



Q4 and Annual 2020 Results

March 3, 2021

TransAlta Corporation

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 TransAlta Corporation’s (“we”, “our”, “Company”) 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: the Company’s Clean Energy Investment Plan, including ceasing mining operations at Highvale mine and the Sundance 5 repowering; re-contracting Sarnia; our economic, environment, social and governance (“E2SG”) accomplishments, including forecasted emission reductions and achieving 40% female employment by 2030; Alberta pricing and its sensitivity to EBITDA; pro forma Hydro EBITDA; 2021 strategic priorities, including completing our conversion strategy and leading E2SG policy development; 2021 outlook, including Comparable EBITDA, sustaining capital, free cash flow, and cash to shareholder; and our ability to execute on our growth strategy, including our development portfolio. 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: Alberta power pricing being between \$58/MWh to \$68/MWh; Mid-C pricing being between \$25/MWh and \$35/MWh; the impacts arising from COVID-19 not becoming significantly more onerous; 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, 2020.

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; 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 3 cogeneration project and/or ability to work with Energy Transfer Canada ULC on alternative commercial or technical solutions; 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, 2020, 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, 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, 2020, for further discussion of these items, including, where applicable, reconciliations to measures calculated in accordance with IFRS.

Dawn Farrell

Chief Executive Officer



2020 Key Accomplishments & Advancements

Clean Energy Investment Plan

- ✓ Completed first boiler conversion on Sundance Unit 6 with 50% lower emissions
- ✓ Ceasing mining operations at Highvale mine and coal-firing in AB by Dec. 31, 2021
- ✓ Retired Centralia Unit 1 Dec. 31, 2020
- ✓ Added net 67 MW Skookumchuck Wind
- ✓ 10 MW WindCharger, first utility-scale energy storage for AB
- ✓ Advanced Sun 5 Repower



Customer Focus and On-site Generation

- ✓ Contract extension to 2038 with BHP Billiton at Southern Cross
- ✓ Sarnia recontracting underway
- ✓ Acquired Ada cogeneration with large US customer
- ✓ Acquired interest in EMG International with attractive US customer platform – Water treatment space



E²SG

- ✓ Reduced 4.2M tonnes of GHG, down 20% from 2019
- ✓ On track to reduce CO₂e emissions by over 70% by 2022 from 2005
- ✓ A- from CDP (from B)
- ✓ Adopted Equity, Diversity & Inclusion Pledge
- ✓ Target of 40% female employment by 2030



2020 Key Accomplishments & Advancements

Performance

- ✓ Comparable EBITDA of \$927 million in line with 2019 despite impact of COVID-19
- ✓ FCF of \$358 million or \$1.30 per share – above mid-point of guidance
- ✓ Diversified portfolio enabling resilient cash flow generation
- ✓ Strong performance of trading and optimization capabilities



Financial Position & Liquidity

- ✓ Excellent liquidity to fund growth program
- ✓ Access to \$2.1 billion in liquidity, including \$700 million in cash
- ✓ Raised AU\$800 million of proceeds from South Hedland power station
- ✓ Repaid \$400 million bond maturing in the fourth quarter
- ✓ Repurchased \$61 million of shares through share buyback program at average \$8.33 per share



