TransAlta Corporation

Third Quarter 2016 Results

Friday November 4, 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, including the conversion of coal-fired generation to gas fired, the expansion of existing wind and hydro assets, and the development of greenfield solar opportunities; 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; ability to execute project level financings; ability to build a portfolio of greenfield projects in Canada and Australia; 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, including the ability to secure $400 million to $600 million in project-level financing; 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; and expectations regarding the future competitive environment within Alberta.

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 arising from the buyers' 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. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect the Corporation's expectations only as of the date of this news release. The purpose of the financial outlooks contained in this presentation is to give the reader information about management's current expectations and plans and readers are cautioned that such information may not be appropriate for other purposes. 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 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

- Q3 & YTD Highlights
- 2016 Goals and Priorities
- Financial Summary
- Questions and Answers

2016 Goals and Priorities

1. Achieve our operational, financial, and safety targets
2. Continue to reposition our capital structure
3. Grow our portfolio of contracted gas and renewable assets
4. Secure a mutually beneficial coal transition arrangement with the Alberta Government

Q3 and YTD 2016 - Building our "Execution Advantage"

	3 mos. ended Sept. 30		9 mos. ended Sept. 30	
(in $CAD millions)	**2016**	2015	**2016**	2015
Comparable EBITDA	**$244**	$219	**$771**	$677
Comparable FFO	**$163**	$126	**$535**	$497
Comparable FCF	**$57**	$8	**$206**	$141
Adjusted Availability(1)	**89.0%**	91.2%	**89.3%**	87.8%

