



# TransAlta Corporation

Investor Presentation  
January 2021

**TransAlta**<sup>TM</sup>  
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 conversion from coal generation to gas generation, including the completion of the Sundance 6 conversion, the Keephills Unit 2 and 3 conversion in 2021, the repowering of Sundance Unit 5 into combined cycle unit and its commercial operation date; closing the Highvale mine and discontinuing coal generation in Alberta by December 31, 2021; the growth of the renewables fleet, including Windrise and the timing of commercial operations; expansion of the on-site generation and cogeneration business, including achieving commercial operations of the Kaybob Cogeneration Project in the first half of 2022; ability to advance any projects in our development pipeline; realizing greenhouse gas emission reductions of over 70% from 2005 to 2022; ability to achieve 40% female employment by 2030; the long term strategy for further carbon reductions, including the investment in carbon capture and storage, pumped storage, long-duration flow batteries and hydrogen; future Alberta power prices; estimated free cash flow (FCF), liquidity and senior recourse debt for year-ended December 31, 2020; hedging position through 2021; ability to realize upside from the Alberta hydro assets following the expiry of the power purchase arrangement at the end of 2020; continuing to realize high-returns from the marketing business; and anticipated benefits and financial results expected in 2021 and remainder of 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 impacts arising from COVID-19 not becoming significantly more onerous on the Corporation; no significant changes to regulatory, tax, securities, credit or market environments; no changes to the GHG compliance costs; 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 the impacts 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 and ability to continue to staff our operations and facilities; disruptions to our supply chains, including our ability to secure necessary equipment and to obtain regulatory approvals on the expected timelines or at all; COVID-19 related force majeure claims; curtailments reducing merchant production; our ability to maintain our credit ratings; restricted access to capital and increased borrowing costs; a further decrease in short-term and/or long-term electricity demand and lower merchant pricing in Alberta and Mid-C; further reductions in production; increased costs resulting from our efforts to mitigate the impact of COVID-19; regulatory and environmental processes delays; and/or write-downs of assets; and adverse impacts on our information technology systems and our internal control systems, including increased cyber security threats. Other factors that may adversely impact the Company’s forward-looking statements include, but are not limited to, risks relating to: fluctuations in market prices; changes in demand for electricity and capacity and our ability to contract our generation for prices that will provide expected returns; ability to secure regulatory approvals for the Kaybob cogeneration project and/or ability to work with SemCAMS on alternative commercial solutions or operational configurations; political uncertainty; disruptions in the transmission and distribution of electricity; the effects of weather, natural disasters and other climate-related risks; disruptions to the operations, including unplanned outages, 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](http://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, Funds from Operations (“FFO”) and Free Cash Flow (“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. Please refer to the Comparable EBITDA, FFO and FCF 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.*

**Dawn Farrell**

Chief Executive Officer



**Todd Stack**

Chief Financial Officer

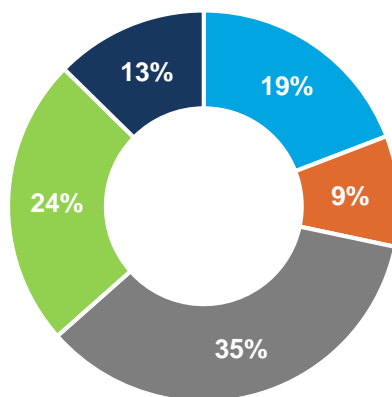


# TransAlta Summary

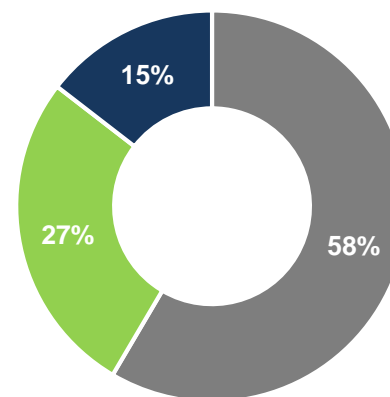
## Corporate Snapshot

Enterprise Value <sup>1</sup>	\$9.5 Billion
Market Capitalization <sup>1</sup>	\$3.0 Billion
Dividend Yield <sup>1</sup>	1.7%
2020E EBITDA (guidance)	\$925 - \$1,000M
2020E FCF <sup>2</sup> (guidance)	\$325M - \$375MCDP
CDP Score	A – (industry leader)

