TransAlta Corporation

Second Quarter Results

Thursday, August 10, 2017

TransAlta™ CLEAN POWER TODAY AND TOMORROW

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 contains forward-looking statements pertaining to: our strategy and plans, including as it pertains to balance sheet improvements and furthering our off-coal transition; the expansion of the Kent Hills wind farm; the potential termination of the power purchase arrangements and the net book value to be ascribed thereto; our ability to reduce leverage and achieve adjusted funds from operations ("FFO") to debt and adjusted net debt to Comparable EBITDA targets; our updated 2017 outlook, including as it pertains to comparable EBITDA, FFO and free cash flow ("FCF"); the impact on FCF as a result of the lower first quarter margins realized by Energy Marketing and the temporary coal supply constraints; our ability to resolve the coal supply and associated labour constraints at the Highvale mine; the source of funds for the repayment of upcoming debt maturities; the target FCF and growth of cash flow for the period from 2018 to beyond 2020, including from the higher margins expected to be realized on Alberta renewables, realizing upon the wind requests for proposals, hydro upside and the Brazeau development; and our ability to realize greenhouse gas credits for our incumbent generation in 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; disruptions in the source of fuels, including gas, coal, water, or wind required to operate our facilities; our ability to contract our generation for prices that will provide expected returns; disputes with counterparties, including as it pertains to South Hedland; 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; natural or man-made disasters; the threat of domestic terrorism and cyberattacks; lower than anticipated electricity prices; equipment failure and our ability to carry out, or have completed, repairs, alterations or conversions in a cost-effective 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, including continued or prolonged labour constraints at our Highvale mine; risks associated with development projects and acquisitions; increased costs or delays in the development, construction or commissioning of projects, including the Kent Hills expansion; regulatory developments and any market disruption or changes in market regulation, including changes relating to the implementation of a capacity market and the termination of the Alberta PPAs. 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 Readers that projected results or events will be achieved.

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 the section entitled "Reconciliation of Non-IFRS Measures" contained in 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

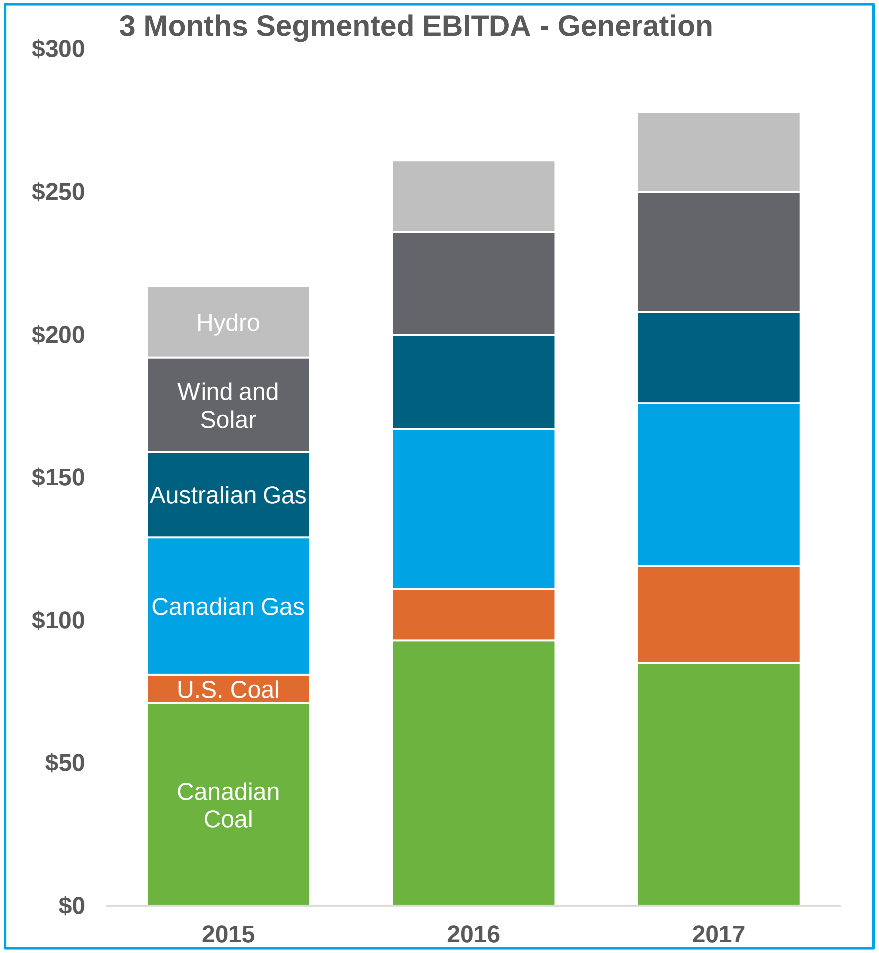
YTD 2017 Financial & Operations Highlights

