



TransAlta Corporation

Second Quarter 2020 Results
July 31, 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: that the Company will receiving funding of \$400 million in 2020 to fund the bond maturity; the completion of the Sun 6 coal-to-gas conversion in 2020 and K2 and K3 in 2021; realizing access to the NGTL gas network; advancing the Sundance 5 repowering; progressed construction on renewables projects; key strategic priorities in 2020 and our ability to realize same; expected returns, capital investment and commercial operation date for projects currently underway; access to liquidity; sustainability of dividend and allocation of capital to share buybacks; achieving \$1.2 billion of net recourse debt to TransAlta; further reductions to senior recourse debt reduction throughout 2020; and expectations regarding 2020 outlook. 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; 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.

The forward-looking statements contained in this presentation are subject to a number of significant risks, uncertainties and assumptions that could cause actual plans, performance, results or outcomes to differ materially from current expectations. Factors that may adversely impact what is expressed or implied by the forward-looking statements contained in this presentation include risks relating to the impact of COVID-19 and the associated general economic downturn, the impact of which will largely depend on the overall severity and duration of COVID-19 and the general economic downturn, which cannot currently be predicted, and which present risks including, but not limited to: more restrictive directives of government and public health authorities; reduced labour availability impacting our ability to continue to staff the Company’s operations and facilities; impacts on the Company’s ability to realize its growth goals; decreases in short-term and/or long-term electricity demand and lower power pricing; increased costs resulting from the Company’s efforts to mitigate the impact of COVID-19; deterioration of worldwide credit and financial markets that could limit the Company’s ability to obtain external financing to fund its operations and growth expenditures; a higher rate of losses on accounts receivables due to credit defaults; further disruptions to the Company’s supply chain; impairments and/or write-downs of assets; and adverse impacts on the Company’s information technology systems and the Company’s internal control systems as a result of the need to increase remote work arrangements, including increased cybersecurity threats. Other factors that may adversely impact the Company’s forward-looking statements include, but are not limited to, risks relating to: operational risks involving the Company’s facilities, including unplanned outages at such facilities; disruptions in the transmission and distribution of electricity; the effects of weather and other climate-related risks; disruptions in the source of water, wind, solar or gas resources required to operate our facilities; natural disasters; equipment failure and our ability to carry out repairs in a cost-effective or timely manner; and industry risks and competition. The foregoing risk factors, among others, are described in further detail in the Company’s Management’s Discussion and Analysis and Annual Information Form for the year ended December 31, 2019, which are available on SEDAR at www.sedar.com. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company’s expectations only as of the date of this presentation. The purpose of the financial outlooks contained in this presentation 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 and is given as of the date of this presentation. The Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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. 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.

2020 Q2 Highlights and Advancements

Solid Q2 Results

- Solid second quarter financial results
- Free cash flow of \$91 million or \$0.33 per share, up 94% to prior year quarter
- Fleet availability of 90.7%
- Total Injury Frequency (TIF) of 1.40
- Excellent operations and business continuity under continuing COVID-19 pandemic

Strong Financial Position & Liquidity

- Repurchased \$12 million of shares through share buyback program
- Liquidity of \$1.6 billion, including ~\$250 million in cash
- Funding in place for 2020 \$400 million bond maturing in the fourth quarter

Advanced Clean Energy Investment Plan

- On-track to complete Sun 6 coal-to-gas conversion in 2020, K2 and K3 in 2021
- Secured long-term gas delivery access to NGTL gas network
- Advancing Sundance 5 repowering
- Progressed construction on renewables and cogeneration projects

