REGISTRATION DOCUMENT
2017/18

ALSTOM
Designing fluidity

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REGISTRATION DOCUMENT 2017/18

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AFR The Content of the Annual Financial Report is identified in the summary table with the help of this pictogram.

ALSTOM

Société anonyme with share capital € 1,555,534,771
48, rue Albert Dhalenne – 93400 Saint-Ouen (France) – RCS : 389 058 447 Bobigny

REGISTRATION DOCUMENT 2017/18

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The original French version of this Registration Document was filed with the Autorité des marchés financiers (AMF) on 29 May 2018 in accordance with Article 212-13 of its General Regulation. It may be used in connection with an offering of securities if it is supplemented by a prospectus ("note d'opération") for which the AMF has issued a visa. This document has been prepared by the issuer under the responsability of its signatories. This Registration Document includes all elements of the Annual Financial Report specified by Article L. 451-1-2 of the Code monétaire et financier and Article 222-3 of the AMF's General Regulation. A table of reconciliation is provided on pages 305 to 307. This Registration Document is available on our website: **www.alstom.com.**

1

DESCRIPTION OF GROUP ACTIVITIES

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As a promoter of sustainable mobility, Alstom develops and markets systems, equipment and services for the transport sector. Alstom offers a complete range of solutions (from high-speed trains to metros, tramways and e-buses), passenger solutions, customised services (maintenance, modernisation), infrastructure, signalling and digital mobility solutions. It benefits from a growing market with solid fundamentals. The key market drivers are urbanisation, environmental concerns, economic growth, governmental spending and digital transformation. In this context, Alstom has been able to develop both a local and global presence that sets it apart from many of its competitors, while offering proximity to customers and great industrial flexibility. Its range of solutions, one of the most complete and integrated on the market, and its position as a technological leader, place Alstom in a unique situation to benefit from the worldwide growth in the mobility market. Lastly, in order to generate profitable growth, Alstom focuses on operational excellence.

INDUSTRY **CHARACTERISTICS**

MARKET DRIVERS

The rail transportation market is supported by solid long-term drivers. Urbanisation creates a growing demand for infrastructure, rolling stock (especially for integrated solutions) and signalling notably in emerging countries. Mature markets, on the other hand, are mainly supported by projects aiming at updating and modernising existing infrastructure and rolling stock, as well as by growing environmental concerns.

Urbanisation

The combination of both economic and demographic growth should entice a growing number of people to live in cities. By 2050, world population should exceed 9 billion inhabitants, of which nearly 70% will reside in urban areas (source: UNFPA, United Nations Population Fund). This trend towards urbanisation is particularly strong in China, India and in the developing countries of Africa and Latin America.

This development triggers the growing saturation of airports, roads and existing railway infrastructure. In this situation, railways typically offer the easiest, safest and cleanest solution as a real and competitive alternative to road or air transportation.

Additionally, especially in developed countries, the population is encouraged to leave behind individual methods of transportation and favour public transportation. This change will be supported by the active promotion of public transportation which is cheaper, more sustainable and more mindful of the environment. Therefore, people responsible for urban planning and development as well as urban populations themselves are looking for efficient, comfortable and intermodal urban transportation systems [(1)]. In this context, rail transportation offers the ideal mobility solutions in terms of safety, comfort and respect of the environment for urban and interurban transportation systems.

Moreover, the extension of suburban areas will require adapted transportation solutions. Innovations to reduce the environmental impacts in urban areas, such as noise and pollution, as well as improving the energy efficiency of these transportation methods are also becoming a major priority. The growing urbanisation should also lead to extending transportation networks that connect big cities to smaller ones.

Sustainable development

Greenhouse gas emissions, impact of air pollution on public health, climate change, recycling, recovery, energy efficiency and noise constitute some of the most significant environmental and sustainable development concerns currently voiced by populations and politicians. Today more than 90% of the world population leaves in areas where air pollution exceeds the threshold recommended by the World Health Organisation while CO_2 emissions from transport continue to grow. Lead pioneer countries and cities announced future bans on cars running on combustion engines (Norway, France, United Kingdom, China…).

Rail transportation offers higher performance levels than other transportation modes, which should have a positive impact on the evolution of the rail transportation market. However, some challenges will have to be faced in these various sectors in order to meet ambitious emission reduction goals within set time frames.

In the run-up to COP 21, the European Union issued its commitment to reduce greenhouse gas emissions by 40% compared to 1990 levels by 2030, in-line with its global ambition to reduce greenhouse gas emissions by 80% to 95% below 1990 levels by 2050. Transportation, which represents approximately 25% of these emissions, must contribute to this reduction. Among the ambitions set in the White Paper on Transport [(2)], the following should be noted:

- 60% reduction in emissions as compared with 1990 levels by 2050;
- 30% of road freight (for distances higher than 300 kilometres) must become rail freight and/or maritime freight by 2030;
- over 50% of intercity passenger transportation *via* rail by 2050;
- no more standard internal combustion engine cars in cities by 2050.

This vision has been further reinforced and detailed through the Communication on European Strategy for Low Emission Mobility published in July 2016 and should be strengthened through the Effort-Sharing regulation which temporary agreement foresees binding targets by countries for sectors not covered by the European Trading Scheme.

(1) Intermodal transportation corresponds to the use of several methods of transportation over the course of a single trip.
(2) European Commission, Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system, 2011.

In September 2014, the International Railway Association, (UIC: *Union internationale des chemins de fer*), representing 240 members on six continents, presented the UIC Low Carbon Rail Transport Challenge. This initiative responds to the United Nations Secretary General's call to bring bold pledges to the Climate Summit. The 2050 targets focus on reducing final energy consumption and average CO_2 emissions from train operations by respectively 60% and 75%, relative to a 1990 baseline (source: UIC). To date, specific CO_2 emissions for passenger traffic have been reduced by more than 30%. Alstom supports this initiative and contributes to the objectives by developing and delivering railway solutions which are more energy efficient.

The coming into force of the Paris Agreement is a major step forward in the global fight against climate change. At COP23 in Bonn the Transport Decarbonisation Alliance was launched, gathering countries, cities, regions and companies, willing to work towards developing roadmaps to decarbonise transport. Alstom is a founding member of the Alliance.

The increased visibility of climate change consequences and the threat that air pollution poses on public health will drive the actions of governments and regulation bodies to limit the magnitude of impacts by reducing greenhouse gas and air borne emissions. From an international standpoint, transport is now clearly recognised overall as a sector which contributes significantly to worldwide emissions whilst offering a great potential to curb them.

For Alstom, rail is clearly positioned today among motorised transport emitting the lowest carbon emissions by transported passenger.

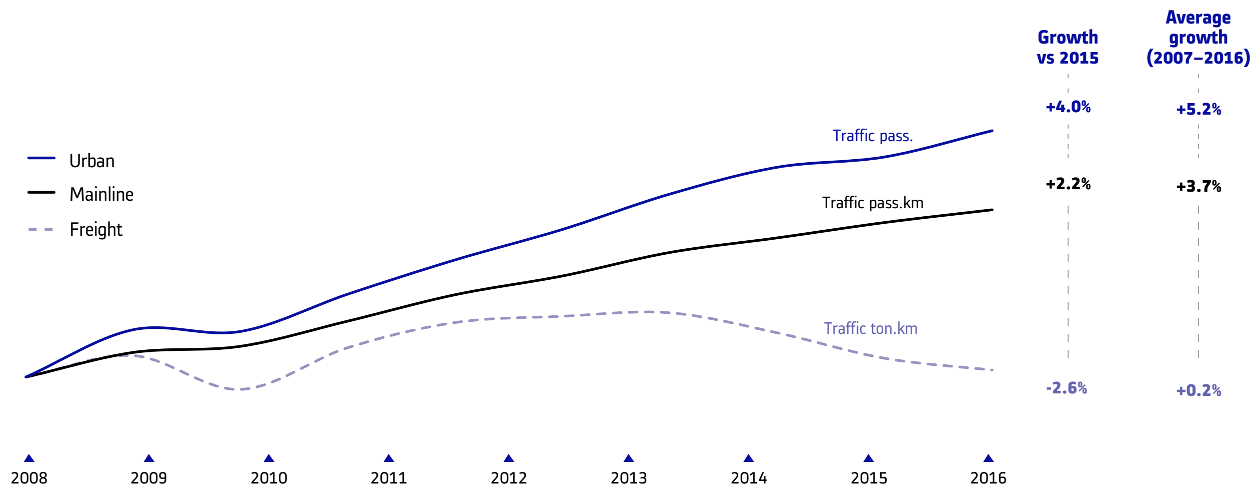
Economic growth

Over the recent years, the global economy has experienced turbulence that has slowed down growth and increased public deficits. However the worldwide Gross Domestic Product (GDP) growth should remain positive: c. +5% per year forecasted between 2016 and 2022. GDP growth is driven by emerging regions such as China, India and South-East Asia (c. +8% per year) as well as Middle East/Africa (c. +6% per year) while advanced economies such as the euro zone and the USA are expected to experience a more moderate growth around 4% per year (source: IMF 2017).

The passenger rail transport industry has not significantly been affected by the latest economic downturn. Over past years, both urban and mainline worldwide passenger traffic have grown steadily at respectively 5.2% and 3.7% average growth between 2007 and 2016. In the future, world passenger traffic should grow by 4.8% per year until 2020 (source: *SCI Verkehr*).

Freight traffic is more volatile and impacted by economic environment. It decreased by 2.6% in 2016 notably in the USA.

WORLDWIDE TRAFFIC EVOLUTION FROM 2007 TO 2016 (1)



(1) Urban traffic figures are for Top 30 cities worldwide; mainline and freight traffic figures are for all major national operators worldwide.
Source: Alstom and UIC.

Governmental funding

Despite short-term budgetary constraints, governments in mature and emerging countries aim to develop the economy of their country through investment in infrastructure and efficient transport solutions. In that regards, the railway industry remains strategic, with investment plans throughout the world:

- In Europe, the "Connecting Europe Facility" initiative allocates €26 billion in investments in transportation infrastructure, notably in railway infrastructure and signalling systems between 2014 and 2020 (source: European Commission).
- EU funds worth €2 billion on transport development projects by 2030 in Croatia, including new electric trains purchase, tram modernisation projects (source: Government of the Republic of Croatia).
- Belgium SNCB approved €3 billion investment plan for the period 2018 to 2022, 66% focused on rolling stock acquisition and renovation (source: SNCB).

- The Polish government has adopted a €5.8 billion railway programme for 2019-2023 mainly covered from the state budget. (source: Railway Gazette).
- In Italy, the interdepartemental agency for economic planning authorised around €5 billion for high speed rail works and approved an additional €5.5 billion for the Ministry of Transport's plan for logistic and transport infrastructure works. (source: *Milano Finanza*).
- Public-Private Partnerships (PPP) have been established in Europe, India and Brazil, in particular. They are also seen as a solution to support transport development while limiting public resources in Middle-East (source: UITP).
- In the United States, the California HSR Authority invested in 2017 over $2.5 billion from the American Recovery and Reinvestment Act on the construction of the Central Valley HS segment. (source: California HSR Authority).
- Vietnam Ministry of Transport will invest over $50 billion in the North-South railway, which will be launched in 2020 and completed in 2030 (source: Vietnam Ministry of Transport).
- Indian Railways has announced its plan to invest €120 billion over the 2015-2019 period, with the objective to increase daily passenger carrying capacity from 21 million to 30 million, to increase track length by 20%, and grow annual freight carrying capacity from 1 billion to 1.5 billion tons (source: Indian Railways).
- By 2020, China will expand its urban rail transportation network by 6,000 kilometres, with a total investment of approximately €400 billion (source: Global Times).

Digital Transformation

Thanks to the wide usage of smartphones and to the digital transformation of the society, passengers are more and more connected. Communicating has never been so obvious and easy. New needs are expressed: connectivity, well-being, real-time information, door-to-door solutions, individual mobility optimisation, punctuality, comfort and on the top safety and security reassurance. People wish to use their travel time to play, buy, network and work in a way to ease their day-to-day life.

The digital transformation causes significant changes in the transportation landscape, not only for passengers, but also for operators. New technologies will lead to shifting operators' needs and to the implementation of new business models and new way of workings. Two examples: real-time data collection and transmission can be used on trains condition as a lever to improve fleet and infrastructure maintenance services through smart sensors, connected trains and the deployement of the internet of things. In addition, smartphones now enable the development of contactless payment and knowledge of passenger flows, allowing global traffic optimisation. This momentum will sustainably impact the rail industry and public transport, as a pillar of Smart Cities development, for which multimodality management is a cornerstone.

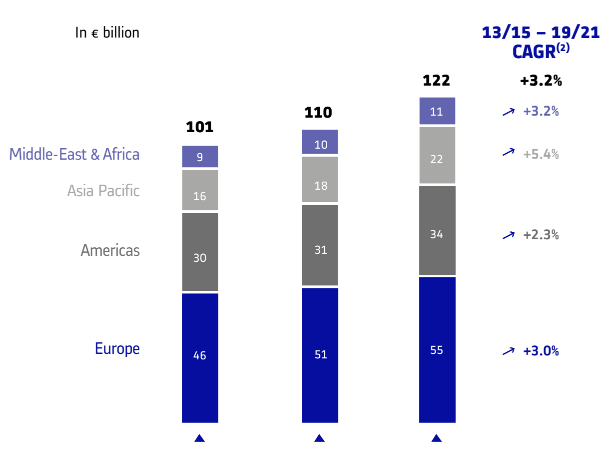
The last UNIFE (Union of European Rail Industries) World Rail Market Study underlines the willingness to support this market transformation: "The rail sector has accordingly begun to embrace digitalisation and the associated challenges and opportunities. The new EU initiative "Digital Single European Railway Area" recognises the need for common standards and processes to ensure safety, interoperability and connections to other transport modes".

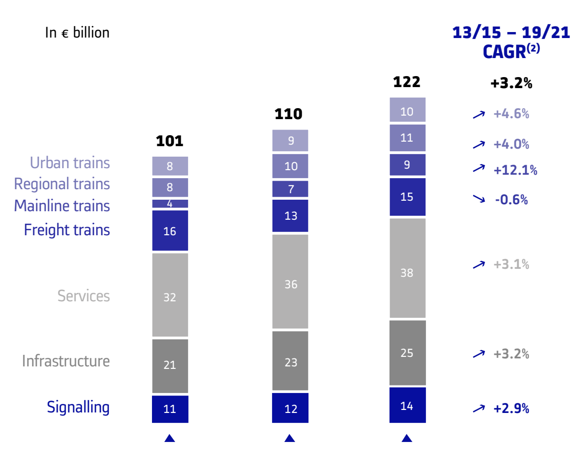
MAIN MARKETS

Market evolution

According to UNIFE, the annual accessible worldwide market for the 2016-2018 period is estimated at €110 billion. This market should grow to reach an annual average of €122 billion over the 2019-2021 period, which corresponds to an average annual growth rate of +3.2% since 2013-2015 (source: UNIFE Market Study 2016).

MARKET PER REGION AND PRODUCT (1)





(1) Annual average – Accessible market.
(2) CAGR: Compound Annual Growth Rate.
Source: UNIFE Market Study 2016.

