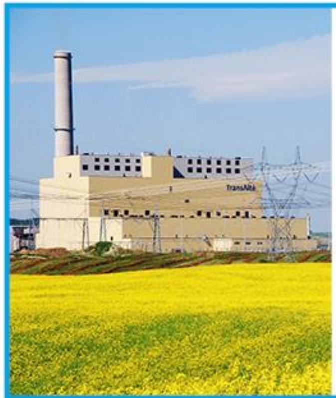



Fourth Quarter and Full Year 2015 Results

February 18, 2016

TransAlta™

Forward Looking Statements

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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 and anticipated future financial and performance; the timing and the completion and commissioning of projects under development, including major projects such as the South Hedland Power Project and Sundance 7, and their attendant costs; 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 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; expectations regarding the role different energy sources will play in meeting future energy needs; expected financing of our capital expenditures; expected governmental regulatory regimes and legislation and their expected impact on us and the timing of the implementation of such regimes and regulations, as well as the cost of complying with resulting regulations and laws; our trading strategies and the risk involved in these strategies; the annual dividend and payout ratio; 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 development projects and acquisitions, including delays in the construction of or increased costs associated with the South Hedland Power Project; adverse outcomes of any disputes or claims made by third parties including the potential Keephills 1 force majeure arbitration; the Alberta Climate Leadership Plan and the ability in providing greater certainty in regards thereto; and any market disruption or changes in market regulation. 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 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 may not be comparable to similar measures presented by other issuers and 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

- Strategic and Financial Objectives and Initiatives
- 2015 Year in Review
- 2016 Key Priorities and Outlook





Measuring Our Performance in 2015

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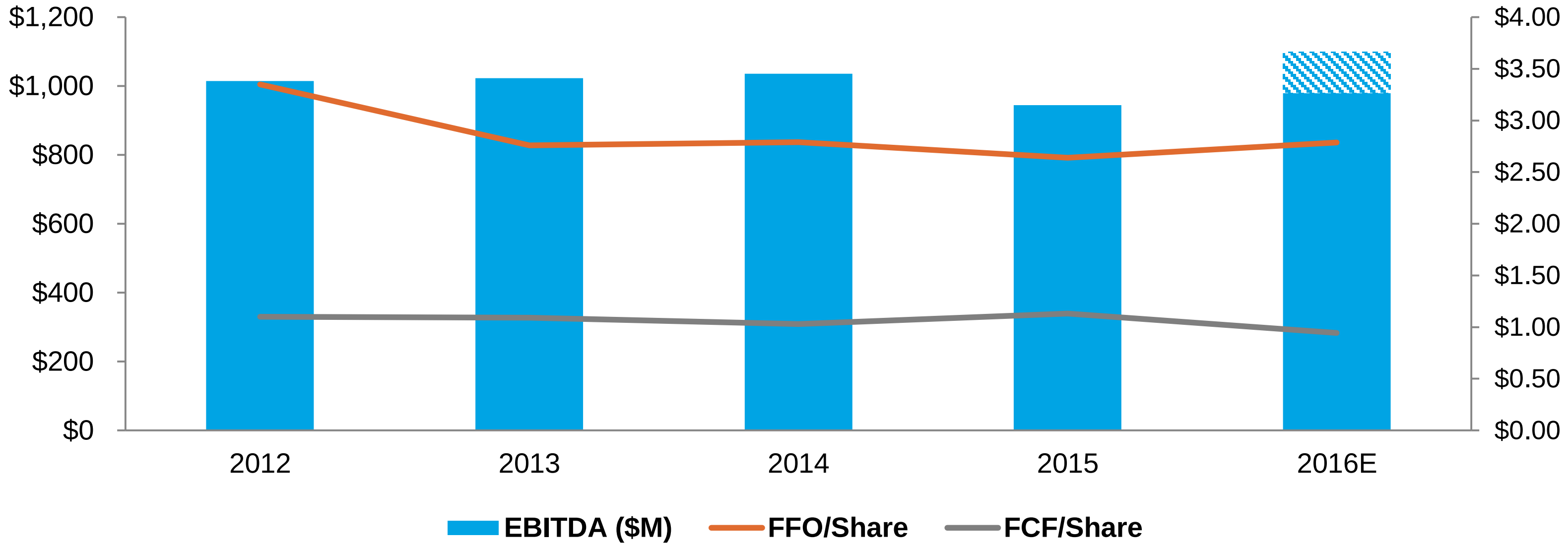
($M)	2015 Guidance Range(1)	2015 Actual
Comparable EBITDA	$980 – $1,010	**$945** (2)
Comparable FFO	$725 – $755	**$740**
Comparable FCF	$275 – $285	**$315**
Sustaining Capital	$305 – $320	**$280** (3)



