



TransAlta Corporation

Fourth Quarter and Full Year 2019 Results
March 4, 2020

TransAltaTM
Powering Economies and Communities



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 includes forward-looking statements pertaining to, among other things: our business and strategy, including our Clean Energy Investment Plan and the coal-to-gas conversions; the timing of issuing limited notice to proceed on Keephills 3 and full notice to proceed for Sundance 6 and Keephills 2; utilizing the two gas turbines acquired from Kineticor to repower Sundance Unit 5; pursuing the repowering and permitting at Sundance Unit 5 and Keephills Unit 1; capital allocation, including allocating 10% to 15% of deconsolidated FFO to common share dividends; 2020 free cash flow of \$325 million to \$375 million; the construction of the 40MW cogeneration project at SemCAMS’ Kaybob site; current growth projects, including progressing construction of Windrise wind project, the WindCharger battery storage project, and the acquisition of the Skookumchuck wind project; and realizing ESG improvements through 2020. 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 Company’s ability to successfully defend against any existing or potential legal actions or regulatory proceedings; the closing of the second tranche of the Brookfield investment occurring; no significant changes to regulatory, securities, credit or market environments; the Alberta hydro assets achieving their anticipated future value; the anticipated benefits and financial results generated on the coal-to-gas conversions and the Company’s other growth strategies; assumptions contained in our previously released guidance; and the assumptions set forth herein and in the related management’s discussion and analysis and the Company’s annual information form for the year-ended December 31, 2019.

These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include: the failure of the second tranche of the Brookfield investment to close; the outcomes of existing or potential legal actions or regulatory proceedings not being as anticipated, including those pertaining to the Brookfield investment; changes in our relationships with Brookfield and its affiliated entities or our other shareholders; fluctuations in demand, market prices and the availability of fuel supplies required to generate electricity; changes in the current or anticipated legislative, regulatory and political environments in the jurisdictions in which we operate; environmental requirements and changes in, or liabilities under, these requirements; operational risks involving our facilities; changes in market prices where we operate; unplanned outages at generating facilities and the capital investments required; equipment failure and our ability to carry out repairs in a cost effective and timely manner; delays in construction; the effects of weather; disruptions in the source of fuels, including coal, gas, water or wind required to operate our facilities; energy trading risks; failure to obtain necessary regulatory approvals in a timely fashion; negative impact to our credit ratings; legislative or regulatory developments and their impacts; increasingly stringent environmental requirements and their impacts; increased competition; global capital markets activity (including our ability to access financing at a reasonable cost); changes in prevailing interest rates; currency exchange rates; inflation levels and commodity prices; general economic conditions in the geographic areas where TransAlta operates; and other risks and uncertainties discussed in the Company’s materials filed under the Company’s profile with the Canadian securities regulators on www.sedar.com and the U.S. Securities and Exchange Commission on www.sec.gov, including in the Company’s Management’s Discussion & Analysis (“MD&A”) and Annual Information Form for the year ended December 31, 2019. 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. The purpose of the financial outlooks contained in this news release are 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. 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.

Certain financial information contained in this presentation, including Comparable EBITDA, FFO, FCF, and Deconsolidated FFO 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. Refer to the Comparable EBITDA, Funds from Operations and Free Cash Flow and Earnings and Other Measures on a Comparable Basis sections of the Company’s MD&A for the year ended December 31, 2019, for further discussion of these items, including, where applicable, reconciliations to measures calculated in accordance with IFRS.