Key Strategic Priorities - 2020

Successfully execute conversion strategy

Deliver on announced renewables growth

Advance and expand our on-site generation business

Increase our presence in the US renewables market

Maintain a strong financial position

Keeping TransAlta People protected and resilient under COVID-19 pandemic

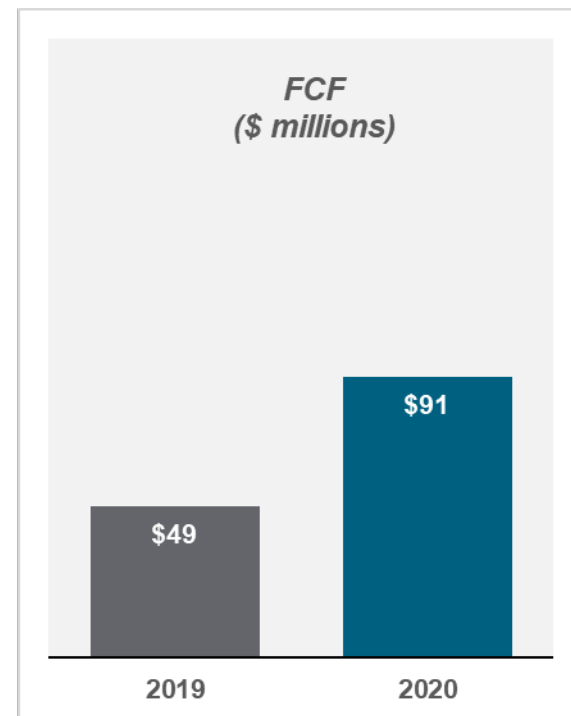
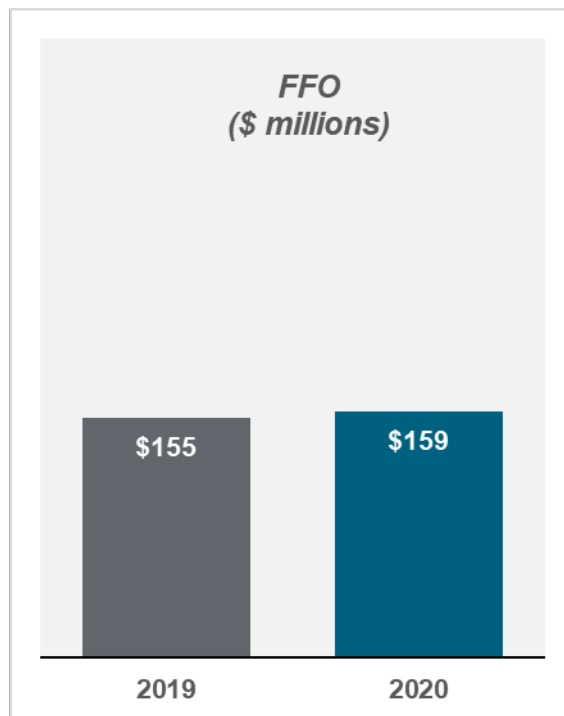
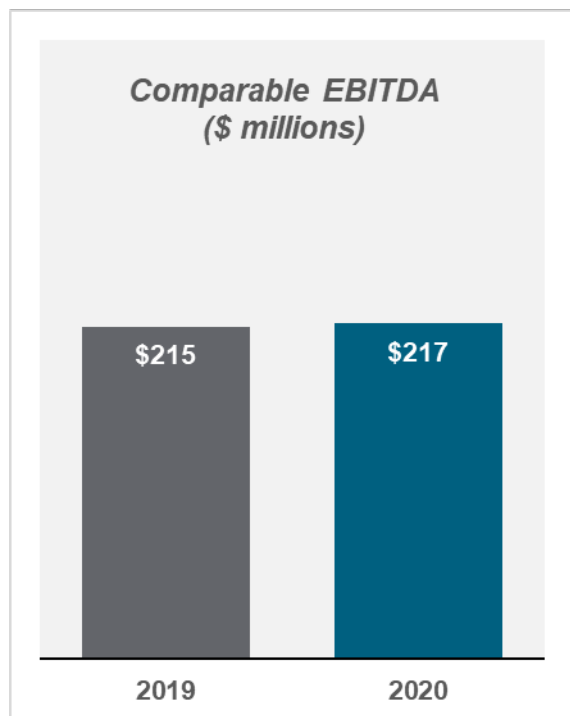
Growth Projects Underway

Projects	Owned MW	Capital Investment ⁵ (CAD\$ millions)	Expected Returns	Expected COD
Skookumchuck Wind¹	67	\$150 - \$160	High single digit	H2 2020
Windrise Wind	207	\$270 - \$285	High single digit	H2 2021
WindCharger Battery²	10	\$7 - \$8	Low/Mid teens	H2 2020
Kaybob Cogen³	40	\$105 - \$115	Low/Mid teens	H2 2021
Boiler Conversions	1,260 to 2,430	\$120 - \$200	High double digit	2020 to 2023
Repowering⁴	730	\$750 - \$770	Double digit	2023

- Advancing boiler conversions and repowering projects
- Closed Michigan cogeneration acquisition (ADA) for USD \$27M
- Kaybob Cogen project on track to start construction in fall 2020
- Windrise construction began in April and is expected to reach COD in H2 2021
- Windcharger Battery expected to reach COD in August 2020
- Skookumchuck Wind no cash outlay until COD

1) Represents TransAlta's ownership of 49 per cent. 2) Capital investment represents TransAlta portion. 3) Capital investment represents total costs. SemCAMS has a 50% buy-in option at COD. 4) Keephills 1 Unit remains a candidate for repowering, but would most likely occur after the 2023 timeframe shown in the table. 5) Expected capital spend to the end of 2023.