### TECHNOLOGY DIVERSITY IN 2021<sup>3</sup>



### TECHNOLOGY DIVERSITY IN 2025<sup>3</sup>



100% Gas and  
Renewable  
Generation

■ AB Coal ■ US Coal ■ Gas ■ Wind/Solar/Battery ■ Hydro

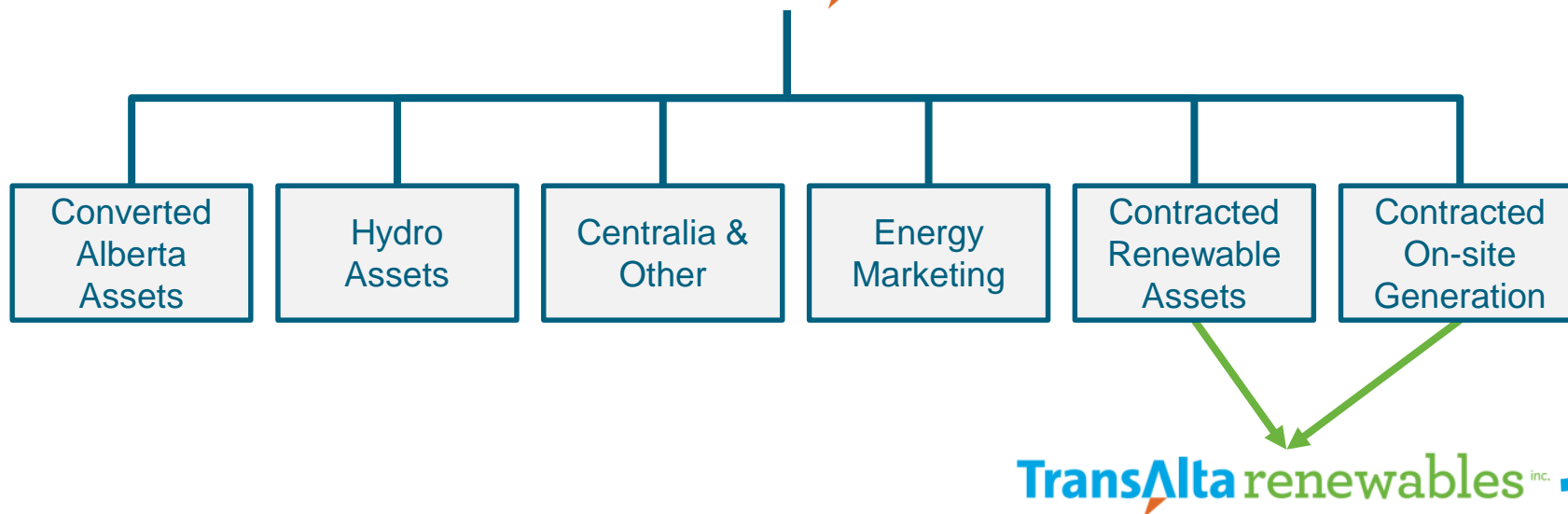
■ Gas ■ Wind/Solar/Battery ■ Hydro

1) Price as at Jan 11, 2021. Non-Controlling Interest of TransAlta Renewables based on market value. 2) Free cash flow ("FCF" is an important metric as it represents the amount of cash that is available to invest in growth initiatives, make scheduled principal repayments on debt, repay maturing debt, pay common share dividends, or repurchase common shares. 3) Based on MW of owned capacity. Includes projects under construction.

