TransAlta Corporation

First Quarter 2016 Results

Tuesday May 3, 2016

TransAlta™ CLEAN POWER TODAY AND TOMORROW

Forward Looking Statements

This presentation may include 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 information available at the time the assumptions were made 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", "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 our actual performance to be materially different from that projected. In particular, this presentation contains forward-looking statements pertaining to our business strategy and goals; anticipated future financial performance; the timing and the completion and commissioning of projects under development, including the South Hedland power project and its associated costs and benefits; expectations related to future earnings and cash flow from operating and contracting activities, including estimates of comparable earnings before interest, taxes, depreciation, and amortization ("EBITDA"), comparable funds from operations ("FFO"), and comparable free cash flow; expectations in respect of financial ratios and targets, including adjusted comparable FFO to adjusted net debt, and adjusted net debt to comparable EBITDA; the Corporation's plans and strategies relating to repositioning its capital structure and strengthening its balance sheet, including the debt reductions that are expected to occur in 2016 and beyond; the amount of anticipated cost reductions; expected governmental regulatory regimes and legislation and their expected impact on TransAlta and the timing of the implementation of such regimes and regulations, as well as the cost of complying with resulting regulations and laws; the outcome of negotiations with the Government of Alberta in relation to coal-fired generation transition under the Climate Leadership Plan; expectations for demand for electricity in both the short term and long term, and the resulting impact on electricity prices; the impact of load growth, increased capacity, and natural gas costs on power prices; expectations in respect of generation availability, capacity, and production; expected levels of future contractedness; expected sustaining capital expenditures; expected pricing in Alberta and the Pacific NorthWest; and the Alberta forward curve and future power prices.

Factors that may adversely impact our forward-looking statements include risks relating to: fluctuations in market prices and the availability of fuel supplies required to generate electricity; our ability to contract our generation for prices that will provide expected returns; the regulatory and political environments in the jurisdictions in which we operate; environmental requirements and changes in, or liabilities under, these requirements; changes in general economic conditions including interest rates; operational risks involving our facilities, including unplanned outages at such facilities; disruptions in the transmission and distribution of electricity; the effects of weather; disruptions in the source of fuels, water, or wind required to operate our facilities; natural or man-made disasters; the threat of domestic terrorism and cyberattacks; equipment failure and our ability to carry out, or have completed, repairs in a cost-effective manner or timely manner; commodity risk management; industry risk and competition; fluctuations in the value of foreign currencies and foreign political risks; the need for additional financing; structural subordination of securities; counterparty credit risk; insurance coverage; our provision for income taxes; legal, regulatory, and contractual proceedings involving the Corporation; outcomes of investigations and disputes; reliance on key personnel; labour relations matters; risks associated with the Keephills 1 arbitration; risks associated with development projects and acquisitions, including delays in the construction of or increased costs associated with the South Hedland power project; adverse regulatory developments, including our potential inability to secure a mutually beneficial coal transition arrangement with the Alberta Government in respect of the Alberta Climate Leadership Plan; and any market disruption or changes in market regulation, including any actions by the Balancing Pool following a buyer's termination of the applicable power purchase arrangement. The foregoing risk factors, among others, are described in further detail in the Risk Management section of our Management Discussion and Analysis and under the heading "Risk Factors" in our Annual Information Form. 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. 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. We cannot assure that projected results or events will be achieved.

Certain financial information contained in this presentation, including comparable FFO and comparable free cash flow, 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 the section entitled "Non-IFRS Measures" contained in our Management Discussion and Analysis, filed with Canadian securities regulators on www.sedar.com.

Agenda

2016 Goals and Priorities

Q1 Performance Highlights

Financial Summary

Questions and Answers

2016 Goals and Priorities

1. Secure a mutually beneficial coal transition arrangement with the Alberta Government
2. Continue to reposition our capital structure
3. Continue to grow TransAlta Renewables Inc.
4. Continued focus on delivering strong operational and safety, financial performance

Q1 2016 Performance Highlights

(in $CAD millions)	Q1 2016	Q1 2015	Change
Comparable EBITDA	**$279**	$275	$4
Comparable Funds from Operations	**$196**	$211	($15)
Comparable Free Cash Flow	**$86**	$110	($24)
Sustaining Capital	**$59**	$70	($11)
Adjusted Availability[1]	**92.3%**	91.3%	1.0%

