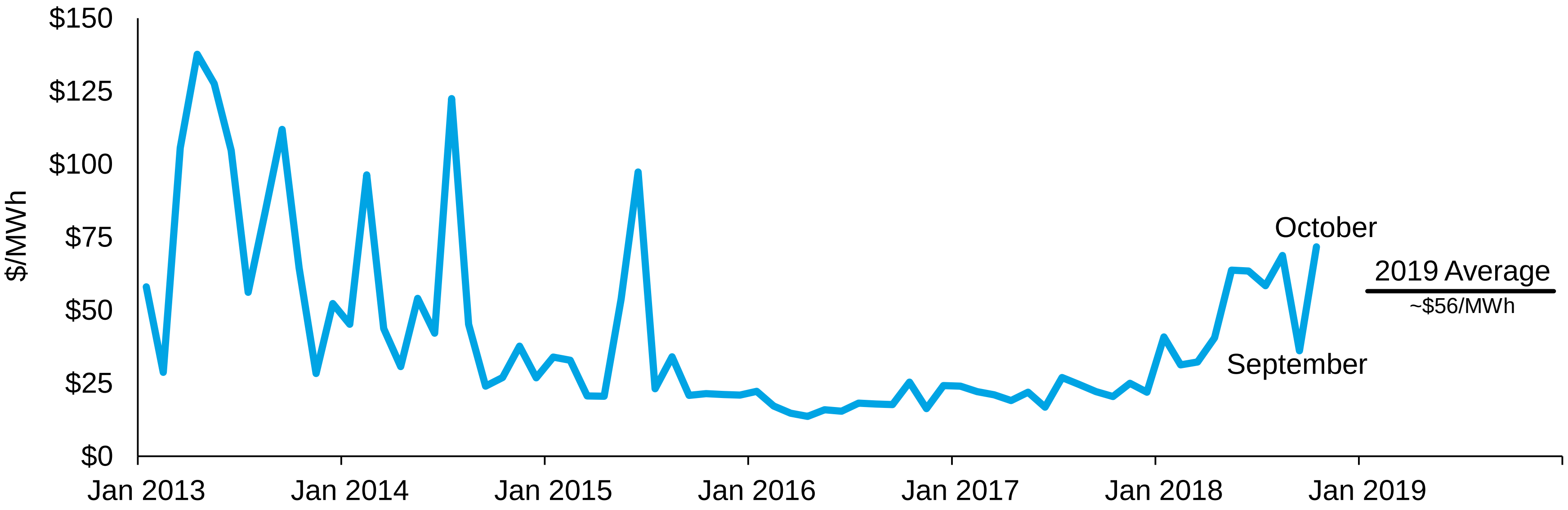
- Strong hydro results due to increase in power and ancillary prices
- Higher EBITDA margins in Canadian Coal
- Lower interest expense and capital requirements

NINE MONTHS 2018 FCF

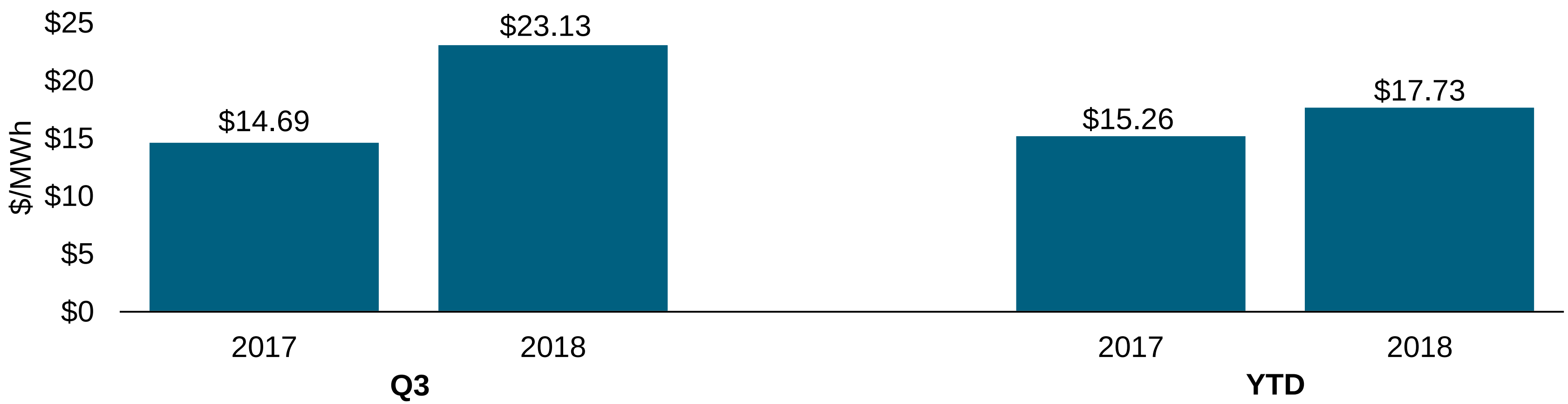


Alberta Power Prices and Canadian Coal Margins

ALBERTA POWER PRICE



CANADIAN COAL EBITDA MARGIN[(1)]



Source: AESO, NGX

(1) Nine months 2018 numbers have been normalized to exclude from Canadian Coal the $157 million received during the first quarter of 2018.

Capital Allocation

	Achieved	Target
Debt Reduction	• Reduced total consolidated net debt by $1.2 billion or 28% since 2015	• Pay $400 million debt expiring in 2020 using FCF • Pay approximately $175 million in amortizing debt between now and the end of 2020.
Share Buy Back	• Purchased and cancelled 1,907,200 shares at an average price of $7.34/share through NCIB program	• Acquire undervalued shares with incremental cash flows
Growth	• Commissioned South Hedland in July 2017 • Commissioned Kent Hills 3 expansion earlier this month • Two US wind projects currently under construction	• Disciplined approach targeting highly contracted renewable assets • Customer focused opportunities

Transformation and Strategic Focus

Generate stable and growing cash flows in Alberta

- Optimize the cash flows from our diversified portfolio
- Maximize co-firing to reduce fuel and carbon costs
- Position the assets to be competitive for the upcoming capacity market

Execute final stages of transformation

- Transition to a clean power company by 2025
- Continue to advance the natural gas pipelines for co-firing and coal-to-gas conversions extending the life of the units
- Align the cost and operating structure of the business to be highly competitive over the long term

Continue to grow and diversify cash flows

- Commission two US wind projects
- Pursue customer focused renewable and gas-fired opportunities

Question and Answer

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