The **European market,** which is the largest accessible railway market in the world, should rise from €46 billion to €55 billion per year from 2013-2015 to 2019-2021, which corresponds to an average annual growth rate of +3.0%. The situation remains quite heterogeneous from one country to another. Germany is the first European market and should stabilise around €9.7 billion per year. The French market, at around €5 billion per year, is expected to grow thanks to the renewal of the very high speed trains expected in the following years and to the "Grand Paris" programme, a key project to improve infrastructure and urban transportation. The United Kingdom's market should reach €7.1 billion per year in 2019-2021, with the metros fleet renewal in London and a brand new high speed project between London and Manchester. Investments continue to be made in regional segments in the Benelux and Scandinavian countries. Southern economies are beginning to recover after the financial crisis: a strong growth is expected in Spain, the market should grow from €1.6 billion to €2.6 billion per year from 2013-2015 to 2019-2021. In Eastern Europe, Poland remains the leading market with over €2 billion per year in 2013-2015. Signalling projects should be launched in the Netherlands, Hungary, Poland and Portugal, and integrated solutions projects are expected in Sweden, Denmark, and Eastern Europe. Norway has already launched three tenders in 2016 to deploy the ERTMS solution within the whole country in the 10 coming years. More generally, opportunities in the market for services are expected due to the needed modernisation and maintenance of existing fleets and infrastructure, and to the progressive opening of new services markets. The Russian market is impacted on the short-term by the economic crisis and geopolitical uncertainties. However long-term investments are expected in order to renew and renovate the fleet of locomotives and urban transportation systems, as well as the signalling systems and services.

Americas is the second largest market representing €30 billion per year in 2013-2015. It is expected to grow to €34 billion in 2019-2021 at +2.3% per year. In North America, freight transportation is historically significant and represents approximately 70% of the local market. The passenger transportation segment is a vehicle for growth, in particular with urban transportation (tramways, metros and signalling). High-speed train projects should also be developed (like the high speed rail projects in Florida and Texas approved by the Federal Railroad Administration in 2017). Less significant in terms of volume, the Latin American market is impacted by the Brazilian crisis. Nevertheless, Chile and Mexico plan urban fleet extension and the demand for urban systems in several countries of this region remain real.

The **accessible Asia-Pacific market** should reach €22 billion per year in 2019-2021, after a slowdown of investments in China. The Indian market should grow annually above 10% between 2013-2015 and 2019-2021, driven by several metros projects and investments in mainline infrastructure. Other countries in the region, such as Thailand or Philippines, should also experience significant growth.

Middle East and Africa market should reach about €11 billion per year in 2019-2021. Growth should be fuelled mainly by urban transport projects and the continuation of investments in Qatar, South Africa and Saudi Arabia. In addition, services market should benefit from considerable renovation and maintenance programmes in Egypt or in Saudi Arabia for example.

COMPETITIVE **POSITION**

Alstom offers a wide range of railway products, services and solutions that are produced and sold worldwide leveraging the Company's extensive experience and its global commercial and industrial geographic market coverage. Alstom is among the leaders in all the major segments of the railway industry: urban and main line transportation, signalling, services and integrated solutions. In addition, Alstom has reinforced its international presence through partnerships and joint ventures, in particular in India, the Commonwealth of Independent States (CIS) and South Africa, which provides it with a competitive advantage in new high-growth zones.

Alstom has various competitors in the railway industry acting globally or locally and covering part of, or the entire portfolio. Among which Bombardier Transportation offers a similar range of products and services to Alstom and is also present on an international scale. Siemens is another competitor in the rail transportation market, particularly reliant on its domestic market and focusing its expansion on automation and signalling. Furthermore, Hitachi affirms itself as a global actor following the acquisition of Ansaldo Breda and Ansaldo STS in 2015.

The Chinese train manufacturer CRRC benefits from the development of its domestic market. The Company has also expressed important international ambitions supported by governmental plans (*e.g.* Belt and Road Initiative – BRI).

Some manufacturers with a less diversified portfolio of products and industrial sites that are more geographically concentrated (CAF, Pesa, Rotem, Skoda, Stadler, Talgo, Thales, etc.) compete with Alstom in specific market segments, such as trains or signalling.

Alstom considers to be ranked first in the Americas passenger transportation segment and in the top three in the other regions (sources: Alstom, orders intake during the last three years and UNIFE, accessible market).

STRATEGY

The railway market, driven by a continuous urbanisation and increasing concerns for environmental issues, is growing steadily. In a context of globalisation and consolidation, Alstom is pursuing a strategy in line with its ambition: to become its customers' preferred partner for transport solutions by 2020.

CUSTOMER-FOCUSED ORGANISATION

Present in 60 countries, Alstom has adapted its organisation to strengthen its international coverage and better respond to the needs of customers on a local level. The Company is organised into empowered regions, each with their own supply chain to answer local needs using local resources and strengths. They rely on a network of local industrial sites and strategic partnerships around the globe. The need to continuously reinforce this network as well as local competences should trigger an additional €300 million transformation capex over three years.

COMPLETE RANGE OF SOLUTIONS

Alstom draws on an array of expertise spanning all rail transport segments. It offers the widest range of solutions in the industry combining its knowledge to offer customers more than products. These range from components, rolling stock, signalling and services to fully integrated systems, ensuring optimised costs, faster delivery times and an optimal level of performance for all equipment. Alstom is the world leader in integrated systems. By 2020, signalling, systems and services should represent 60% of Alstom's sales.

VALUE CREATION THROUGH INNOVATION

Because it ensures customers more effective solutions and reduced total cost of ownership, innovation is a source of competitiveness and differentiation for Alstom as well as a catalyst for new contracts and markets. Main programmes include complete renewal of mainline and urban train ranges as well as latest innovation in systems, signalling and services. Alstom intends to take full advantage of the digitalisation trend (*e.g.* predictive maintenance). So, Alstom is fully focused on a forward-looking approach to understand and anticipate the expectations of operators and passengers, who are central to its innovation strategy.

OPERATIONAL AND ENVIRONMENTAL EXCELLENCE

To improve customer satisfaction, Alstom executes its contracts with a focus on ensuring the highest standards in quality, costs and lead times. This operational excellence goes hand in hand with a commitment to environmental performance in response to high market demand with regard to products (energy savings), manufacturing processes (eco-design and green materials) and lifecycle management (recycling). Through the competitiveness improvement of its offering and excellence in project management, Alstom aims at reducing its costs to outpace global price decrease and support margin improvement. Sourcing savings are expected to increase to €250 million per year (cost to complete) based on three main levers: volume, design to cost and worldwide sourcing. Manufacturing and engineering footprints will continue to grow globally, while in Europe they will be adapted to the workload. A dedicated Cash Focus programme has been launched with strong management actions in place on working capital. In terms of environmental excellence, energy consumption is to be reduced by 20% for solutions and by 10% for operations in kWh per hours worked by 2020 *versus* 2014.

DIVERSE AND ENTREPRENEURIAL PEOPLE

Alstom believes in differentiation as a source of performance and to reflect its passenger base, the Company encourages all types of diversity within its teams in areas such as gender and multiculturalism. This internal cohesion is rooted in the Company's values – team, trust and action – and stringent ethical rules. Alstom's development is also underpinned by an entrepreneurial spirit that promotes customer satisfaction, responsibility and responsiveness. In this way, Alstom has the ambition to significantly increase diversity, aiming for example for 25% of Management or Professional roles to be occupied by women.

SIEMENS ALSTOM, CREATION OF A GLOBAL LEADER IN MOBILITY

On 26 September 2017, Siemens and Alstom signed a Memorandum of Understanding to combine Siemens' mobility business including its rail traction drives business with Alstom. The transaction brings together two innovative players of the railway market with unique customer value and operational potential. The two businesses are largely complementary in terms of activities and geographies.

On 23 March 2018, Siemens and Alstom signed a Business Combination Agreement (BCA). The BCA sets forth the terms and conditions agreed upon by the two companies and follows the conclusion of the required works council information and consultation process at Alstom regarding the proposed deal.

The combined entity will offer a significantly increased range of diversified product and solution offerings to meet multi-facetted, customer-specific needs, from cost-efficient mass-market platforms to high-end technologies. The global footprint enables the merged company to access growth markets in Middle East and Africa, India, and Middle and South America where Alstom is present, and China, United States and Russia where Siemens is present. Customers will significantly benefit from a well-balanced larger geographic footprint, a comprehensive portfolio offering and significant investment into digital services. The combination of know-how and innovation power of both companies will drive crucial innovations, cost efficiency and faster response, which will allow the combined entity to better address customer needs.

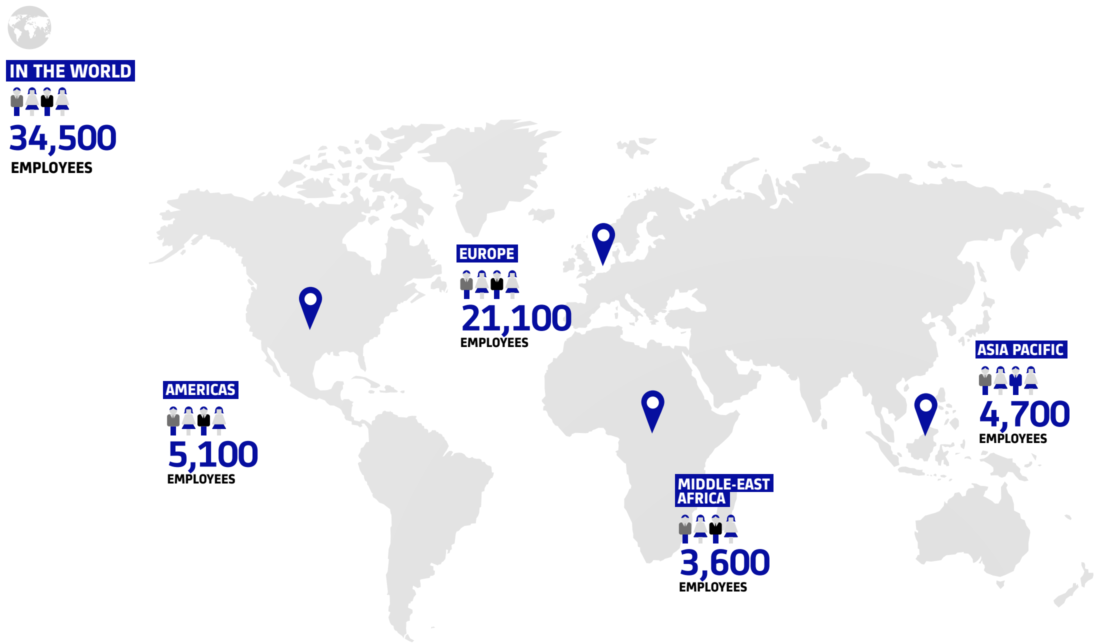
The transaction is subject to the approval of Alstom shareholders at the Company's Shareholders' Meeting, planned to be held in July 2018. The transaction is also subject to approval by relevant regulatory authorities, including approval by anti-trust authorities. The foreign investment clearance by the French Ministry for the Economy and Finance has been granted on 28 May 2018. The French capital market authority (AMF) has confirmed on 29 May 2018 that no mandatory takeover offer has to be launched by Siemens following completion of the contribution. Siemens has already initiated the internal carve-out process of its mobility business and other related businesses in order to prepare for the combination with Alstom.

OFFERING

Alstom designs solutions that are very diverse and adapted to the cities, regions and countries they serve. Its organisational structure covers the entire world and relies on a network of offices, engineering centres and manufacturing sites, warehouses and maintenance centres, which guarantees the smooth and uninterrupted supply of these various solutions.

Thanks to its global network and its strong local presence worldwide, Alstom is able to competitively meet the demand of its customers throughout the world, while working in increasingly demanding local environments. Its commercial and industrial proximity allows for the precise monitoring of changes in customer needs and the ability to respond quickly.

With approximately twenty alliances covering numerous business activities (rolling stock, components, systems, services and signalling) in Europe, the Middle East & Africa and Asia-Pacific, Alstom has built a solid, efficient and well-established network of partners. These alliances, which are mostly joint-ventures but also, include strategic and commercial partnerships enable Alstom to meet its customers' growing demand for a local presence, while developing adapted products.



STRATEGIC ACQUISITIONS AND PARTNERSHIPS

2017/18

Russia TMH (trains)
Kazakhstan EKZ (locos)

Algeria CITAL (trams)
France Metrolab (R&D)
Morocco Cabliance (cabling)

France NTL (trams)

South Africa Gibela (suburban trains)
Kazakhstan KEP (signaling)

United Kingdom SSL (signaling)

India Madhepura (locos)
Sweden Motala (services)
Russia TMH (trains)
Kazakhstan EKZ (locos)
Worldwide General Electric signalling

Morocco Cabliance (cabling)
South Africa CTLE
United Kingdom Nomad Digital (connectivity)
France EasyMile (electric driverless shuttles) SpeedInnov

With respect to the transportation of passengers by rail throughout the world, Alstom's range of products covers all market segments, from bus to very high-speed trains and offers its customers tailor-made solutions, based on standardised platforms. Alstom portfolio includes rolling stock, signaling solutions, integrated systems (including infrastructure) and services.

ROLLING STOCK

Road

Resulting from the collaboration between Alstom and NTL, Aptis™ is a new 100%-electric mobility solution that offers all the advantages of the tram in a bus. Designed to ensure a clean and efficient transport system for cities, Aptis™ offers a new passenger experience with its low floor and 20% more glass surfaces.

In October 2017, Aptis™ received the Innovation label at Busworld exhibition in Kortrijk, Belgium.

In France, Belgium and Germany, several cities have decided to launch trials. For example, Aptis™ undergone test runs in Paris and in the Ile-de-France region during the second half of 2017.

Tramways

Alstom's Citadis™ range sets the standard in the market, with a 20-year track record and more than 1,900 trams in service in over 50 cities around the world.

Citadis X05™ is the latest evolution of the family. This model is based on observation of changing demand, ongoing dialogue with transport authorities, local officials and customers, and an in-depth analysis of feedback from passengers. The first Citadis X05™ was delivered in August 2017 to Transport for New South Wales (TfNSW) in Sydney, Australia, as part of the CBD and South East Light Rail project. The Citadis X05™ model has been produced first for Sydney but will also soon be rolled out in other cities including Nice and Avignon (France), and Kaohsiung (Taiwan).

The modularity of the Citadis™ range allows Alstom to offer customers an array of different configurations. Citadis™ trams vary from 24 to 44 metres in length and are available in two standard widths, 2.4 metres and 2.65 metres.

Operating costs are low, reduced by 11% compared with previous versions thanks to improved energy efficiency and minimal maintenance requirements. Citadis X05™ also features a number of new on-board autonomy management solutions, such as Citadis™ Ecopack, as part of Alstom's catenary-free solutions.

Tramway development has also rekindled interest in tram-trains, an alternative method of transport. Once on the rail network, Citadis™ Dualis™ becomes a regional train, transporting passengers at speeds of up to 100 km/h.