# Investment in TransAlta Renewables

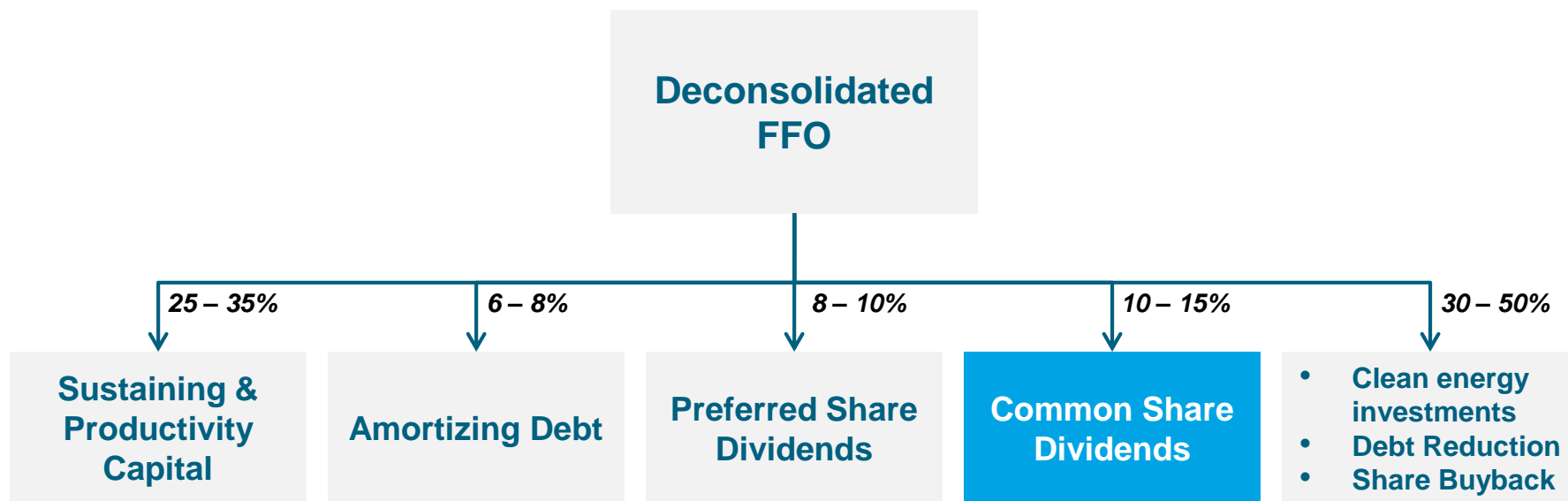
# TransAlta<sup>TM</sup>

~\$150 million  
in dividends



**Portfolio run by a single leadership team**  
**Provides operational and financial synergies driving competitive advantage**

# Prudent Capital Allocation and Dividend Policy



**Dividend policy of 10% - 15% of TA deconsolidated FFO**

# 2020 Q3 Highlights & Advancements

## Q3 Results <sup>(1)</sup>

- FCF of \$106 million or \$0.39 per share in line with 2019
- Year-to-date FCF of \$306 million or \$1.11 per share, a 22% increase
- Diversified portfolio enabling resilient cash flow generation
- Strong performance of trading and optimization capabilities

## Financial Position & Liquidity

- Excellent liquidity to fund growth program
- Raised AU\$800 million of proceeds from South Hedland power station
- Funding in place for 2020 \$400 million bond maturing in the fourth quarter
- Repurchased \$21 million of shares through share buyback program YTD

## Clean Energy Investment Plan

- On track to reduce CO2e emissions by over 70% by 2022 (vs. 2005)
- Commenced first boiler conversion on Sundance Unit 6 – currently in testing
- Ceasing mining operations at Highvale Mine Dec. 31, 2021
- Discontinuing coal-firing at Alberta Thermal by Dec. 31, 2021
- Advanced Sundance Unit 5 Repowering - COD Q4 2023
- Growing renewables fleet in Canada and the US