Todd Stack

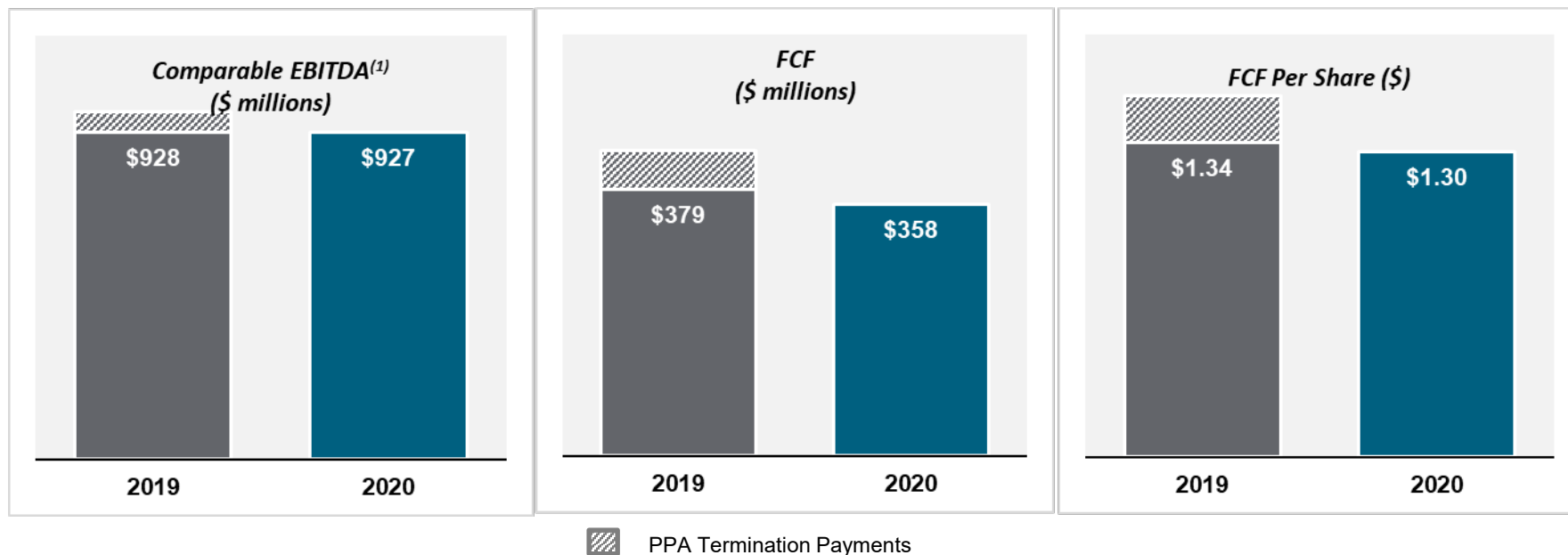
EVP, Finance &

Chief Financial Officer



Full Year 2020 Financial Highlights

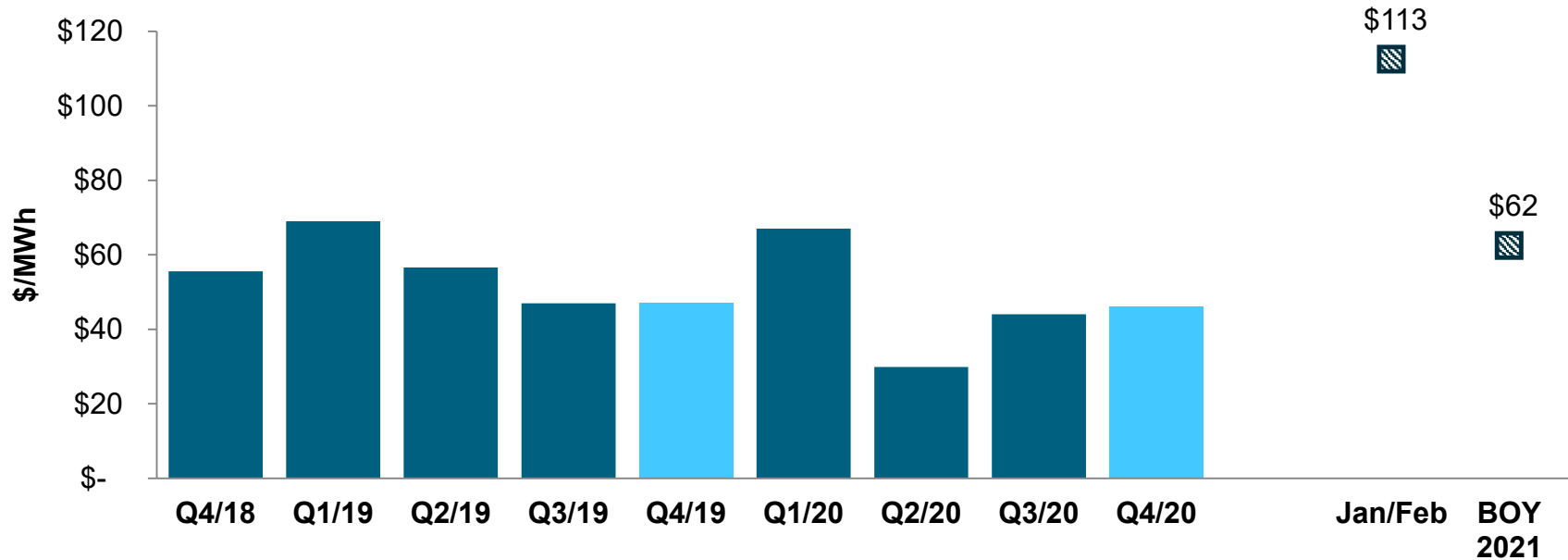
12- MONTHS ENDED DECEMBER 31, 2020