(1) Revised guidance ranges as of October 2015
(2) Includes a $59 million adjustment to provisions relating mostly to prior years
(3) Including insurance recoveries

Executing our Strategic Objectives in 2015

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Delivered Operational Excellence	• Record safety performance (IFR of 0.75) • Adjusted fleet availability of 89.0% • Reduced coal costs per tonne by 15% since 2013 • Completed initiatives resulting in annual cost savings of \$47M
Continued to Work on Strengthening our Financial Position	• Raised ~\$600M in equity using TransAlta Renewables • Raised ~\$442M in non-recourse project level financing • Repaid \$500M of U.S. debt in January • Maintained investment grade credit ratings with S&P, Fitch, and DBRS
Growing our Portfolio of Assets	• Acquired 3 wind facilities in Canada and the US and 21 MW of solar assets in the US • Completed construction of the natural gas pipeline to our Solomon power station • Advanced construction of South Hedland, on track for commercial operation in mid-2017

Managing Low Merchant Prices in Alberta

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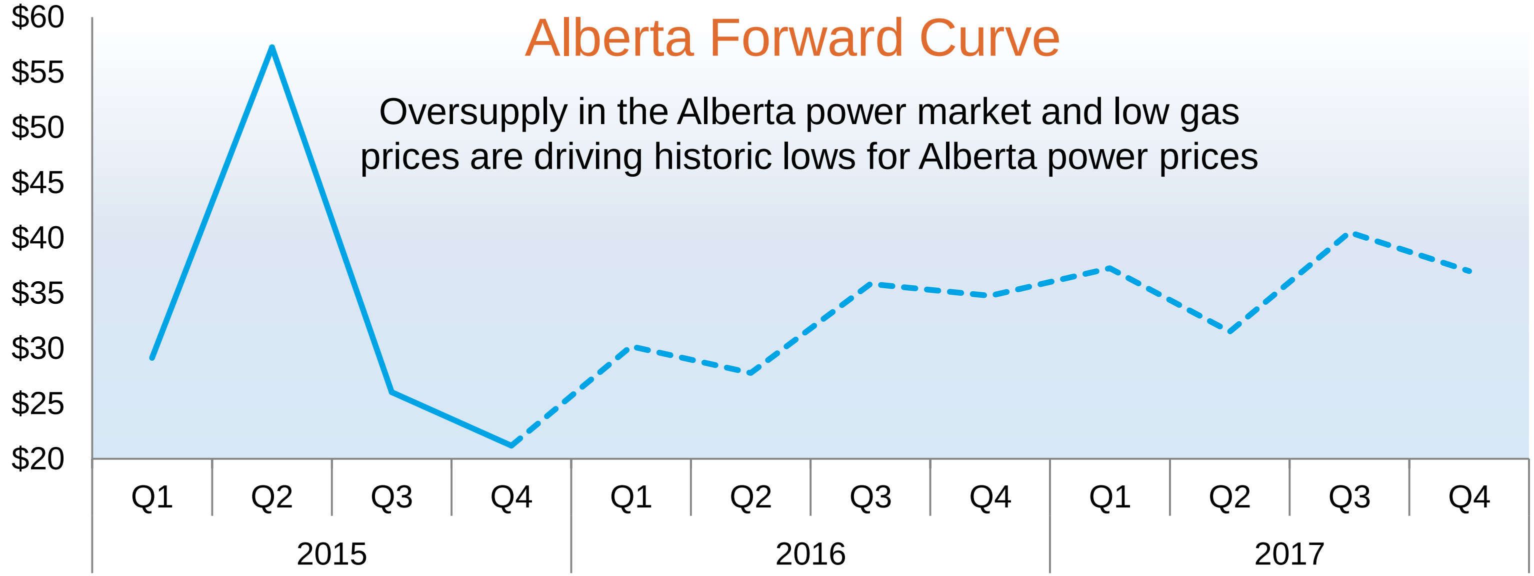
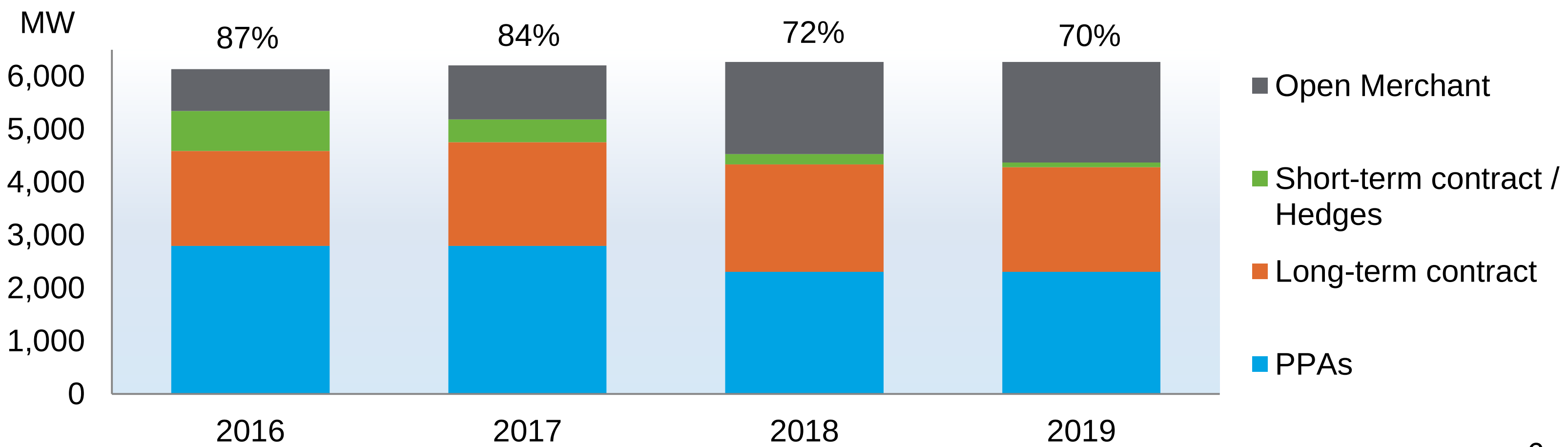
Alberta Forward Curve