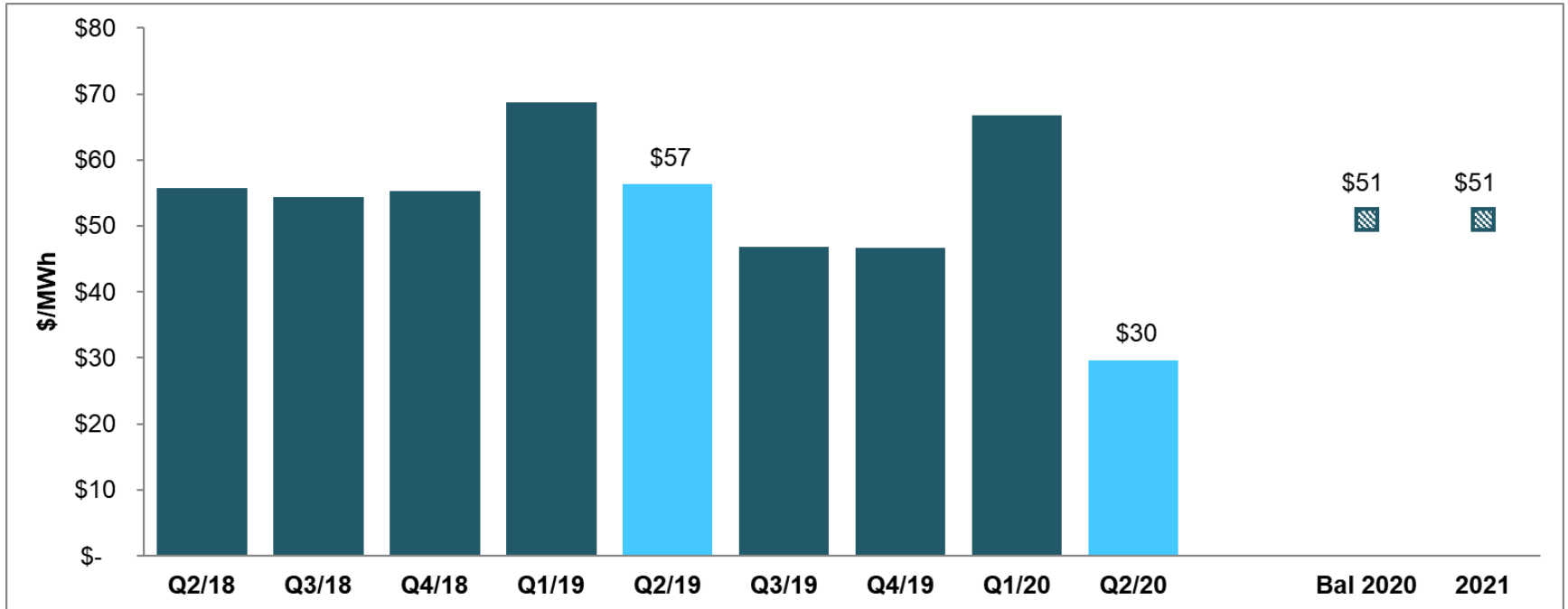
Second Quarter 2020 Financial Highlights



- Strength of our operations, contractedness and diverse portfolio
- Strong cash flow generation despite weaker merchant markets
- Free cash flow per share increased 94% compared to 2019

Alberta Electricity Prices

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



- Price decline in Q2 and balance of year due to impact of COVID-19 and reduced oil activity in Alberta
- Weaker prices also impacted by higher wind and water resources in quarter
- Anticipate moderated recovery as economies reopen