Excellent cash flow generation from diversified portfolio

Alberta Electricity Prices & Outlook

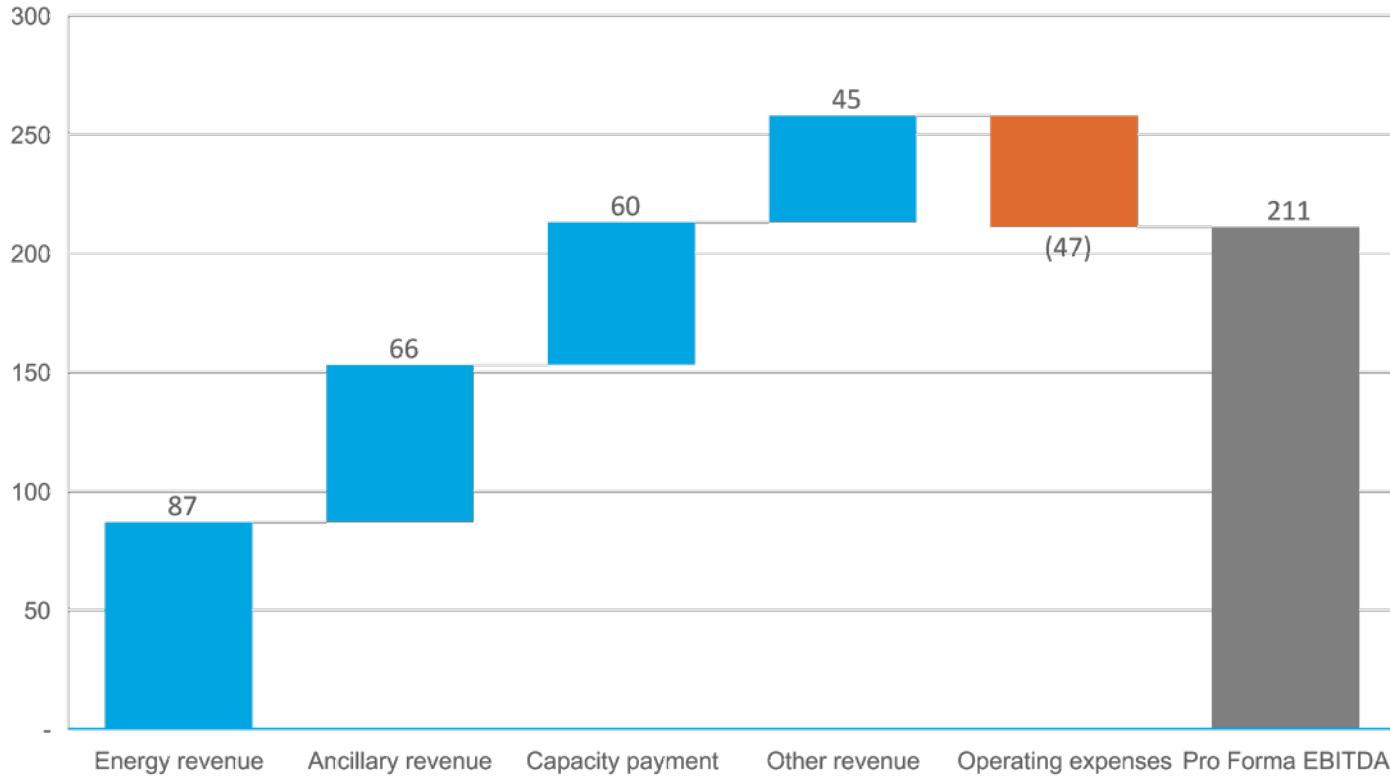
ALBERTA POOL PRICE AND FORWARD CURVE (\$/MWH)