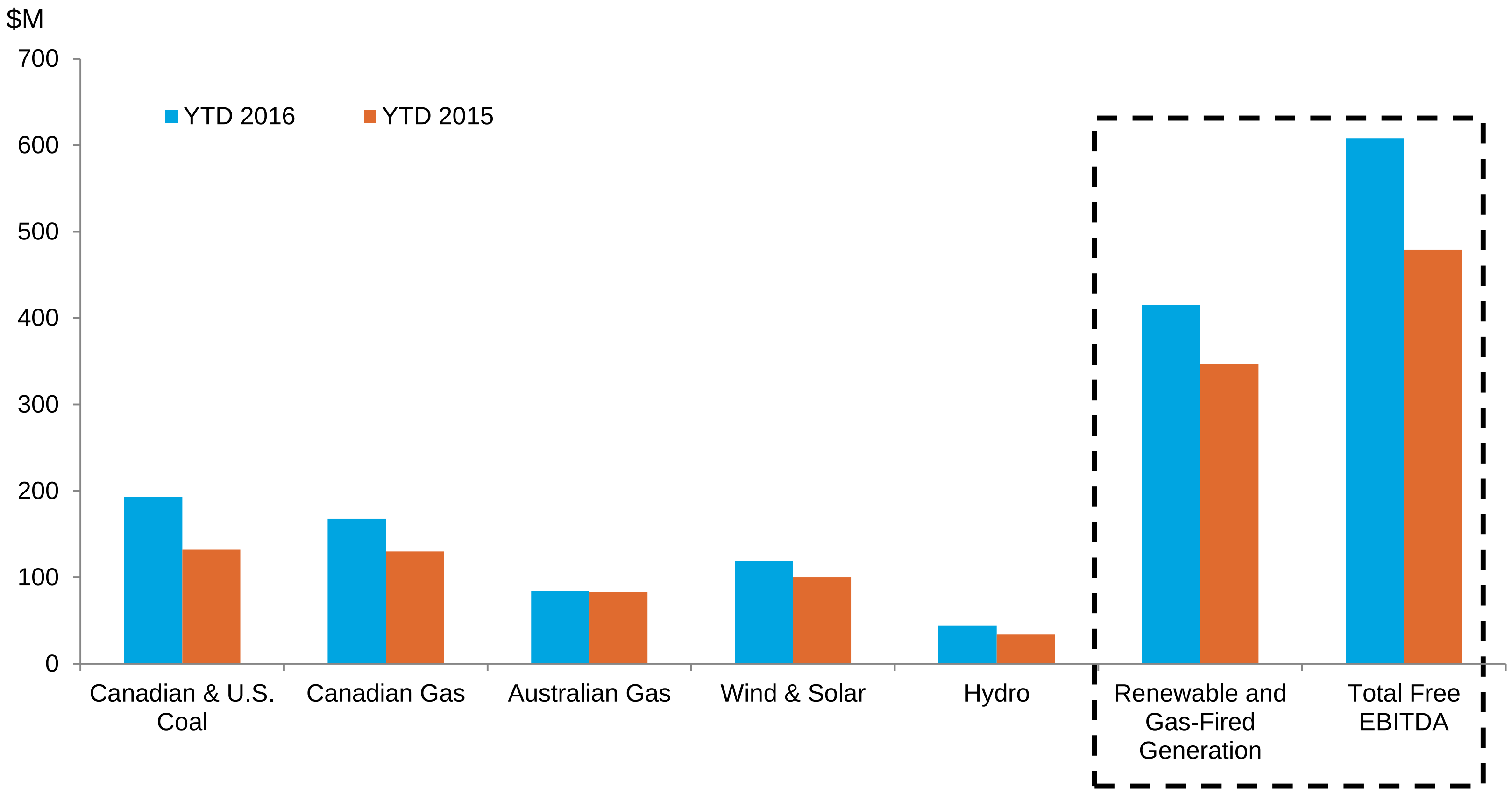
Q3 & YTD 2016 Commentary

- Surpassed all financial metrics from 2015 in both the third quarter and year-to-date
- Positive contributions from assets acquired in 2015, solid performance from gas and renewables portfolio, cost reduction initiatives are at the heart of 2016 performance
- Solid availability in the third quarter 2016; ahead of 2015 on year-to-date basis

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

2016 Free EBITDA – Gas & Renewables Driving Success

- Gas-fired and renewable generation has contributed $415 million of Free EBITDA(1) from operations in 2016



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

2 Continue to reposition our capital structure

- $400 - $600 million of project level financing
- $165 million closed in first quarter of 2016
- Progressing toward next financing

3 Grow our portfolio of contracted gas and renewable assets

- South Hedland operational in mid-2017
- Building the portfolio of greenfield projects in Canada and Australia

Third Quarter 2016 Review

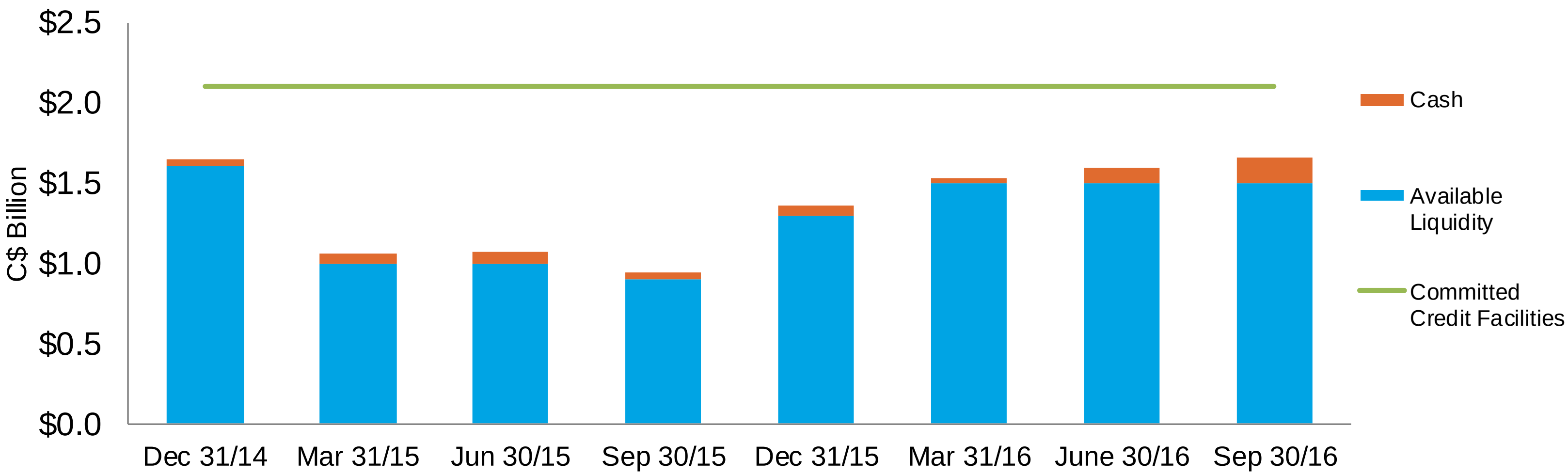
	3 Months Ended September 30		9 Months Ended September 30	
(in CAD$ millions)	2016	2015	2016	30, 2015
Adjusted Availability[1]	**89.0%**	91.2%	**89.1%**	87.3%
Canadian Coal	**99**	101	**295**	267
U.S. Coal[2]	**13**	9	**27**	41
Canadian Gas[2]	**53**	50	**174**	155
Australian Gas[2]	**32**	31	**96**	88
Wind and Solar	**32**	23	**129**	111
Hydro	**19**	15	**62**	54
Energy Marketing	**10**	6	**39**	11
Corporate	**(14)**	(16)	**(51)**	(50)
Total Comparable EBITDA	**244**	**219**	**771**	**677**