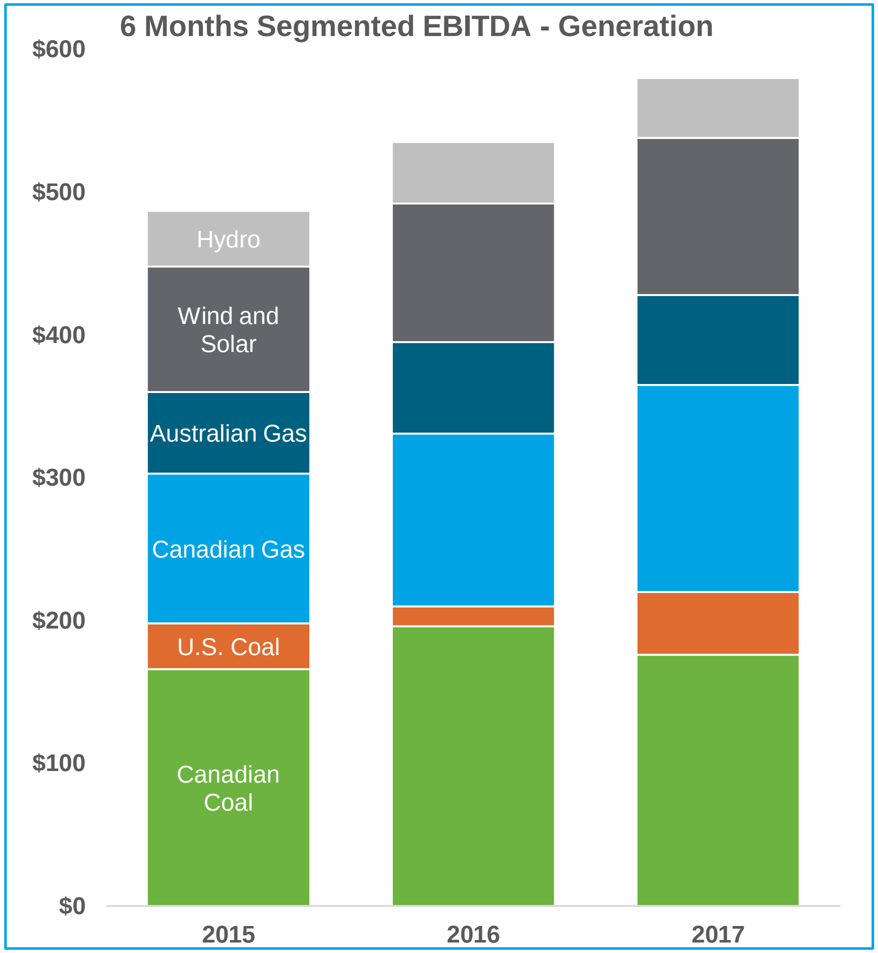
	3 Months Ended June 30		6 Months Ended June 30	
(in $CAD millions)	**2017**	2016	**2017**	2016
Comparable EBITDA	**$268**	$248	$542	$527
FFO	**$187**	$175	$389	$372
FCF	**$30**	$56	$125	$140
Adjusted Coal Fleet Availability[(1)]	**79.9%**	82.1%	82.2%	86.1%