- Recent strength in forward market prices in 2021 after declines earlier in 2020
- Strong pricing year to date driven by extreme weather
- Well-positioned to increase margins in periods of price volatility

HYDRO EBITDA Generated in 2020

2020 HYDRO EBITDA – EXCLUDING PPA OBLIGATION



2021 Outlook

Comparable
EBITDA

**\$960 – \$1,080
Million**

Up 10% from 2020 at the midpoint

Sustaining
Capex

**\$175 – \$210
Million**

FCF

**\$340 – \$440
Million**

Up 9% from 2020 at the midpoint

Cash to
Shareholders

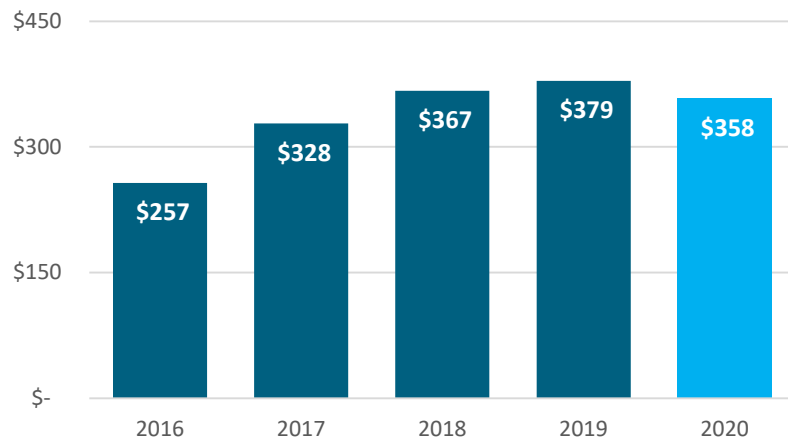
**\$0.18 Dividend
+ Share Buybacks**

Key Factors and Assumptions

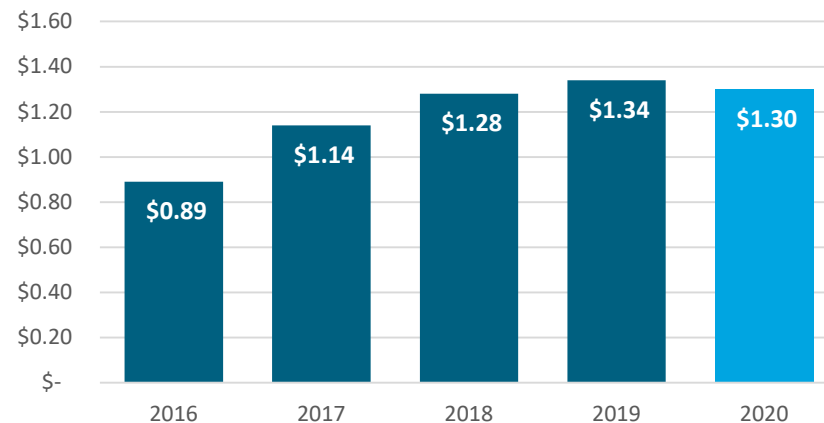
- AB power prices \$58 - \$68 per MWh
- Mid-C power prices \$25 - \$35 per MWh
- EBITDA sensitivity to price +/- \$1/MWh; +/- \$12 million EBITDA

2020 Financial Strength

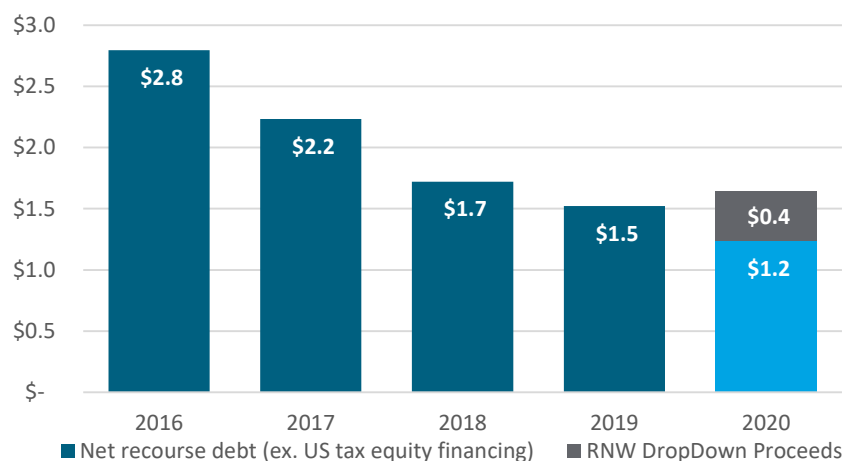
FCF (\$MILLIONS)