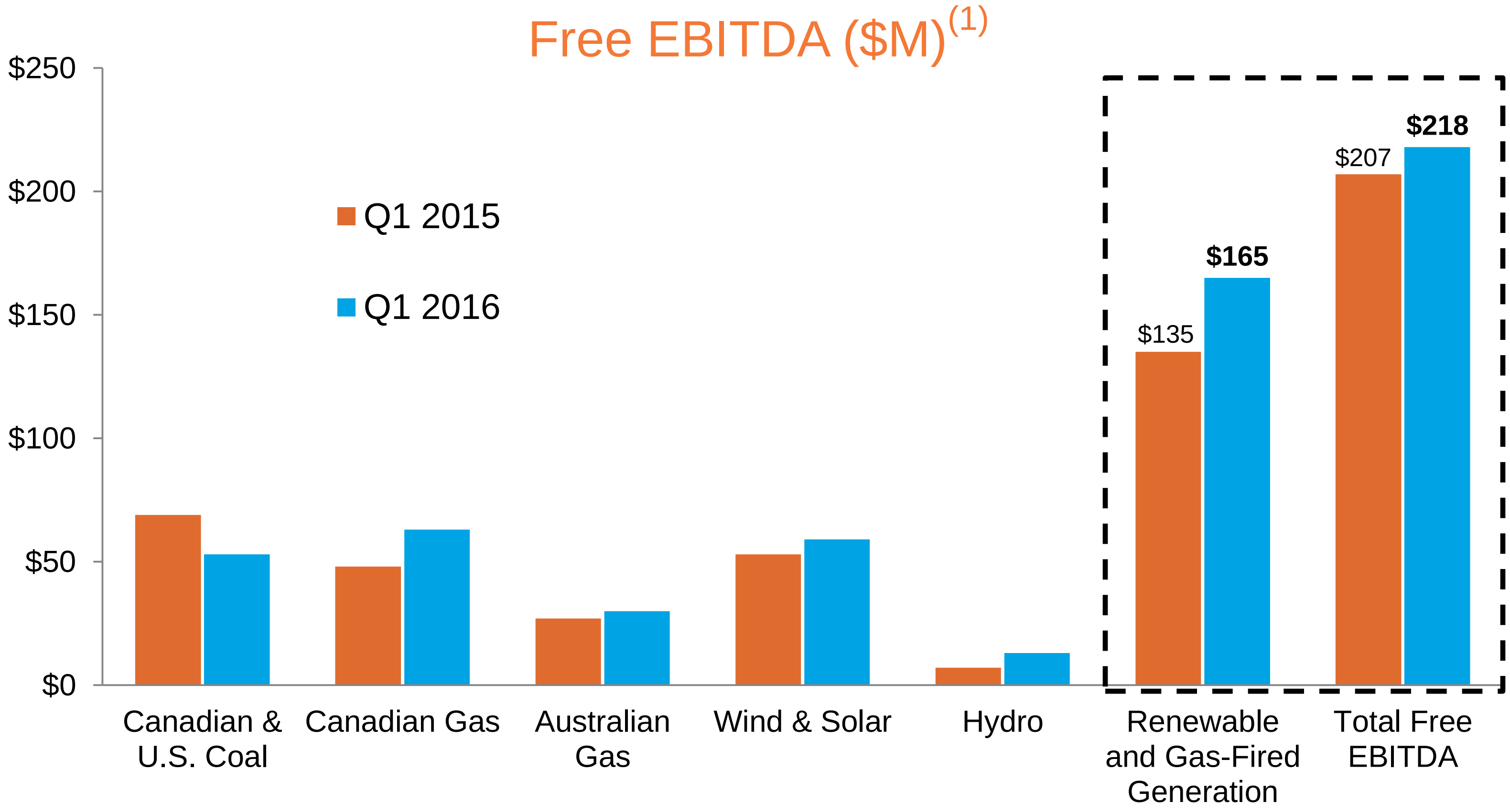
Q1 2016 Commentary

- Q1 2016 in line with expectations and tracking to 2016 guidance. All segments other than U.S. Coal delivered similar or improved performance over the same period last year
- Low prices in Alberta were largely mitigated by our high level of contracts and hedges, with the exception of our wind and hydro assets
- Cost reduction initiatives and contributions from renewables assets acquired in 2015 also offset the impact of lower prices in Alberta

1 *Adjusted for economic dispatching at U.S. Coal.*

2016 First Quarter Business Segment Performance ($M)

- Gas-fired and renewable generation contributed 76 per cent of total Free EBITDA from operations in Q1 2016



(1) Free EBITDA = Comparable EBITDA less Sustaining Capital, and excluding Energy Marketing and Corporate.