Financial Strategy	Growth Strategy	Off-Coal Transition Strategy
• Results in line with, or above, expectations for the quarter • Reduced our net debt by $184 million in the first half of the year • Continue balance sheet improvement initiatives	• Commissioned the South Hedland Power Station • Announced expansion of the Kent Hills wind farm • Submitted several projects for the Alberta Renewable Energy Program	• Continue to work with Government to formulate regulations • Progress our gas supply options for CTG conversions • Environmental work and stakeholder engagement on the Brazeau pumped storage project

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

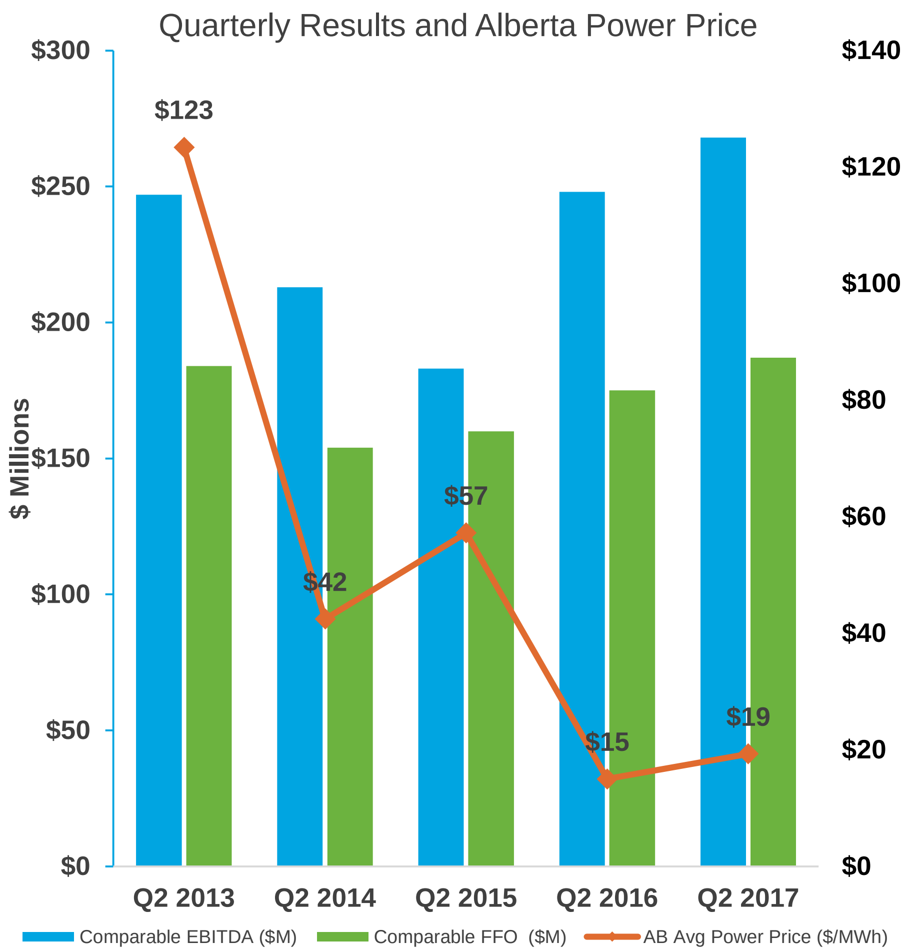
Segmented EBITDA - Generation



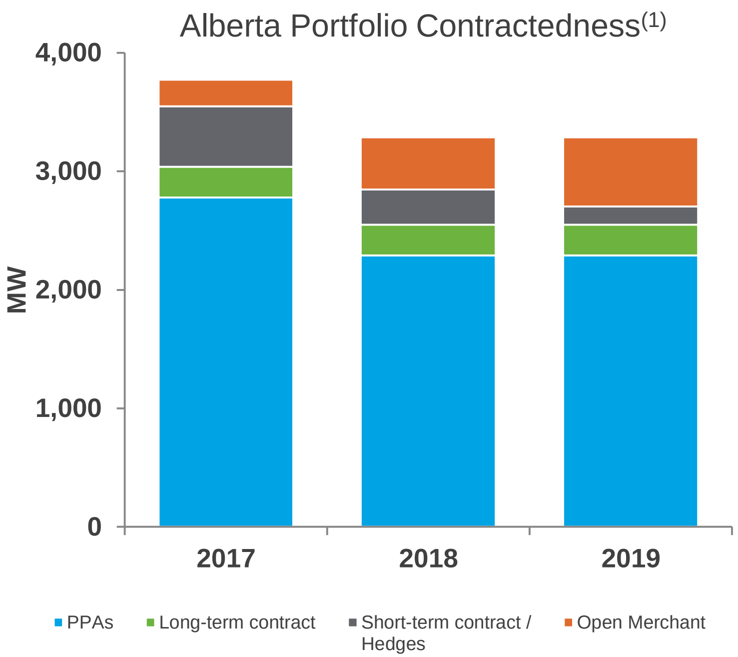


Renewables and Gas contributed 57% of Comparable EBITDA from Generation in Q2 2017

Alberta Power Price Overview



	H2 2017	2018	2019
Percentage Contracted	94%	87%	82%
Forward Price	$29/MWh	$44/MWh	$45MWh
Hedged Price	$44/MWh	$49/MWh	$51/MWh