Alstom also launched Citadis Spirit™ to meet demand for mobility and flexibility solutions in a number of fast-growing North American cities. Citadis Spirit™ is a highly customisable, modular light rail vehicle that ensures real accessibility, with a convenient low floor along its entire length. It is able to travel at speeds of up to 100 km/h. The first Citadis Spirit™ was delivered in 2017 to the City of Ottawa, Canada. In the meantime, Alstom has been awarded a firm order for the supply of 61 Citadis Spirit™ light rail vehicles for the Greater Toronto and Hamilton (GTHA) area by Metrolinx, an agency of the Government of Ontario.

Metros

Alstom has sold 5,500 Metropolis™ cars to over 25 cities around the world. The range now sets the standard in the market.

The Metropolis™ range was designed to achieve three goals: meet the needs of as many cities as possible; improve safety and passenger experience; and reduce operating costs. Metropolis™ can carry up to 70,000 passengers per hour and per direction.

The Metropolis™ range was designed with sustainable mobility in mind and incorporates state-of-the-art solutions such as weight reduction, new converter technologies and all-electric braking to improve energy efficiency and thus reduce running costs. It is also designed to keep maintenance costs to a minimum and anticipate servicing needs.

To meet the individual needs and requirements of its customers, Alstom also develops tailor-made metro solutions such as the metro of Lyon (France). Latest generation rubber-tyred metro, the new trainsets will use the latest advances in technology to increase availability, accessibility and passenger information and to facilitate maintenance. Alstom has delivered customised metro solutions for a number of major networks in cities such as New York (United States) or London (United Kingdom).

Suburban and regional trains

Over the past 30 years, Alstom has developed experience in the market for regional and suburban trains, selling over 5,500 of these worldwide.

With X'Trapolis™, Alstom offers operators and passengers high-capacity, flexible solutions to transport users to and from suburban centres. X'Trapolis™ provides outstanding capacity of up to 100,000 passengers per hour per direction. X'Trapolis™ Mega, was designed specifically for the metric gauge market and high-density networks, and has been ordered by the Passenger Rail Agency of South Africa (PRASA). First deliveries started late 2015 in South Africa, as part of a total order for 600 trains. The latest addition to the range and already ordered by the STIF, X'Trapolis Cityduplex™ will guarantee the highest levels of availability, reliability and safety. Each train can transport up to 1,860 passengers in its 130 metre version. Numerous innovations will reduce energy consumption by 25% compared to previous generations of equipment.

With 30 years of experience and more than 2,700 regional trains sold around the world, Alstom has set the standard in the market with its Coradia™ range.

The range offers specific technical configuration adapted to the needs of each operator: Coradia™ Nordic is designed to run in wintry conditions and withstand extremely cold temperatures; Coradia™ Polyvalent is available in electric or dual mode (diesel and electric) and offers outstanding modularity. Coradia™ Lint™, powered by a diesel drive system, is in operation since many years in Europe and began running in March 2015 in Ottawa, Canada; Coradia™ Continental and Coradia™ Meridian are electric multiple units; and Coradia™ Liner V160 also has a diesel-electric dual-mode solution.

The new Coradia Stream™ is a success in particular with the supply of 79 Intercity trains to Netherlands national railway operator and 150 new regional trains in Italy.

In the context of the need to reduce significantly CO_2 emission, Alstom also launched in 2016 Coradia iLint™, an emission-free train for non-electrified lines, powered by fuel cells. It can run at 140 km/h, with a 600 to 800 km/tankful autonomy, and accommodate up to 300 passengers. In November 2017, Alstom signed a first contract with LNVG in Germany for 14 trains.

High-speed and very high-speed trains

Alstom offers one of the widest ranges of high-speed trains in the market, from articulated and non-articulated trainsets to tilting technology, single or double-decker architectures, concentrated or distributed power. Three current flagship products of the Avelia™ range – Avelia™ Pendolino™, Avelia™ Euroduplex™ and Avelia™ AGV™ – represent the culmination of 35 years of expertise and more than 960 trains in service around the world.

Alstom's Avelia™ Pendolino™ high-speed trains ensure excellent flexibility, seamless cross-border service and superior passenger comfort. With its Tiltronix anticipatory tilting technology, Avelia™ Pendolino™ can travel more rapidly through curves on conventional lines (30% faster than a classic train), reaching speeds of 250 km/h on high-speed lines while guaranteeing an excellent level of passenger comfort inside the train, even on very winding stretches. Avelia™ Pendolino™ is available with or without tilting technology. Like the entire Avelia™ range, Avelia™ Pendolino™ is designed to facilitate maintenance. It is equipped with sub-systems for improved access and easier replacement. Its electric braking system enables a 10% reduction in energy consumption and reduces noise pollution in compliance with the latest European regulations. End 2015, Alstom and NTV (Nuovo Trasporto Viaggiatori), the Italian private operator, signed a contract for the purchase of eight Avelia™ Pendolino™ trains along with 20 years of maintenance. In September 2016, NTV leveraged two options included in this contract for the purchase of four Avelia™ Pendolino™ trains and related maintenance services.

Avelia™Euroduplex™ is the world's only double-deck high-speed train, able to travel at speeds of up to 320 km/h. It is totally interoperable, meaning it is capable of running seamlessly across several European rail networks. With its articulated design and concentrated power system, Avelia™ Euroduplex™ ensures high capacity with reduced acquisition and operating costs while offering numerous other advantages, including comfort and convenience, easier maintenance, the highest safety standards, reduced weight and lower energy consumption.

Operating on the French, German, Swiss, Spanish and Luxembourg rail networks, and in Morocco, Avelia™ Euroduplex™ trainsets feature signalling equipment compatible with each network and are fitted with traction systems adapted to the different voltages used in these countries.

Avelia™ AGV™ is the first high-speed train (360 km/h) to be developed for an international, cross-border market. It features articulated trainsets and distributed power. As a result, it offers lower operating costs in terms of energy and maintenance. Avelia™ AGV™ is available in different configurations of multiple units including two eleven-car and three seven-car trainsets. Operators can easily reconfigure interiors and seat pitches throughout the train's lifecycle. Avelia™ AGV™'s energy consumption is 15-20% lower than its competitors thanks to its lighter weight, reduced number of bogies, improved aerodynamic design and permanent magnet motors.

In 2016, Avelia Liberty™ is the latest incarnation in Alstom's Avelia™ high-speed range. Based on proven technology, Avelia Liberty™ combines flexibility and comfort with accessibility and reduced operating costs. Amtrak already ordered 28 new high-speed trains, which will run on the Northeast Corridor (NEC) between Boston and Washington D.C.

Locomotives

The manufacturing of locomotives for the purpose of passenger or freight transportation is at the heart of Alstom's historical business activities and expertise. With over 2,400 locomotives sold throughout the world, for more than 15 years Prima™ has provided a response well adapted to operators' demands.

Fully compatible with the ERTMS (European Rail Traffic Management System) and ETCS (European Train Control System) signalling systems, Prima™ locomotives can cross borders with ease and operate on every freight corridor in Europe, as well as being able to run on any of four power supply voltages (25 kV, 15 kV, 3,000 V and 1,500 V). They are equipped with an independent traction system on each axle that reduces the risk of downtime due to immobilisation.

Both alone and with its partners, Alstom develops two electric locomotives, Prima T6™ and Prima T8™, for heavy freight operations guaranteeing low maintenance costs and high operational performances in extreme conditions. Alternatively, the Prima M4™ electric locomotive offers flexible platform with modular architecture to meet each operator's needs: freight (maximum speed 120 to 140 km/h), passenger (maximum speed of 200 km/h) and mix versions.

The Prima H3™ shunting locomotive platform meets the latest requirements of operators. It is available in four versions equipped with batteries and/or generators that power its electric motors. In 2016, six Prima H3™ hybrid locomotives have been ordered by German companies for shunting operations in the country.

The Prima H4™ can be used for shunting and track works services, and for limited mainline freight services. SBB Infrastructure, in Switzerland, will equipped its rail network with 47 Prima H4™ locomotives from 2018.

Components

For all its trains, Alstom controls each aspect of technological development, design, production, testing and quality control, relying on a network of partners and subcontractors. Some mechanical, electric and electronic components of the bogies, motors, and traction systems are designed, developed and manufactured internally. They are the result of several decades' experience acquired by Alstom's engineers, and are installed in all Alstom equipment, from tramways to very high-speed trains (from 70 km/h to 350 km/h). These components serve internal train solutions and are sold directly to other train manufacturers.

Control over the entire manufacturing process for these components is a key asset in Alstom's offer, and one that is acknowledged by its numerous customers. It is one of the market segments that benefits from powerful innovations. The use of permanent magnet motors, specifically designed for the latest generation of very high-speed trains, is a recent example of this power to innovate, together with the ongoing developments in traction systems through the use of Silicon Carbide technology (SiC).

SYSTEMS

Infrastructure

Alongside its expertise in the execution of track, electrification and electromechanical equipment projects, Alstom develops innovative infrastructure solutions to achieve reduced costs, faster delivery or improved energy efficiency of urban transport projects. As track works play a significant role in the duration of a project, Alstom designed Appitrack™, an automated track-laying solution enabling to install urban tracks up to four times faster than with traditional methods.

Alstom also co-developed HAS™, a metro track solution composed of concrete sleepers on resilient pads placed in a rigid boot, attenuating ground-borne noise and vibrations. HAS™ is under implementation on Crossrail project, United Kingdom, with more than 5,000 sleepers being installed in sensitive sections of the line.

To deliver better energy efficiency for urban and suburban rail transport networks, Alstom created Hesop™, an advanced power-supply substation. It allows reducing energy consumption by recovering over 99% of the available energy generated by trains in braking mode, and by re-injecting it into the network to feed station equipment or back into the grid. Alstom has already sold 124 Hesop™ substations.

Alstom also pioneered in the field of catenary-free tramway solutions, with APS™, a technology powering trams at ground level *via* a segmented third rail. To complete its catenary-free solutions, Alstom launched SRS™, a new ground-based static charging system for trams and electric buses equipped with on-board energy storage. Ordered in November 2015 by the city of Nice in France for its tramway, SRS™ will be installed on new Lines 2 and 3. The first firm part of this contract covered the supply of 19 Citadis™ trams and their SRS™ charging system, is scheduled to enter service in summer 2018.

Integrated solutions

In addition, Alstom combines all the know-how accumulated by a multi-specialised train manufacturer in order to offer integrated systems able to manage every aspect of a railway system (trains, signalling, infrastructure and maintenance). Alstom offers these solutions both in the urban transportation market (tramway or metro) and in the main line transportation market.

With more than 10 integrated systems projects underway around the world, Alstom continues to cement its position as a global leader in urban solutions. This is an area in which Alstom has an excellent track record. Such projects include the contracts signed in Sydney, Australia, in Lusail, Qatar, and Rio de Janeiro, Brazil.

Alstom pursues its drive for innovation with Attractis™, a pre-engineered integrated tramway system solution for fast-growing cities. It includes the Citadis™ tram, road works, related infrastructure along with control systems, ticketing and maintenance depots. It aims at reducing investment by up to 20% compared with conventional tramway systems offering the same capacity, ensuring optimal total cost of ownership and acquisition costs for operators and transport authorities.

Alstom provides the same global approach for metro systems like recently in Dubai (United Arab Emirates). To meet the needs of cities experiencing rapid growth and high population density, Alstom has developed Axonis™, a light metro system that is easy to incorporate into the urban environment. Using non-proprietary standard infrastructure, Axonis™ is able to carry between 10,000 and 45,000 passengers per hour per direction, easy to insert into a city, quick to build and driverless. The use of industry-standard subsystems such as Metropolis™, Urbalis™, Hesop™ and Appitrack™, along with performance optimisation and pre-defined interfaces, reduces the cost of investment, operation and maintenance.

SERVICES

Whether they are public or private rail operators, fleet managers or maintenance specialists, Alstom is there to assist its customers for the entire lifecycle of their products by offering a range of personalised services, be it for their trains, infrastructure or railway traffic control systems. The goal is to guarantee a complete, safe and optimal management of railway train – whether it was or not manufactured by Alstom – and equipment throughout their life cycle.

The Services activity enables Alstom to further strengthen its relationship with its customers and to better evaluate their needs and expectations.

Maintenance

Alstom is responsible for the maintenance of over 8,000 cars (12,000 cars with PRASA) in approximately 100 warehouses in 30 countries. Maintenance contracts are in place for periods of 15 years in average. Alstom's know-how with respect to railway maintenance is widely recognised, and approximately 20% of the equipment maintained by Alstom was initially manufactured by other market players in the railway industry (source: Alstom).

Alstom is leading the evolution in rail services with tools such as HealthHub™, a predictive maintenance solution. HealthHub™ is an integrated decision support tool providing deeper insight to trains as well as infrastructure railway networks. Operators or infrastructure managers are made instantly aware of any major malfunction, while maintenance crews can be ready and anticipate any spare parts orders. Natively compatible with Alstom's innovative monitoring services as TrainTracer™ or TrainScanner™, TrackTracer™ and CatenaryTracer™ it can be also integrated with third party environment data.

Modernisation

Alstom provides a range of services that also includes modernisation, which is key to extending the life of railway train (it is possible to achieve 15 additional years of operation) and systems, but also to improve performance, particularly regarding energy consumption (up to 40% less), which results in reduced lifecycle costs, and also improves the passenger environment. For those operators with the industrial means to complete their projects internally, Alstom makes modernisation studies, manages the industrial process, and delivers the equipment and parts to the Company in charge of the assembly. Otherwise, in addition to the design work and delivery of kits, Alstom is also able to lead the entire project by taking charge of the industrialisation aspects of the modernisation. This offer includes all the necessary testing and a commitment regarding the delivery schedule.

Parts and repairs

Alstom offers a flexible range of services, from a one-time purchase *via* a spare parts catalogue (over 1 million references for spare parts, all of which comply with the specifications of their original manufacturers) to leading the integrated management of spare parts, which includes a plan for maintenance and revision work. Alstom relies on a global network of six "hubs" dedicated to providing critical spare parts and 13 repair workshops throughout the world. A web portal, Partsfolio™, was developed to facilitate transactions and the monitoring of orders.

Support services

Support services include the training of personnel by more than 150 experts, in particular train drivers, technical assistance for the management of the lifecycle of products, fleet control, and the management of obsolescence. Today, Alstom provides its technical expertise, in particular, to a fleet that includes over 1,700 trams. Alstom has launched a "Services customer web portal" to strengthen its proximity with its customers: ordering spare parts, training offers and Alstom's technical expertise are directly available to them through this portal. Although this activity does not currently generate significant revenues, it offers the benefit of creating closer ties with clients and, in doing so, building long-term relationships.

SIGNALLING

Alstom provides operators and infrastructure managers the means to ensure the safe and smooth transportation of passengers or merchandise, thereby optimising the efficiency of urban or main line networks. It supplies railway operators and infrastructure managers with control and information systems as well as onboard and on-track equipment that guarantee the effectiveness and safety of the use of products, on the one hand, as well as ensure that passengers are informed and comfortable, on the other hand.

Alstom's offer is focused on two separate segments of the market: main line networks and urban networks – for which Alstom offers complete and integrated solutions, which are customisable, based on the needs of its customers. In addition, it also offers passenger security solutions, and control centres for network management.

