



TransAlta Corporation

Strategic Investment By Brookfield

March 25, 2019

TransAlta™ CLEAN POWER



Forward Looking Statements

This presentation includes "forward-looking information", within the meaning of applicable Canadian securities laws, and "forward-looking statements", within the meaning of applicable United States securities laws, including the United States Private Securities Litigation Reform Act of 1995 (collectively referred to herein as "forward-looking statements"). All forward-looking statements are based on our beliefs as well as assumptions based on information available at the time the assumption was made and on management's experience and perception of historical trends, current conditions, results 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"; "could", "would", "shall", "believe", "expect", "estimate", "anticipate", "intend", "plan", "forecast" "foresee", "potential", "enable", "continue" or other comparable terminology. These statements are not guarantees of our future performance, events or results and are subject to a number of significant risks, uncertainties and other important factors that could cause our actual performance, events or results to be materially different from that set out in the forward-looking statements. In particular, this presentation contains forward-looking statements including, but not limited to, statements relating to the strategic investment by Brookfield Renewables, or its affiliated entities; the timing and probability for completing the proposed Investment; the expected benefits to TransAlta Corporation (the "Company", "we", "us", "our" or "TransAlta") and its shareholders following the completion of the Investment (the "Investment") by Brookfield in the exchangeable debentures and convertible preferred shares ("Exchangeable Securities"); the Company's future ownership levels in or level of control over the Alberta hydro assets; the anticipated timing, costs and benefits of TransAlta's coal-to-gas conversion strategy; the timing, terms and probability of returning capital to shareholders; the ongoing objectives and strategies of the Company, including as it pertains to reducing debt, growing the gas and renewables business, maintaining and realizing the value of the hydro assets and converting coal-fired units to natural gas fired units; the potential repowering conversions using combustion turbines and existing steam turbines; Brookfield increasing and maintaining its share ownership in the Company; the appointment of two Brookfield nominees and Mr. Robert Flexon to the Board of Directors of the Company at the 2019 Annual Shareholder Meeting (the "Meeting") and the expected benefits to be realized from such appointments; the use of proceeds from the Investment, including directing \$350 million to advance the Company's coal to gas transition strategy and up to \$250 million to buy back shares; the expected higher cash flow and anticipated adjusted EBITDA to be generated by the Alberta Hydro Assets following expiry of the power purchase arrangement in 2020; and the Company's ongoing objectives, strategies and outlook for 2019 and subsequent periods. The forward-looking statements contained in this presentation are based on many assumptions including, but not limited to, the following material assumptions: no significant changes to applicable laws in the markets in which we operate; the anticipated structure and framework of an Alberta capacity market in the future; assumptions referenced in our 2019 guidance; the closing of the Investment occurring following the Meeting and the outcome of such meeting; our Alberta hydro assets achieving their anticipated value, cash flows and EBITDA once the applicable power purchase arrangement has expired; no material decline in the dividends expected to be received from TransAlta Renewables Inc.; the expected life extension of the coal fleet and anticipated financial results generated on conversion; assumptions regarding the ability of the converted units to successfully compete in the expected Alberta capacity market; assumptions regarding our current strategy and priorities, including as it pertains to our coal-to-gas conversions; and assumptions relating to the Investment by Brookfield and proposed issuer bids.

The material factors and assumptions used in the preparation of the forward-looking statements contained herein, which may prove to be incorrect, include, but are not limited to, the assumptions set forth herein and in management's discussion and analysis and the Company's annual information form dated as of February 26, 2019. By their nature, forward-looking statements are not guarantees of future performance, events, results or actions and are subject to a number of significant risks, uncertainties, assumptions and factors that could cause our actual plans, performance, results or outcomes to differ materially from the forward-looking statement. Factors that may adversely impact what is expressed or implied by forward-looking statements contained in this presentation include, but are not limited to, risks relating to: our ability to close the Investment by Brookfield, including the Company exercising its rights to terminate the Investment following the Meeting; potential legal disputes or proceedings, including as it pertains to the Investment; the inability to complete the share buy-backs on the terms anticipated or at all; risks associated with the calculation of EBITDA, including non-financial measures included in the calculation of EBITDA, for purposes of valuing the Investment and upon the exchange of Exchangeable Securities; the anticipated benefits of the hydro assets operating committee not materializing; the timing and value of Brookfield's exchange of Exchangeable Securities and the amount of equity interest in the hydro assets resulting therefrom, including as a result of the top-up option; risks associated with the impact of the Investment on the Company's shareholders and debtholders or its credit ratings; the Company's inability to redeem the Exchangeable Securities after December 31, 2018 due to changing circumstances or otherwise; the costs of the Investment exceeding its anticipated value; changes to our relationship with, or the securities ownership held by, Brookfield or its affiliates or other shareholders; and the effect of a credit rating downgrade on our energy marketing business and the impact on our financing costs. Readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on them, which reflect the Company's expectations only as of the date hereof. The forward-looking statements included in this presentation 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 statements 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 EBITDA, may not be standard measures defined under International Financial Reporting Standards ("IFRS") and may not be comparable to similar measures presented by other entities. For further information on the calculation of EBITDA in respect of the Investment and how it is calculated with regard to the Exchangeable Securities, reference can be made to the Material Change Report and the Investment Agreement, to be filed with the Canadian securities regulators on www.sedar.com and furnished with the Securities and Exchange Commission on www.edgar.com.

