TransAlta Corporation

Fourth Quarter and Full Year 2017 Results

Friday, March 2, 2018

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 our growth strategy and off-coal transition strategy; early redemption of the 2018 senior notes in March 2018; forecasted capital structure, including adjusted funds from operations ("FFO") to net debt of 20 to 20% between 2018 and 2020 and adjusted FFO to net debt of 25 – 30% in 2021; utilizing excess free cash flow ("FCF") for growth or return of capital to shareholders; ability to realize upside through additional productivity gains and cost and capital reductions; ability to position the portfolio to benefit from price volatility; forecasted contractedness in 2019 and 2020; forward prices and hedged prices in 2019 and 2020; our 2018 priorities and goals, including the development of an effective capacity market, the construction of the Tidewater pipeline, progressing the coal-to-gas conversions, development of two wind projects in the U.S., and ending the year with $3.2 billion in debt. 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; outcomes of investigations and disputes; reliance on key personnel; labour relations matters; risks associated with development projects and acquisitions; increased costs or delays in the development, construction or commissioning of projects, including the U.S. wind projects and the Kent Hills expansion; changes to our relationship with TransAlta Renewables; 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 "Governance and 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 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

- 2017 Highlights and Priorities
- Segmented Results
- Liquidity
- Capital Structure
- Capital Allocation
- Growth in FCF
- Portfolio Management
- Priorities for 2018
- Questions and Answers

