

# TransAlta Renewables AGM

**April 28, 2016**

**Allen Hagerman:** It's on, good. Good morning. On behalf of the board of directors, it's my pleasure to welcome you to the annual meeting of shareholders of TransAlta Renewables Inc. The board and management very much appreciate your interest and attendance today. My name's Allen Hagerman, and as chair of the board of directors of TransAlta Renewables Inc., I will act as chair of this meeting this morning. Our corporate secretary, John Kousinioris, is seated here at the end of the table, and he will act as secretary to the meeting. I'd also like to introduce Brett Gellner, president of TransAlta Renewables Inc. Waive your hand, Brett. Thanks.

As our meeting is being webcast live, we appreciate those joining us on our Internet broadcast. We also welcome those of you who are not shareholders to this meeting, but I remind you that only shareholders or proxyholders who were owners of TransAlta Renewables share as of the close of business on March 4th, 2016, are entitled to vote or take an active part in the formal business of the meeting. Should you wish to speak during the meeting, we ask that you identify whether you are a shareholder or a proxyholder, and that you state your name; and if a proxyholder, please also state the name of the shareholder you are representing.

At the end of the formal business of the meeting, Mr. Gellner will present to you the President's Report. Following his presentation, there will be time for questions. Before I call the meeting to order, I'd like to ensure that everyone is familiar with the location of the emergency exits, should these be required. The exits are at the side of the room here and here. Please proceed calmly to the nearest exit if there's an alarm, and I'd also ask that you turn off your cellphones or electronic devices so they don't disrupt the meeting, and I think mine's off.

I will now call the shareholder TransAlta Renewables Inc. annual meeting of shareholders to order. We'll first go through the formal part so the meeting. Gloria Gherasim and Sylvia Stake of CST Trust Company, TransAlta Renewable's transfer agent, are in attendance today, and I appoint them to act as scrutineers. I hereby ask Mr. Kousinioris to file with the records of this meeting the proof of service and the notice of this meeting which were mailed on March 21<sup>st</sup>, 2016, to beneficial and registered shareholders of record. The scrutineers have provided me with a final report on attendance, and the count indicates that 57 shareholders are present in person and by proxy, representing approximately 73.96% of the common shares of standing. I therefore declare that a quorum is present, and this meeting is properly constituted for the transaction of business. A copy of the scrutineer's report will be filed with the records of the meeting.

In order to have the meeting move smoothly, we've asked a number of TransAlta Corporation employees who are also TransAlta Renewables shareholders to move and second the motions to be put before the meeting. If you'd like discussion on a motion before the

vote, please raise your hand and identify whether you are shareholder or a proxyholder; and if you are a proxyholder, the name of the shareholder you are representing. Starting with the minutes of the last annual meeting of shareholders, which was held on May 1<sup>st</sup>, 2015, I declare that the minutes have been verified and signed and are filed in the corporation's minute book. Anyone wishing a copy of the minutes may pick one up from the table located at the back of the meeting room.

The next item of business is the receipt of the annual consolidated financial statements of the corporation and the auditor's report for the year ended December 31<sup>st</sup>, 2015. The annual consolidated financial statements of the corporation and the auditor's report are contained on pages F1 to F45 of our annual report, and were mailed to shareholders in accordance with securities law together with the notice of the meeting. Copies are available on the table located at the back of the room, and I request the secretary to file a copy of the annual report with the minutes of this meeting. Mr. Gordon Graham, waive your hand, Gordon, a representative of Ernst & Young LLP, the auditors of the corporation, is available at this meeting to answer questions during the general question period.

The next item of business is the election of directors. The board has set the number of directors to be elected at the meeting at six. We are satisfied that this number of directors is appropriate to provide a significant range of depth of expertise and to meet corporate governance requirements. I'd like to introduce the directors standing for election to the board. Their detailed biographies are included in our proxy circular, and that I will ask that each director stand when I call his or her name.

David Drinkwater. David is a resident of Toronto and a corporate director. He was senior advisor of Rothschild Canada until December '15. He was also the chair of Rothschild Canada from 2009 to 2013. He has held senior executive positions with Nortel Networks Corporation and Ontario Power Generation in both legal and finance. David is an independent member of the board and the audit committee, and in fact, chairs our independent directors committee as well.

Brett Gellner. Brett is a resident of Calgary and the President and designated Chief Executive Officer of the company. He is also the Chief Investment Officer of TransAlta Corporation. Prior to his current appointment, Brett also held the position of Chief Financial Officer of TransAlta. Prior to joining TransAlta, Mr. Gellner spent 12 years in investment banking.

Cynthia Johnston. Cynthia is a resident of Calgary and Chief Operating Officer of TransAlta Renewables Inc. Cynthia is also the Executive Vice President Gas, Renewables and Operations Services of TransAlta Corporation. Prior to this role, she was TransAlta's Executive Vice President Enterprise Risk and Corporate Services. Cynthia has over 30 years of experience in the electricity industry, including five years as senior role with Fortis Alberta.