Total Portfolio Contractedness



As of January 2016

2015 Year in Review





2015 Business Segment Comparable EBITDA ($M)

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Business Unit	2014	2015	Key Drivers
Canadian Coal	$389	**$334**	• $59 million adjustment to provisions. Excluding this adjustment, 2015 EBITDA would have been $393M • Lower operating expenses offset the negative impact of lower availability
U.S. Coal	$65	**$67**	• Stronger US dollar offset lower pricing in the PacNW
Gas	$312	**$330**	• Additional revenues from the Australian natural gas pipeline and the strengthening US dollar
Wind and Solar	$179	**$176**	• Lower prices in Alberta offset by acquisition of additional assets
Hydro	$87	**$73**	• Lower prices and decreased volatility in Alberta limited our ability to use our flexibility to produce electricity in higher priced hours
Energy Marketing	$75	**$37**	• Negatively impacted by volatile market conditions in AB and PacNW in Q2 2015 • Extraordinary market conditions in Q1 2014
Corporate Segment	($71)	**($72)**	• Anticipate to begin realizing benefits of overhead reductions during 2016
Comparable EBITDA (including adjustment to provision)	**$1,036**	**$945**	
Adjustment to Provision	$-	($59)	• Adjustment to provisions relating mostly to force majeure events for the periods between 2013 to 2015
Comparable EBITDA (excluding adjustment to provision)	**$1,036**	**$1,004**	

2015 Comparable FFO and FCF

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	2014[1]	2015
Comparable EBITDA	**$1036**	**$945**
Interest	($236)	**($230)**
Cash taxes	($33)	**($19)**
Other adjustments	($5)	**$44**
Comparable FFO	**$762**	**$740**
Sustaining Capital[2]	($357)	**($280)**
Preferred Share Dividends	($41)	**($46)**
NCI Cash Distributions	($84)	**($99)**
Comparable FCF	**$280**	**$315**
Comparable FCF/Share	**$1.03**	**$1.13**

1 *Restated to include hydro life extension from growth capital expenditures to sustaining capital expenditures*
2 *Including insurance recoveries*