Significant Strategic Capital Investment



Brookfield

\$750 million investment from Brookfield

- Establishes a long-term cornerstone shareholder and partner
 - Advances our 100% clean energy strategy
 - Recognizes the value of our hydro assets
 - Enhances our financial flexibility
 - Adds significant renewable and operating capability
- Provides opportunity to return capital to shareholders

Brookfield Renewable Partners

- One of the largest public pure-play renewable businesses globally
- 120 years of experience in power generation
- Full operating, development and power marketing capabilities with over 2,500 operating employees
- Flagship listed renewable power company of Brookfield Asset management, a leading alternative asset manager with over \$350 billion USD in AUM
- Currently owns 4.9% of TransAlta's outstanding common shares and have committed to increasing their holding to 9% at prices below \$10 per share

\$47 billion USD
TOTAL POWER ASSETS



879 power generating facilities

17,400
MEGAWATTS OF CAPACITY



With **1,900 MW** in Canada

76%
HYDROELECTRIC GENERATION



Situated on **82** river systems

Transaction Overview

- \$750 million investment by Brookfield
 - \$350 million in Exchangeable Debentures funded in April 2019
 - \$400 million in Redeemable Preferred Shares funded in October 2020
 - 7% coupon
- Securities exchangeable into ownership interest in Alberta hydro assets
 - Exchangeable after Dec 31, 2024
 - Hydro assets valued at 13x average EBITDA¹ for the three years prior to conversion
- Ability for Brookfield to purchase additional ownership interest, subject to cap of 49%
- Two Brookfield directors added to director slate for 2019 Annual Meeting
- Brookfield to target an increase in share ownership of TransAlta from 4.9% to 9% over the next two years through market purchases
- Transaction expected to close shortly after 2019 Annual Meeting
- Board has 30-day option to terminate if two or more Company nominated board members, excluding Brookfield nominees, not elected

¹ EBITDA includes the deduction of a fixed sustaining capital amount of \$10 million. Total value also adjusted for any tax deficiency at time of conversion

Recognizes Future Value of Alberta Hydro Assets

- Exchange value based on multiple of 13 times average EBITDA for three years prior to conversion
 - Competitive valuation multiple based on recent industry transactions
- Valuation method captures higher expected EBITDA post expiry of the existing Power Purchase Arrangement
- Establishes partner with significant hydro expertise
- Allows TransAlta to maintain majority ownership
- Based on expected future EBITDA, Brookfield's ownership is expected to be in the range of 30 – 35%
- Brookfield incented to drive TransAlta share price higher
 - Brookfield has the right to purchase additional ownership of the Hydro Assets, up to 49% maximum, if their ownership of TransAlta is at least 8.5% and TransAlta's share price is at least \$17 per share.

Capital Injection For Advancing Strategy

Advances coal-to-gas conversions

- \$350 million to fund high returning coal-to-gas strategy
- Early conversions result in lower operating and sustaining capital costs, and lower carbon costs
- Provides flexibility to consider and pursue repowering opportunities by investing in new combustion turbines and utilizing the existing steam turbines

Opportunity to advance return of capital to shareholders

- Up to \$250 million allocated for share repurchases

Provides capital for growth projects

- Provides the financial flexibility to allow the company to pursue attractive renewable and gas fired opportunities

Frees up cash flow for debt retirement objectives

- Provides more flexibility for retiring the \$400 million Medium Term Notes due in November 2020

Adds Strong Operational & Renewable Expertise

NEW BOARD NOMINEES



Harry Goldgut is Vice Chairman of Brookfield's Renewable Power and Infrastructure Groups. Mr. Goldgut has been responsible for the acquisition of the majority of Brookfield's renewable power assets and has played a role in the restructuring of the electricity market in Ontario as a member of the Electricity Market Design Committee and the Clean Energy Task Force.



Richard Legault is a Vice chairman of Brookfield's Renewable Group. He was the CEO of Brookfield Renewable Partners until August 2015. During his 28 years at Brookfield, Mr. Legault led the development and expansion of Brookfield's renewable business in North and South America, and Europe. He also served as CFO at Brookfield Asset Management from 2000 to 2001.



Mr. Robert Flexon brings a wealth of skills and experience with independent power producers, capital markets, accounting, finance and tax and risk management. Mr. Flexon was the President and Chief Executive Officer of Dynegy Inc. from 2011 until its acquisition by Vistra Energy Corp. in April 2018. Dynegy Inc. was a U.S. independent power producer engaged in the operation of power generating facilities and listed on the NYSE, a U.S. listed independent power producer engaged in the operation of power generating facilities.



Questions and Answers

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