Segmented Cash Flow

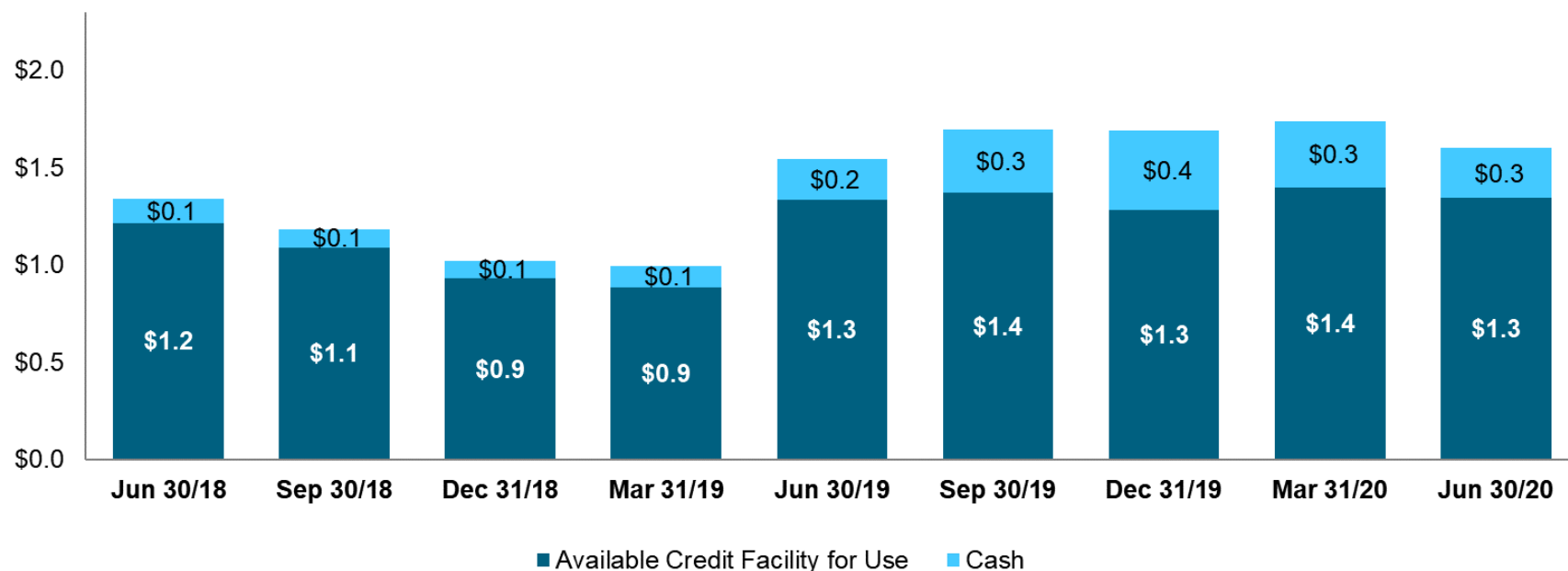
SECOND QTR SEGMENTED CASH FLOWS (\$MILLIONS)

	Q2 2020	Q2 2019
Canadian Coal	21	19
US Coal	20	11
NA Gas	25	24
Australian Gas	29	29
Wind and Solar	57	39
Hydro	27	32
Generation segmented cash flow	179	154
Energy Marketing	30	20
Corporate	(21)	(26)
Total return swap	3	(4)
Total segmented cash flow	191	144

- Solid cash flow performance across operating segments & contribution of new wind assets
- Superior performance from Energy Marketing capabilities
- Corporate segment impacted by total return equity swap