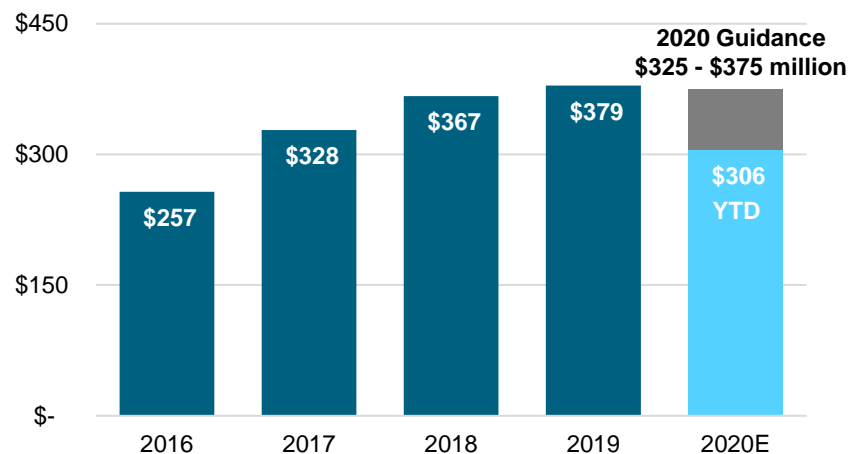
## Social & Governance

- Adopted Diversity & Inclusion Pledge – supporting our gender diversity goal of 40% female employment by 2030
- Removing systemic barriers that discriminate against employees and prevent success

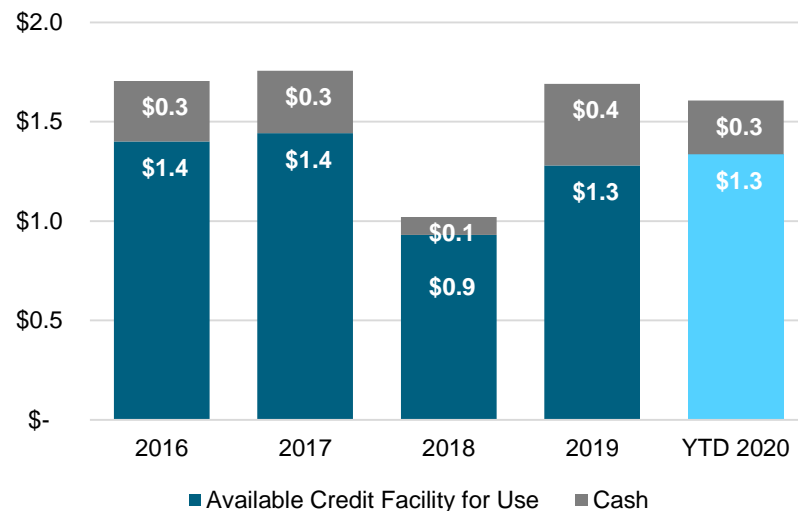
<sup>1)</sup> Excludes \$56 million settlement received for termination of the Sundance B and C PPAs (PPA termination payments) in the third quarter of 2019.