1 *Adjusted for economic dispatching at U.S. Coal.*
2 *See the Accounting Changes section of this quarter's MD&A for information on changes in the presentation of the Gas reportable segment.*

Canadian Coal	• Cost reductions offset by higher coal costs from heavy rains and unplanned outages
Wind and Solar	• Contribution from assets added in 2015 and improved wind resource in the East offset low power prices in AB
Energy Marketing	• Return to normal level of gross margin from short-term strategies

Finance & Treasury Overview

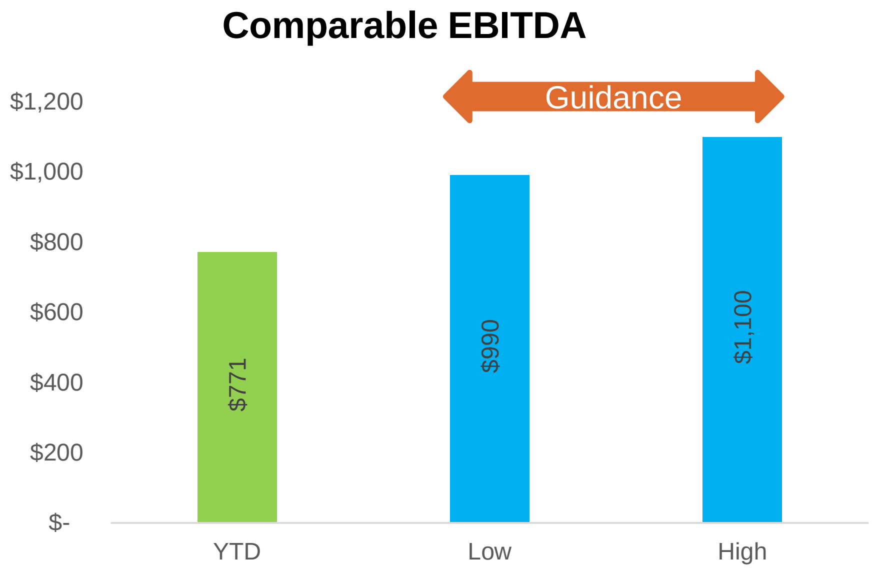
Area of Focus	Execution
Liquidity	• Average liquidity of $1.3B since 2014; liquidity of $1.7B at September 30, 2016