Liquidity and Capital Allocation

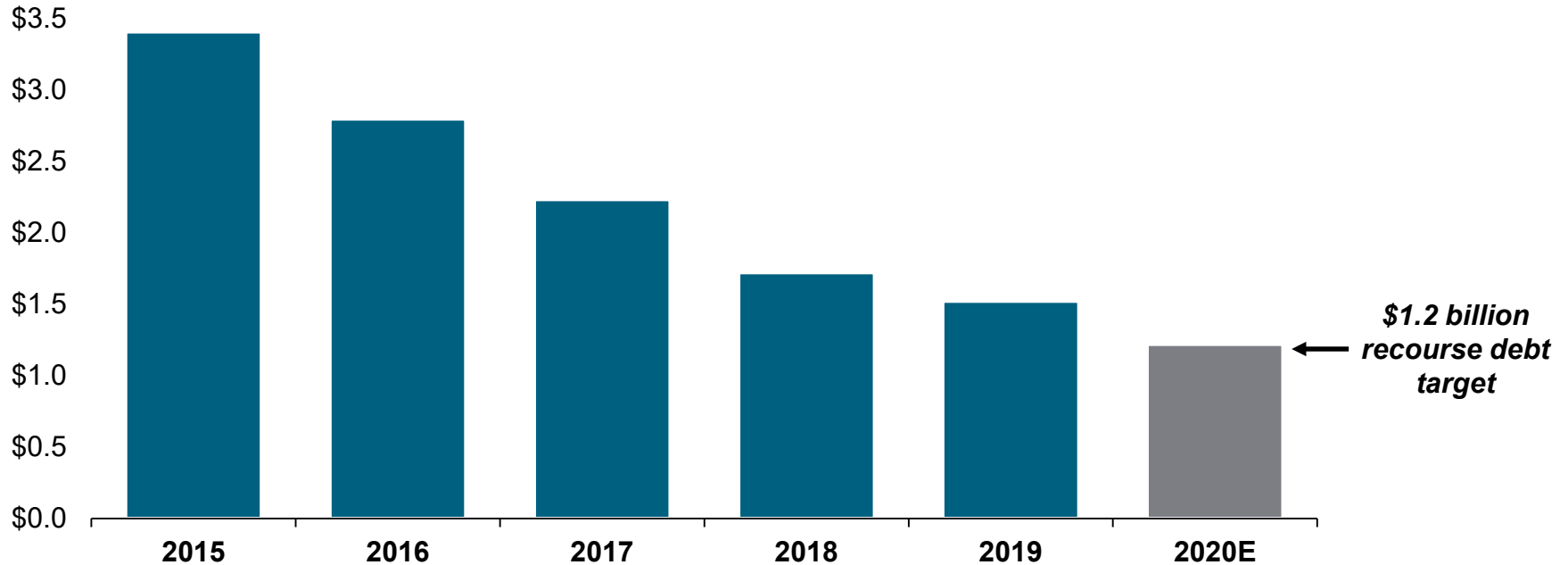
LIQUIDITY POSITION (\$BILLIONS)



- Access to \$1.6 billion in liquidity including ~\$250 million in cash
- Significant liquidity and unencumbered assets to support growth strategy
- Dividend remains sustainable with opportunistic allocation of capital to share buybacks

Capital Structure – Recourse Debt

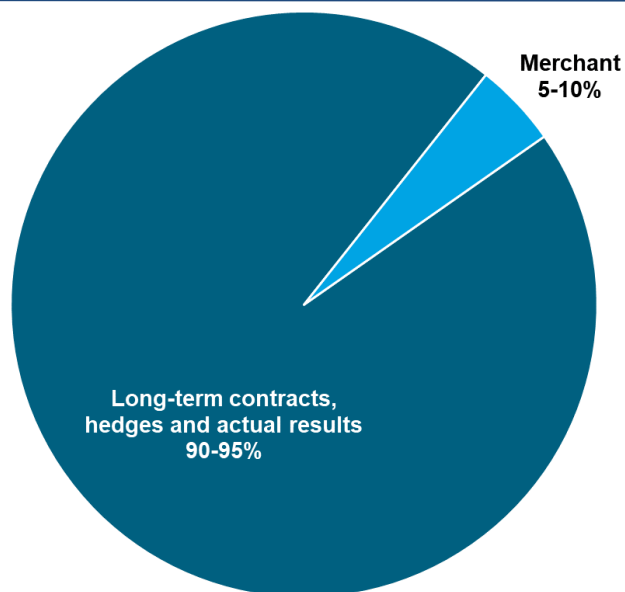
TRANSALTA SENIOR RECOURSE DEBT ⁽¹⁾ (\$BILLIONS)



- Repositioned balance sheet to the size for operating in a merchant environment
- Consistent reduction in corporate recourse debt
- Anticipate further senior recourse debt reduction throughout 2020
- On track to achieve targeted \$1.2 billion of net recourse debt to TransAlta

Highly Diversified Asset Base

2020 CONTRACTED/MERCHANT EBITDA



ALBERTA HEDGE POSITION (BOY 2020)

AB Thermal Baseload Merchant Generation Hedged⁽¹⁾	75%
Hedged Price (\$/MWh)⁽¹⁾	\$53
\$1/MWh EBITDA sensitivity (\$ Millions)	+/- \$2
Balance of Year Forward Price (\$/MWh)⁽¹⁾	\$51

- Approximately 90 to 95% of 2020 EBITDA generated through long-term contracts, hedges and actual results
- 2020 outlook maintained within FCF range of \$325 to \$375 million



Questions and Answers

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