Kathryn McQuade. Kathryn is a resident of Mesquite, Nevada, and is currently an independent businessperson. Kathryn has held senior executive positions with Canadian Pacific Railway and Norfolk Southern Corporation. She has extensive experience in finance, information technology, and strategic planning. Kathryn is a certified public accountant. Kathryn is an independent member of the board and chair of our audit committee.

Paul Taylor. Paul resides in Victoria, B.C. and is currently the President and Chief Executive Officer of Western Financial Group. Prior to this role, Paul was President of TransAlta Corporation's U.S. operations and served as Executive Vice President, Coal, of TransAlta Corporation. Paul has extensive public sector experience, including serving as the chief of staff to the Premier of British Columbia, British Columbia's deputy minister of finance, and secretary to the treasury board as well as the President and Chief Executive Officer of the Insurance Corporation of British Columbia.

I, Allan Hagerman, am a resident of Millarville, Alberta. Prior to my retirement, I was Executive Vice President of Canadian Oil Sands. Prior to 2007, I was Chief Financial Officer of Canadian Oil Sands. I'm a chartered accountant and a fellow of the Instituted of Chartered Accountants of Alberta. I'm an independent director, chair of the board, and a member of the audit committee. These are the individuals proposed for election at this meeting. I would now like to open the meeting for nominations of directors to serve for the following year.

**Ben Park:** My name is Ben Park. I am a shareholder, and I nominate David W. Drinkwater, Brett M. Gellner, Cynthia Johnston, Kathryn B. McQuade, Paul H.E. Taylor, Allen R. Hagerman, to be elected as directors of the corporation, to hold office until the next annual meeting of shareholders or until their successors are elected or appointed.

**Allen:** Thank you, Ben. Is there discussion on the motion? As there is no discussion, we will continue with the meeting. Are there any further nominations? Hearing none, I request a motion that the nominations be closed.

**Scott Jeffers:** My name is Scott Jeffers. I'm a shareholder, and I so move.

**Todd Stack:** My name is Todd Stack. I am a shareholder, and I second the motion.

**Allen:** Thank you, Scott and Todd. All in favor, please raise your hands. Opposed or contrary, if any? I declare the nominations closed. Since the number of nominees does not exceed the number of directors to be elected by the shareholders, I request a motion that the nominees be elected as directors of the corporation, to hold office until the next annual meeting of shareholders or until their successors are elected or appointed.

**Carolyn Dahl Rees:** My name is Carolyn Dahl Rees. I am a shareholder, and I so move.

**Allen:** Is there discussion on the motion? As there is no discussion, we will continue with the meeting. May I have a seconder for the motion?

**Ben Park:** My name is Ben Park. I am a shareholder, and I second the motion.

**Allen:** Thank you, Carolyn and Ben. All in favor, please raise your hands. Contrary? Any? I declare the motion carried.

The next item of business is the appointment of the auditors. I request a motion that Ernst & Young LLP be appointed auditors of the corporation to hold office until the close of the next annual meeting of shareholders and such remuneration as shall be fixed by the board of directors.

**Todd Stack:** My name is Todd Stack. I am a shareholder, and I so move.

**Allen:** Is there discussion on this motion? May I have a seconder for the motion?

**Scott:** My name is Scott Jeffers. I am a shareholder, and I second the motion.

**Allen:** Thank you, Todd and Scott. All in favor? Opposed, if any? I declare the motion carried. With the consent of the meeting, I'll now declare the formal business of the meeting at an end. We'll turn the podium over to Brett Gellner to give us a little update on TransAlta Renewables Inc.

**Brett Gellner:** Great, Allen. Thank you very much. Welcome, everybody and good morning and thanks for coming. As Allen says, what I'm going to do is give you an update on the company, give you a sense of our past performance outlook for 2016 and some of the key priorities that we're focused on going forward. Remind you that our presentation does contain forward-looking statements. This will be on our web site, so this will be contained within that presentation.

If you look at what we've achieved over the last couple years, we've really been focused on growing and diversifying the company. Now, we have 40 facilities spanning multiple regions, and all of these assets are predominantly under long-term contracts with high-quality counterparties. The other thing we've been focused on is a very prudent payout ratio, and we target 80-85% of cash available from distributions. We define that as being cash available after we make payment on the debt in terms of both interest and principle but also the capex we need to sustain the assets going forward.

As we'll talk about more, we've got a very proven track record for growth and hope to do more going forward, a solid balance sheet and well-positioned for growth, and we have a very good, strong sponsorship with TransAlta Corporation. We've been able to grow the company to where it is today, which is now at a \$4 billion enterprise value, and this will obviously increase when we bring our South Hedland project on board. We had very good results in 2015, and I'll

talk a little bit about first quarter '16 and our outlook for '16 in a minute. Our dividend yield is very attractive, sitting at around that 7% range, and we are targeting an incremental dividend increase once the South Hedland project comes on board.