Agenda



CEO Update

2019 Key Accomplishments

Financial Results and Updates

2020 Objectives

Questions and Answers



2019 Key Accomplishments & Advancements

Strong Financial Results

- ✓ Record Free Cash Flow of \$379 million⁽¹⁾ or \$1.34 per share⁽¹⁾
- ✓ Awarded \$56 million of additional PPA payments from Balancing Pool
- ✓ High fleet availability of 90.0%
- ✓ Reduced OM&A by \$40 million or 8% compared to 2018

Prudent Capital Allocation

- ✓ Repurchased \$68 million of shares through share buyback program
- ✓ Liquidity of \$1.7 billion, including over \$400 million in cash
- ✓ Increased dividend by 6.25%

Advanced Coal to Gas Strategy

- ✓ Announced Clean Energy Investment Plan
- ✓ FNTP on Sundance 6 and Keephills 2; LNTP on Keephills 3
- ✓ Acquired two turbines for Sundance Unit 5 repowering & customer contract with Shell Energy NA
- ✓ Pioneer pipeline transported first gas four months ahead of schedule

1) Adjusted to exclude the \$56 million received during the third quarter of 2019 related to the Sundance B and C PPA termination payment.

2019 Key Accomplishments & Advancements

Renewables & On-site Growth

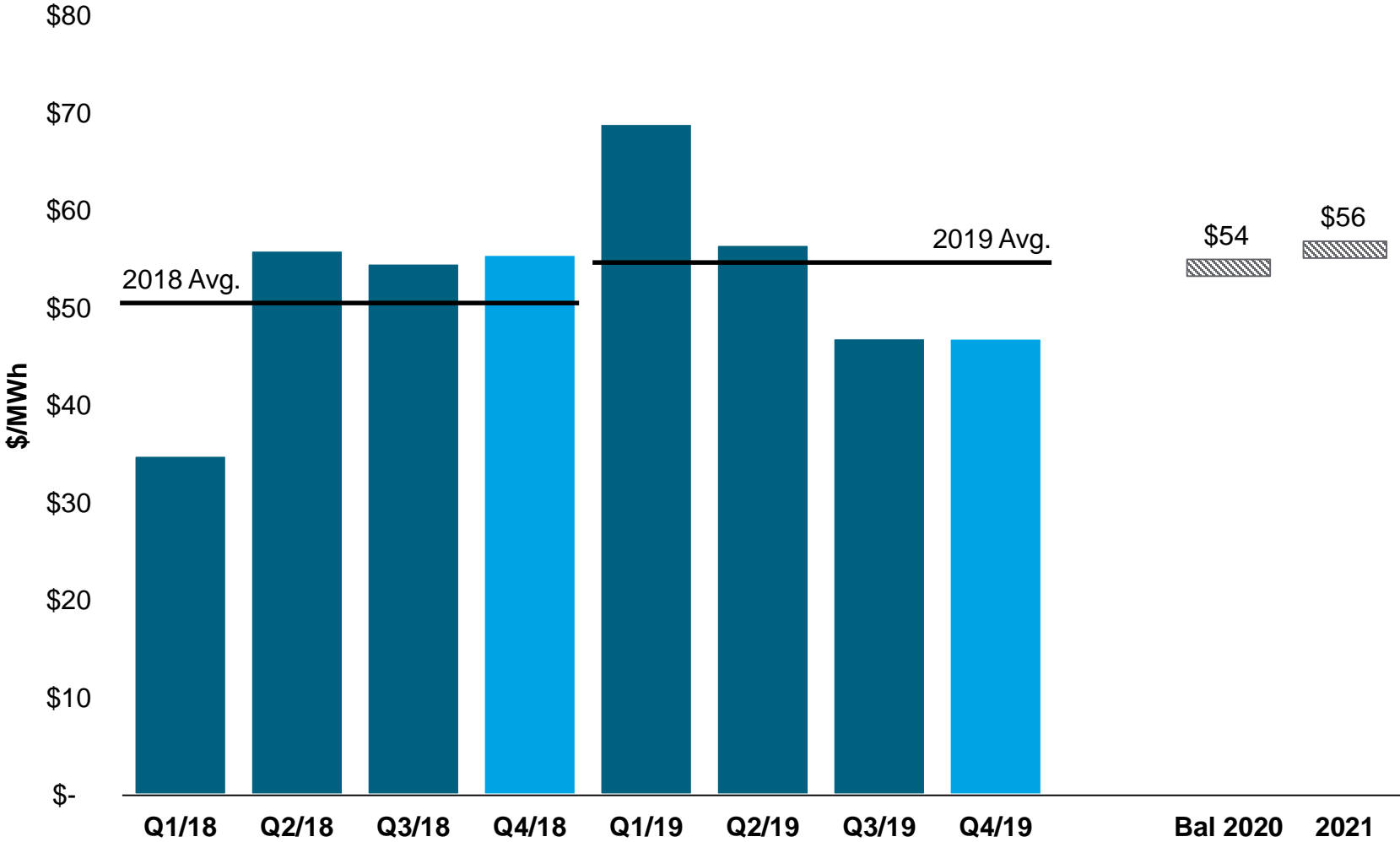
- ✓ Commissioned 119 MW of contracted wind generation
- ✓ Entered into a contract to build 40 MW of cogeneration
- ✓ Received AUC approval for Windrise ahead of schedule
- ✓ Final stages of developing WindCharger
- ✓ Agreement to acquire 49% interest in Skookumchuck wind project
- ✓ Acquired development portfolio of seven wind sites across the US