It is critical that the transition arrangement achieve these three key outcomes:

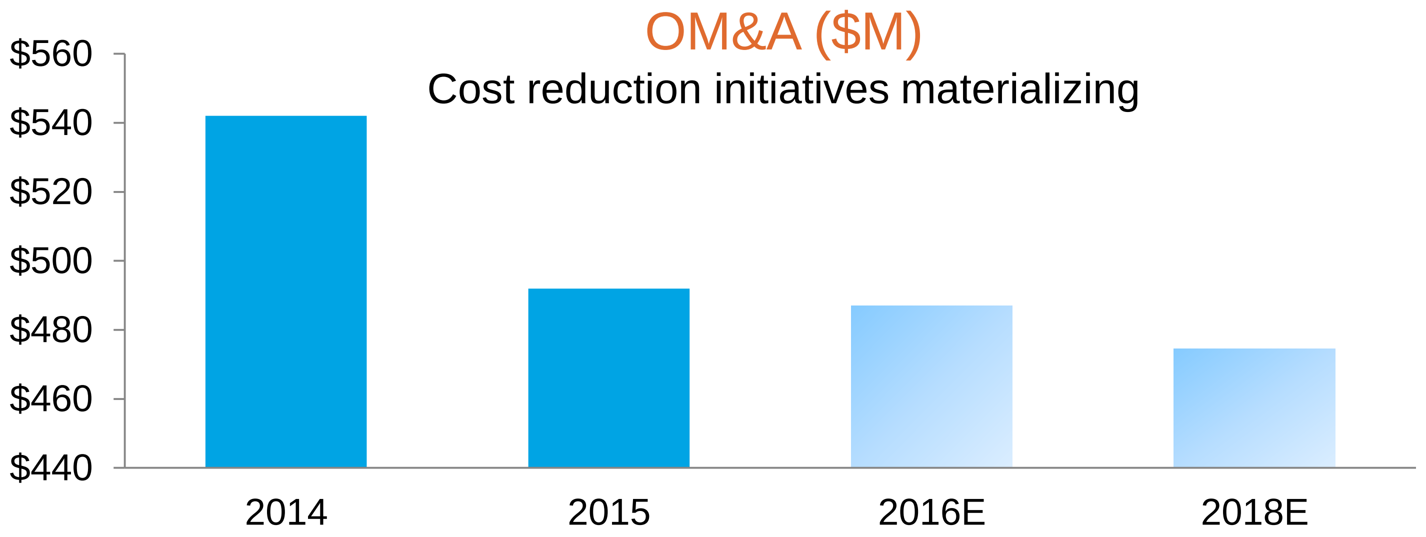
1. Maintain system reliability
2. Provide stable prices for consumers
3. Minimize stranded capital

To successfully achieve these outcomes, we need:

1. Market mechanisms and a market structure that sustain promises to current investors & attract new private capital
2. Meaningful incentives to drive the build out of renewable and gas-fired generation
3. A clear and thoughtful policy environment for the use of gas-fired generation in Alberta
4. Market rules that ensure generators are paid for the services they provide the grid

2016 First Quarter Review

Business Segment	Key Drivers
Renewables	• ~$6 million of comparable EBITDA from wind and solar assets acquired in 2015 • Higher wind volumes offset low prices in Alberta
Canadian Coal	• Historically low power prices in Alberta • Cost reductions and hedging strategies offset the impact of lower prices on uncontracted generation
U.S. Coal	• Lower realized prices quarter over quarter