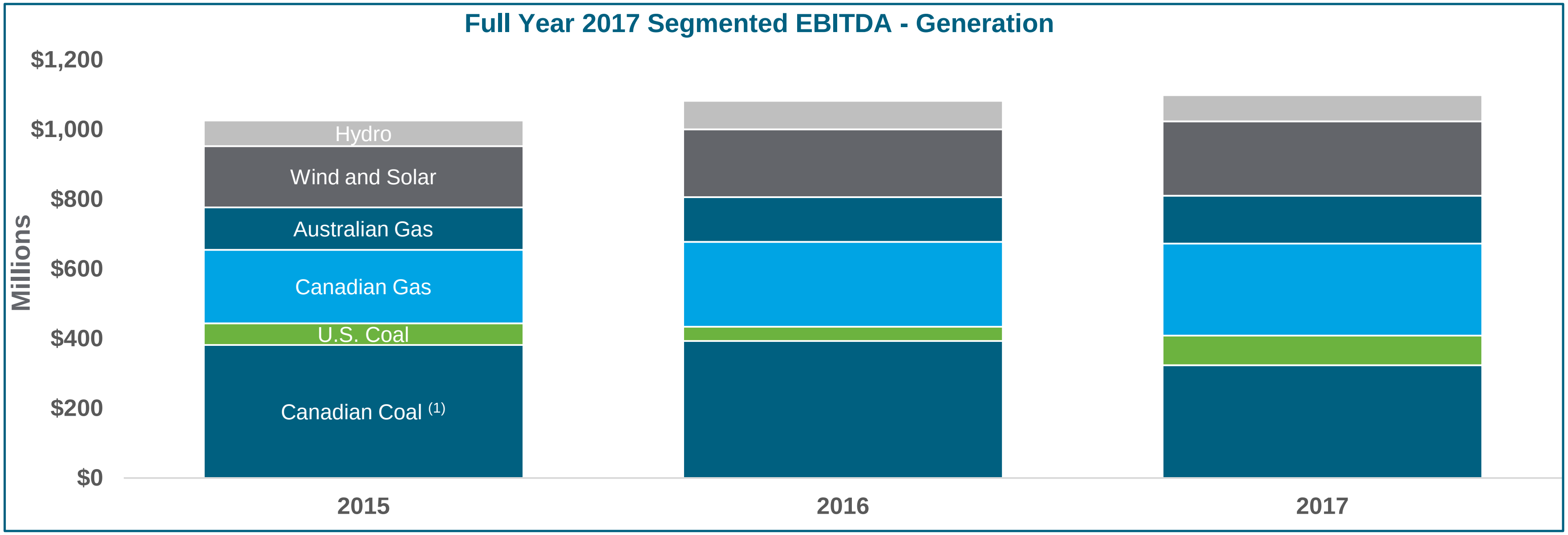
2017 Highlights and Priorities

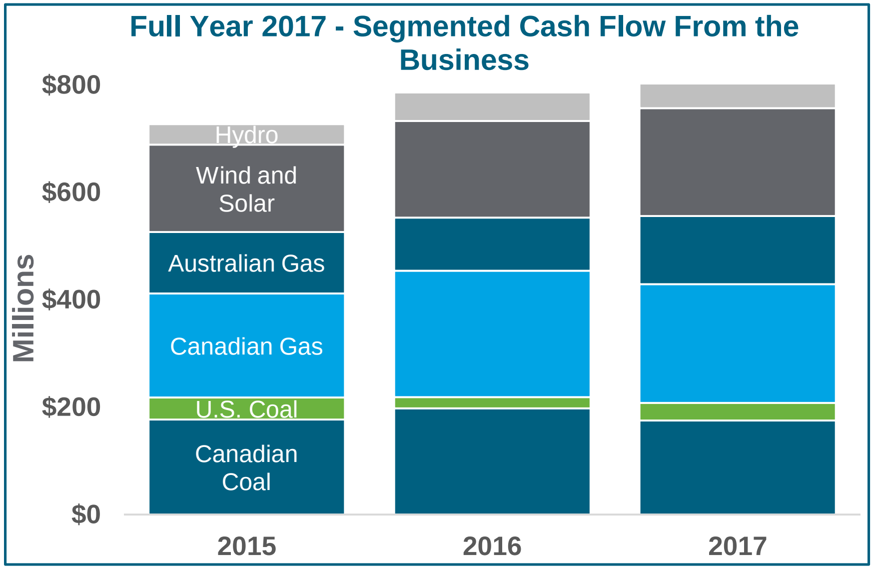
(in $CAD millions)	3 Months Ended December 31		Year Ended December 31	
	2017	2016	**2017**	2016
Comparable EBITDA	**$275**	$294[1,2]	**$1,062**	$1,064[1,2]
FFO	**$219**	$200[2]	**$804**	$734[2]
FCF	**$101**	$62[2]	**$328**	$257[2]
Adjusted Availability[3]	**88.4%**	88.9%	**86.8%**	89.2%

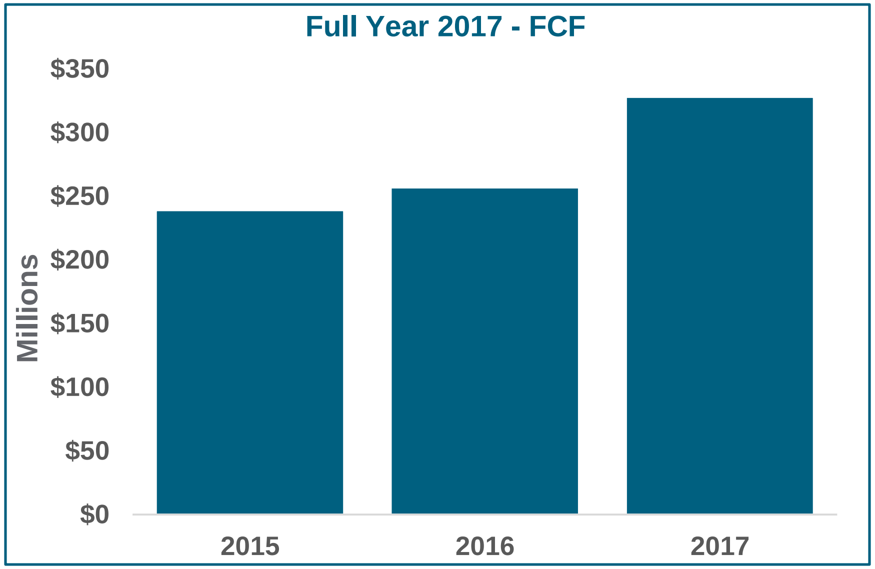
- ☑ Advance the framework to support our coal to gas conversions
- ☑ Commission South Hedland
- ☑ Grow our renewables platform
- ☑ Continue to execute our financing strategy to further strengthen the balance sheet
- ☑ Continue to lead in safety and environmental performance while delivering against our 2017 financial targets