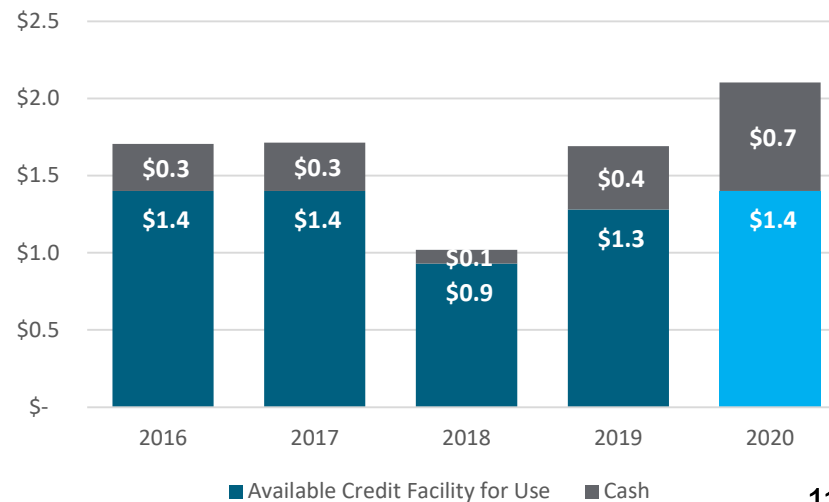
FCF PER SHARE



NET RECOURSE DEBT (\$BILLIONS)



LIQUIDITY (\$BILLIONS)