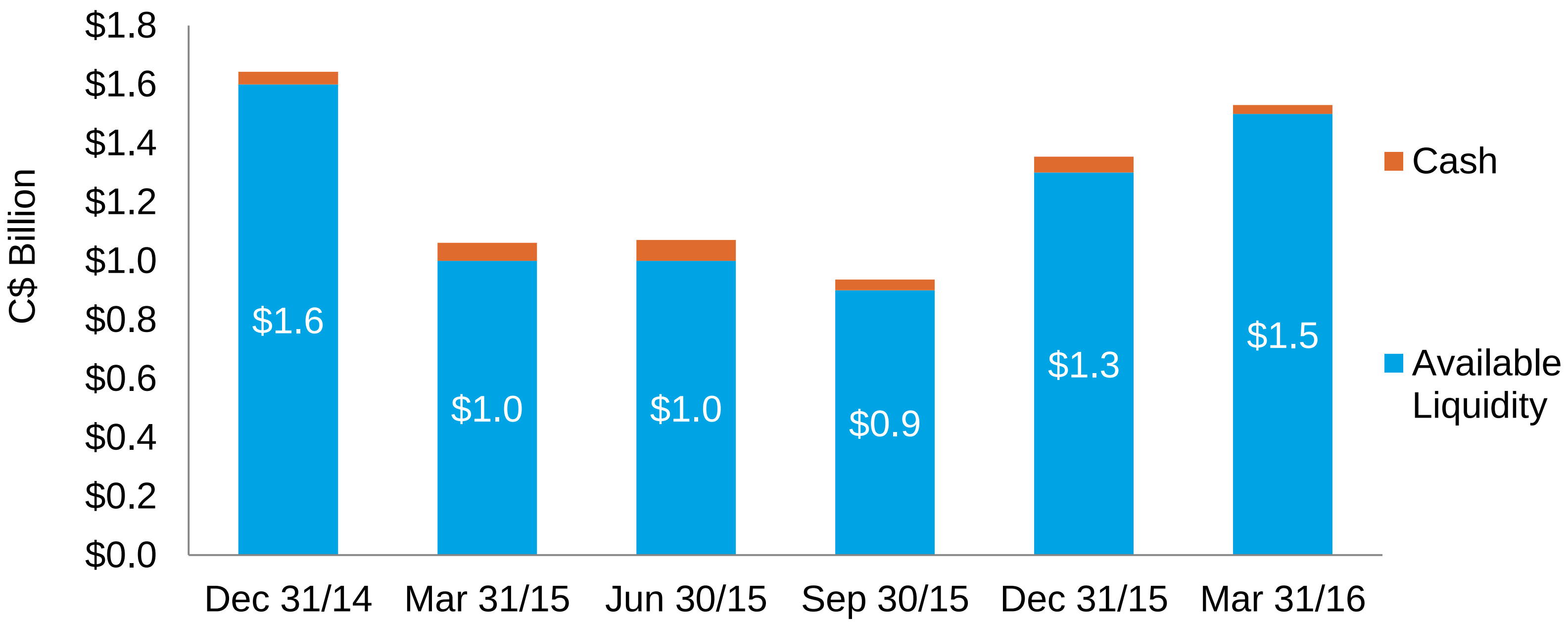
150 MW Combined Cycle Gas Power Station in Western Australia

Total Project(1)		2016 Estimated spend	Debt at project commencement	Debt at March 31, 2016
Estimated spend	Spent to date			
$593M	$274M	$119M	~$4.3B	~$4.0B

(1) As at March 31, 2016. Total estimated project spend is AUD$570 million. Total estimated project spend is stated in CAD$ and includes estimated capital interest costs and may change due to fluctuation in foreign exchange rates.

Financial Flexibility (as of March 31, 2016)

- $2.1 billion of committed credit facilities
- ~$600 million of letters of credit outstanding
- $1.5 billion available liquidity