Stable cash flows consistently support comparable FCF in excess of $1 per share

2015 Fourth Quarter Comparable EBITDA ($M)

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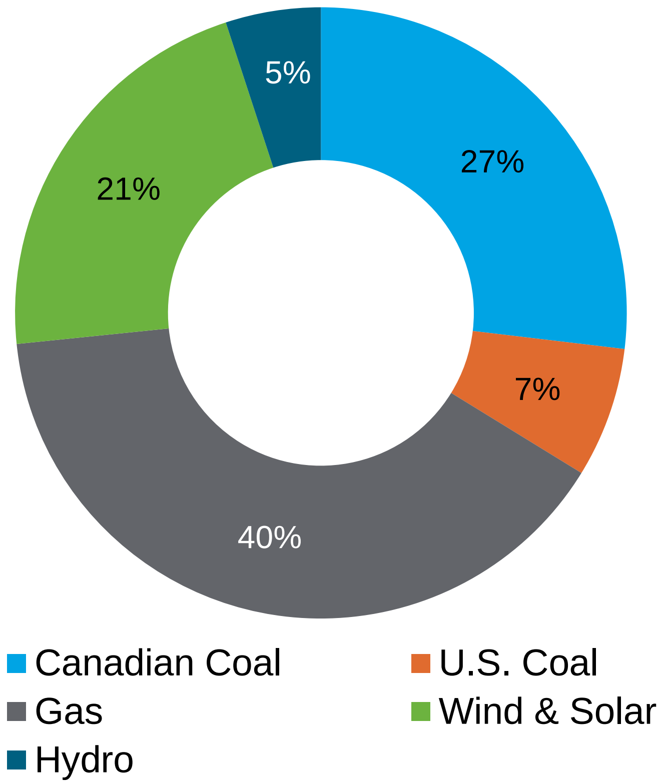
Business Unit	Q4 2014	Q4 2015	Key Drivers
Canadian Coal	$119	**$67**	• Includes a $59M adjustment to provisions relating mostly to force majeure events from 2013 to 2015 • Excluding the adjustment, EBITDA would have been $126M
U.S. Coal	$19	**$23**	• Stronger US dollar • Full quarter of contract with Puget Sound Energy
Gas	$80	**$90**	• Additional revenues from the natural gas pipeline and the strengthening of the US dollar on a contract in Australia
Wind and Solar	$56	**$65**	• Acquisition of assets in 2015 and a stronger US dollar
Hydro	$20	**$19**	• Consistent as the majority of production is contract-based
Energy Marketing	$26	**$26**	• Gross margin exceeded expectations of $15-$20M per quarter
Corporate Segment	($19)	**($22)**	• Provision associated with vacant leased office space following corporate restructuring
Comparable EBITDA (including adjustment to provision)	$301	**$268**	
Adjustment to Provision	$-	**($59)**	• Q4 2015 EBITDA included a $59 million adjustment to provisions relating mostly to force majeure from 2013 to 2015
Comparable EBITDA (excluding adjustment to provision)	$301	**$327**	

Our Highly Diversified Portfolio

- Canadian Coal contributed just over 25% of our total free EBITDA
- Gas and renewables accounted for more than 65% of our total free EBITDA

2015 Free EBITDA [(1)]



2015 Free EBITDA ($M)	
Canadian Coal[(2)]	$203
U.S. Coal	$52
Gas	$299
Wind and Solar	$163
Hydro	$38
Total	**$755**

1 Free EBITDA = EBITDA less Sustaining Capital, and excluding Energy Marketing and Corporate.
2 Excludes the $59 million adjustment to provisions

Strengthening our Financial Position

As at Dec. 31 ($M)	2015	2014
Recourse debt - CAD debentures	1,044	1,043
Recourse debt - U.S. senior notes	2,221	2,444
Net credit facilities and other	328	72
FV of Hedging Instruments	(190)	(96)
Total recourse Debt	3,403	3,463
Non-recourse debt	766	380
Finance lease obligations	82	74
Total Net Debt *(as of December 31, 2015)*	4,251	3,917
Proceeds following close of transaction on Jan. 6, 2016	173	-
Total Net Debt *(as of January 6, 2016)*	**4,078**	**3,917**

2016 Outlook & Assumptions

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2016 Outlook Ranges ($M)

Comparable EBITDA	**$990**	**$1,100**
Comparable Funds from Operations (FFO)	**$755**	**$835**
Sustaining Capital	$(330)	$(350)
Pfd Share/Other Distributions	$(175)	$(185)
Comparable Free Cash Flow (FCF)	**$250**	**$300**
Comparable FCF Per Share	**$0.86**	**$1.03**
Annual Dividend	$0.16	$0.16
Dividend Payout Ratio	19%	15%