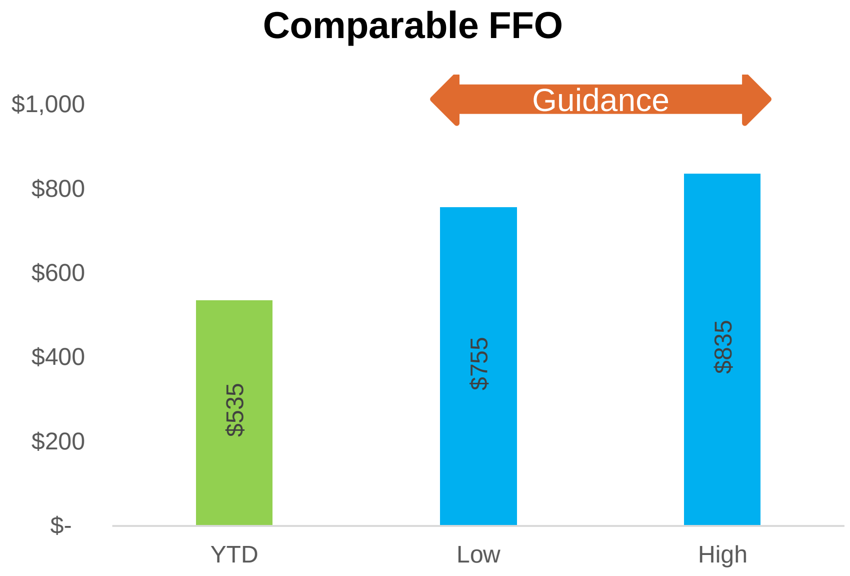


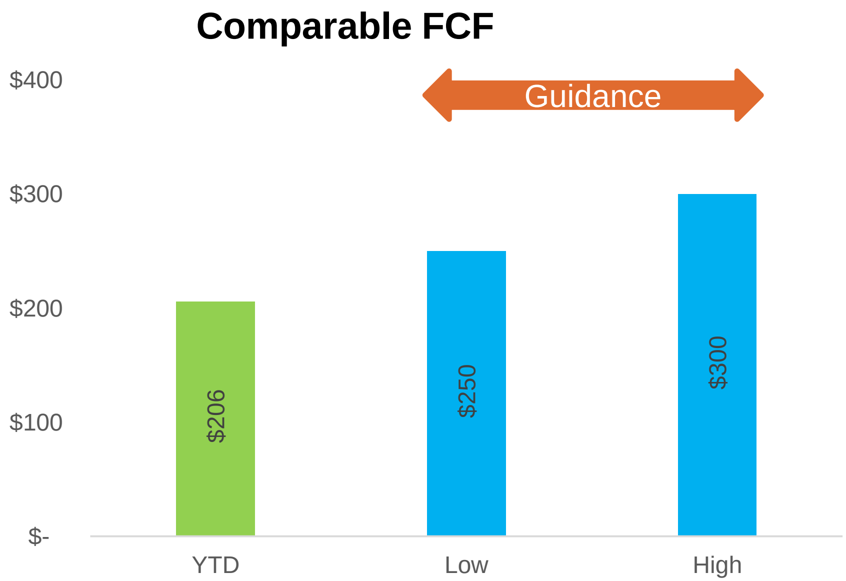
Area of Focus	Execution
Financial Ratios	• Consistently moved the mark on 'Adjusted FFO to Adjusted Net Debt'

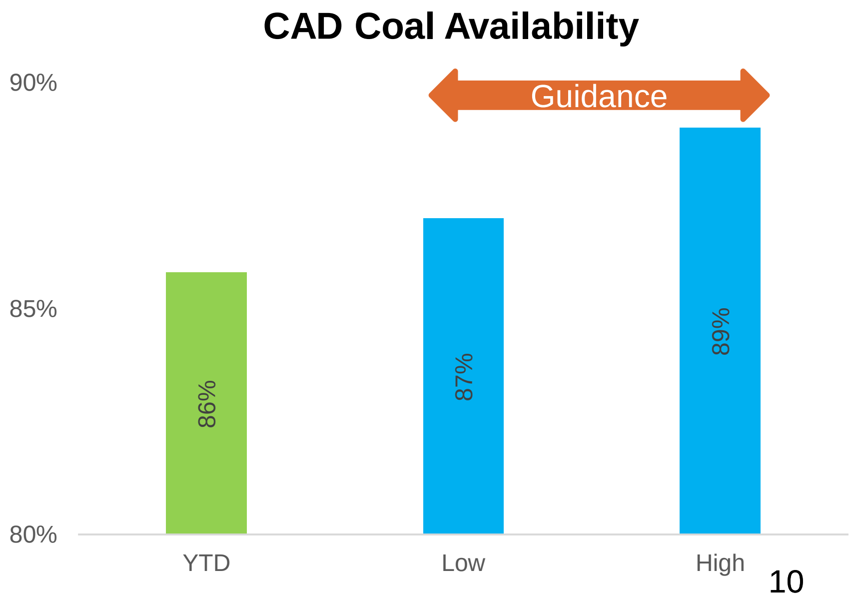
Ratio	Q4/15	Q1/16	Q2/16	Q3/16	Target
Comparable FFO before Interest to Adjusted Interest	3.8	3.7	3.7	3.9	4 – 5x
Adjusted FFO to Adjusted Net Debt	15.2	16.2	16.5	17.6	20 – 25%
Adjusted Net Debt to Comparable EBITDA	5.0	4.6	4.3	4.1	3 – 3.5

2016 YTD vs 2016 Guidance









TransAlta is well-positioned to transition from coal to renewables and gas-fired generation by 2030

- The conversion of coal-fired generation to gas-fired generation
- The expansion of existing wind and hydro assets
- The development of greenfield solar opportunities

Third Quarter 2016 Key Takeaways

1. Year-to-date performance is solid both financially and operationally
2. Progress made against all of our 2016 goals
3. Transitioning off coal requires closure on coal compensation and greater certainty on the future path for carbon taxes and emission standards

Question and Answer

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