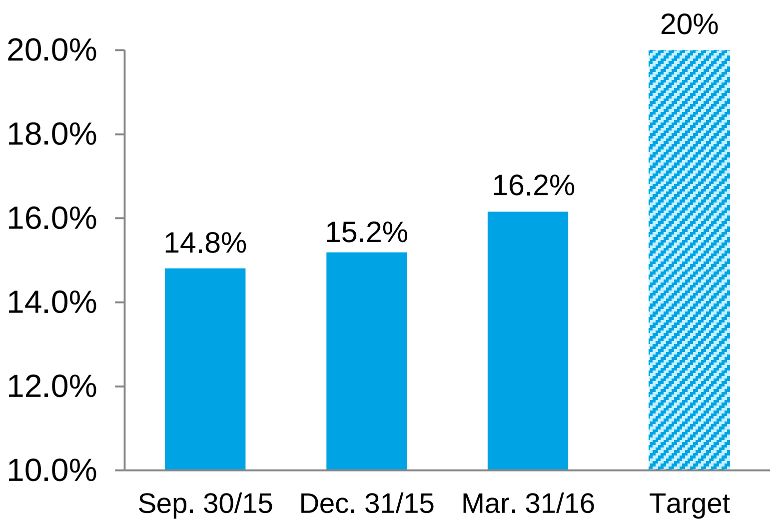


Ample liquidity to manage through periods of capital market volatility

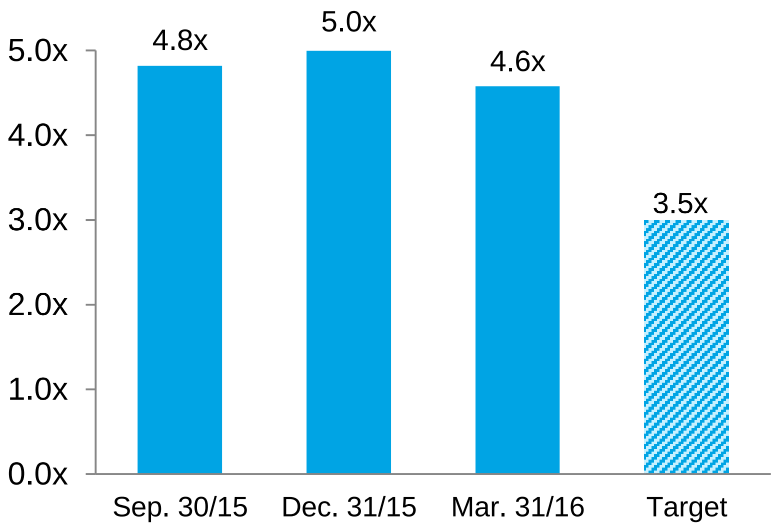
Strengthening our Financial Position

- Lower debt levels and strong financial results resulted in notable improvements to key financial ratios
- Targeting an FFO/Debt ratio of over 20% and a Net Debt/EBITDA ratio of ~3.5x by 2018 when South Hedland is fully operationally

FFO / Net Debt (1), (2)



Net Debt / EBITDA (1), (2)



(1) *FFO (adjusted comparable funds from operations) and EBITDA (Comparable EBITDA) over the last 12 month period. These metrics and ratios are not defined under IFRS, and may not be comparable to those used by other entities or by rating agencies.*
(2) *Assumes 50/50 treatment of preferred shares*

Repositioning our Capital Structure (2016 to 2018)

Sources (C$M)	2016 to 2018
Project-level financing	$850 - $1,100
Cash flow from the business	$450 - $600
Total	**$1,300 - $1,700**

Uses (C$M)	2016 to 2018
Repayment of USD notes	~$1,000
Repayment of CHD bond	~$200
Construction of South Hedland	~$300
Total	**~$1,500**

Repositioning our Capital Structure (2016 to 2018)

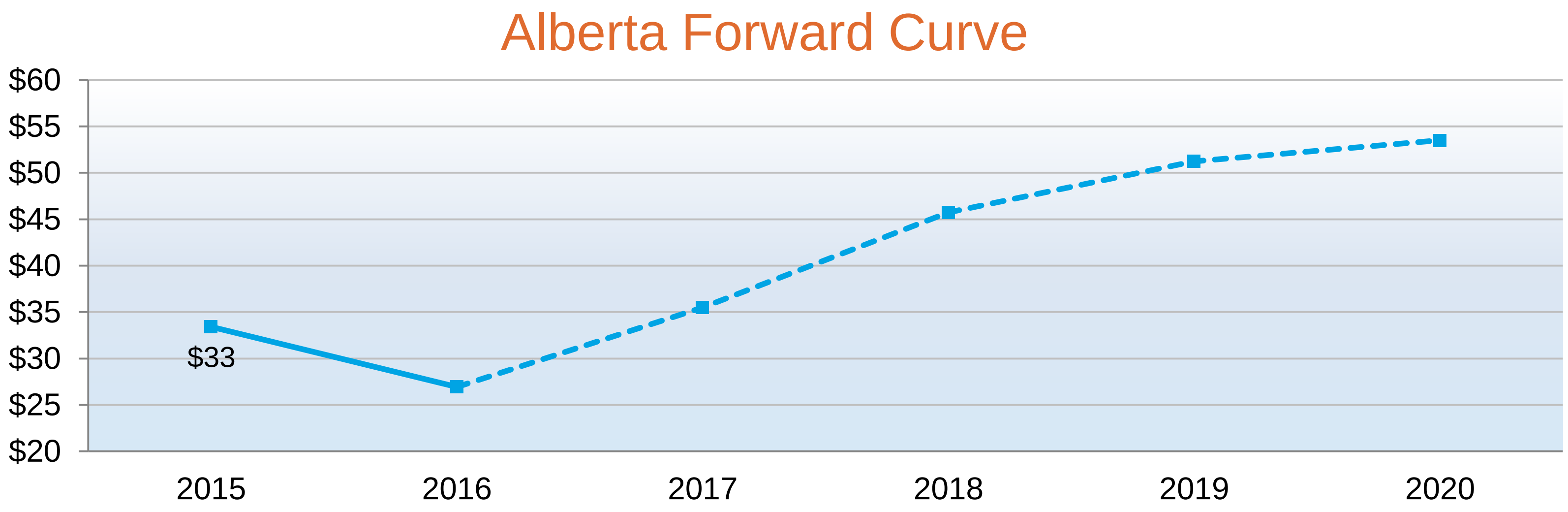
- Financing plan is expected to result in the appropriate allocation of debt between TransAlta and TransAlta Renewables