# Strong Cash Flow Generation

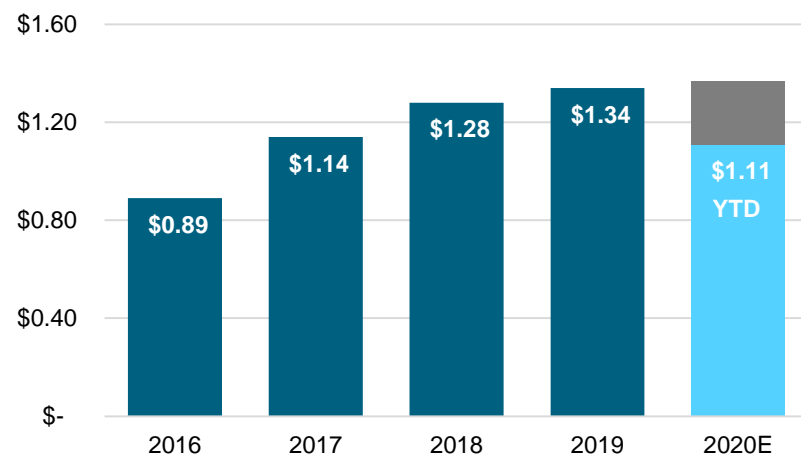
FCF (\$MILLIONS)<sup>(1)</sup>



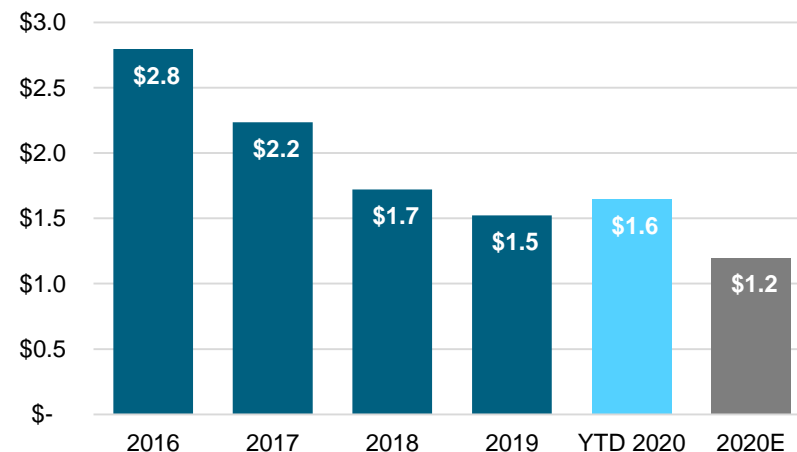
LIQUIDITY POSITION (\$BILLIONS)



FCF PER SHARE (\$ PER SHARE)<sup>(1)</sup>



SENIOR RECURSE DEBT (\$BILLIONS)



1) Excludes \$56 million and \$157 million settlement received as PPA termination payments in the third quarter of 2019 and first quarter of 2018 respectively.

# Execution of Clean Energy Investment Plan (1 of 2)

## WindCharger

10 MW

- Powered by Summerview II wind farm – truly renewable battery energy storage system
- First utility-scale battery storage in AB
- Zero recordable safety incidents



## Sundance 6 Conversion

401 MW

- Construction completed, currently testing and commissioning the unit



## Sundance 5 Repowering

730 MW

- Board-approved with expected COD of Q4 2023
- Executed equipment supply agreement
- 55% - 65% of the cost of a greenfield combined-cycle facility
- Attractive returns due to low capital costs and competitive heat rate



# Execution of Clean Energy Investment Plan (2 of 2)

## Skookumchuck Wind

67 MW

- COD reached Nov 2020



## Windrise Wind

207 MW

- Expected COD: H2 2021
- ~45% complete
- Receiving wind turbines on site as of mid – Oct