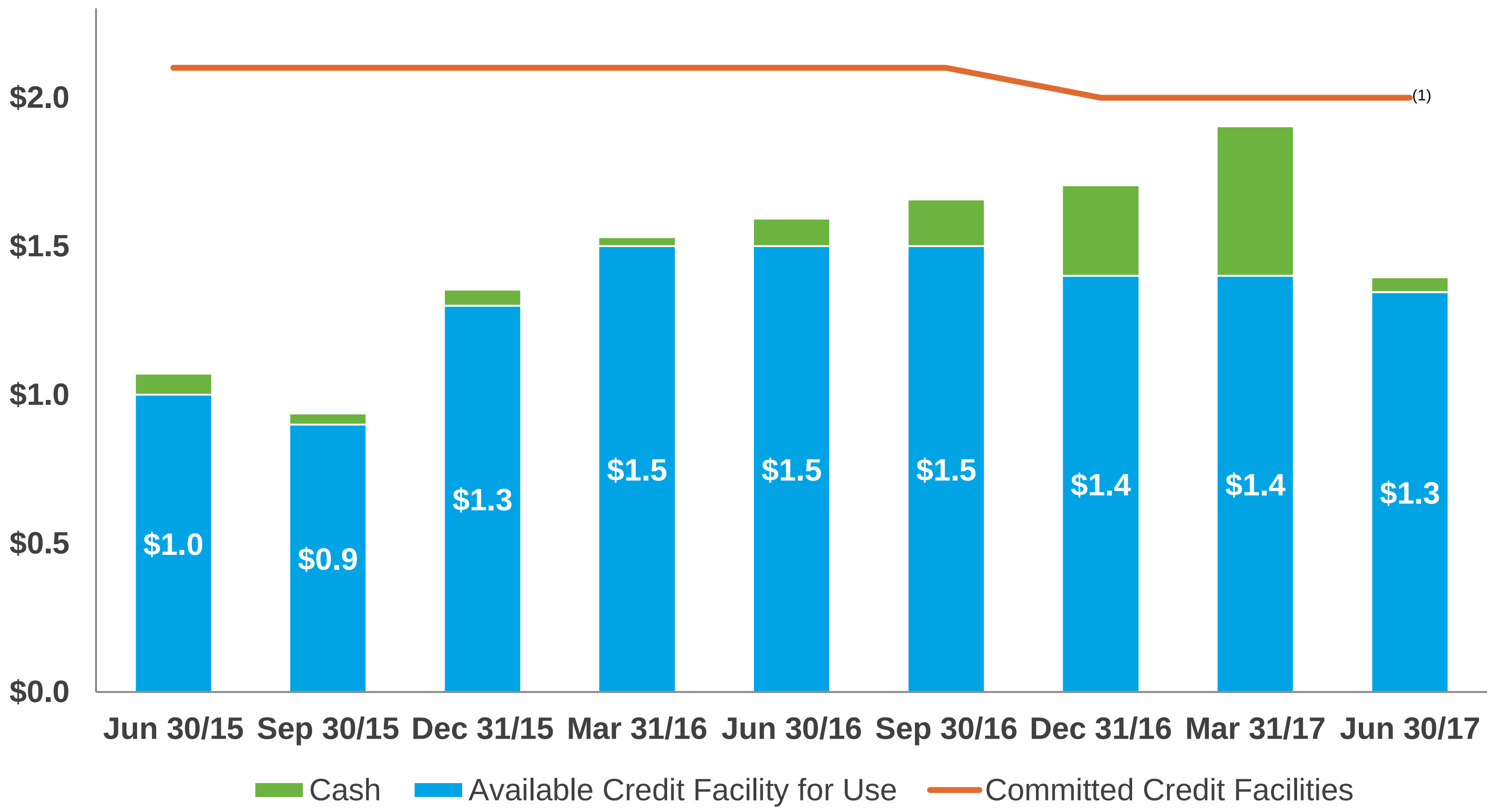


- Performance not highly impacted by Alberta Power Price
- Highest second quarter Comparable EBITDA and FFO in over five years

(1) As of July 1, 2017

Liquidity

