TransAlta Corporation

Fourth Quarter and Full Year 2016 Results

TransAlta CLEAN POWER TODAY AND TOMORROW

Friday March 3, 2017

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 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", "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 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 our 2017 priorities and goal to become Canada's leading clean power company; our 2017 outlook, including Comparable EBITDA, Comparable Funds from Operations, Sustaining Capital, preferred share and other distributions, Comparable Free Cash Flow; Comparable Free Cash Flow per share, annual dividend, dividend payout ratio; pricing assumptions; our expectation of raising between $700 million and $900 million over the next 18 months, including through the monetization of off-coal payments; expectations that our financial ratios expected to improve once South Hedland is operational; statements pertaining to our future growth opportunities, including the Brazeau hydro expansion, coal-to-gas conversions, Alberta renewable program, Saskatchewan renewable auctions and expansion and acquisition in the US and Australia; statements relating to our sustaining capital strategy at Alberta Coal; statements relating to the repayment of debt with free cash flow; statements relating to efficiencies and improvements in our existing business; and statements relating to a targeted increase in free cash flow from 2018 to 2020.

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, alterations or conversions 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; 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 regulatory developments; and any market disruption or changes in market regulation, including changes relating to the implementation of a capacity market. 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

Strategic Review

Financial Performance

2017 Priorities

2016 Key Takeaways

Questions and Answers

Balance Wins

Coal Transition Agreement

Off-Coal Agreement

MOU

Next Steps

Coal-to-Gas Conversions

Capacity Market

Brazeau Pumped Storage

Our Future

Canada's Leading Clean Energy Company

- Implementation of Climate Leadership Plan
- Reduced Impact on Consumers of Electricity
- Protection for Incumbent Generators

Execution Advantage – Proven Execution Advantages in 2016

- Achieved 2016 financial guidance
- Delivered strong operational performance
- Repositioned our capital structure and reduced debt
- Upheld our *Force Majeure* claim
- Achieved $25 million of EBITDA from renewable projects added in 2015
- Progressed South Hedland

Execution Advantage is both Strategy and Discipline

History Repeats

1911 – Construction Of Calgary Power's first hydro plant on the Bow River

1965 – Brazeau Plant commissions first turbine

2000's – Continued investment in wind facilities and other renewable sources

1990's – added natural gas and cogeneration plants to fleet

1956 – Commissioning of our first large, centralized coal-fired plants

2015 – TransAlta's first investment in solar generation

Future Growth Opportunities

- Brazeau hydro expansion
- Coal-to-gas conversions
- Alberta renewable program
- Saskatchewan renewable auctions
- Expansion and acquisition in the US and Australia

Q4 and Year End 2016 Results - Building our "Execution Advantage"

