

Additional IFRS Measures and Non-IFRS Measures

An additional IFRS measure is a line item, heading or subtotal that is relevant to an understanding of the consolidated financial statements but is not a minimum line item mandated under IFRS, or the presentation of a financial measure that is relevant to an understanding of the consolidated financial statements but is not presented elsewhere in the consolidated financial statements. We have included line items entitled gross margin and operating income (loss) in our Consolidated Statements of Earnings (Loss) for the years ended Dec. 31, 2018, 2017 and 2016. Presenting these line items provides management and investors with a measurement of ongoing operating performance that is readily comparable from period to period.

We evaluate our performance and the performance of our business segments using a variety of measures. Certain of the financial measures discussed in this MD&A are not defined under IFRS, are not standard measures under IFRS and, therefore, should not be considered in isolation or as an alternative to or to be more meaningful than net earnings attributable to common shareholders or cash flow from operating activities, as determined in accordance with IFRS, when assessing our financial performance or liquidity. 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. Comparable EBITDA, FFO, FCF, total consolidated net debt, adjusted net debt and segmented cash flow generated by the business, all as defined below, are non-IFRS measures that are presented in this MD&A. See the Discussion of Consolidated Financial Results, Segmented Comparable Results, Key Financial Ratios and TransAlta's Capital sections of this MD&A for additional information, including a reconciliation of such non-IFRS measures to the most comparable IFRS measure.

Business Model

Our Business

We are one of Canada's largest publicly traded power generators with over 108 years of operating experience. We own, operate and manage a highly contracted and geographically diversified portfolio of assets representing 8,273 MW⁽¹⁾ of capacity and use a broad range of generation fuels comprised of coal, natural gas, water, solar and wind. Our energy marketing operations maximize margins by securing and optimizing high-value products and markets for ourselves and our customers in dynamic market conditions.

Vision and Values

Our vision is to be a leader in clean energy using our expertise, scale and diversified fuel mix to capitalize on opportunities in our core markets and grow in areas where our competitive advantages can be employed. Our values are grounded in accountability, integrity, safety, respect for people, innovation and loyalty, which together create a strong corporate culture and allow all of our people to work on a common ground and understanding. These values are at the heart of our success.

Strategy for Value Creation

Our goals are to deliver shareholder value by delivering solid returns through a combination of dividend yield and disciplined growth in cash flow per share, while striving for a low to moderate risk profile over the long term, balancing capital allocation and maintaining financial strength to allow for financial flexibility. Our comparable cash flow growth is driven by optimizing and diversifying our existing assets and further expanding our overall portfolio and operations in Canada, the US and Australia. We are focusing on these geographic areas as our expertise, scale and diversified fuel mix allow us to create expansion opportunities in our core markets.

Material Sustainability Impacts

Sustainability means ensuring that our financial returns consider short- and long-term economics, environmental impacts and societal and community needs. We track the performance of 74 sustainability-related Key Performance Indicators ("KPIs"). We obtained a limited assurance report from Ernst & Young LLP over material KPIs. This MD&A integrates our financial and sustainability reporting.

(1) We measure capacity as maximum capacity (see the Glossary of Key Terms for definition of this and other key terms), which is consistent with industry standards. Capacity figures represent capacity owned and in operation unless otherwise stated, and reflect the basis of consolidation of underlying assets.