ESG Successes

- ✓ Fifth year of voluntary integrated reporting
- ✓ Reduced carbon emissions by over 200,000 tonnes compared to 2018
- ✓ Total Injury Frequency (TIF) of 1.12, a 40% reduction compared to 2018

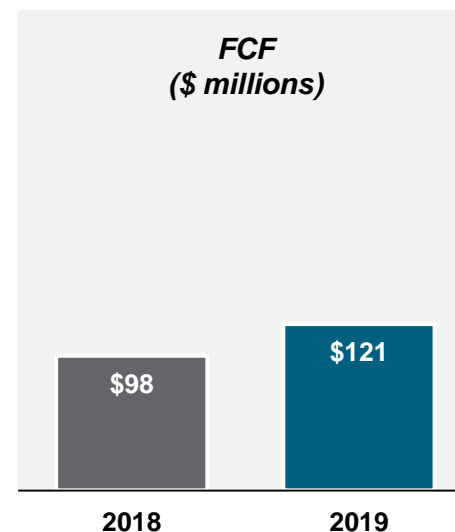
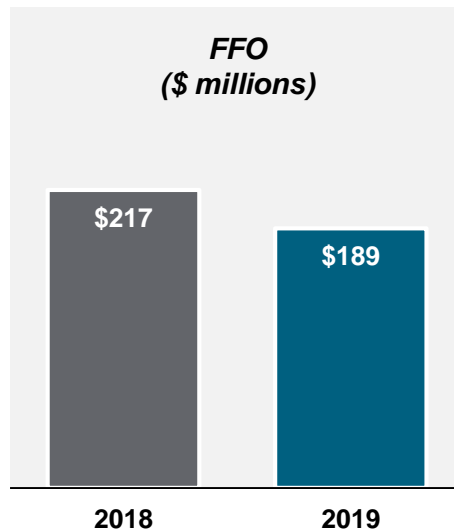
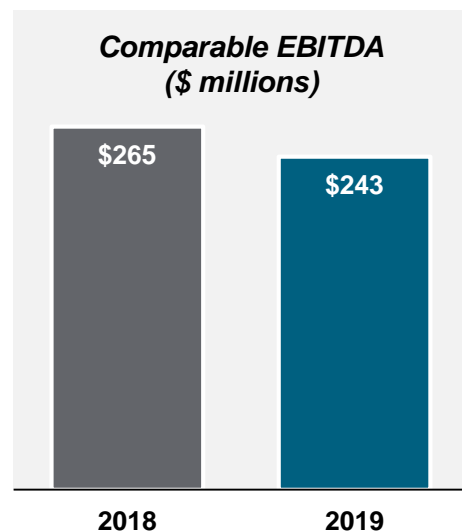
Alberta Electricity Prices

ALBERTA POOL PRICE AND FORWARD CURVE (\$/MWH)