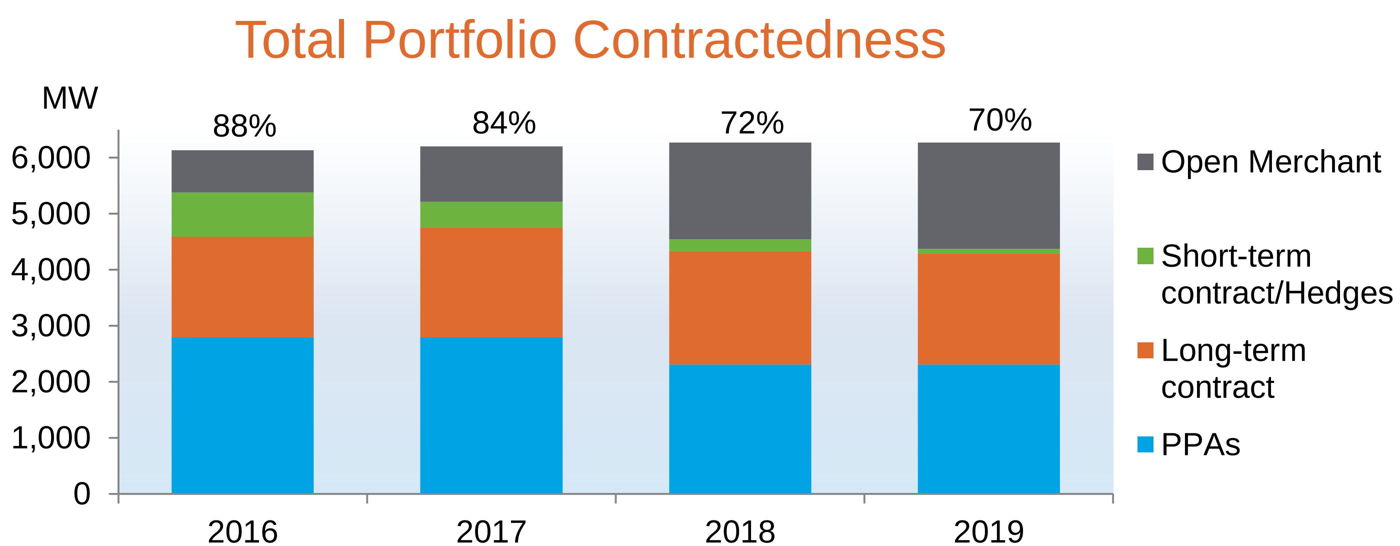
	TransAlta		TransAlta renewables		
C$B	**Recourse**	**Non-Recourse**	**Recourse**	**Non-Recourse**	**TOTAL**
Current *(March 31, 2016)*	**$3.2**	**$0.1**	**$0.0**	**$0.7**	**$4.0**
Project Financing		**$0.4**		**$0.6**	**$1.0**
Debt Repayment (2016 - 2018)[1]	**($1.0)**			**($0.2)**	**($1.2)**
Projected	**$2.2**	**$0.5**	**$0.0**	**$1.1**	**$3.8**

Debt attributable to
coal and Alberta hydro facilities

(1) Includes repayment of intercompany credit facility

Contracted Cash Flows and the Alberta Market





As of March 31 2016

First Quarter 2016 Key Takeaways

1. Strong Q1 2016 performance both financially and operationally
2. Ample liquidity and progressing our plan to reposition our capital structure
3. Moving forward with discussions to secure a mutually beneficial goal transition arrangement with the Alberta government
4. Continued focus on delivering strong operational, safety and financial performance

Question and Answer

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