## Kaybob Cogen

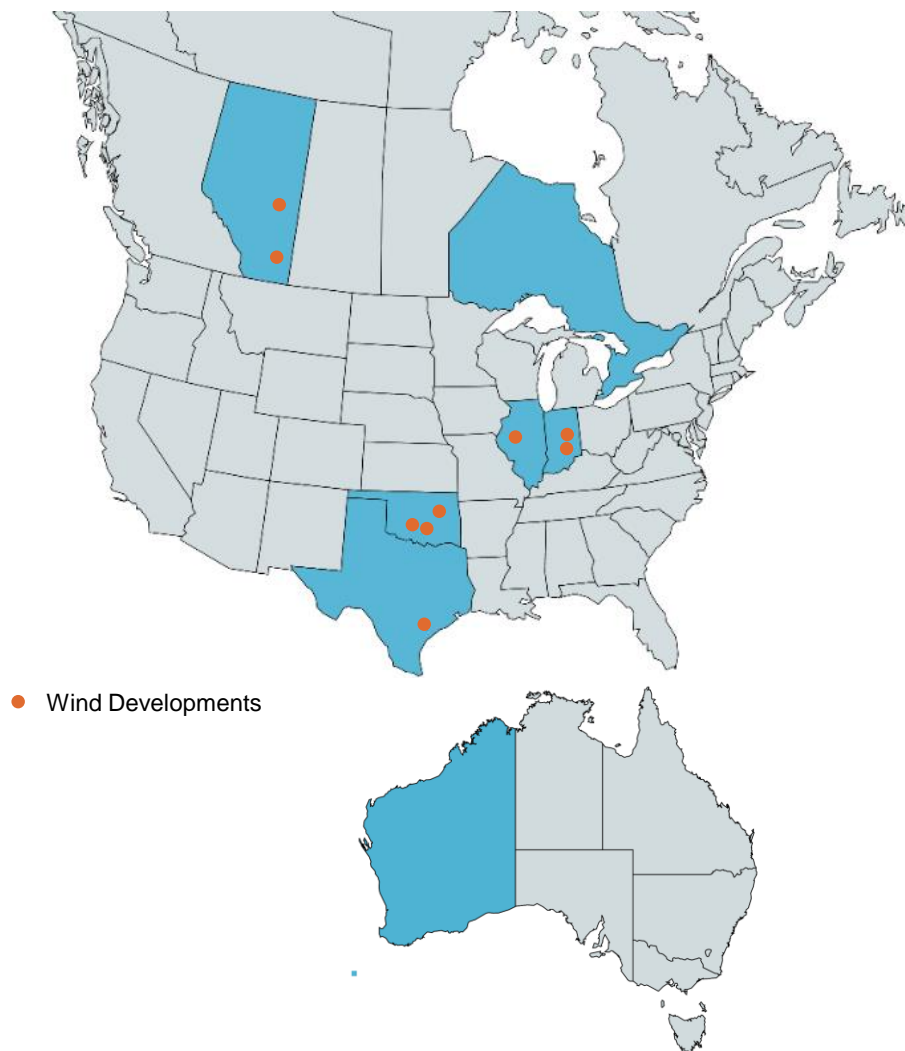
40 MW

- Expected COD: H1 2022
- Purchased reciprocating engine generator, generator step up transformers, electrical building and switchgear



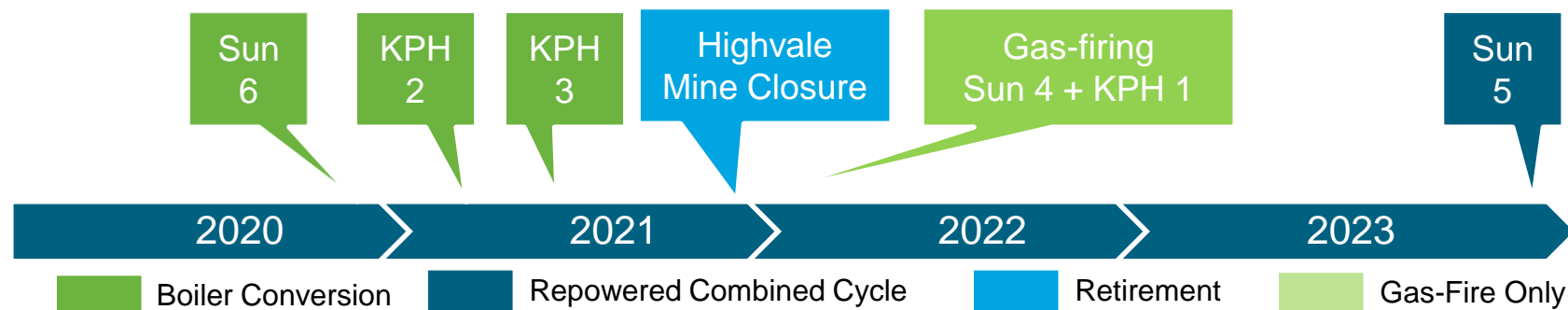
# Robust Development Pipeline to Supply Customer Needs

- Significant number of growth projects in advanced or early staged development



Projects	Owned MW	Location	COD Range
<b>Advanced-Stage Projects in Development</b>			
Garden Plain Wind	130	AB	2022 – 2023
Tempest Wind	70	AB	2023 – 2024
Horizon Hill Wind	200	OK	2023 – 2024
White Rock East Wind	200	OK	2023 – 2024
White Rock West Wind	100	OK	2023 – 2024
<b>Early/Mid-Stage Prospects</b>			
Customer expansion projects – Australia	35	WA	2022 – 2023
4 US Wind Project	750	TX, IL, IN	Early Stage
Multiple Cogen Projects	200 – 300	CAD	Early Stage
Brazeau Pumped Storage Hydro	300 – 900	AB	Early Stage

# Alberta Conversion to Gas and Off Coal by End of 2021



- Mining operations at Highvale Mine will end by Dec. 31, 2021
- Alberta thermal fleet will no longer fire with coal as of Jan. 1, 2022
- Unconverted coal units to be gas-fired at reduced capability

**Off-coal in Canada four years ahead of schedule**

# Sustainability Targets

## Environmental Goals

- **Minimize environmental incidents**
- **Reclaim land utilized for mining in both Alberta and Washington State**
- **Reduce GHG emissions:**  
Targeted GHG reduction of 60% over 2015 levels by 2030
- **Targeted reductions of air emissions**