The development of signalling activity enables Alstom to meet the growing demand for integration expressed by its customers. At the same time, it makes every effort to reduce costs associated with this business by relying increasingly on outsourcing its electronic systems production and by establishing engineering centres in new regions, such as in Bangalore, India. In order to optimise its development efforts, Alstom's signalling products and solutions rely on shared processes.

Mainline networks

Atlas™ solution

The new ETCS/ERTMS standard (European Train Control System/ European Rail Traffic Management System) for railway network interoperability is intended to impose a single signalling system shared by all the countries in the European Union. Having played a key role in defining these ETCS/ERTMS standards, Alstom's answer to these challenges can be found in its Atlas™ offering, which is a complete solution that integrates all of the network's data in order to automatically adapt the speed and distance between trains, including whenever the train crosses borders. Atlas™ enables onboard equipment to remain connected to the integrated control system, which is constantly liaising and exchanging information with the network's trackside equipment and interlocking systems. The ETCS/ERTMS standard has now been adopted by rail operators for different types of rail operations from suburban to very high speed rail and by operators from many countries outside Europe. Alstom has enriched in consequence its Atlas™ solution with the Atlas™ 400 solution for low density lines and Atlas™ 500 solution for high density rail traffic.

Atlas™ solutions are now deployed on more than 2,350 trains in full commercial services comprising more than 130 different train types.

ITCS solution

ITCS is a GPS-based train control system well suited for long spread-out territory, remote section of tracks, low to medium frequency trains, challenging power and communication supplies, and simple interlocking needs. Acting in remote areas as vital virtual signalling system, ITCS wirelessly communicates train movement authority as though the territory were operating under centralised traffic control. This principle leads to the lowest possible trackside equipment for a signalling system allowing optimised life cycle costs and higher availability. This solution is scalable and can be adapted without changing the infrastructure. Safety is ensured through full situational awareness and continuous speed enforcement in the cab and wireless control of all trains from central office. ITCS offers proven performance in daily revenue service since 2001 having been deployed on freight, mining and mixed traffic lines in USA, China, Australia and Colombia.

Urban networks

Network congestion, security, environmental pollution, and the lack of adequate mobility solutions are the main challenges that urban transportation must face. One of the keys to solving these issues is increasing urban transportation capacity by improving signalling systems. For over 70 years, Alstom has been addressing such urban challenges, which is why it constantly upgrades its CBTC signalling system (Communication-Based Train Control), its most proven signalling system to date.

As part of its range of products for urban networks, Alstom offers both onboard and on-track products (interlocking and trackside equipment) and solutions (automated control system, control centre).

Alstom equips a number of the world's major cities and its CBTC solutions represent approximately 25% of CBTC solutions deployed worldwide. In addition, it has also developed a significant presence in China, particularly *via* its CASCO joint venture with CRSC.

Urbalis™ solution

Alstom's Urbalis™ range of signalling solutions uses CBTC technology. Urbalis™ 400 accurately controls the movement of trains, allowing more of them to run on the line at higher frequencies and speeds in total safety – with or without drivers. Alstom has equipped more than 1,600 km of metro line (over 2,000 km by end of 2018), representing around 25% of radio-based CBTC solutions in use worldwide.

To further improve urban transport capacity, Alstom developed Urbalis™ Fluence, the first urban signalling solution with more on-board intelligence and direct train-to-train communication. The solution offers operators greater transport capacity, reducing headways to 60 seconds while ensuring the highest operational availability and improved total cost of ownership through a 20% reduction in the amount of equipment and energy savings of up to 30%.

Pegasus™ 101

Alstom recently expanded its range of signalling solutions for urban networks to include Pegasus™ 101. Pegasus™ 101 is an ATP system (Automatic Train Protection) for tramways that ensures the highest standards in network safety. Quick and easy to install on both new and existing systems, Pegasus™101 assists and controls the driver in some crucial tramway functions, such as speed control and calculation, emergency stop signals, vigilance system, etc.

Smartlock™ and Smartway™

Compatible with the main signalling standards in existence today, Smartlock™ and Smartway™ are considered high-quality solutions recognised for their versatility. At the global level, 25 countries are currently utilising the technologies developed by Alstom.

Based on the overall level of network traffic, Smartlock™ interlocking systems will allow – or not – a train to continue its journey when it crosses a given point machine by following a safe itinerary that avoids all risks of conflict with other trains' itineraries, whether on urban, freight, or main line networks. They are interfaced with onboard control systems and control centres. With over 1,500 installations, the safety and reliability of this new generation of Smartlock™ electronic interlocking systems can be viewed as being particularly proven.

Smartway™ is a range of standard track signalling equipment that includes track circuits (detection of trains per section of track, in order to ensure traffic safety) and switch position motor control (ability to lead trains toward any given track).

Smartway™ products are versatile, and can be installed on urban lines, freight lines, high-density main lines, and high-speed lines, as well as in stations, on less used tracks, level crossings, or evacuation zones. They are interfaced with onboard control systems and control centres.

Network and passenger monitoring and surveillance systems

As the need for more efficient rail network operation increases as a result of an effort to optimise the use of assets, operators need a system that is able to provide a fully integrated monitoring and control system for all operational (train movement control, incident management, resource allocation) and functional (static in-station or onboard functions) elements of the network. This system must be easily customisable to rapidly take into account the operator's structure and operation procedures.

Alstom's solutions focus on passenger safety and the management of information intended for them. With over 100 control centres located throughout the world, Alstom is one of the few market players that benefits from a sufficient amount of credibility and experience to lead projects that involve the management of several lines.

Iconis™ control centre

Iconis™ control centre oversees and monitors all aspects of the network. It simultaneously coordinates various operational functions and traffic management *via* Iconis™ ATS (Automatic Train Supervision) for urban automated train supervision, *via* Iconis™ CTC (Centralised Traffic Control) for main lines, and *via* Iconis™ SCADA for infrastructure surveillance, in interaction with interlocking and automated train control (ATC) sub-systems.

The Iconis™ automated control system guarantees train adherence to schedules, the automatic optimisation of routes, and conflict-free resource utilisation. It provides network operators with a general view of the status of network traffic and enables them to interact directly with the system at that level. Iconis™ can take various forms: from a simple autonomous post for an independent station to several hundreds of interconnected servers and operator workstations, able to manage an entire network.

Iconis™ (freight and mining) control centres monitor all aspect of the transport system to support operation management. This solution is designed to address the needs of the most demanding freight and mining customers. Thanks to its modular architecture, Iconis™ (freight and mining) can add other functions for specific safety, operational, or maintenance needs such as track authorities and asset management. Iconis™ (freight and mining) improves the procedure of the traffic management for a better availability of trains. It integrates network wide scheduling and planning tools for optimised operations. Iconis™ (freight and mining) detects potential traffic conflicts as soon as they arise and offers operators resolution options, minimising delays. Thanks to its state-of-the-art technology, Iconis™ (freight and mining) enables a reduction of operating costs.

Mastria™ (multi-modal control centre)

In April 2017, Alstom launched Mastria™, designed to meet the current and future needs of "smart cities" and coordinate all types of public transport, from rail to road.

Mastria™ orchestrates all public transport modes from rail to road (metro, train, tramway, suburban, bus). This innovative solution enables coordination and collaboration between the different agents from each transport modes.

Mastria™ uses advanced data analytics and alogrithms to predict and anticipate impact on traffic in order to optimise trip plan.

Mastria™ manages incident over the whole public transport network (trip plan, capacity adjustment). The coordination of the stakeholders includes also fire stations, security, and maintenance through mobile devices.

Mastria™ generates high quality information accessible through open data platforms for on-demand services such as car-sharing, self-service bicycle, parking services. All the information is provided in real-time from all transport modes.

Optimet

In April 2017, Alstom launched Optimet, an innovative passenger experience enable the network to know how busy each station is at any given moment and monitors fluctuations to satisfy passenger demand as effectively as possible.

Optimet real-time train occupancy influences the distribution of passengers on the platform and in the station as a whole, and provides a way of controlling exchange times while at the same time enhancing passenger comfort. While the train is standing at the station, sensors count the number of people getting on and off, and the degree of occupancy for each area of the train is recalculated. Once the doors close, this data is processed, interpreted and sent to the next station to be displayed.

Optimet dwell-time optimiser offers a video analysis system that continuously monitors passenger flows. The data is then stored for subsequent timetable optimisation or sent to the ATS for use in real-time operation. The operator benefits from an accurate overview of the volume of passengers on the platform, exchanges times and situations of overcrowding.

Optimet passenger demand-based regulation regulates the length of time train doors remain open and modifies the run times between stations according to the volume of passengers detected on the platform. This solution is a way of managing peak demand situations more effectively, thus minimising the risk of delay and excessive waiting times.

Optimet e-verywhere provides smooth, seamless high-speed internet access on board trains and in stations. It allows cities to meet the high expectations of citizens who want instant fluid connection anywhere anytime. It is also possible today to offer new mobility choices by delivering geopositioning data on all the latest goings-on in the city (cultural events, shows, rallies…) thanks to Optimet OrbanMap.

Passenger information and entertainment

Rail operators have to satisfy ever-growing expectations from passengers wishing to utilise their travel time productively. Modern means of communication can contribute to meeting this need by making real-time information as well as on-board audio and video entertainment available.

Alstom uses the latest real-time Information and Communication Technologies (ICT). The system architecture integrates public address, intercom, passenger information, infotainment, seat reservation displays, Internet connectivity, etc.

Alstom's passenger information and entertainment system covers all types of needs for trains, stations, and control centres, ranging from public announcements to making onboard Internet available, for all Alstom's range of railway train products.

Alstom acquired NOMAD DIGITAL™, a world leading provider of passenger and fleet connectivity solutions to the railway industry. NOMAD DIGITAL™'s solutions include passenger Wi-Fi, innovative Passenger Information Systems and on-board passenger portals, entertainment and media platforms.

Security

Protecting passengers and their belongings from any potential security threats is a central focus for Alstom. Relying on its technical know-how, which enables it to evaluate precisely the risks faced in all the segments of the rail industry, Alstom offers a state-of-the-art advanced security system that is modular, easy to integrate and operate around the clock, and that handles all functions intended to guarantee the safety and security of passengers.

Alstom's security systems can be integrated within larger systems: the system can be run by an integrated security centre, which is itself part of the overall structure of the information and rail communication system. It covers all rail environments: stations, tracks, tunnels, signalling equipment, trains, warehouses, and control centres.

The integration of all this information makes it possible to instantaneously connect the network's global surveillance (through a CCTV system, access control, intrusion detection, and smoke and fire detectors), *via* the Ethernet network, to the appropriate response (passenger information, public announcements, emergency calls, or interventions).

Alstom's range of products extends from simple stand-alone security components to full integration within a control centre with assisted incident management capabilities. It offers a customisable security system structure that can be tailored to any type of train, station, control centre, or warehouse (under construction or renovation).

In April 2017, Alstom and Airbus announced the signature of a strategic cooperation agreement in the field of cybersecurity. In particular, the programme focuses on the co-development of new analysis services concerning the vulnerability of transport systems, new shared core protection technologies and the definition of a new generation of operational security centres adapted to the industrial sector. Alstom offers its customers products that comply with the latest legislation and governmental specifications, and proposes audits of their customers' existing solutions to increase protection levels.

RESEARCH **AND DEVELOPMENT**

As a major actor of transport and mobility, Alstom invests continuously in research and development to increase the attractiveness and competitiveness of its offer for its customers and the passengers. Alstom is recognised for the development of new-generation trains, components and cutting-edge signalling products and solutions, as well as for innovative services and systems activities. All the R&D efforts are focused to address the expectations and the customers and passengers as well as taking into account the environmental and sustainability impact of its offers. Alstom aims at proposing attractive solutions with high capacity and an optimised life cycle cost to its customers. Alstom is also committed to contribute to the environmental performance of rail systems by reducing railway system energy consumption (motor efficiency, weight reduction, eco-driving…) and more generally the footprint of its solutions during the whole product lifecycle from manufacturing to the end of exploitation and recycling. The main R&D programmes of Alstom are presented hereafter.

DEVELOPMENT OF THE RANGE

Rolling stock

After the renewal of the Citadis™ and Metropolis™ ranges, innovations for this year mainly relate to the Coradia™ and Avelia™ ranges.

Aptis™

Taking into account some major evolutions of the E-mobility market, Alstom has developed with its subsidiary NTL a brand new concept 100% electric mobility. This electrical bus stands out from traditional solutions to provide to passengers and operators unique and valuable advantages: full flat floor, outstanding radius of operation, longer lifespan and improved life cycle cost. Two prototypes have been designed, manufactured, tested and homologated: they are now in a commercial service phase. This new electric bus can also be recharged by Alstom SRS™ solution. Aptis™ received the Innovation Award during Its presentation In Busworld 2017 fair in Kortrijk (Belgium).

Coradia Stream™

Based on the experience gained from the biggest operators over the last 10 years, Alstom is streamlining its regional train range thanks to its new Coradia™ platform. Intended primarily for the European market, this new range of single-deck electric trains covers capacity requirements ranging from 3 to 10 cars, speeds from 160 km/h to 200 km/h and comfort levels ranging from regional to intercity. Based on a concept of modularity and standardisation of components, this new range can be adapted to the needs of the operators and to the different supply voltages of the networks. Beyond that it offers the best performance of cost of ownership and respect for the environment. Launched less than two years ago, this new range has already won two successes with national operators in Italy and the Netherlands.

Coradia iLint™

Hydrogen Fuel cell is a leading technology to replace conventional Diesel engines by electric engines. To replace trains powered by Diesel powerpacks, Alstom is developing with the support of the German Federal Government and in partnership with DLR, a German research institute, Coradia iLint™ a Zero-emission train featuring fuel cells and energy storage system. Development phase of the two first prototypes is now finished and tests on tracks are on-going.

To fully endorse its role in this emerging propulsion mode, Alstom is part of several organisations gathering the main industrial partners involved, from Hydrogen production, to supply and use in the field of transportation.

Development of the Avelia™ range

Alstom is working on the very high-speed train of the future project since September 2013. The French rail industry is preparing to propose to its national and international clients a very high-speed train which is innovative and lies at the heart of an improvement and productivity strategy for the high-speed rail ecosystem. Alstom is working with ADEME, several partners (suppliers, competitiveness clusters or research institutes for instance) and SNCF through an Innovative Partnership to develop the project. The very high-speed train of the future will offer a capacity of up to 750 seats and its total cost of ownership will be optimised with a strong reduction in energy consumption as well as greatly reduced maintenance costs compared to current trains.

Silicon Carbide (SiC) to improve power converters performance

Alstom has studied silicon carbide power components for many years for auxiliaries and traction converters. Recently won contracts already integrate the first equipments. Applications of these components in the area of traction are today launched and will accelerate thanks to European funding of Shift2Rail. The main advantages of this technology are the reduction of weight and volume of power converters, improved energy consumption and the ability in some cases to move from forced mechanical cooling to natural cooling with positive consequences such as noise reduction, better reliability and lower maintenance cost.