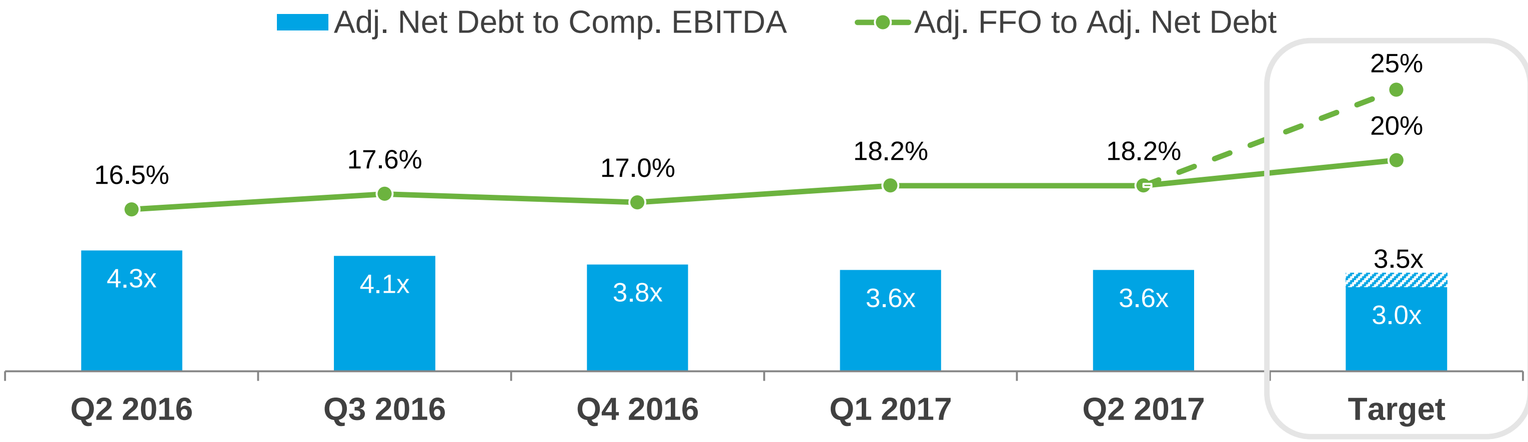
Area of Focus	Execution
Liquidity	• Liquidity of $1.4B at June 30, 2017 including cash of $50 million • Repayment of US$400 million senior note using our balance sheet