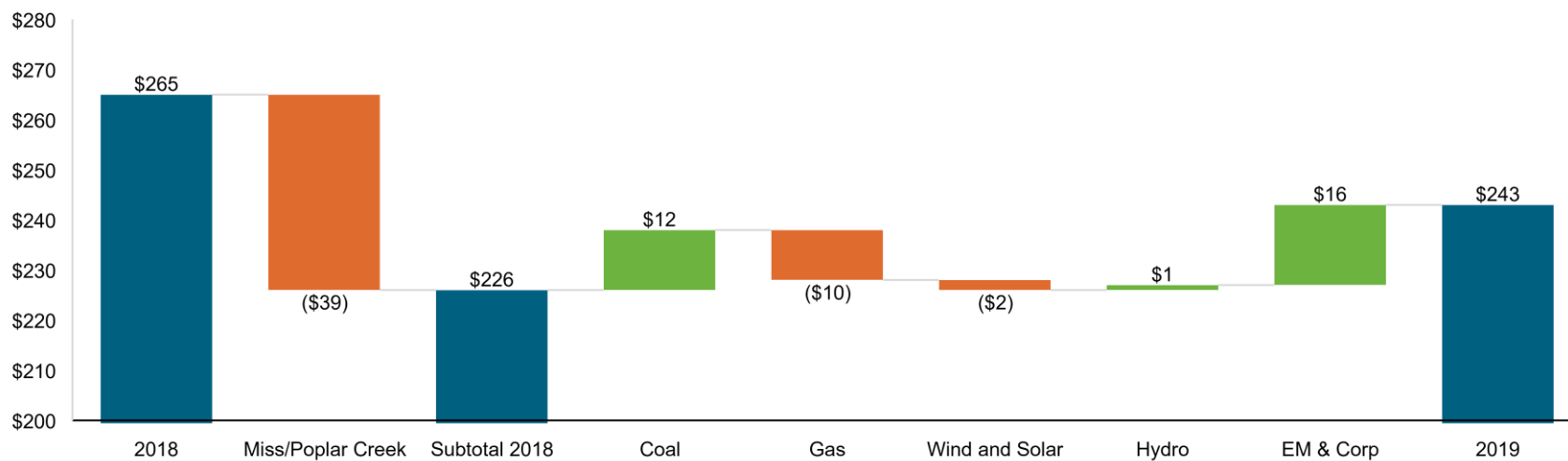


Notes: Forward curve as at March 3, 2020.