1 *Excluding adjustments related to the Keephills 1 force majeure provisions.*
2 *During the fourth quarter of 2017, we revised our approach to reporting adjustments to arrive at FFO, mainly to better represent FFO as a cash metric. Previously, FFO was adjusted to include, exclude, or to modify the timing of cash impacts related to adjustments made in arriving at comparable EBITDA. As a result, comparable EBITDA, FFO, and FCF for 2016 has been revised accordingly.*
3 *Adjusted for economic dispatching at U.S. Coal.*

Segmented Results



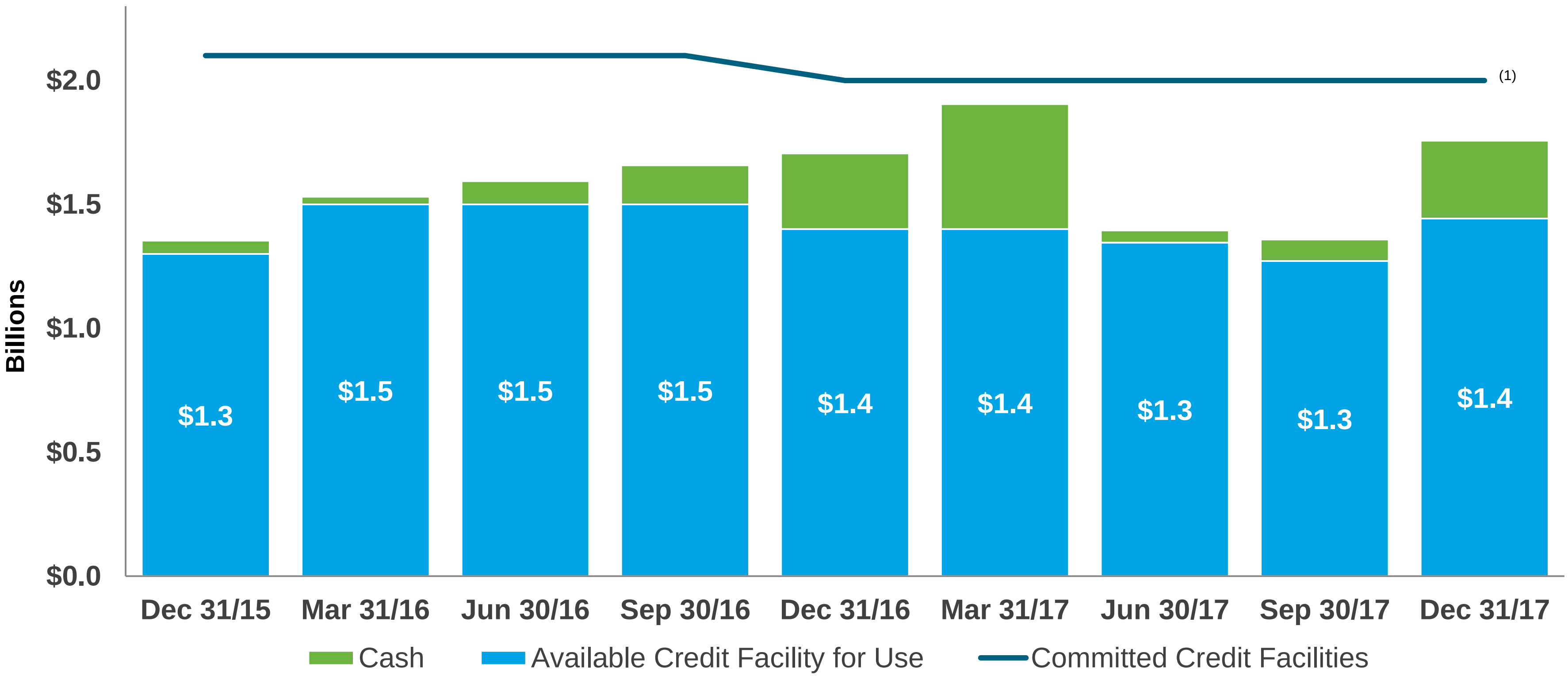




1 *Excluding adjustments related to the Keephills 1 force majeure provisions.*