Systems

Infrastructure: SRS™

Derived from the proven solution APS™ deployed for 12 years on more than 350 tramways, SRS™ is the Static Recharge System developed by Alstom to ensure recharge of on-board energy storage systems of a tramway when it is stopped at station. This solution is based on proven components and already demonstrated safety principles. The first deployment will be ensured on Nice tramway contract. SRS™ product is also adapted to recharge on-board energy storage systems on electrical buses.

Infrastructure: APS™ for road

In November 2017, during French President Emmanuel Macron’s visit to Sweden, Alstom unveiled its latest project of electric road. This road version of APS™ aims to decarbonise long-distance road transport. A demonstrator, developed in partnership with Volvo Trucks, was set up at the Volvo Group test site in Sweden where the concept was validated. The future looks bright for this technology, applicable to all types of heavy road vehicles (trucks, buses).

Infrastructure: Extension of reversible sub-stations range Hesop™

Hesop™ reversible sub-stations enable energy supply optimisation of the railway system and energy consumption reduction. Beyond the existing product 750V/2MW already in service, the range has been extended to 1500V; 4MW and 60Hz, to cover customer needs all over the world.

Integrated tramway solution: Attractis™

Attractis™ is the Alstom tramway integrated solution. It allows optimising projects costs and lead times. Attractis™ provides a long-term, clean, comfortable and safe answer to cities’ growing mobility needs with an easily extendable capacity of up to 14,000 passengers per hour per direction while minimising the impact on infrastructure. Attractis™ allows a fast commissioning of the tramway line (30 months for a 12 km-long line) and operates Citadis™, the tram reference for modern urban solutions. A special attention has been paid on comfort and information technology to be able to offer a valuable interoperability between IT systems as well as an easy integration of mobility services.

Services

HealthHub™

Launched some years ago *via* TrainTracer™, this R&D programme has evolved and currently integrates all the initiatives associated with the management of the train, infrastructure and signalling status, including forecast of the future state of a given component. TrainTracer™ remotely monitors the health status of a fleet and presents its key parameters *via* a simple web interface. The maintenance efficiency is improved by accelerating detection, diagnostics, and repairs, as well as by achieving a 30% reduction in the amount of time the train is not in use. The programme facilitates the implementation of predictive maintenance. Part of HealthHub™, TrainScanner™ is a unique four-in-one diagnosis portal providing information on the key systems of the train.

Signalling

Mainline

Alstom is constantly improving its speed control Solutions (ATC) according to the lastest European standards. Thus, the Berlin-Munich high speed line inaugurated in 2017 is operating within the latest on-board ERTMS baseline (3MR1) developed by Alstom as a world premiere.

Moreover, Alstom is sustaining its investment to improve high speed lines network operation with ERTMS. New ATO (Automatic Train Operation) functionalities coming from the urban domain are extending the Atlas™ solution and allowing to increase transport capacity and fleet energy consumption optimisation. An intercity train ATO has been already demonstrated in China and a test campaign has been also completed in 2017 in Belgium with up to 40% energy saving demonstrated. A new contract has been signed with a Dutch operator to perform real field experimentations from 2018.

Urban

In order to keep its CBTC Metro worldwide leadership, Alstom is pushing its Urbalis™ 400 reference Solution with continuous improvement. More than 96 metro lines are currently equipped with Alstom technology representing more than 1,500 km. All Grade of Automation are today addressed with a GoA4 generalisation trend for driverless operations.

In addition, Alstom is going on with its Urbalis Fluence™ Solution development which will address Lille Metro modernisation. This very new Solution will provide sensitive opertations performances improvement and from existing classical solutions and also a global system architecture silmplification for operations flexibility increase.

Digital Mobility Solutions

Facing mobility need increase, transport operators are more and more looking for operations efficiency improvement. Aware of this trend, Alstom is developping and enlarging its signalling Solutions portfolio with new digital Solutions to improve availability (predic-tive maintenance, advanced asset and energy management), to increase capacity (driving automation, multimodal management), to develop security and to enhance passenger experience. For example, Alstom and the RATP have successfully completed, in 2017, an initial experiment concerning the autonomous stabling of a tram in the RATP's T7 depot in Vitry-sur-Seine. In order to improve mobility in the city, Alstom has moreover developpped Mastria™ a new innovative Solution for multimodal traffic management.

INNOVATION

Alstom has put innovation at the heart of its 2020 strategy to reinforce the competitiveness and attractiveness of its portfolio of offerings and anticipate future market trends.

Innovation strategy

The third pillar of the Alstom 2020 strategy is "Value creation through innovation" which means that for Alstom, innovation should:

- create value for the customer in terms of capacity, attractiveness and cost of the Alstom solutions and services;
- allow cost reduction;
- increase Alstom's Intellectual Property assets through patents, trademarks, esthetical designs, copyrights, etc.

The innovation strategy has been set-up using internal contributions and was also discussed with customers and other companies operating in the transport industry and facing similar innovation challenges. It is based on seven innovation axes:

- more energy efficient railway systems in terms of energy;
- advanced maintenance solutions;
- improved railway system sustainability and footprint;
- enhanced transport system attractiveness;
- more fluid design of operation cycles and process;
- information systems and telecommunications;
- systems control and supervision.

Data Management acts as a transverse axis which upholds the deployment of these seven axes. All of Alstom's innovation initiatives are aligned with at least one of the innovation axes.

Innovation governance

The innovation governance is fully integrated within a wider process, starting from innovation and detection of market needs, up to project delivery.

An innovation board is held every three months involving R&D and innovation managers as well as the Chief Technology Officer. This Board selects the most promising ideas submitted by Alstom employees and supports their development to ultimately include them in the R&D plan.

A worldwide network of innovation managers is in place on Alstom sites in order to deploy locally the innovation process and strategy and boost the idea creation, both internally and through external ecosystems.

More than 150 new ideas are submitted to the innovation board each year and around one third of them are funded *via* innovation programmes.

Main initiatives

Innovation Ecosystems

Innovation at Alstom is supported by a rich ecosystem of research centers with which the Company collaborates on its main areas of interest:

- Alstom has invested €14 million in EasyMile, an innovative start-up company developing the EZ10 electric driverless shuttle;
- Alstom has created a Joint Innovation Laboratory (JIL) with the *Institut national de la recherche en informatique et automatique* (INRIA) in France to reinforce its R&D and innovation in respect of the digital evolution and "systems of systems";
- Alstom is a founder of two *instituts de recherche technologique* (IRT Railenium and IRT SystemX) and one *Institut pour la transition énergétique* (ITE) (Supergrid) in France. Alstom collaborates with these research centers on power electronics (with ITE Supergrid), on system control and supervision with IRT SystemX and on energy management with IRT Railenium;

- Alstom also has framework agreements with major research centers worldwide such as *Politecnico Di Milano* in Italy, IMS Cincinnatti in USA or UTBM in France as a means of developing innovation and competences in key areas of interest;
- A Collaboration Agreement with Safran, enabling to share on technologies mastered by both respective companies was signed during Paris airshow 2017;
- A partnership has been put in place with CEA in France, to benefit from its expertise in numerous domains;
- Alstom is a member of numerous clusters in France (I-Trans, LUTB, *Véhicule du Futur*…), in Belgium (Mecatech, Logistics in Wallonia) and in Italy (CRIT) in order to maintain close relationships with the ecosystems of small and medium enterprises, start-ups and universities and to set-up collaborative research programs;
- Alstom is a shareholder of a venture capital fund, Aster Capital, which targets breakthrough innovations, just a few years before their large adoption, in the areas of digital energy, connected mobility and resources. Aster Capital is a valuable support for Alstom's strategy to detect early signals and collaborate with start-ups.

Innovation contest: "I Nove You™"

The "I Nove You™" contest aims at rewarding the most innovative projects deployed at Alstom and strengthening collaborative work and synergies.

In 2017, more than 500 ideas were submitted by more than 1,500 participants. This shows a remarkable mobilisation of teams across the Company. Diversity was a hallmark of the awards from cultural, geographic, gender, generational and technological standpoints. Innovations came from all the Alstom regions and from a large range of functions (R&D, Engineering, Human Resources, EHS, Project Management, etc.), which led to a high level of cross-functional initiatives encompassing different business lines and cultures.

16 projects were rewarded in the 2017 edition of the "I Nove You™" contest. Many of them anticipate the development of new technologies and services linked to digitalisation such as control center virtualisation or the Zero Emission Train project.

2

MANAGEMENT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS, AS OF 31 MARCH 2018

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Chapter 2 is an excerpt of the Annual Financial Report approved by the Board of Directors on 15 May 2018. Items having occurred after 15 May 2018 are set forth in Chapter 1.

MAIN EVENTS OF **YEAR ENDED 31 MARCH 2018**

THE COMBINATION OF SIEMENS' MOBILITY BUSINESS AND ALSTOM

On 26 September 2017, Siemens and Alstom signed a Memorandum of Understanding to combine Siemens' mobility business including its rail traction drives business with Alstom. The transaction brings together two innovative players of the railway market with unique customer value and operational potential. The two businesses are largely complementary in terms of activities and geographies.

On 23 March 2018, Siemens and Alstom signed a Business Combination Agreement (BCA). The BCA sets forth the terms and conditions agreed upon by the two companies and follows the conclusion of the required works council information and consultation process at Alstom regarding the proposed deal.

The combined entity will offer a significantly increased range of diversified product and solution offerings to meet multi-facetted, customer-specific needs, from cost-efficient mass-market platforms to high-end technologies. The global footprint enables the merged company to access growth markets in Middle East and Africa, India, and Middle and South America where Alstom is present, and China, United States and Russia where Siemens is present. Customers will significantly benefit from a well-balanced larger geographic footprint, a comprehensive portfolio offering and significant investment into digital services. The combination of know-how and innovation power of both companies will drive crucial innovations, cost efficiency and faster response, which will allow the combined entity to better address customer needs.

The transaction, supported by Bouygues, is subject to the approval of Alstom shareholders at the Company's Shareholders' Meeting, planned to be held in July 2018. The transaction is also subject to approval by relevant regulatory authorities, including foreign investment clearance by the French Ministry for the Economy and Finance and approval by anti-trust authorities as well as the confirmation by the French capital market authority (AMF) that no mandatory takeover offer has to be launched by Siemens following completion of the contribution. Siemens has already initiated the internal carve-out process of its mobility business and other related businesses in order to prepare for the combination with Alstom.

As per the Business Combination Agreement signed on 23 March 2018 with Siemens, Alstom took the formal commitment to exercise its put options on Grid and Renewable Alliances in September 2018. In anticipation, Alstom informed GE in January 2018 of its intention to exercise them in September 2018. As a consequence, Grid and Renewable Alliances have been reclassified as Assets held for sale for a total amount of €2,382 million.

The costs already incurred by the Group in relation with the transaction with Siemens during fiscal year 2017/18 have been accounted for in these consolidated financial statements.

OUTSTANDING SALES GROWTH AND STRONG aEBIT PERFORMANCE

Group's key performance indicators for the fiscal year 2017/18:

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017	% Variation March 2018/March 2017 Actual	Organic
Orders Received	7,183	10,008	(28%)	(27%)
Orders Backlog	34,178	34,781	(2%)	4%
Sales	7,951	7,306	9%	10%
aEBIT	514	421	22%	
aEBIT %	*6.5%*	*5.8%*		
EBIT	381	358		
Net Profit – Group share	475	289		
Free Cash Flow	128	182		
Capital Employed	2,165	4,278		
Net Cash/(Debt)	(255)	(208)		
Equity	4,027	3,713		

ORGANIC GROWTH

Above mentioned figures are adjusted as follows for foreign exchange variation resulting from the translation to euro from the original currency, as well as change in scope.

The below table shows how we walk from actual to organic figures:

	Year ended 31 March 2018			Year ended 31 March 2017				March 2018/March 2017	
(in € million)	Actual figures	Scope Impact	Comparable Figures	Actual figures	Exchange rate	Scope impact	Comparable Figures	% Var Actual	% Var Organic
Orders Backlog	34,178	(58)	34,120	34,781	(1,972)	-	32,809	(2%)	4%
Orders Received	7,183	(55)	7,128	10,008	(272)	-	9,736	(28%)	(27%)
Sales	7,951	(51)	7,900	7,306	(146)	-	7,160	9%	10%

The actual figures for the fiscal year 2016/17 (orders backlog, orders received and sales) are restated taking into account March 2018 exchange rates which showed an overall appreciation of the euro against the majority of the currencies making up the Alstom portfolio. Orders received during the last fiscal year were impacted by the depreciation of the US Dollar (USD), the UAE Dirham (AED) and to a lesser extent the British Pound (GBP) and the Egyptian Pound (EGP) against the euro. Sales recorded last year have been impacted by an adverse translation effect mainly due to depreciation of the US Dollar (USD) and the British Pound (GBP) against the euro. Orders backlog was adversely impacted by the depreciation of the Indian Rupee (INR), the US Dollar (USD), the UAE Dirham (AED), and the Australian Dollar (AUD) against the euro.

In order to reflect the same scope of activity, actual figures for fiscal year 2017/18 have been adjusted for the Nomad Digital acquisition made during calendar year 2017.

ACQUISITIONS AND PARTNERSHIPS

During the year, Alstom signed an agreement with Kazakh national railway company (KTZ) to acquire an additional 25% stake into the EKZ joint venture. Post approval by relevant authorities, Alstom will become the majority shareholder with 75% of the total shares, the remaining 25% being held by its Russian partner Transmashholding (TMH). Closing of the transaction is expected within the fiscal year to come. As a reminder, Alstom entered the Kazakhstan's railway market in 2010 together with Transmashholding by laying the first stone of the EKZ facility in order to build locomotives for the Kazakh network.

Moreover, in order to reinforce its digital offering and expertise, Alstom signed a purchase agreement for the acquisition of 21net. With 50 employees and a turnover of €16 million in 2017, the Company is a provider of on-board internet and passenger infotainment for the railway industry. Closing of the transaction is expected within the fiscal year to come.

Also, during the fiscal year 2017/18, Alstom has announced several strategic partnerships to better focus on customer needs:

- Alstom and Airbus have entered into a strategic cooperation agreement in the field of cybersecurity. This cooperation agreement will support the emergence of a new risk management model through the co-development of new analysis services concerning the vulnerability of transport systems, new shared core protection technologies and new generation of operational security centers adapted to the industrial sector.
- Alstom has signed a technological cooperation agreement with Safran, an international high-technology group and a distinct leader of Aeronautics, Space and Defence. The collaboration will focus on components and technologies for electric propulsion equipment and electric and hybrid propulsion systems as a whole for aircraft and public transport vehicles.

OUTLOOK

OUTLOOK

The Alstom outlook is provided at constant perimeter and exchange rate. It is set in accordance with the new IFRS 15 norm, which is the new applicable standard for revenue recognition.

For the fiscal year 2018/19, sales are expected to reach around €8 billion and adjusted EBIT margin should reach up to 7%.

In the medium term, Alstom should continue to outperform the market growth, gradually improve profitability, and improve cash generation, with potential volatility over some short periods.