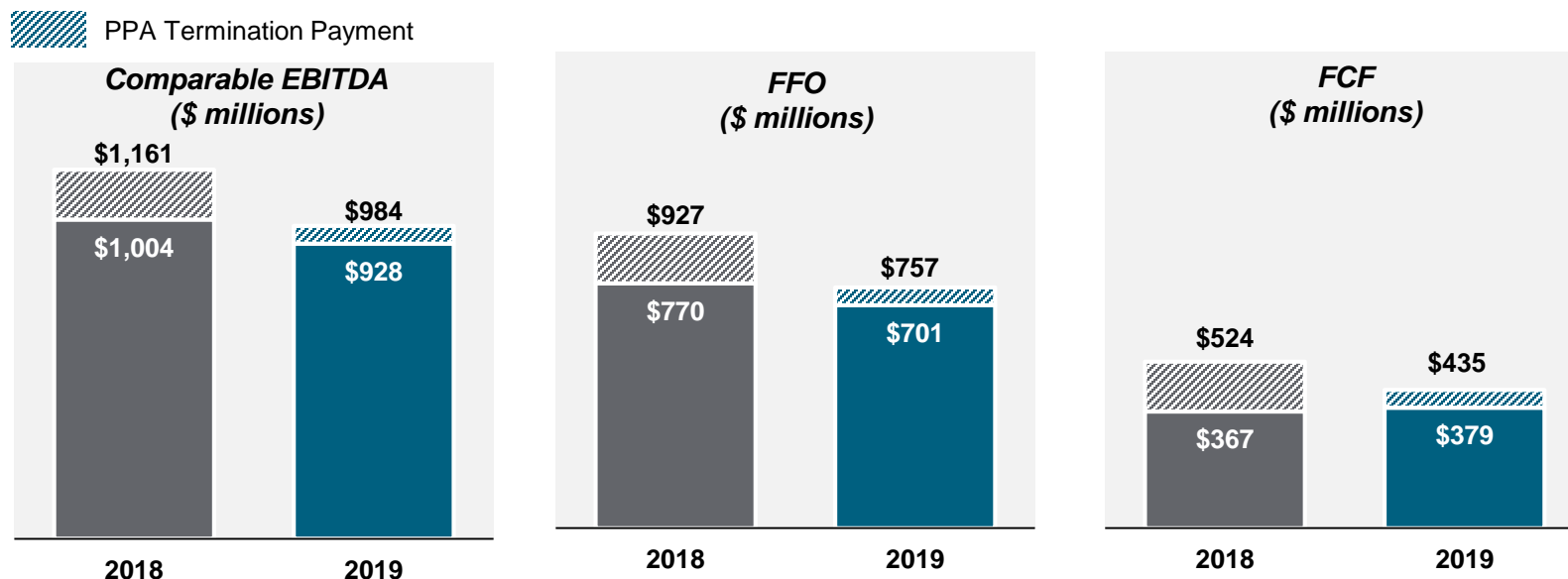
Fourth Quarter 2019 Highlights



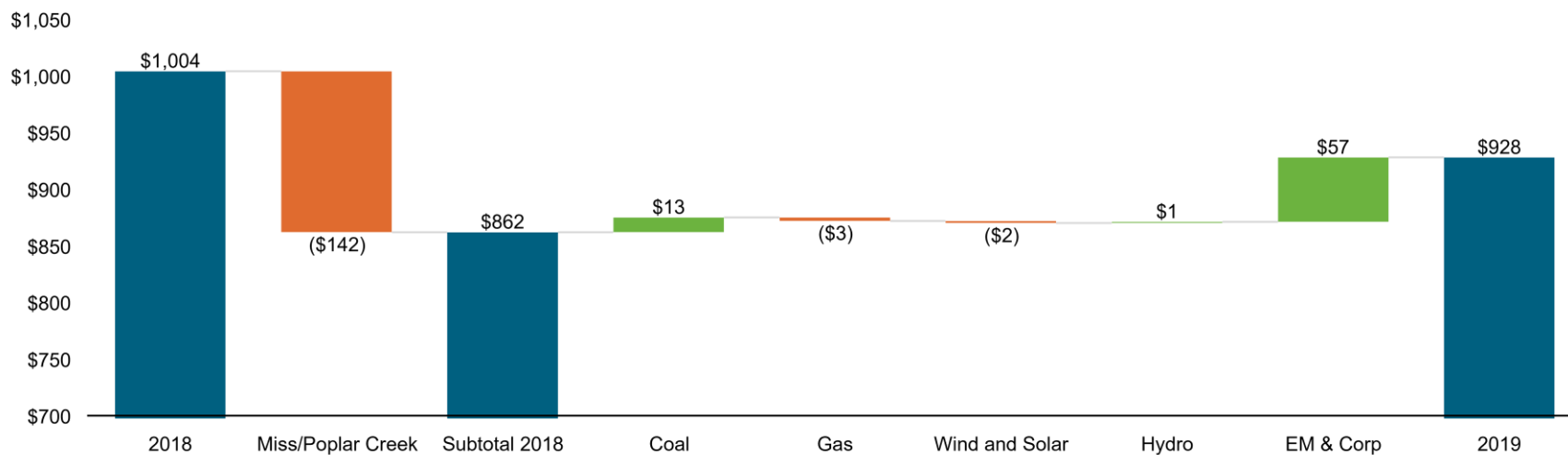
FOURTH QUARTER 2019 EBITDA (\$MILLIONS)