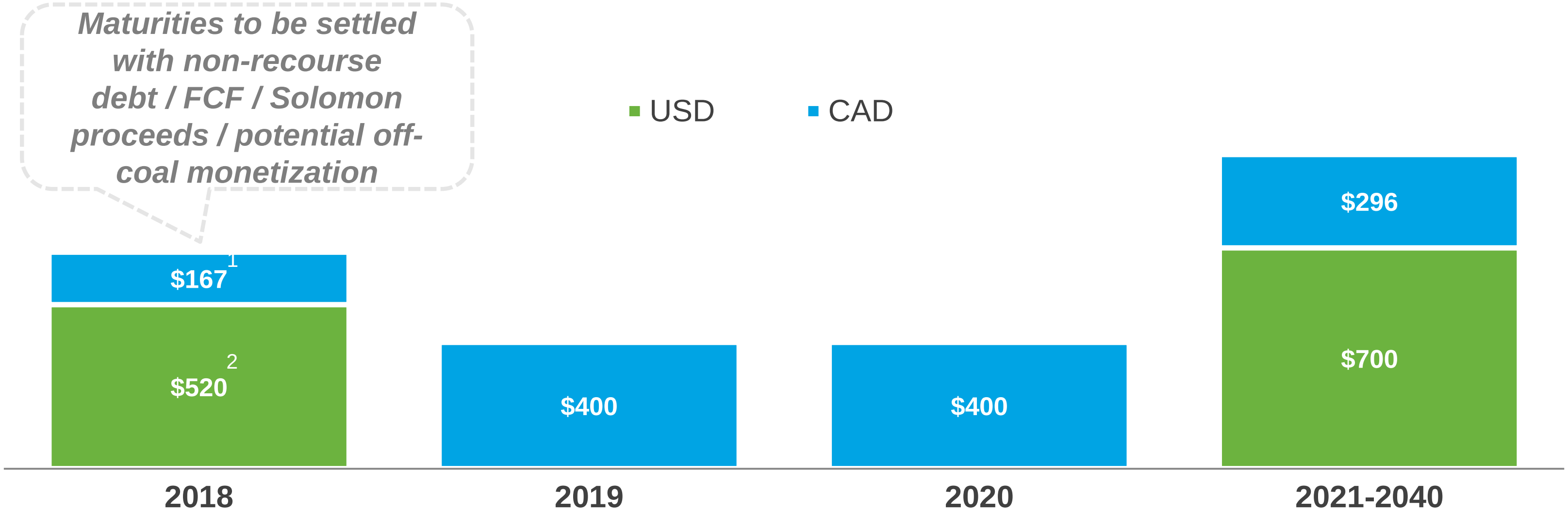
(1) Reduction in committed credit facilities due to reduction in US bilateral credit facility from $300 million to $200 million.