Liquidity

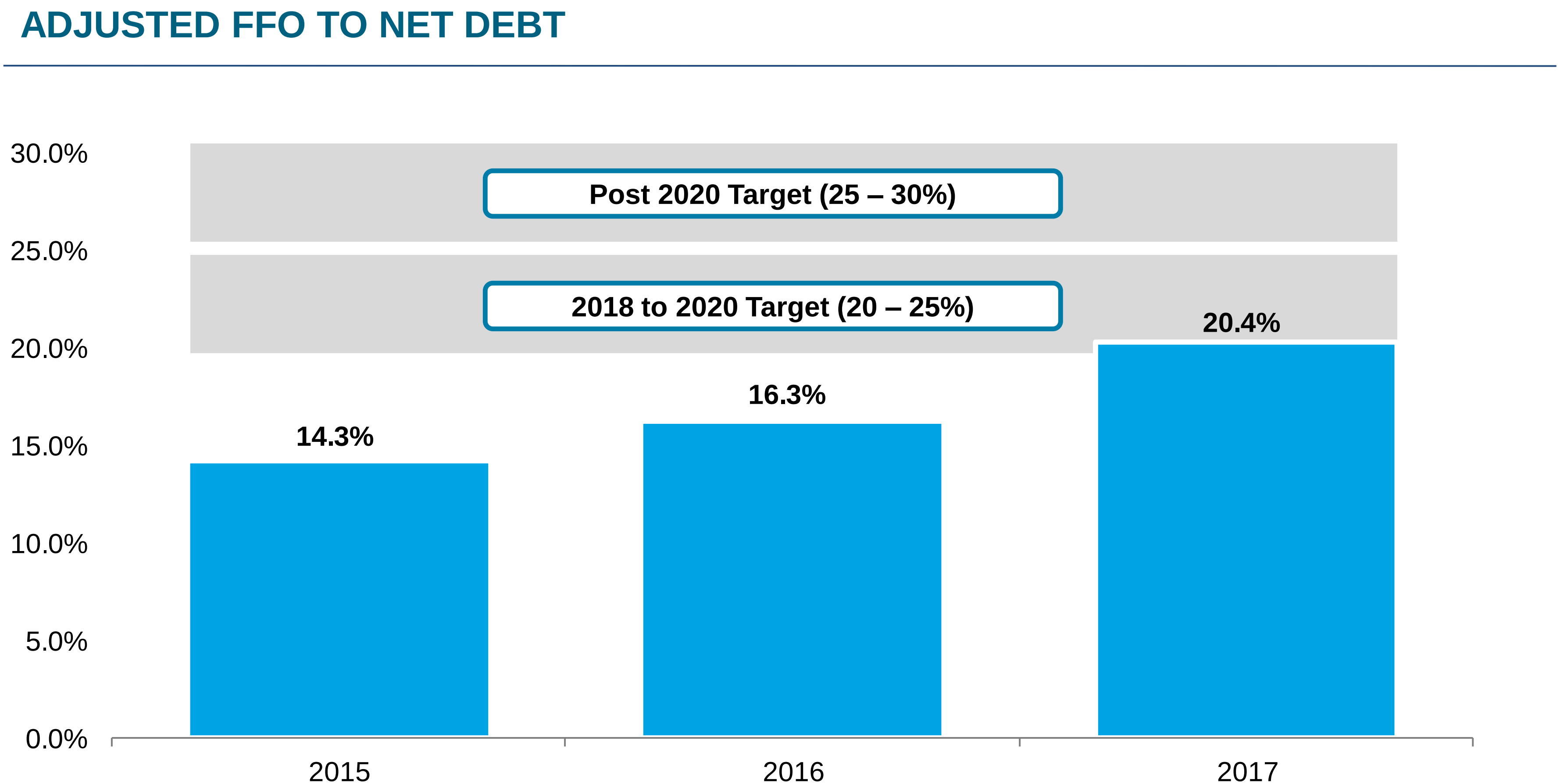
Areas of Focus	Execution
Liquidity	• Liquidity of $1.6B at December 31, 2017 including cash of $314 million • Repayment of US$400 million senior note using existing cash on the balance sheet • Early redemption 2018 senior notes (US$500 million) in March 2018 using liquidity • Next maturing debt in November 2019 (CAD$400 million)



(1) Reduction in committed credit facilities due to reduction in US bilateral credit facility from $300 million to $200 million. Excludes $100 million demand facility available to each TransAlta Corporation and TransAlta Renewables.