Full Year 2019 Highlights



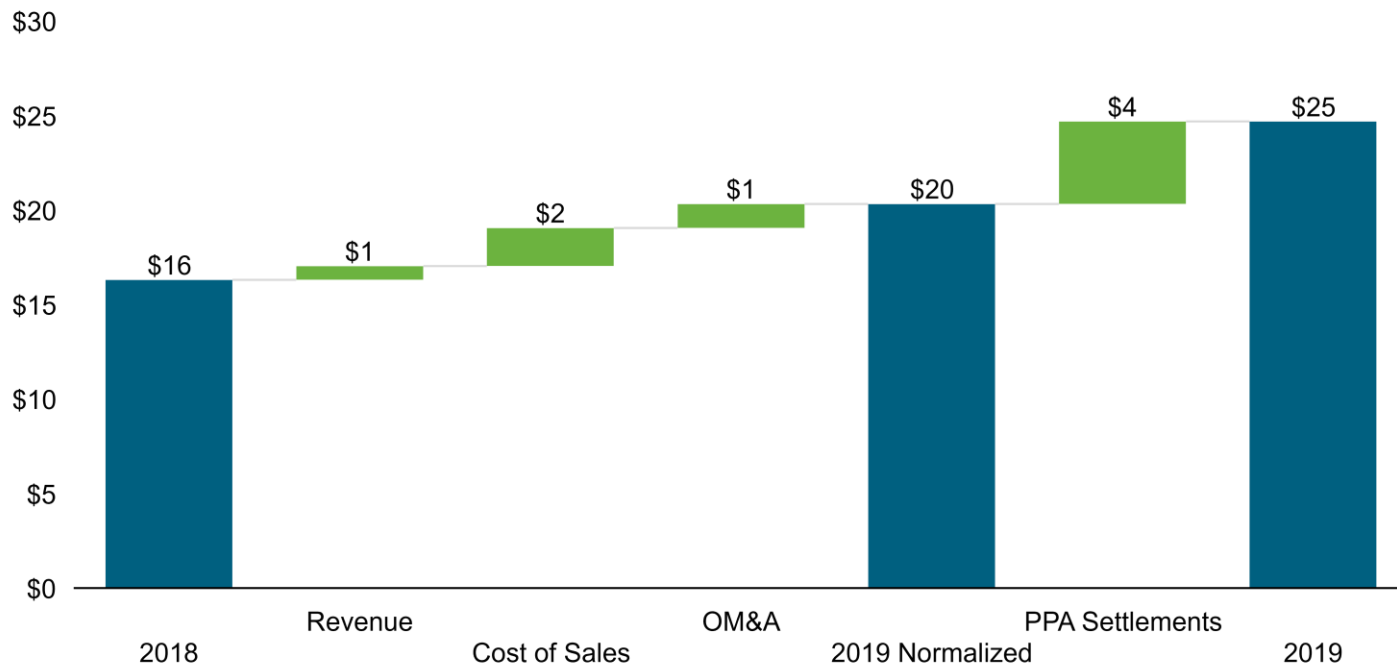
FULL YEAR 2019 ADJUSTED EBITDA (\$MILLIONS)