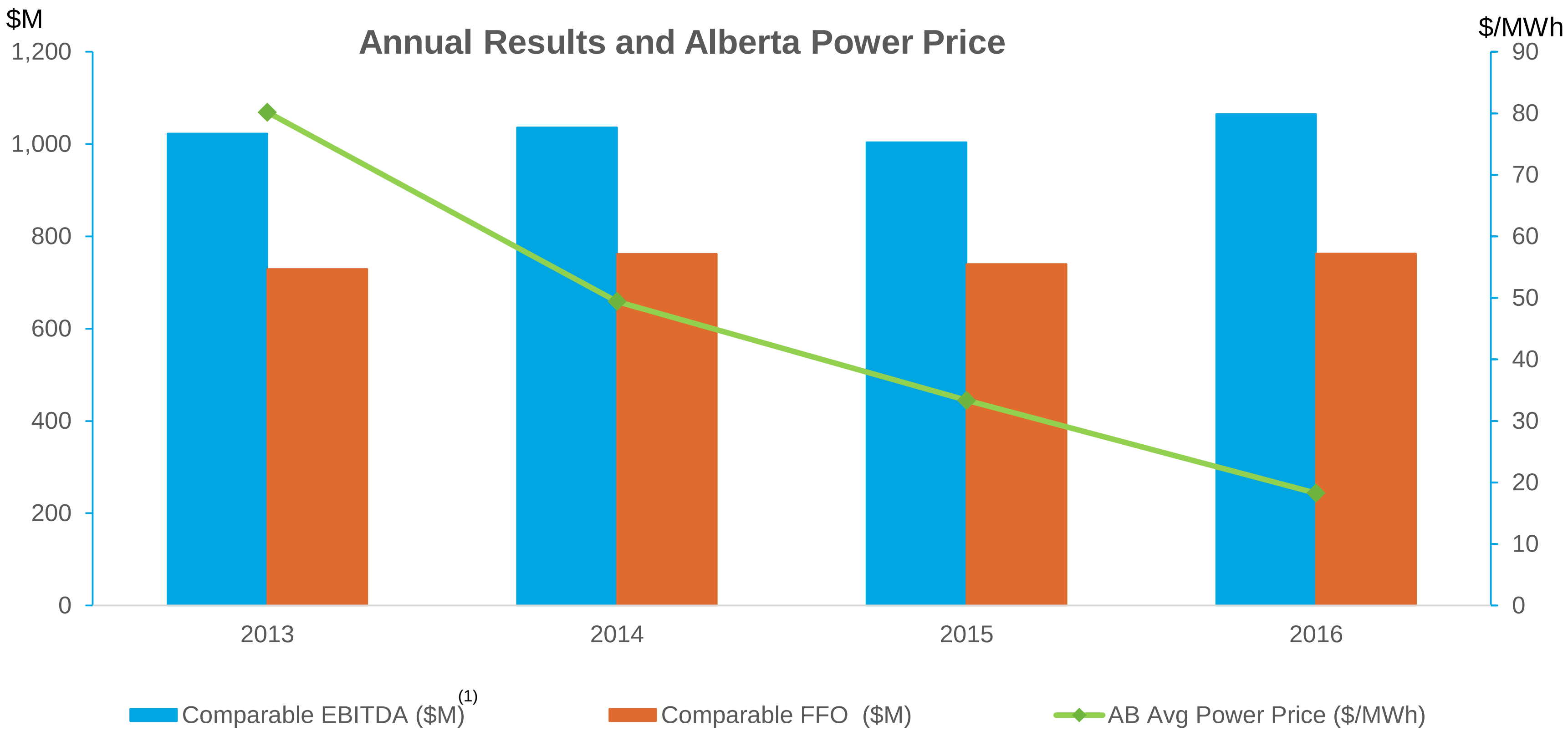
	3 mos. ended Dec. 31		2016 Outlook	12 mos. ended Dec. 31	
(in $CAD millions)	**2016**	2015		**2016**	2015
Comparable EBITDA	**$294[1]**	$327[1]	$990 - $1,100	**$1065[1]**	$1004[1]
Comparable FFO	**$228**	$243	$755 - $835	**$763**	$740
Comparable FCF	**$93**	$174	$250 - $300	**$299**	$315
Adjusted Availability[2]	**88.9%**	88.4%	n/a	**89.2%**	89.0%

- Comparable EBITDA[1] increased 6% or ~$60 million
- Comparable FFO increased by $23 million
- Comparable FCF was at the top end of our guidance range

1 *Excluding adjustments related to the Keephills 1 force majeure provisions.*
2 *Adjusted for economic dispatching at U.S. Coal.*

Year End 2016 - Building our “Execution Advantage”