Proactively Addressing Up-coming Debt Maturities

REDUCING LEVERAGE



ACTIVELY MANAGING MATURITIES



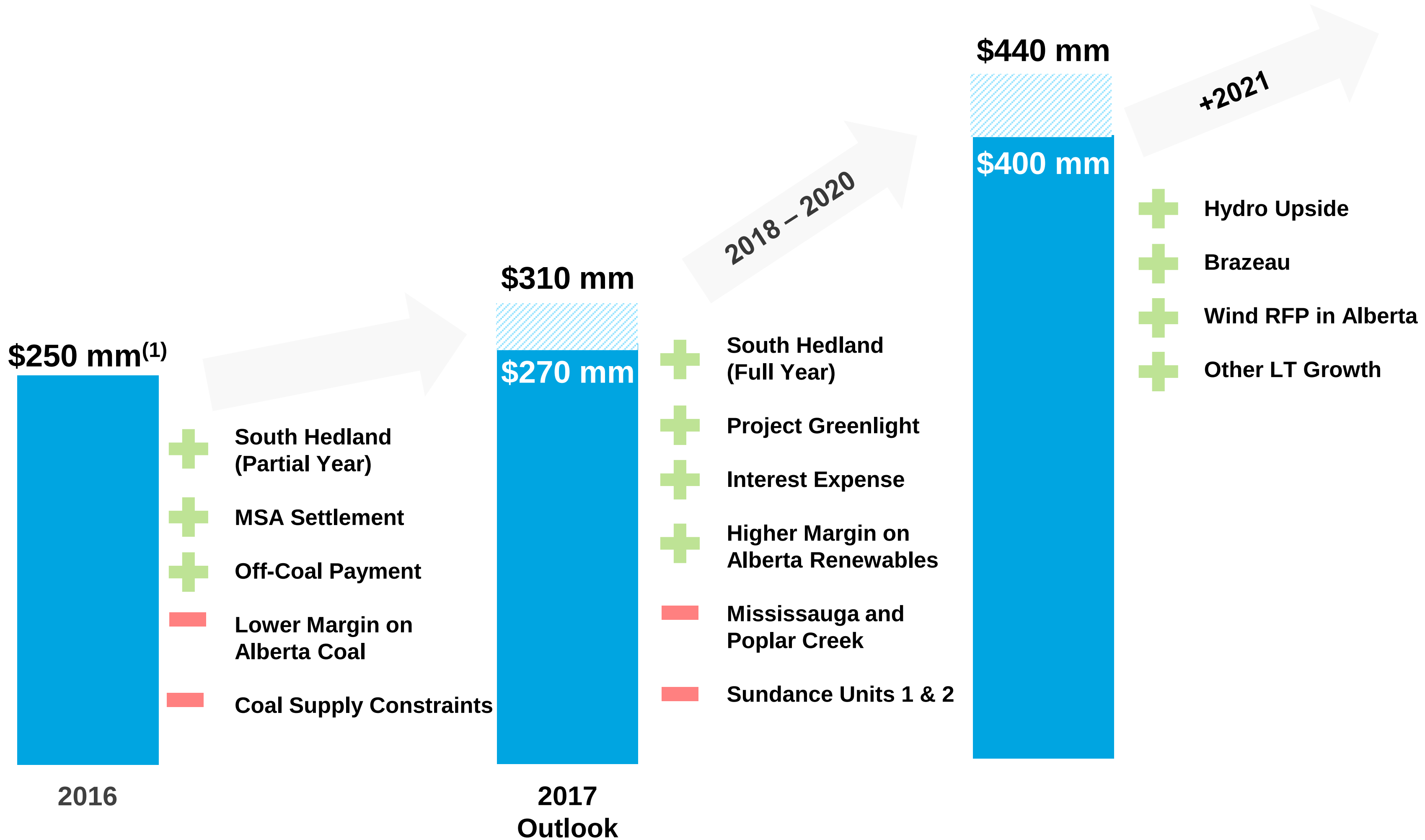
[1]Debt related to RNW
[2]Includes USD$20 million of debt related to RNW

Updated 2017 Outlook

2017 Outlook Ranges ($M)	Revised Outlook		Previous Outlook	
Comparable EBITDA	**$1,025**	**$1,100**	**$1,025**	**$1,135**
Funds from Operations	**$765**	**$820**	**$765**	**$855**
Free Cash Flow	**$270**	**$310**	**$300**	**$365**
Free Cash Flow Per Share	**$0.94**	**$1.07**	**$1.04**	**$1.27**
Annual Dividend	$0.16	$0.16	$0.16	$0.16
Dividend Payout Ratio	17%	15%	15%	13%

- Tighten our outlook for Comparable EBITDA and FFO by reducing the high end of guidance
- Reduced Free Cash Flow outlook to reflect lower margins from Energy Marketing in the first quarter, higher productivity capital and temporary coal supply constraints in Alberta

Tangible Factors Driving Cash Flow Growth



Targeting in excess of $400 million of Free Cash Flow for 2018 - 2020

[1] *Includes MSA settlement payment, productivity capital, and Lakeswind tax equity*

Gas and Renewables Transition

- Team continues to work with federal government regarding coal to gas conversions
- Obtaining greenhouse gas credits for incumbent generation remains a focus
- Progression of early stage development activities on Brazeau pump storage
  - Require long term contract before making any large investment decisions
- Potential termination of PPA's provides cash inflow, increased operational flexibility and ability to accelerate coal to gas conversions
  - Payment of $231 million for Net Book Value of assets

Changing regulatory environment creates competitive advantages

Question and Answer

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