ASSUMPTIONS

This outlook relies on several assumptions, outlined as follows:

- It is established considering no major change to foreign exchange rates compared to the ones known as at the end of fiscal year, as well as no significant adjustment to the 31 March 2018 scope of consolidation. Price inflation should remain comparable to the previous year (2.1% as per OECD expectation) and the Group assumes an overall stable political environment where Alstom operates.
- For the year 2018/19, Alstom should continue deliver on its current portfolio of projects. Revenue from backlog should represent over 90% of Alstom's revenues during the coming fiscal year. The remaining revenue should mainly stem from short-term sales, such as spare parts and variation orders on existing contracts.
- The market is expected to continue grow, in line with previous years, with continued momentum in the Middle East, Africa and in Europe. Price competition witnessed in the recent year is expected to continue as new entrants attempt to expand outside of their historical markets.
- The adjusted EBIT margin improvement compared to the previous exercises should come from rigorous project execution, delivering on projected sourcing savings. Standardisation of engineering tools and processes together with design to cost, adaptation of our footprint both for engineering and manufacturing, should support the improvement of Alstom's performance. Also, digital transformation, combined with efficient discipline in overhead cost management should contribute to achieve this performance.
- Cash generation notably relies on our Cash Focus program that has been launched with initiatives specifically targeting working capital.

The above mentioned forward-looking statements regarding short term guidance shall not be used as a results forecast or any performance indicator. It notably relies on existing plans, initiatives for projects, products and services and their potential. These assumptions are deemed reasonable as of the date of the present document and could change and evolve due to significant risk and uncertainties. Such risks include those set forth in the chapter 4 "Risk Factors and Internal Control" of this document and other external factors not known to the Group at this stage such as general industry conditions and competition, technological advances, future market conditions, sourcing difficulties, financial instability and sovereign risk and exposure to regulatory action or litigation. Alstom undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. This guidance should be used consequently with cautiousness.

SUBSEQUENT **EVENT**

On 9 May 2018, Alstom signed an agreement with General Electric relating to the implementation of the agreements from 2015 regarding the intended exit of Alstom from the three Energy Joint Ventures. Alstom intends to exercise its options to sell its interests in the "Renewables" and "Grid" Joint Ventures in 2018 (pursuant to Alstom's put options as presented in Note 13.1). If these options are exercised during the exercise period (between 4 September and 10 September), GE will then be deemed to have exercised its option to acquire Alstom's interest in the "Nuclear" Joint Venture (pursuant to General Electric's call option), and the transfer of all interests will occur on 2 October 2018 for a total amount of €2.594 billion.

In addition to the items already described above or in the previous notes, the Group has not identified any subsequent event to be reported.

COMMERCIAL **PERFORMANCE**

During the fiscal year 2017/18, Alstom's order intake stood at €7.2 billion as compared to €10.0 billion for 2016/17. During the fiscal year, the Group notably secured large rolling stock and maintenance contracts in Toronto and Ottawa in Canada. In addition, the commercial performance was driven by breakthroughs in new Asia/Pacific markets, notably in Vietnam and in the Philippines.

The fiscal year 2017/18 also witnessed renewed momentum for Signalling, winning key orders in Spain, Singapore and Israel combined with a sustained level of flow business as compared to last year.

This fiscal year Alstom did not record any major orders. As a comparison, during fiscal year 2016/17, the Group booked several jumbo contracts, such as the supply of high-speed trains in the USA including maintenance and an integrated metro system for Dubai in the United Arab Emirates.

Geographic breakdown					% Variation March 2018/March 2017	
Actual figures *(in € million)*	**Year ended 31 March 2018**	**% of contribution**	**Year ended 31 March 2017**	**% of contribution**	**Actual**	**Organic**
Europe	3,507	48%	5,102	51%	(31%)	(32%)
Americas	1,628	23%	2,890	29%	(44%)	(41%)
Asia/Pacific	980	14%	582	6%	68%	74%
Middle East/Africa	1,068	15%	1,434	14%	(26%)	(20%)
ORDERS BY DESTINATION	**7,183**	**100%**	**10,008**	**100%**	**(28%)**	**(27%)**

Product breakdown					% Variation March 2018/March 2017	
Actual figures *(in € million)*	**Year ended 31 March 2018**	**% of contribution**	**Year ended 31 March 2017**	**% of contribution**	**Actual**	**Organic**
Rolling stock	3,189	45%	5,525	55%	(42%)	(41%)
Services	2,180	30%	2,037	20%	7%	10%
Systems	523	7%	1,466	15%	(64%)	(62%)
Signalling	1,291	18%	980	10%	32%	30%
ORDERS BY DESTINATION	**7,183**	**100%**	**10,008**	**100%**	**(28%)**	**(27%)**

In Europe, Alstom's order intake stood at €3.5 billion for the year 2017/18 compared to €5.1 billion during the same period last year. During fiscal year 2017/18 the commercial performance of the region was steered by large Rolling stock orders to supply additional Coradia Stream™ "Pop" range medium capacity trains, Coradia™ Meridian "Jazz" trains to Italian regions, as well as 14 Coradia™ Polyvalent for Bourgogne-Franche-Comté and Grand Est regions in France. It was further enhanced by additional orders from RATP to supply MP14 metro cars to Paris network in France and Coradia™ Continental regional trains to Germany. Besides, Alstom signed an additional order to supply five Pendolino™ high-speed trains and associated maintenance contract for 30 years with NTV in Italy. Services business further benefited from an eight-year contract for the maintenance of Skånetrafiken's Coradia™ Nordic regional trains in Sweden. Last fiscal year was significantly driven by large contracts signed in the Netherlands to supply intercity new generation trains and in France to provide suburban trains to Île-de-France region as well as to supply Euroduplex™ very high-speed trains for Paris-Bordeaux service.

In Americas, Alstom reported €1.6 billion of orders as compared to €2.9 billion during the same period last fiscal year. During the year, Alstom signed two large contracts in Canada to supply 61 Citadis Spirit™ light rail vehicles for the Greater Toronto and Hamilton Area as well as to supply 38 Citadis Spirit™ vehicles for the extension of Ottawa's light rail system and associated maintenance for 30 years. Besides, Alstom was awarded a contract by Kawasaki to supply traction system for the New York City metro network in the USA and a maintenance contract to perform the midlife overhaul of 52 P2000 light rail vehicles of Los Angeles's Blue, Green and Expo lines. Last year's order intake for the same period notably included a jumbo contract signed with Amtrak in the USA for the supply of new generation high-speed trains and associated maintenance for 15 years.

During the fiscal year 2017/18, the Group recorded €1 billion of orders in Asia/Pacific as compared to €0.6 billion during the same period last year. The significant growth was driven by several first-time order signatures in new markets, including the first integrated metro system contract signed in Vietnam for line 3 of Hanoi's metro. With this order, Alstom will supply 10 Metropolis™ trainsets and Urbalis™ 400 the Alstom's CBTC[1] solution which controls train movements. In addition to this, Alstom signed a contract in the Philippines to provide an integrated metro solution to Manila city: this includes signalling and communication system, traction power supply and track work. Besides, Alstom was awarded contracts in Singapore to supply 17 driverless trains for its North-East line and Circle line as well as signalling solution including driverless system and upgrade of the Automatic Train Supervision system to the Circle Line.

In Middle East/Africa, Alstom reported €1.1 billion of orders as compared to €1.4 billion during the last fiscal year. Current year orders notably included an additional order to supply 100 X'trapolis™ train sets and to provide technical support and supply of spare parts over an 18-year period for PRASA through the Gibela joint-venture led by Alstom in South Africa. Also, the Group signed a contract to supply 15 new Coradia™ Polyvalent regional trains to Senegal connecting Dakar with the new international airport in Diass. The Group secured a contract to supply and maintain the signalling and train control system for Tel Aviv Tramway Red Line in Israel. Last fiscal year was significantly impacted by a major contract awarded in the United Arab Emirates to supply an integrated metro system for Dubai's Red metro line.

(1) Communication Based Train Control.

Alstom received the following major orders during the fiscal year 2017/18:

Country	Product	Description
Canada	Rolling stock	Supply of 61 Citadis Spirit™ light rail vehicles for Greater Toronto and Hamilton area
Canada	Rolling stock/Services	Supply of 38 Citadis Spirit™ light rail vehicles for Stage 2 of Ottawa's Train Confederation Line and associated maintenance for 30 years
France	Rolling stock	Supply of 20 MP 14 metro train sets consisting of 5 cars to Line 11 of the Paris metro
France	Rolling stock	Supply of 14 Coradia™ Polyvalent trains to the regions of Bourgogne-Franche-Comté and Grand Est
Germany	Rolling stock	Supply of 25 Coradia™ Continental regional trains for the region of Saarland
Italy	Rolling stock/Services	Additional order for the supply of five Pendolino™ high speed trains and associated maintenance for a period of 30 years
Italy	Rolling stock	Supply of 54 "Pop" Coradia™ Stream regional trains to Trenitalia for Italian regions
Italy	Rolling stock	Supply of 27 "Jazz" regional trains, latest generation of Coradia™ Meridian range to Trenitalia for Italian regions
Philippines	Systems	Supply of integrated metro solution which includes signalling, communication system, traction power supply and track work
Senegal	Rolling stock	Supply of 15 new Coradia™ Polyvalent regional trains to connect Dakar with the new international airport in Diass
Singapore	Rolling Stock/ Signalling	Supply of six trains to the North East Line and 11 trains as well as driverless signalling system to the Circle Line 6 in Singapore
South Africa	Rolling stock/Services	Supply of 100 X'trapolis™ train sets to PRASA, technical support and supply of spare parts over 18 years through the Gibela Joint Venture led by Alstom.
Sweden	Services	Maintenance of Skånetrafiken's 99 Coradia™ Nordic regional trains for eight years
USA	Rolling Stock	Supply of traction system to New York city metro network
USA	Services	Modernisation of P2000 light rail fleet for Los Angeles
Vietnam	Systems	Supply of integrated metro system for line 3 of Hanoi which includes 10 Metropolis™ trainsets, signalling, power supply and depot equipment

ORDERS BACKLOG

On 31 March 2018, the Group backlog stood at €34.2 billion as compared to €34.8 billion last year at the same period, providing strong visibility on future sales. The backlog position improved by 4% as compared to the 31 March 2017 level, once adjusted for an adverse foreign exchange translation effect (especially the INR, USD, AED) for €(2.0) billion. The strong sales momentum during the year resulted in an expected decrease of Systems backlog. Significant Services orders in all geographies fuelled the backlog growth for this product line.

Geographic breakdown

Actual figures *(in € million)*	Year ended 31 March 2018	% of contribution	Year ended 31 March 2017	% of contribution
Europe	14,726	43%	15,008	43%
Americas	5,085	15%	5,686	16%
Asia/Pacific	4,903	14%	5,569	16%
Middle East/Africa	9,464	28%	8,518	25%
BACKLOG BY DESTINATION	**34,178**	**100%**	**34,781**	**100%**

Product breakdown

Actual figures *(in € million)*	Year ended 31 March 2018	% of contribution	Year ended 31 March 2017	% of contribution
Rolling stock	16,800	49%	16,915	49%
Services	11,131	32%	10,179	29%
Systems	2,939	9%	4,386	13%
Signalling	3,308	10%	3,301	9%
BACKLOG BY DESTINATION	**34,178**	**100%**	**34,781**	**100%**

INCOME STATEMENT

SALES

Alstom's sales for the period stood at €8.0 billion compared to €7.3 billion during the same period last year driven by strong project execution outside of Europe, especially in Asia/Pacific. This represents an outstanding 10% organic growth over the period.

Geographic breakdown

Actual figures *(in € million)*	Year ended 31 March 2018	% of contribution	Year ended 31 March 2017	% of contribution	% Variation March 2018/March 2017 Actual	Organic
Europe	3,938	50%	4,104	56%	(4%)	(4%)
Americas	1,531	19%	1,247	17%	23%	29%
Asia/Pacific	974	12%	702	10%	39%	43%
Middle East/Africa	1,508	19%	1,253	17%	20%	23%
SALES BY DESTINATION	**7,951**	**100%**	**7,306**	**100%**	**9%**	**10%**

Product breakdown

Actual figures *(in € million)*	Year ended 31 March 2018	% of contribution	Year ended 31 March 2017	% of contribution	% Variation March 2018/March 2017 Actual	Organic
Rolling stock	3,464	43%	3,170	43%	9%	10%
Services	1,480	19%	1,468	20%	1%	3%
Systems	1,691	21%	1,286	18%	31%	37%
Signalling	1,316	17%	1,382	19%	(5%)	(6%)
SALES BY DESTINATION	**7,951**	**100%**	**7,306**	**100%**	**9%**	**10%**

In Europe, Alstom's sales totalled €3.9 billion, against €4.1 billion during the same period last year. Sales of the region contributed to 50% of the Group's total sales, thanks to deliveries of Euroduplex™ high-speed trains for the Paris-Bordeaux line and deliveries of Coradia™ trains in France. Besides, execution of large Rolling stock contracts for the supply of high-speed trains for Italy and regional trains for Sweden contributed to the sales of the fiscal year 2017/18. Services were fuelled by performance of overhaul activity on Pendolino trains in the United Kingdom. Last year's sales were largely driven by end of deliveries of the MI09 suburban trains dedicated to the Paris RER A line in France. Besides, sales were enhanced by deliveries of regional trains in France, Italy and Sweden, high-speed train in Switzerland as well as execution of several maintenance contracts in the United Kingdom, Spain and Italy.

In Americas, Alstom reported sales of €1.5 billion, up 29% on an organic basis contributing to 19% of the total Group's sales, up 2 percentage points compared to the same period last year. The continued strong growth was notably driven by the execution of Rolling stock contracts primarily Amtrak high-speed trains in the USA as well as light rail vehicles for Ottawa and supply of bogies for Montreal metro in Canada. In Latin America, the sales growth was steered by the execution of Rolling stock contract to supply additional metro cars to Lima in Peru. Furthermore the deliveries of metro system to Panama and Mexico fuelled the systems growth in the region. Signalling sales were impacted by the freight and mining adverse market environment.

During the fiscal year 2017/18, Asia/Pacific reported sales of €1.0 billion up 43% on an organic basis. Sales accounted for 12% of the Group's total sales, up 2 percentage points compared to the same period last year. This growth is partly coming from the ramp up of the electric locomotives contract in India and delivery of the first of the 800 locomotives. In addition to this, the region benefited from the execution of Rolling stock contracts in Australia namely suburban trains to Melbourne as well as metro in India. Systems activity growth was sustained by the deliveries of the first Citadis™ X05 light rail vehicles to Sydney, Australia and the infrastructure contract of Dedicated Freight Corridor in India.

In Middle East/Africa, Alstom's sales amounted to €1.5 billion for the fiscal year 2017/18 contributing to 19% of total sales, up 2 percentage points compared to the same period last year, and with an organic growth of 23%. The region continued to benefit from the execution of major Systems contracts notably the production of metro cars for Riyadh in Saudi Arabia and Route 2020 metro for Dubai in the United Arab Emirates as well as the delivery of Lusail tramway in Qatar. In addition, revenue in the region was impacted this year by the ramp up of the X'trapolis™ trains production for PRASA in South Africa as well as the deliveries of Coradia™ trains to Algeria.