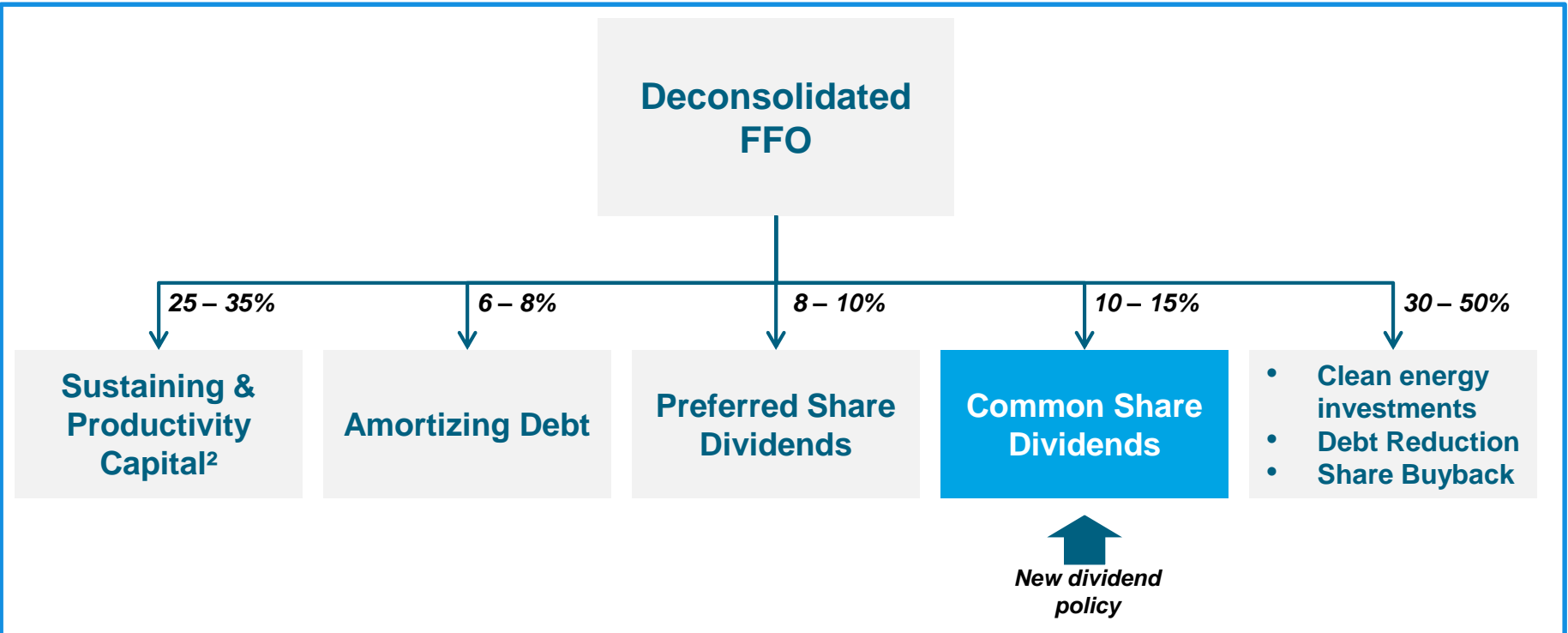
EBITDA Generated by Canadian Coal

- Comparable EBITDA increased due to:
 - Efficient and economic operations of facilities
 - Increased co-firing with natural gas resulting in lower fuel costs
 - Cost reductions implemented over the past few years resulting in lower OM&A

FULL YEAR 2019 CANADIAN COAL EBITDA (\$/MWH)



Financial Focus and Capital Allocation



- Capital allocation consistent with previously outlined plans
- Repay the \$400 million bond maturing in November 2020
- Clean Energy Investment Plan fully funded
- Targeting to repurchase and cancel up to \$80 million of shares in 2020

2020 Objectives

Cash flow & Capital Allocation

- Guidance FCF range of \$325 - \$375 million
- Repay the \$400 million bond maturing in November 2020
- Continue share buyback program in an amount of \$80 million

Advanced Conversion to Gas Strategy

- Complete Sundance Unit 6 conversion in 2020
- Advance the Sundance Unit 5 re-powering project for commercial operation in 2023
- Prepare Keephills Units 2 and 3 for conversions in 2021

Renewables & On-site Growth

- Deliver full year of cash flow from Big Level & Antrim wind farms
- Significantly progress Kaybob and Windrise facilities for commercial operation in 2021
- Achieve operations of WindCharger
- Acquire Skookumchuk wind project in mid-2020

ESG

- Progress Stated Targets
 - Reductions in SO₂ / NO_x by 2030
 - Workplace and Board diversity
 - Equal access to education / employment opportunities
 - Commitment to leading disclosures



Questions and Answers

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