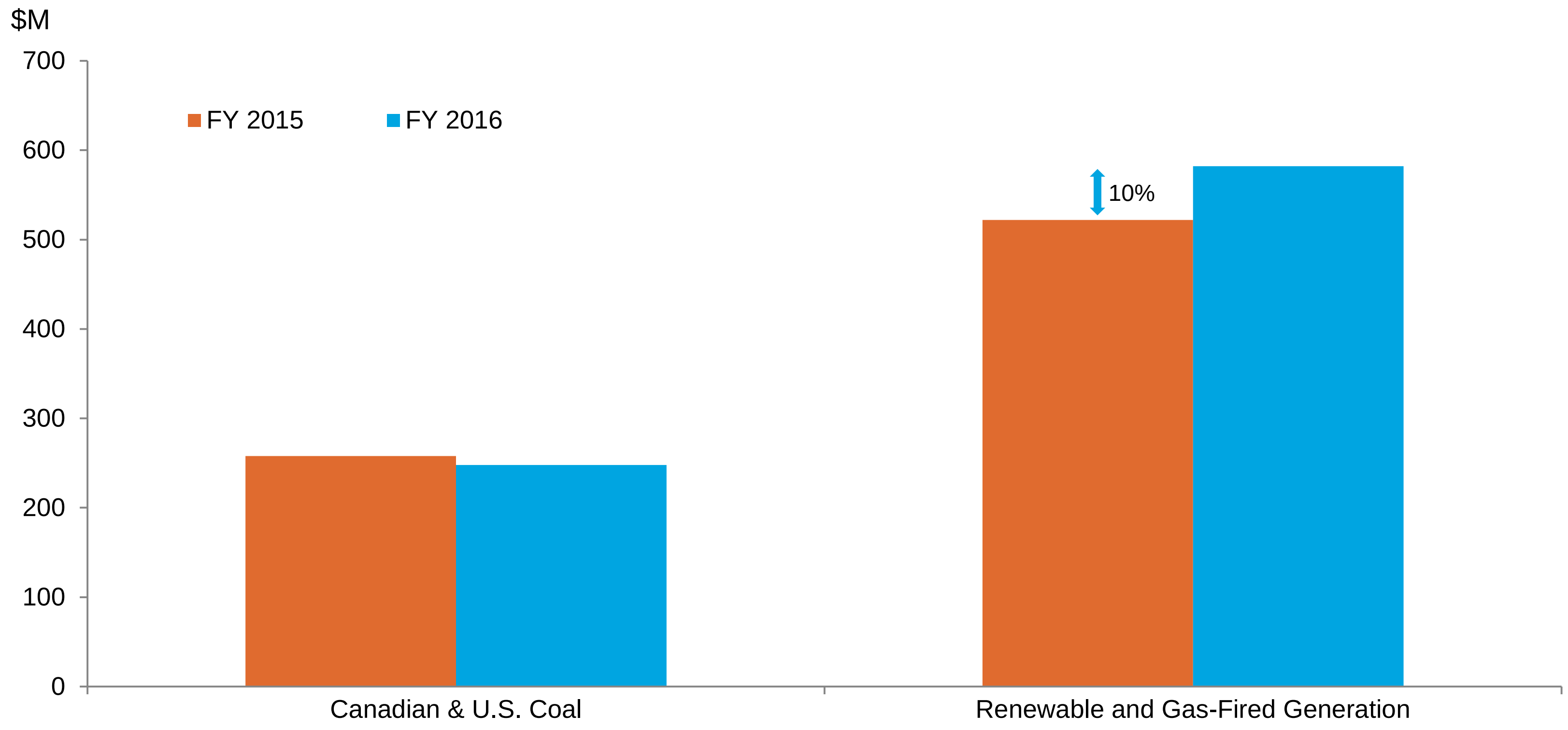
EBITDA sustained despite the rapidly declining price environment in Alberta



1 *Excluding adjustments related to the Keephills 1 force majeure provisions.*

2016 Cash Flow from Generation – Gas & Renewables Driving Success

$582 million of Cash Flow From Generation(1) from renewable and gas-fired generation in 2016



(1) Cash Flow From Generation = Comparable EBITDA (adjusted for the Keephills 1 force majeure provisions) less Sustaining Capital

2017 Outlook

2017 Outlook Ranges ($M)

Comparable EBITDA	**$1,025**	**$1,135**
Comparable Funds from Operations	**$765**	**$855**
Sustaining Capital	(260)	(280)
Pfd Share/Other Distributions	(205)	(210)
Comparable Free Cash Flow	**$300**	**$365**
Comparable Free Cash Flow Per Share	**$1.04**	**$1.27**
Annual Dividend	$0.16	$0.16
Dividend Payout Ratio	15%	13%