RESEARCH & DEVELOPMENT

During the fiscal year 2017/18, the research and development gross costs amounted to €278 million, reflecting the Group emphasis put on mainlines developments and smart mobility solutions. The amount of research and development expenses as recorded in the P&L statement for the period amounted to €188 million *i.e.* 2.4% of sales.

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
R&D Gross costs	**(278)**	**(248)**
R&D Gross costs (in % of Sales)	*3.5%*	*3.4%*
Funding received	**58**	**51**
Net R&D spending	**(220)**	**(197)**
Development costs capitalised during the period	81	70
Amortisation expense of capitalised development costs	(49)	(48)
R&D EXPENSES (IN P&L)	**(188)**	**(175)**
R&D expenses (in % of Sales)	*2.4%*	*2.4%*

Alstom continued to invest further in the development of the Avelia™ range and notably the very high-speed train of the future, as well as the latest generation of Coradia Stream™ regional trains. Alstom further developed its zero-emission train Coradia iLint™ and the Citadis X05™ light rail vehicle.

Investments in Alstom electric bus solution led to the real-time testing of Aptis™, the 100% electric bus in various locations across France and Germany.

The Group continued the development of the Urbalis Fluence™ signalling solution as well as the APS™ ground-level electrification solution used by tramways for application on the road in partnership with Volvo Group and the PINTA Shift2Rail, the next generation traction system.

Research and Development being the key to competitiveness and growth, Alstom has presented its vision of smart mobility at various platforms including the UITP 2017 congress in Montreal, Canada, the Busworld exhibition in Brussels and Smart Mobility World congress in Barcelona. Alstom has developed several breakthrough solutions to better respond to the requirements of passengers (punctuality, connectivity, and integration) and of operators (sustainability, fluidity, multi-modality, availability and efficiency) notably:

- Mastria™, an innovative multimodal solution which maximises traffic fluidity and orchestrates passenger routes.
- Optimet Solutions developed by Metrolab, a joint venture between RATP Group and Alstom. Optimet real-time train occupancy ensures a smooth passenger exchange flow and improves on-board comfort by displaying the passengers' distribution load of the arriving train via intuitive colour-codes graphic on screens installed along the platform.

- The Optimet OrbanMap, a real-time dynamic information system provided to passengers in metro stations, allows visualisation at a glance of the metro network, its activity, trains position, travel times, service interruptions, and the level of comfort aboard the trains.
- Innovative solutions dedicated to individual comfort, design for all or configurations addressing diverse needs such as business, family or groups of leisure and customer service with smart lighting, intelligent glazing, Infotainment, wifi on-board applications.
- Iconis™ Security, an integrated solution to manage security operations, passenger information and communications within the control center.
- HealthHub™ innovative maintenance tool.
- EasyMile, which manufactures electric autonomous shuttle – EZ10, that guarantees first and last mile transportation.

OPERATIONAL PERFORMANCE

During the fiscal year 2017/18, the adjusted EBIT reached €514 million with a margin of 6.5% as compared to €421 million at 5.8% during last fiscal year. During the period, this 22% increase in Alstom's operational performance was mainly driven by revenue growth, stable mix and improved operational efficiency while keeping overhead costs under control.

Operational efficiency has translated into an improvement of the Gross Margin(1) from 15.5% last year to 15.9% this fiscal year. Effective control of the cost structure has contributed bringing the Selling and Administrative costs, as expressed as a percentage of sales, down from 7.4% during fiscal year 2016/17 to 7.1% in fiscal year 2017/18.

NET PROFIT

- Restructuring costs amounted to €(47) million driven by footprint rationalisation and competitiveness initiatives, notably in the United Kingdom, the USA and Brazil. Amortisation of intangible assets and integration costs related to business combinations, such as SSL, GE Signalling and Nomad were reduced to €(25) million. Besides, transaction costs related to the Siemens-Alstom deal amounted to €(39) million during the fiscal year. EBIT rose to €381 million as compared to €358 million in the fiscal year 2017/18, thanks to the strong operational performance over the year.

Net financial expenses decreased to €(91) million during the fiscal year 2017/18 as compared to €(127) million for the same period last year. This evolution is consistent with the decrease in the gross financial debt resulting from the repayment of €272 million bonds that matured during the year. Also, the cost of foreign exchange hedging of intercompany financial positions was reduced following large USD and CAD payments collected, linked to recently awarded contracts.

The Group recorded an income tax charge of €(73) million for the fiscal year 2017/18 corresponding to an effective tax rate of 25% *versus* €(76) million for the same period last year corresponding to an effective tax rate of 33%. This improved result came mainly from the favourable tax environment in France and the USA. The Group expects to maintain a stable tax rate in the future.

The share in net income from equity investments amounted to €216 million mainly as a result of the re-measurement of the put option attached to the Energy alliances, thereby leaving the Group immune to adverse results generated by these joint-ventures. Besides, Alstom decided to exercise its put options on Grid and Renewable Alliances on 1st September 2018.

Improved performance from Transmashholding (TMH) and Casco Signal Limited also contributed to the increase in the level of share in net income from equity investments over the period.

The Net profit from discontinued operations stood at €52 million mainly due to a remeasurement of certain tax risks.

As a result, the Net profit (Group share) stood at €475 million for this fiscal year compared to €289 million during the same period last fiscal year.

(1) Gross Margin = Sales (-) Cost of sales.

FREE CASH FLOW

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Adjusted EBIT	**514**	**421**
Depreciation and amortisation	137	132
Restructuring cash-out	(37)	(49)
Capital expenditure	(202)	(150)
R&D capitalisation	(81)	(70)
Change in working capital	(49)	80
Financial cash-out	(70)	(115)
Tax cash-out	(93)	(87)
Other	9	20
FREE CASH FLOW	**128**	**182**

This year, the Group free cash flow was positive at €128 million compared to €182 million during the last fiscal year. The improved operating profit, reflecting the on-time execution of major contracts signed in the past years, resulted in a ramp-up of cash-out. This effect was partly offset by a sound level of progress payments from customers as well as cash-in received as a result from the orders signed during the year.

During the period, Alstom invested €202 million in capital expenditures of tangible assets in order to modernise its existing facilities and strengthen its global footprint. The Group has continued the construction of manufacturing sites, notably in India, South Africa and the US to deliver large strategic projects booked in previous fiscal year. These strategic projects represent an additional €300 million capex over three years. Up to the fiscal year 2017/18, this transformation capex accounted for €159 million, of which €108 million spent this year. This strategic capex has resulted in the acceleration of depreciation in the period. In parallel to these strategic actions, the Alstom Group has continued investing in its facilities, tools and existing plants around the world for a total spend of €94 million in fiscal year 2017/18.

NET DEBT

On 31 March 2018, the Group recorded a net debt level of €255 million, compared to the net debt position of €208 million on 31 March 2017. Alstom's net debt increased over the period, impacted by free cash flow, dividends paid, negative currency translation adjustments as well as by the end of the IT separation program. Besides, the Group's net debt was also impacted by acquisitions that occurred during the year notably Alstom's share increase in the EKZ joint-venture.

During the period, Alstom also reimbursed €272 million worth of bonds contributing to reduce gross financial debt by 18%. In addition to its available cash and cash equivalents, amounting to €1,231 million as of 31 March 2018, the Group can access a €400 million revolving credit facility, maturing in June 2022 which is fully undrawn at March 2018. This resulted into a liquidity position as of March 2018 of €1,631 million.

EQUITY

The increase in Equity on 31 March 2018 to €4,027 million (including non-controlling interests) from €3,713 million on 31 March 2017 was mostly impacted by:

- net profit from fiscal year 2017/18 of €475 million (Group share);
- actuarial hypothesis variation on pensions (recorded in equity) of €59 million net of tax;
- dividends paid to shareholders for €(55) million;
- share-based payments for €55 million;
- currency translation adjustment of €(234) million.

NON-GAAP FINANCIAL INDICATORS DEFINITIONS

This section presents financial indicators used by the Group that are not defined by accounting standard setters.

ORDERS RECEIVED

A new order is recognised as an order received only when the contract creates enforceable obligations between the Group and its customer.

When this condition is met, the order is recognised at the contract value.

If the contract is denominated in a currency other than the functional currency of the reporting unit, the Group requires the immediate elimination of currency exposure through the use of forward currency sales. Orders are then measured using the spot rate at inception of hedging instruments.

ORDER BACKLOG

Order backlog represents sales not yet recognised from orders already received.

Order backlog at the end of a financial year is computed as follows:

- order backlog at the beginning of the year;
- plus new orders received during the year;
- less cancellations of orders recorded during the year;
- less sales recognised during the year.

The order backlog is also subject to changes in the scope of consolidation, contract price adjustments and foreign currency translation effects.

BOOK-TO-BILL

The book-to-bill ratio is the ratio of orders received to the amount of sales traded for a specific period.

ADJUSTED EBIT

When Alstom's new organisation was implemented, adjusted EBIT ("aEBIT") became the Key Performance Indicator to present the level of recurring operational performance. This indicator is also aligned with market practice and comparable to direct competitors.

aEBIT corresponds to Earning Before Interests, Tax and Net result from Equity Method Investments adjusted with the following elements:

- net restructuring expenses (including rationalisation costs);
- tangibles and intangibles impairment;
- capital gains or loss/revaluation on investments disposals or controls changes of an entity;
- and any other non-recurring items, such as some costs incurred to realise business combinations and amortisation of an asset exclusively valued in the context of business combination as well as litigation costs that have arisen outside the ordinary course of business.

A non-recurring item is a "one-off" exceptional item that is not supposed to occur again in following years and that is significant.

Adjusted EBIT margin "aEBIT %" corresponds to the adjusted EBIT expressed as a percentage of sales.

The non-GAAP measure adjusted EBIT (aEBIT hereafter) indicator reconciles with the GAAP measure EBIT as follows:

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Adjusted Earnings Before Interest and Taxes (aEBIT)	**514**	**421**
aEBIT *(as a % of Sales)*	*6.5%*	*5.8%*
Restructuring costs	(47)	(6)
PPA amortisation and Integration costs	(25)	(35)
Capital gains/losses on disposal of business	3	2
Others and asset impairement	(64)	(24)
EARNING BEFORE INTEREST AND TAXES (EBIT)	**381**	**358**

FREE CASH FLOW

Free cash flow is defined as net cash provided by operating activities less capital expenditures including capitalised development costs, net of proceeds from disposals of tangible and intangible assets. In particular, free cash flow does not include the proceeds from disposals of activity.

The most directly comparable financial measure to free cash flow calculated and presented in accordance with IFRS is net cash provided by operating activities.

A reconciliation of free cash flow and net cash provided by operating activities is presented below:

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Net cash provided by/(used in) operating activities	**408**	**401**
Capital expenditure (including capitalised R&D costs)	(283)	(220)
Proceeds from disposals of tangible and intangible assets	3	1
FREE CASH FLOW	**128**	**182**

Alstom uses the free cash flow for internal analysis purposes as well as for external communication as the Group believes it provides accurate insight regarding the actual amount of cash generated or used by operations.

During the fiscal year 2017/18, the Group's free cash flow was positive at €128 million compared to €182 million during the same period of the previous year.

CAPITAL EMPLOYED

Capital employed corresponds to hereafter-defined assets minus liabilities.

- Assets: sum of goodwill, intangible assets, property, plant and equipment, equity-accounted investments and other investments, other non-current assets (other than those related to financial debt and to employee defined benefit plans), inventories, construction contracts in progress assets, trade receivables and other operating assets;
- Liabilities: sum of non-current and current provisions, construction contracts in progress liabilities, trade payables and other operating liabilities.

At the end of March 2018, capital employed stood at €2,165 million, compared to €4,278 million at the end of March 2017. This movement was mainly driven by the decision to exercise put options in the Grid and Renewable Alliances in September 2018 and thereby to reclassify them as assets held for sale, this partly compensated by the net decrease of the liability position of the Group working capital and by the positive net income from equity investments as of 31 March 2018.

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Non current assets (*)	3,755	5,972
less deferred tax assets	(224)	(189)
less non-current assets directly associated to financial debt	(213)	(260)
less prepaid pension benefits	-	-
Capital employed – non current assets (A)	**3,318**	**5,523**
Current assets	7,977	8,379
less cash & cash equivalents	(1,231)	(1,563)
less other current financial assets	(8)	(8)
Capital employed – current assets (B)	**6,738**	**6,808**
Current liabilities	7,904	7,883
less current financial debt	(543)	(444)
plus non current provisions	530	614
Capital employed – liabilities (C)	**7,891**	**8,053**
CAPITAL EMPLOYED (A)+(B)-(C)	**2,165**	**4,278**

(*) Energy alliances and put options re-classed to assets held for sale as at March 2018.

NET CASH/(DEBT)

The net cash/(debt) is defined as cash and cash equivalents, other current financial assets and non-current financial assets directly associated to liabilities included in financial debt, less financial debt.

On 31 March 2018, the Group recorded a net debt level of €255 million, compared to the net debt position of €208 million on 31 March 2017.

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Cash and cash equivalents	1,231	1,563
Other current financial assets	8	8
Financial non-current assets directly associated to financial debt	213	260
less current financial debt	543	444
less non current financial debt	1,164	1,595
NET CASH/(DEBT) AT THE END OF THE PERIOD	**(255)**	**(208)**

ORGANIC BASIS

Figures presented in this section include performance indicators presented on an actual basis and on an organic basis. Figures given on an organic basis eliminate the impact of changes in scope of consolidation and changes resulting from the translation of the accounts into euro following the variation of foreign currencies against the euro.

The Group uses figures prepared on an organic basis both for internal analysis and for external communication, as it believes they provide means to analyse and explain variations from one period to another. However these figures are not measurements of performance under IFRS.

STATUTORY AUDITORS' REPORT ON ADJUSTED EBIT MARGIN FORECASTS

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Chairman of the Board of Directors,

In our capacity as Statutory Auditors and in accordance with Commission Regulation (EC) No 809/2004, we hereby report to you on the adjusted EBIT (Earnings Before Interest and Tax) margin forecasts of the Alstom Group, which are set out in chapter 2 of the Registration Document for the year ended 31 March 2018.

These forecasts and the underlying key assumptions have been prepared under your responsibility, in accordance with the provisions of Commission Regulation (EC) No 809/2004 and the ESMA guidelines regarding profit forecasts.

It is our responsibility to express an opinion, based on our work, in accordance with Annex I, point 13.2 of said Regulation, as to the proper preparation of the forecasts.

We performed the procedures that we deemed necessary in accordance with the professional standards applicable in France to such engagements. These procedures consisted in assessing the procedures implemented by management to prepare the forecasts and in verifying the consistency of the accounting policies used with those to be applied by Alstom for the preparation of the consolidated financial statements for the year ended 31 March 2019 further to the mandatory application of IFRS 15. They also consisted in collecting the information and explanations that we deemed necessary to obtain reasonable assurance that the forecasts were properly prepared on the basis of the assumptions described.

We remind you that as forecasts are, by definition, uncertain, actual results may differ from the forecasts presented, sometimes significantly, and we do not express a conclusion as to whether the forecasts will be confirmed by actual results.