## Social Goals

- **Transition to clean energy by 2025:**  
Conversion and repowering of existing coal fleet with continued renewable development
- **Reduce safety incidents**
- **Support prosperous Indigenous communities**

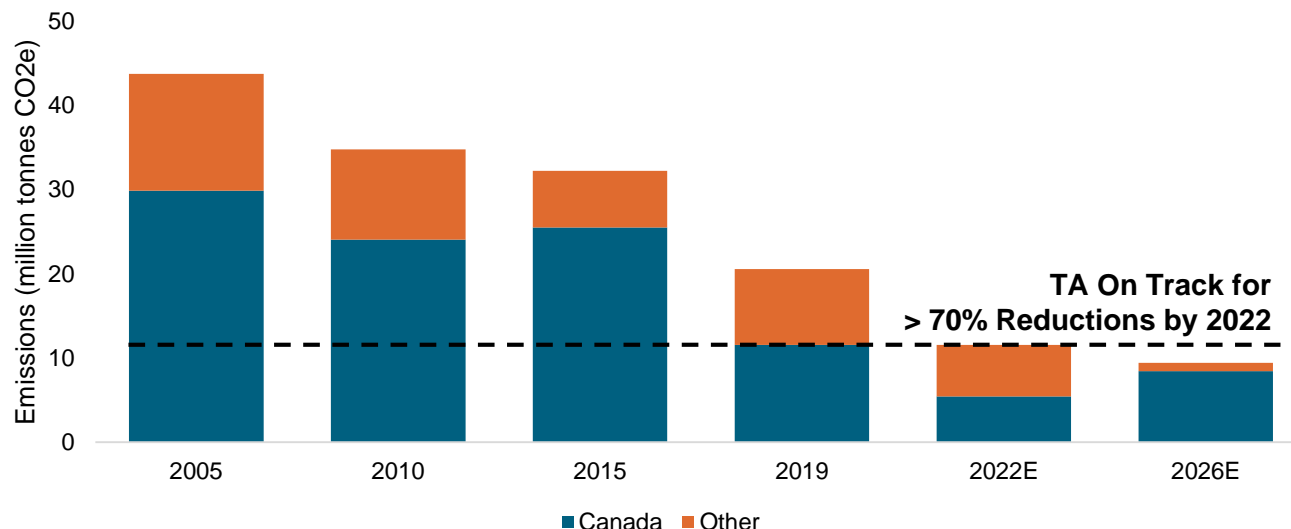
## Governance Goals

- **Strengthen gender equality:** equal pay for women; by 2030 50% women on the Board target and 40% female employee target
- **Demonstrate leadership on ESG reporting within financial disclosures**
- **Remove systematic barriers throughout organization**