Capital Structure – On Solid Ground

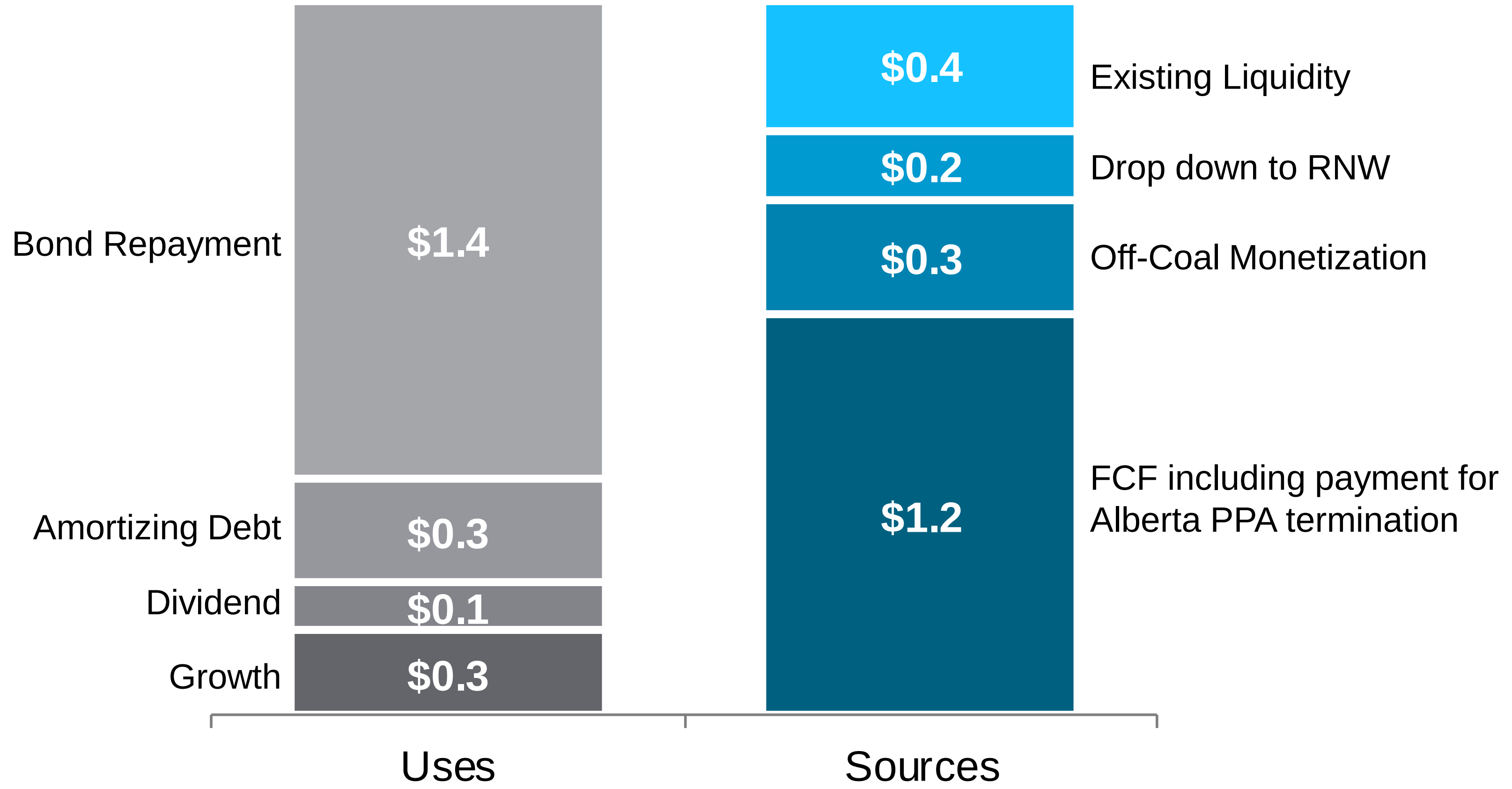
- Adjusted FFO/Net Debt expected to be at the high end of our 25 – 30% range in 2021