Range of Key Assumptions

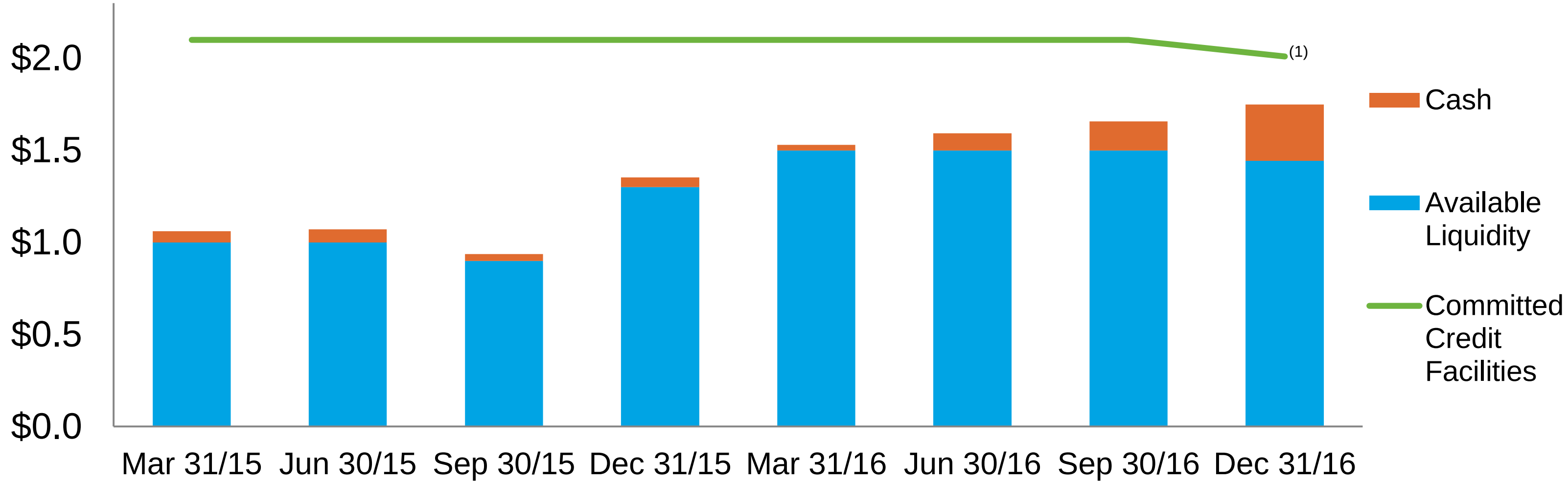
Power Prices					
Alberta Spot ($/MWH)	$	24	-	$	30
Alberta Contracted ($/Mwh)	$	45	-	$	50
Mid-C Spot (US$/MwH)	$	23	-	$	28
Mid-C Contracted (US$/MWh)	$	45	-	$	50

Other			
Canadian Coal Availability	86%	-	88%
Hydro / Wind Resource		Long term average	

1. Raised over $800 million in project level financing in 2015/16
   - Poplar Creek - $203 million
   - New Richmond - $159 million
   - Melancthon Wolfe - $442 million
2. Plan to raise $700 to $900 million over next 18 months
   - Does include monetization of off-coal payments
3. Total net debt reduced by $358 million over 2015
   - Cash from operations
   - Proceeds from sale of Canadian Assets

Finance & Treasury Overview

Area of Focus	Execution
Liquidity	• Average liquidity of $1.3B since 2014; liquidity of ~$1.7B at December 31, 2016 including cash of $305 million