John Kousinioris

Chief Operating Officer



2021 Strategic Priorities

Successfully complete conversion strategy

Lead E²SG policy development

Optimize our business in the Alberta merchant market

Grow our customer-centric clean power solutions business

Renewables

**Onsite
generation**

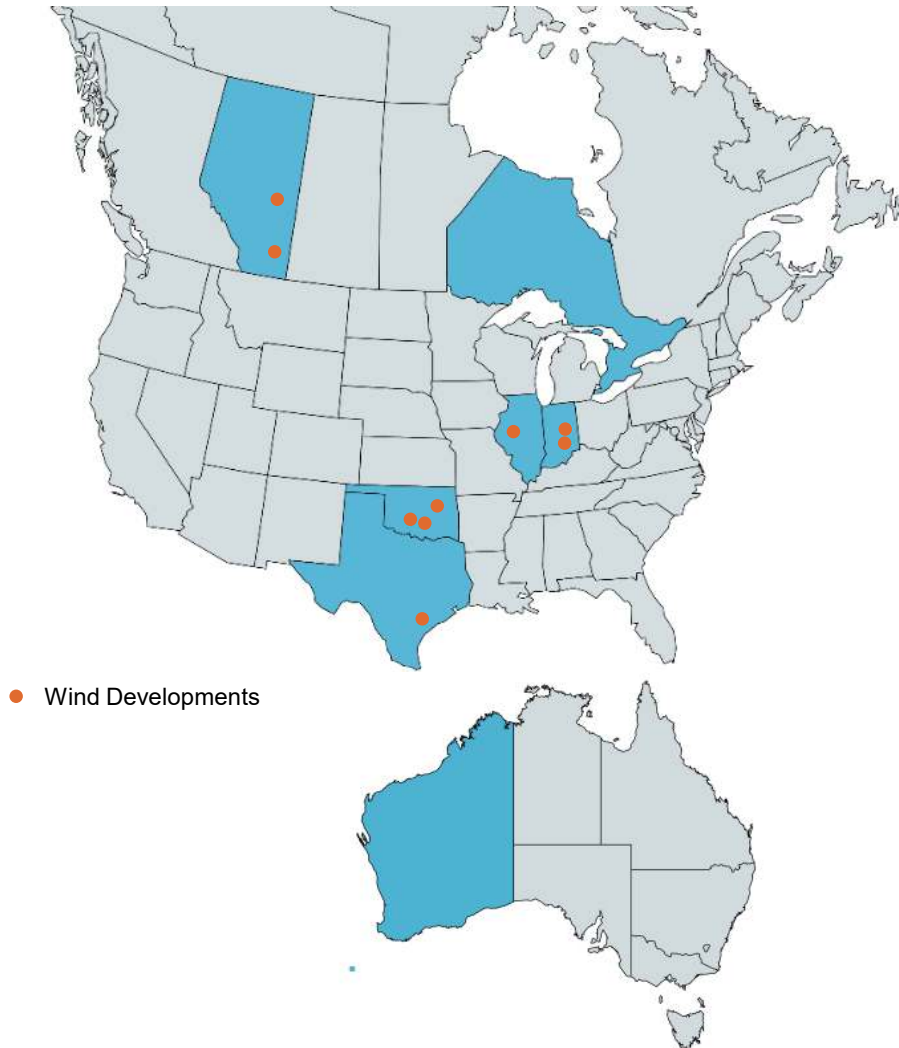
**Customer
solutions**

Maintain a strong financial position

Maintain a robust COVID-19 response & recovery

Current Pipeline of Growth Opportunities

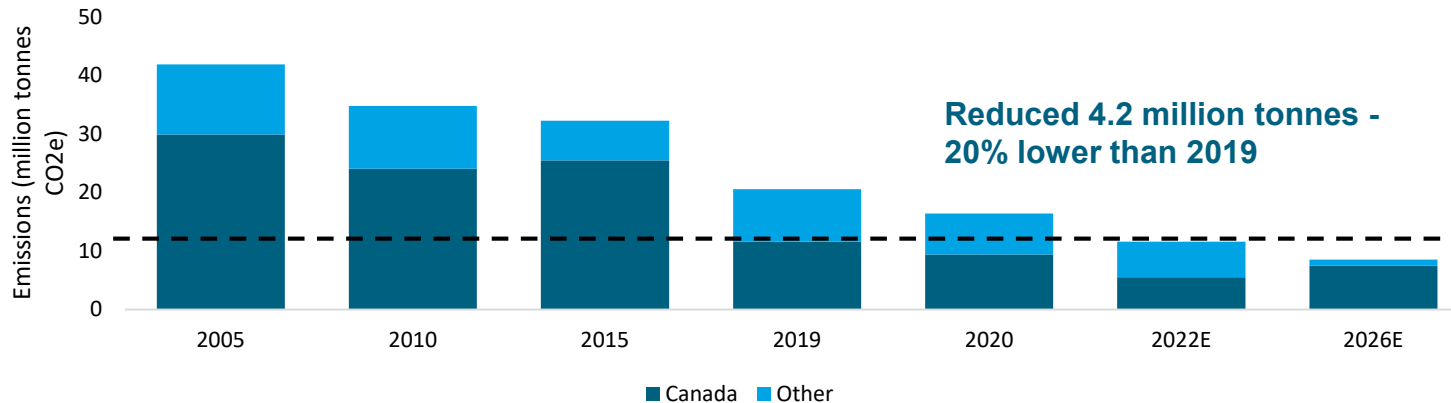
- Significant number of growth projects in advanced or early-stage development



| Projects | Owned MW | Location | COD Range |
|---|-----------|------------|-------------|
| Advanced-Stage Projects in Development | | | |
| 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 |
| Early/Mid-Stage Prospects | | | |
| BHP NiW customer expansion projects – Australia | 35 | WA | 2022 – 2023 |
| CAN / US Wind and Solar Development Projects | 1,290 | Multiple | Early Stage |
| Multiple Cogen Projects | 600 | AB, ON, WA | Early Stage |
| Brazeau Pumped Storage Hydro | 300 – 900 | AB | Early Stage |

TransAlta's Carbon Transition

GHG EMISSIONS (MILLION TONNES CO₂e)



- 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 ~24 million tonnes annually 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 as at 2020)

Goal of Carbon Neutrality by 2050

TransAlta - An Attractive Investment



Leader in E²SG while delivering strong cash flows

Questions and Answers

TransAltaTM

Powering Economies and Communities

Contact us today

Visit us at [TransAlta.com](https://www.TransAlta.com)