As I said, a key focus of ours has been diversification, so you can see here, we've got a very good mix of gas-fired, wind, and hydro assets as well as the gas pipeline assets. Our assets are predominantly in Canada and Australia, but we do have assets in the United States. Again, those are the three regions that we're predominantly focus on now and going forward. We're not only diversified in terms of our asset base and geography and technologies, but also our customers. You can see here some of our key customers. We have a good mix of government-backed type customers, but also large industrial customers, and those are the type of customers we look forward to working with, and they've led to other opportunities for us in the past.

What have we done since the IPO? Recall that we went public back in 2013, mid-2013. We've been able to deliver solid financial and operational performance over that period. We've added two windfarms. One, we built and the other one, we acquired, in Wyoming. We've also done two major dropdown transaction with TransAlta Corp. The total amount is 2.3 billion. We've also increased the public float. On those transactions, we went to the public market to raise equity. This allowed us to increase the public float. This clearly is important for investors because it provides them with the liquidity.

We've also increased our dividends 17% since the IPO, and as I mentioned, we're targeting to increase that further once Hedland comes on. The other thing we did last year is we raised just over \$440 million of project debt against two of our windfarms, contracted windfarms, and these were done at very attractive rates. I'll talk more of our plans on that front going forward. The final thing is recently, this year, we were added to the TSX Composite Index, and again, this is due to the fact that we've been able to grow the company to a good size, plus the liquidity.

This is obviously important for big portfolio investors who manage index funds because now, they can include us in their portfolios. In terms of performance, what this chart shows is three periods, one year ago, two years, and since the IPO, and it compares our performance against the TSX Broad Composite Index. It includes both share price appreciation but also the dividend. You can see, in all three periods, we've significantly outperformed the TSX, so good for shareholders, and our target is to continue to outperform.

We've also grown our capacity. We started the company predominantly as a wind company with a little bit of hydro. As I indicated, we've added to the wind, but we've also significantly added to the gas side of the business, and you can see that here. All of that has allowed us to significantly increase the dividend. We started off at 75 cents in 2013. We're currently at 88 cents, and we plan on growing that again once Hedland comes on next year, so significant dividend

increase over the period.

We did release our first-quarter results this morning, and you can see here as a snapshot, and I refer you to those, the more detailed results, which you can get online. You can see with the dropdown transactions and good performance, we've substantially increased our cash available for distribution, period over period, same with EBITDA. In terms of our outlook then for 2016 — and again, we put this guidance out last year-end results — and you can see that we're targeting very strong 2016 results relative to 2015 results.

Let me just update you on the big project, South Hedland, so remind you this is 150 megawatt power station in South Hedland. South Hedland is right near Port Hedland. Port Hedland is the, or one of the, largest bulk export ports in the world, so a lot of activity, as you can appreciate. This will be the, or one of the, most efficient gas, or power stations in that region. We're under a long-term contract of 25 years. Seventy-five percent of that is with the state-owned utility, which is a AA credit rating. The other 25% is with one of our existing customers, FMG. It's expected to come online next year, mid-next year, and it'll generate approximately 80 million EBITDA once it's up and running on an annualized basis.

As you can see from the picture here, it's well advanced, and we look forward to that plant coming on stream next year. All of this has resulted in the analysts having a good outlook for the company, as you can see from the seven analysts here. These are their target prices for the company. Six of the seven have us as a buy or outperform rating, so that's positive. Terms of our priorities over the next 12 to 24 months, we are going to look to do more project financing against some of our assets.

Really, this will be used to raise capital to fund the Hedland Project, but also fund some debt maturities that we have coming due over the next couple years. Obviously, a key priority is bringing Hedland up and running, on time and on budget. We're going to continue to pursue additional growth opportunities, and we look at both third-party acquisitions, but also further dropdowns with TransAlta Corp. In terms of any acquisition that TransAlta Renewables does, we're going to remain very disciplined. We're going to be disciplined in terms of the returns we expect and the contract life, the counterparties, and also just how we finance those transactions.

Finally, we're very focused and we'll always be focused. This isn't just a medium-term priority. This is an ongoing priority to always be focused on delivering solid operational results. This includes looking for opportunities, and we're doing some of this now, where we make small, incremental investments in the existing assets where we can significantly enhance the production and cash flows from those, and they provide excellent returns and at relatively low capital injections. Just in terms of the dropdown inventory that TransAlta may consider at some point, they do have a number of assets that could be suited for TransAlta Renewables. They range from gas-fired to renewable

type assets.

Some of these are more suitable than others, and again, the timing of these will really depend on TransAlta Corporation going forward, but certainly there's a good mix there. Just to summarize and wrap up, as you can see, we've achieved significant growth since the IPO, given the scale and diversification that we've needed. Our balance sheet remains strong, our financial position and our relationship with TransAlta Corp., which gives us the confidence that we're going to be able to continue to grow the company going forward. With that, I'm going to open it up to any questions that you might have. We're good?

**Allen:** Brett and the management team are probably around for a few minutes if anybody has some specific questions that they'd like to ask. Some of the directors will be around for a few minutes. Some others need to leave right away, but anybody that would like to chat with us for a couple minutes, we'd be pleased to do so.

**Brett:** Thank you very much.

**Allen:** Thank you very much.

**Brett:** Thanks for coming.

**Allen:** Well done, Brett.