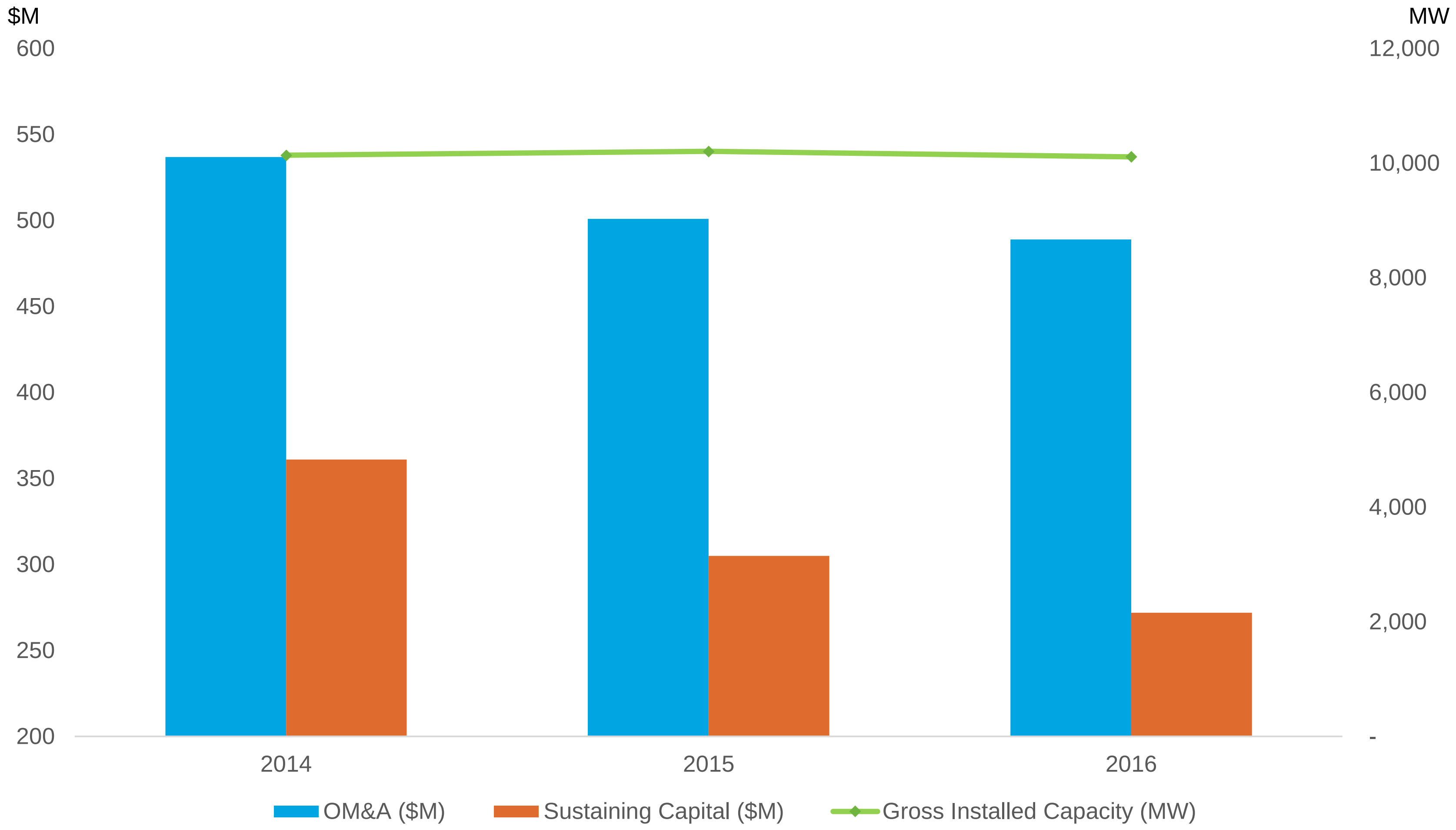
Area of Focus	Execution
Financial Ratios	• Ratios expected to improve once South Hedland is operational

Ratios	2013	2014	2015	2016	Target
Comparable FFO before Interest to Adjusted Interest	3.7	3.8	3.8	3.8	4 – 5x
Adjusted FFO to Adjusted Net Debt	15.2	16.9	15.2	17.0	20 – 25%
Adjusted Net Debt to Comparable EBITDA	4.6	4.2	5.0	3.8	3 – 3.5

(1) Reduction in Available Liquidity due to reduction in US bilateral credit facility from $300 million to $200 million.