Flexibility to fund additional growth or to return cash to shareholders over the next three years

Capital Allocation - 2018 to 2020

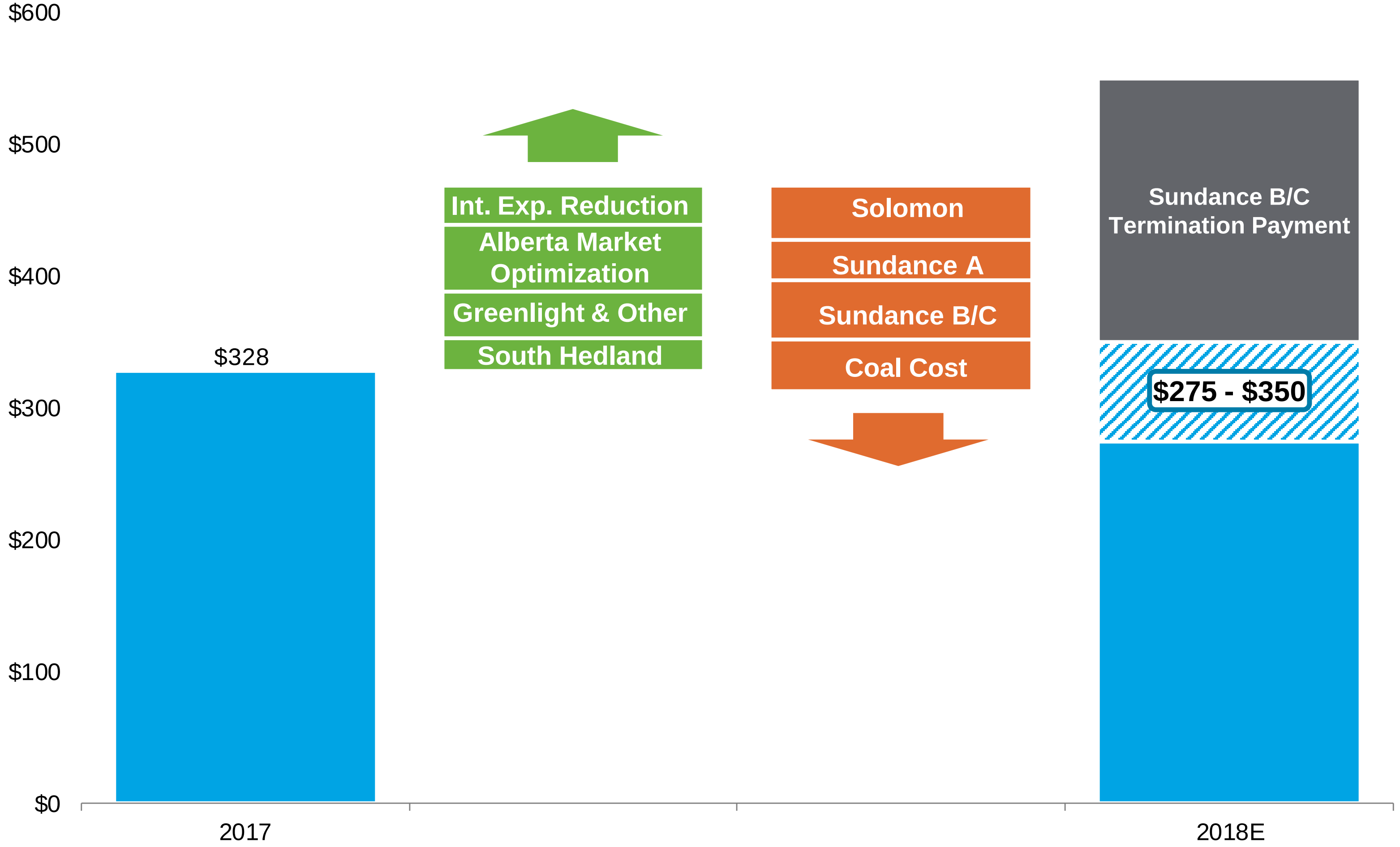
SOURCES & USES ($ BILLION)