**Our future sustainability goals and targets support the long-term success of our business**

# TransAlta Exceeds Targets Outlined in Paris Agreement

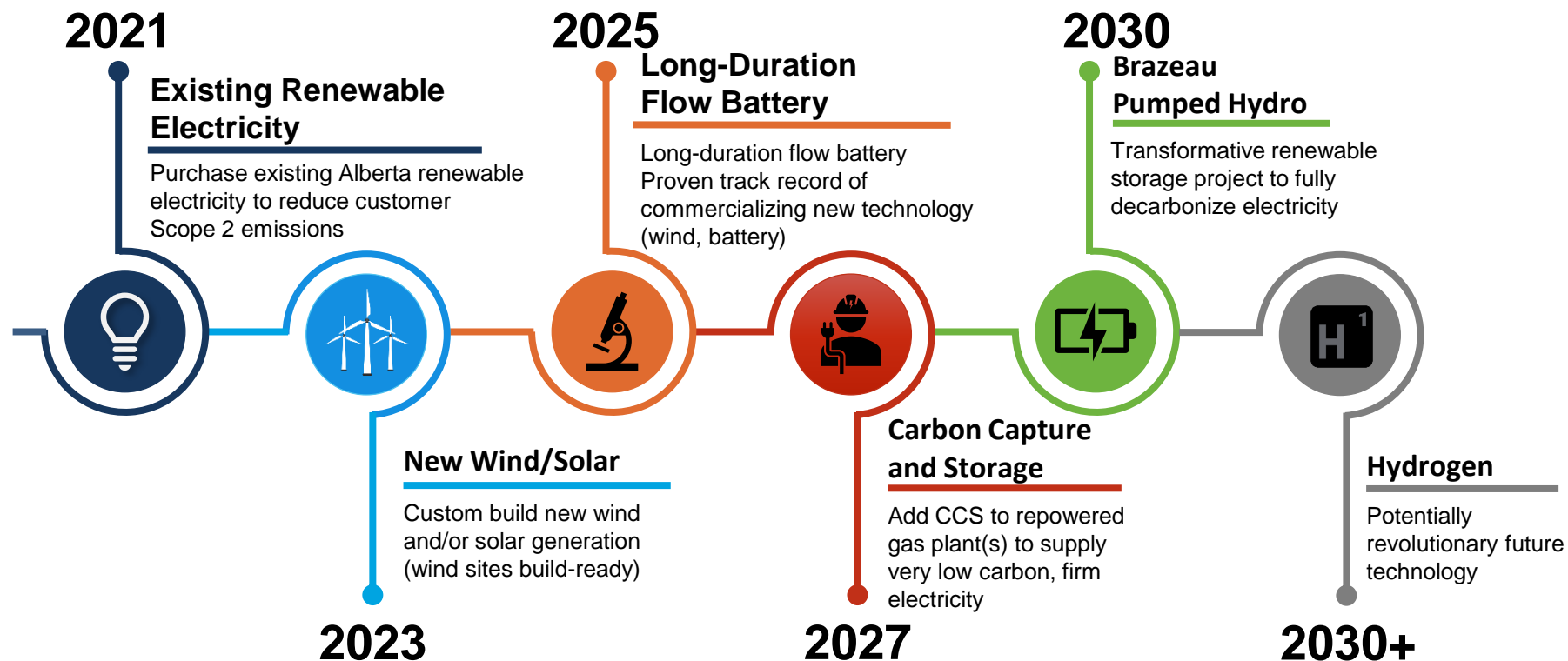
## TRANSALTA EMISSIONS



- To achieve Paris Agreement targets, Canada would need to reduce emissions by 220 million tonnes by 2030 (vs. 2005)
- Since 2005, TransAlta is on track to reduce its Canadian green house gas emissions by ~23 million tonnes by 2022
- TransAlta has contributed the equivalent of ~10% of Canada's total required GHG reductions to meet the Paris Agreement (~21 million tonnes in Canada by 2020)

**TransAlta is on track to reduce its GHG emissions by over 70% by 2022**

# Providing Pathway for Further Carbon Reductions to Customers



**A long-term strategy enabling TransAlta to meet customer carbon-reduction needs through clean electricity supply**

# TransAlta's E-ESG Health Check

Well-**diversified portfolio** of assets  
driving **resilient cash flows**

**Conversion** to **gas** in AB by end of **2021**  
with a fully **funded**  
and **approved**  
transition plan

Strong **E-ESG focus**,  
on track for  
**~70% reduction in GHG** by 2030

Robust development pipeline  
with **~2.5 GW of development**  
opportunities

Proven track record of  
**commercializing new technology**  
(wind, battery storage)

Removing systemic  
barriers through  
**Diversity and Inclusion Pledge**

**Economics | Environment | Social | Governance**

# TransAlta - An Attractive Investment

## Highly diversified, low carbon portfolio

- On track to reduce total GHG emissions by ~32 million tonnes by 2022
- Largest hydro fleet in Alberta with upside post-PPA
- Highly-contracted renewables portfolio
- High-return marketing business
- Unique trading, commercial and asset optimization capabilities

## Execution & discipline

- Strengthened balance sheet and liquidity
- Continued capital discipline
- Strong free cash flow

## Well-positioned for the future

- Leader in energy transition able to assist customers deliver their carbon reduction goals
- Robust development pipeline and capabilities

**Leader in reducing CO<sub>2</sub>e while delivering strong cash flows**



# Questions and Answers

**TransAlta**<sup>TM</sup>  
Powering Economies and Communities