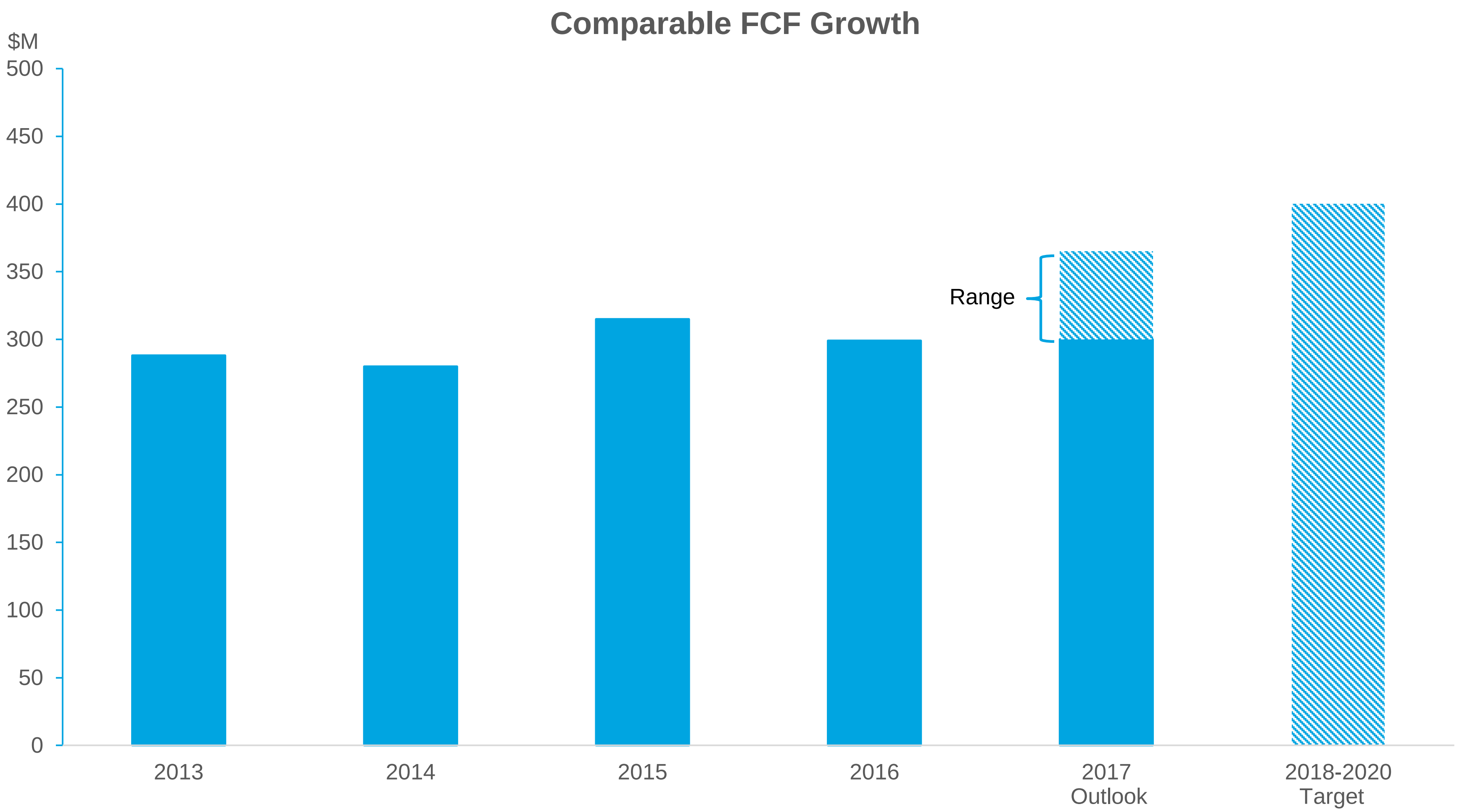
Positioning for Competition – Lowering our Cost of Capital

Reduced OM&A by $50 million since 2014 while maintaining the size of our fleet at approximately 10.2 GW



Positioning for Competition – Targeting $400 million in Free Cash Flow by 2020

We have delivered between $280 to $315 million of FCF between 2013 and 2016. We are targeting $400 million by 2018-2020.



2017 Priorities – Positioning for Competition

1. Work collaboratively with the Government of Alberta
   - Advance our investment in Brazeau by securing long-term contract
   - Contribute to the design of a new capacity market
   - Establish terms and conditions to convert coal plants to gas
2. Commission South Hedland
3. Grow our renewables platform through RFP's in Saskatchewan, Alberta and Australia
4. Continue to execute our financing strategy to further strengthen the balance sheet
5. Continue to lead in safety and environment performance while delivering against our 2017 financial targets

Question and Answer

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