Prudent allocation of capital – excess cash could be allocated to growth or be returned to shareholders

Free Cash Flow Outlook

FREE CASH FLOW BUILD-UP ($ MILLION)



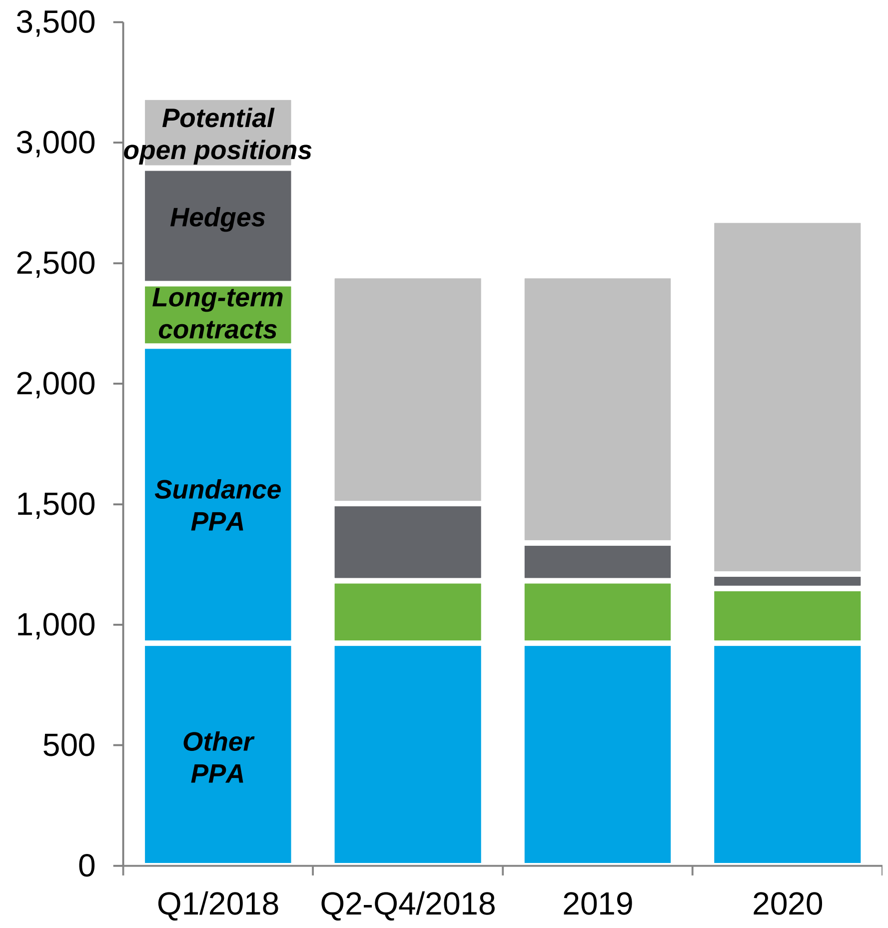
More upside through additional productivity gains, cost and capital reductions and higher prices

Portfolio Management Strategy - Alberta

	Q1 2018	Q2-Q4 2018	2019	2020
Percentage Contracted [(1)]	91%	61%	55%	45%
Forward Price ($/MWh)	38	62	57	47
Hedged Price ($/MWh)	47	49	51	49

Strategic shift from being highly hedged to active portfolio management - positioning the portfolio to benefit from potential price volatility

POSITION (MW)



Our outlook assumes a price range of $50 to $60/MWh in 2018

(1) Excluding mothballed capacity

2018 Priorities and Goals

1	• Support the development of an effective and investable capacity market
2	• Construct the Tidewater pipeline
3	• Complete engineering and announce the first two plants for conversion
4	• Close and develop the two US wind projects at TransAlta Renewables
5	• Deliver on financial, safety and environmental goals
6	• End the year with $3.2 billion in debt and an Adjusted FFO/Net Debt ratio over 22%
7	• Build and develop an adaptable workforce with advanced technological skills

Transform TransAlta to deliver 100% clean power by 2025

Question and Answer

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