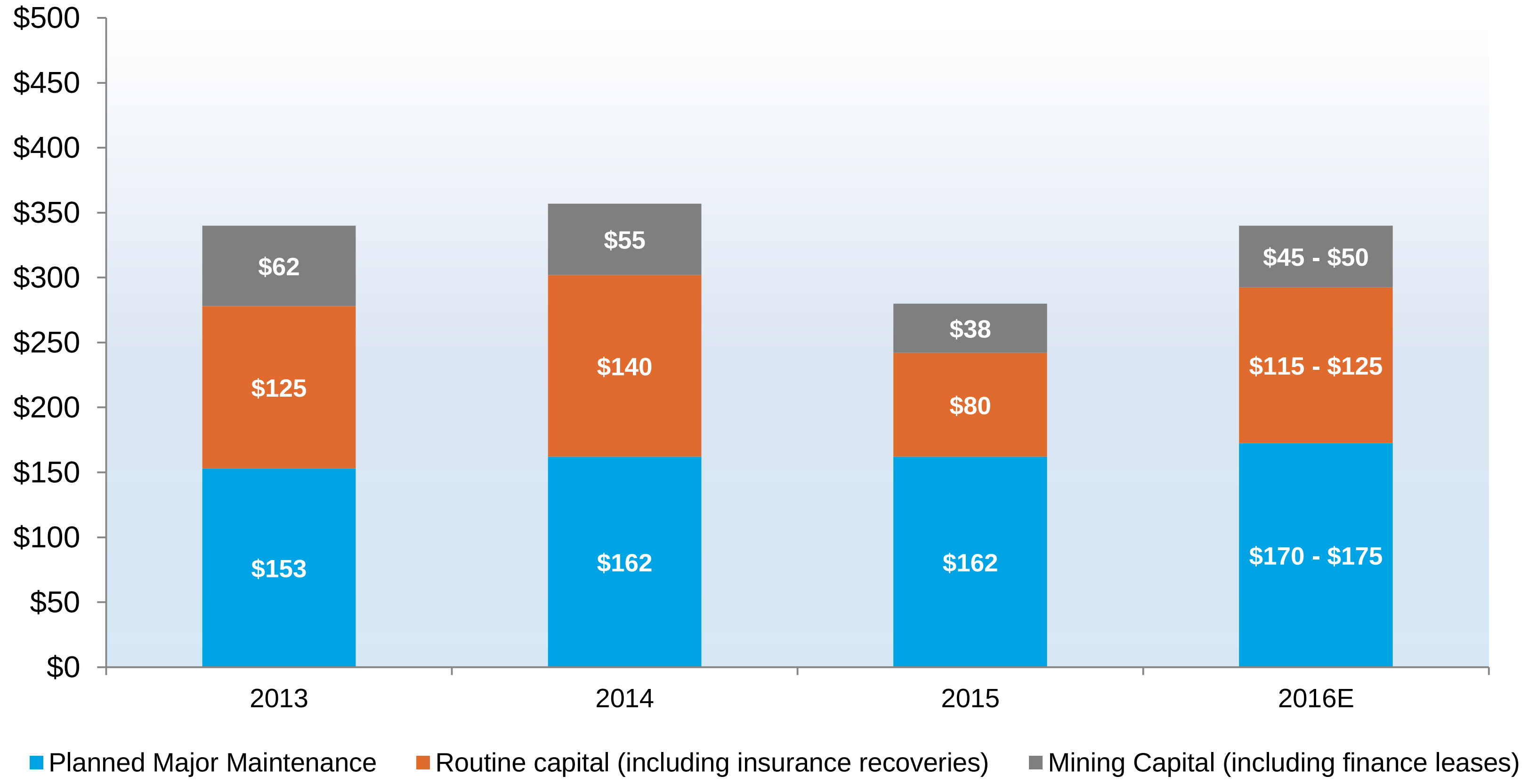
Range of Key Assumptions

Power Prices					
Alberta Spot ($/MWH)	$	29	-	$	33
Alberta Contracted ($/Mwh)	$	44	-	$	49
Mid-C Spot (US$/MwH)	$	22	-	$	26
Mid-C Contracted (US$/MWh)	$	40	-	$	45

Other			
Canadian Coal Availability	87%	-	89%
Hydro / Wind Resource	-	P50	-

2015 Sustaining Capital

2015 sustaining capital of $280 million[1], below our target for the year and lower than 2014



[1] *Including insurance recoveries*

Note: 2014 numbers have been restated to include hydro life extension from growth capital expenditures to sustaining capital expenditures

2016 Priorities and Outlook

2016 Strategic Objectives

- Secure a coal transition agreement in Alberta
- Reposition our capital structure by raising non-recourse project level debt
- Ensure sustainable and resilient cost savings
- Continue construction of the South Hedland Power Station
- Grow TransAlta Renewables' distributions per share

Q & A.

Questions, Answers