In our opinion:

- the forecasts were properly prepared on the basis stated;
- the accounting policies used to establish the forecasts are consistent with those to be applied by Alstom for the preparation of the consolidated financial statements for the year ended 31 March 2019 further to the mandatory application of IFRS 15.

This report has been issued solely for the purposes of filing the Registration Document for the year ended 31 March 2018 with the French financial markets authority (*Autorité des marchés financiers* – AMF) and, where appropriate, in connection with the admission to trading on a regulated market and/or a public offering of the company's shares or debt securities with a par value of less than €100,000 each in France and in other European Union countries where a prospectus, which includes said Registration Document and is approved by the AMF, has been disclosed and may not be used for any other purpose.

Neuilly-sur-Seine and Paris La Défense, 28 May 2018

The statutory auditors

PricewaterhouseCoopers Audit	**Mazars**
Édouard Demarcq	Cédric Haaser

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AFR The Content of the Annual Financial Report is identified in the summary table with the help of this pictogram

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2018

CONSOLIDATED **INCOME STATEMENT**

		Year ended	
(in € million)	Note	31 March 2018	31 March 2017
Sales	**(3)**	**7,951**	**7,306**
Cost of sales		(6,686)	(6,171)
Research and development expenses	(4)	(188)	(175)
Selling expenses	(5)	(204)	(187)
Administrative expenses	(5)	(359)	(352)
Other income/(expense)	(6)	(133)	(63)
Earnings Before Interests and Taxes		**381**	**358**
Financial income	(7)	7	11
Financial expense	(7)	(98)	(138)
Pre-tax income		**290**	**231**
Income Tax Charge	(8)	(73)	(76)
Share in net income of equity-accounted investments	(13)	216	82
Net profit from continuing operations		**433**	**237**
Net profit from discontinued operations	(9)	52	66
NET PROFIT		**485**	**303**
Net profit attributable to equity holders of the parent		475	289
Net profit attributable to non controlling interests		10	14
Net profit from continuing operations attributable to:			
• Equity holders of the parent		423	223
• Non controlling interests		10	14
Net profit from discontinued operations attributable to:			
• Equity holders of the parent		52	66
• Non controlling interests		-	-
EARNINGS PER SHARE *(in €)*			
• Basic earnings per share	(10)	2.15	1.32
• Diluted earnings per share	(10)	2.11	1.30

The accompanying notes are an integral part of the condensed consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Note	Year ended 31 March 2018	Year ended 31 March 2017
Net profit recognised in income statement		**485**	**303**
Remeasurement of post-employment benefits obligations	(29)	62	(44)
Income tax relating to items that will not be reclassified to profit or loss	(8)	(8)	4
Items that will not be reclassified to profit or loss		**54**	**(40)**
of which from equity-accounted investments	*(13)*	-	-
Fair value adjustments on available-for-sale assets		-	-
Fair value adjustments on cash flow hedge derivatives	(13)	5	(3)
Currency translation adjustments (*)	(23)	(233)	115
Income tax relating to items that may be reclassified to profit or loss	(8)	-	-
Items that may be reclassified to profit or loss		**(228)**	**112**
of which from equity-accounted investments	*(13)*	*(41)*	*58*
TOTAL COMPREHENSIVE INCOME		**311**	**375**
Attributable to:			
• Equity holders of the parent		305	359
• Non controlling interests		6	16
Total comprehensive income attributable to equity shareholders arises from:			
• Continuing operations		253	294
• Discontinued operations		52	65
Total comprehensive income attributable to non controlling interests arises from:			
• Continuing operations		6	16
• Discontinued operations		-	-

(*) Includes currency translation adjustments on actuarial gains and losses for €5 million as of 31 March 2018 (€8 million as of 31 March 2017).

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED **BALANCE SHEET**

Assets

(in € million)	Note	At 31 March 2018	At 31 March 2017
Goodwill	(11)	1,422	1,513
Intangible assets	(11)	410	395
Property, plant and equipment	(12)	831	749
Investments in joint-venture and associates	(13)	533	2,755
Non consolidated investments	(14)	58	55
Other non-current assets	(15)	277	316
Deferred Tax	(8)	224	189
Total non-current assets		**3,755**	**5,972**
Inventories	(17)	1,146	916
Construction contracts in progress, assets	(18)	2,675	2,834
Trade receivables	(19)	1,589	1,693
Other current operating assets	(20)	1,328	1,365
Other current financial assets	(25)	8	8
Cash and cash equivalents	(26)	1,231	1,563
Total current assets		**7,977**	**8,379**
Assets held for sale	(13)	2,390	10
TOTAL ASSETS		**14,122**	**14,361**

Equity and Liabilities

(in € million)	Note	At 31 March 2018	At 31 March 2017
Equity attributable to the equity holders of the parent	(23)	3,966	3,661
Non controlling interests		61	52
Total equity		**4,027**	**3,713**
Non current provisions	(22)	530	614
Accrued pensions and other employee benefits	(29)	468	526
Non-current borrowings	(27)	952	1,362
Non-current obligations under finance leases	(27)	212	233
Deferred Tax	(8)	22	23
Total non-current liabilities		**2,184**	**2,758**
Current provisions	(22)	313	250
Current borrowings	(27)	525	416
Current obligations under finance leases	(27)	18	28
Construction contract in progress, Liabilities	(18)	4,147	4,486
Trade payables		1,346	1,029
Other current liabilities	(21)	1,555	1,674
Total current liabilities		**7,904**	**7,883**
Liabilities related to assets held for sale	(9)	7	7
TOTAL EQUITY AND LIABILITIES		**14,122**	**14,361**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED **STATEMENT OF CASH FLOWS**

		Year ended	
(in € million)	Note	31 March 2018	31 March 2017
Net profit		**485**	**303**
Depreciation, amortisation and impairment	(11)/(12)	161	157
Expense arising from share-based payments	(31)	18	10
Cost of net financial debt and costs of foreign exchange hedging, net of interest paid and received (a), and other change in provisions		5	1
Post-employment and other long-term defined employee benefits	(29)	19	2
Net (gains)/losses on disposal of assets		2	(77)
Share of net income (loss) of equity-accounted investments (net of dividends received)	(13)	(197)	(75)
Deferred taxes charged to income statement	(8)	(52)	(24)
Net cash provided by operating activities – before changes in working capital		**441**	**297**
Changes in working capital resulting from operating activities (b)	**(16)**	**(33)**	**104**
Net cash provided by/(used in) operating activities		**408**	**401**
Of which operating flows provided/(used) by discontinued operations	*(9)*	-	*(7)*
Proceeds from disposals of tangible and intangible assets		3	1
Capital expenditure (including capitalised R&D costs)		(283)	(220)
Increase/(decrease) in other non-current assets	(15)	21	43
Acquisitions of businesses, net of cash acquired		(4)	(78)
Disposals of businesses, net of cash sold	(9)	(80)	(93)
Net cash provided by/(used in) investing activities		**(343)**	**(347)**
Of which investing flows provided/(used) by discontinued operations	*(9)*	*(82)*	*(68)*
Capital increase/(decrease) including non controlling interests		47	12
Dividends paid including payments to non controlling interests		(60)	(11)
Repayments of bonds & notes issued	(27)	(272)	(453)
Changes in current and non-current borrowings	(27)	7	33
Changes in obligations under finance leases	(27)	(27)	(45)
Changes in other current financial assets and liabilities		-	(10)
Net cash provided by/(used in) financing activities		**(305)**	**(474)**
Of which financing flows provided/(used) by discontinued operations	*(9)*	-	*3*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(240)**	**(420)**
Cash and cash equivalents at the beginning of the period		1,563	1,961
Net effect of exchange rate variations		(92)	17
Other changes		-	4
Transfer to assets held for sale		-	1
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(26)**	**1,231**	**1,563**
(a) Net of interests paid & received		(66)	(115)
(b) Income tax paid		(93)	(87)

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Net cash/(debt) variation analysis (*)		
Changes in cash and cash equivalents	(240)	(420)
Changes in other current financial assets and liabilities	-	10
Changes in bonds and notes	272	453
Changes in current and non-current borrowings	(7)	(33)
Changes in obligations under finance leases	27	45
Transfer to assets held for sale	-	3
Net debt of acquired/disposed entities at acquisition/disposal date and other variations	(99)	(63)
Decrease/(increase) in net debt	**(47)**	**(5)**
Net cash(debt) at the begining of the period	**(208)**	**(203)**
NET CASH/(DEBT) AT THE END OF THE PERIOD	**(255)**	**(208)**

(*) The net cash/(debt) is defined as cash and cash equivalents, marketable securities and other current financial assets and non-current financial assets directly associated to liabilities included in financial debt (see Note 15), less financial debt (see Note 27).

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Actuarial gains and losses	Cash-flow hedge	Currency translation adjustment	Equity attributable to the equity holders of the parent	Non controlling interests	Total equity
At 31 March 2016	**219,127,044**	**1,534**	**884**	**1,608**	**(290)**	**4**	**(461)**	**3,279**	**49**	**3,328**
Movements in other comprehensive income	-	-	-	-	(32)	(3)	105	70	2	72
Net income for the period	-	-	-	289	-	-	-	289	14	303
Total comprehensive income	**-**	**-**	**-**	**289**	**(32)**	**(3)**	**105**	**359**	**16**	**375**
Change in controlling interests and others	-	-	-	1	-	-	4	5	(4)	1
Dividends	-	-	-	-	-	-	-	-	(5)	(5)
Issue of ordinary shares under long term incentive plans	214,918	2	-	-	-	-	-	2	-	2
Recognition of equity settled share-based payments	369,868	2	6	8	-	-	-	16	-	16
At 31 March 2017	**219,711,830**	**1,538**	**890**	**1,906**	**(322)**	**1**	**(352)**	**3,661**	**52**	**3,713**
Movements in other comprehensive income	-	-	-	-	59	5	(234)	(170)	(4)	(174)
Net income for the period	-	-	-	475	-	-	-	475	10	485
Total comprehensive income	**-**	**-**	**-**	**475**	**59**	**5**	**(234)**	**305**	**6**	**311**
Change in controlling interests and others	-	-	-	1	-	-	(1)	-	10	10
Dividends	-	-	-	(55)	-	-	-	(55)	(7)	(62)
Issue of ordinary shares under long term incentive plans	1,020,164	7	-	(7)	-	-	-	-	-	-
Recognition of equity settled share-based payments	1,478,477	10	27	18	-	-	-	55	-	55
AT 31 MARCH 2018	**222,210,471**	**1,555**	**917**	**2,338**	**(263)**	**6**	**(587)**	**3,966**	**61**	**4,027**

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Alstom is a leading player in the world rail transport industry. As such, the Company offers a complete range of solutions, including rolling stock, systems, services as well as signalling for passenger and freight railway transportation. It benefits from a growing market with solid fundamentals. The key market drivers are urbanisation, environmental concerns, economic growth, governmental spending and digital transformation.

In this context, Alstom has been able to develop both a local and global presence that sets it apart from many of its competitors, while offering proximity to customers and great industrial flexibility. Its range of solutions, one of the most complete and integrated on the market, and its position as a technological leader, place Alstom in a unique situation to benefit from the worldwide growth in the rail transport market. Lastly, in order to generate profitable growth, Alstom focuses on operational excellence and its product mix evolution.

The consolidated financial statements are presented in euro and have been authorised for issue by the Board of Directors held on 15 May 2018. In accordance with French legislation, they will be final once approved by the shareholders of Alstom at the Annual General Meeting convened for 17 July 2018.

A. MAJOR EVENTS AND CHANGES IN SCOPE OF CONSOLIDATION

NOTE 1 • MAJOR EVENTS AND MAJOR CHANGES IN SCOPE OF CONSOLIDATION

1.1. Combination of Siemens and Alstom's mobility businesses

On 26 September 2017, Siemens and Alstom signed a Memorandum of Understanding to combine Siemens' mobility business including its rail traction drives business with Alstom. The transaction brings together two innovative players of the railway market with unique customer value and operational potential. The two businesses are largely complementary in terms of activities and geographies.

On 23 March 2018, Siemens and Alstom signed a Business Combination Agreement (BCA). The BCA sets forth the terms and conditions agreed upon by the two companies and follows the conclusion of the required works council information and consultation process at Alstom regarding the proposed deal.

The combined entity will offer a significantly increased range of diversified product and solution offerings to meet multi-facetted, customer-specific needs, from cost-efficient mass-market platforms to high-end technologies. The global footprint enables the merged company to access growth markets in Middle East and Africa, India, and Middle and South America where Alstom is present, and China, United States and Russia where Siemens is present. Customers will significantly benefit from a well-balanced larger geographic footprint, a comprehensive portfolio offering and significant investment into digital services. The combination of know-how and innovation power of both companies will drive crucial innovations, cost efficiency and faster response, which will allow the combined entity to better address customer needs.

The transaction, supported by Bouygues, is subject to the approval of Alstom shareholders at the Company's Shareholders' Meeting, planned to be held in July 2018. The transaction is also subject to approval by relevant regulatory authorities, including foreign investment clearance by the French Ministry for the Economy and Finance and approval by anti-trust authorities as well as the confirmation by the French capital market authority (AMF) that no mandatory takeover offer has to be launched by Siemens following completion of the contribution. Siemens has already initiated the internal carve-out process of its mobility business and other related businesses in order to prepare for the combination with Alstom.

As per the Business Combination Agreement signed on 23 March 2018 with Siemens, Alstom took the formal commitment to exercise its put options on Grid and Renewable Alliances in September 2018. In anticipation, Alstom informed GE in January 2018 of its intention to exercise them in September 2018. As a consequence, Grid and Renewable Alliances have been reclassified in Assets held for sale for a total amount of €2,382 million. Alstom has also informed GE of its intention to exercise the put option with respect to the Nuclear joint venture in the first quarter of 2021.

The costs already incurred by the Group in relation with the transaction with Siemens during fiscal year 2017/18 have been accounted for in these consolidated financial statements.

1.2. Scope of consolidation

Madhepura Electric Locomotive Private Limited

As provided for in the agreement, Indian Railways subscribed entirely, in 2017, to the capital increase made by Madhepura Electric Locomotive Private Limited for €14 million. Therefore, Alstom's interests in this entity decrease from 100% to 74%.

B. ACCOUNTING POLICIES AND USE OF ESTIMATES

NOTE 2 • ACCOUNTING POLICIES

2.1. Basis of preparation of the consolidated financial statements

Alstom consolidated financial statements, for the year ended 31 March 2018, are presented in millions of euros and have been prepared:

- in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) and endorsed by the European Union and whose application was mandatory as at 31 March 2018;
- using the same accounting policies and measurement methods as at 31 March 2017, with the exceptions of changes required by the enforcement of new standards and interpretations presented here after.

The full set of standards endorsed by the European Union can be consulted at:

http://www.efrag.org/Endorsement

2.1.1. IFRS 15 Revenue from contracts with customers

The standard will be applicable for annual periods beginning after 1 January 2018.

Context

On 22 September 2016, European Union endorsed IFRS 15 Revenue from Contracts with Customers (issued by IASB on 28 May 2014), which supersedes IAS 11 on Construction Contracts, IAS 18 on Revenue for the sale of goods and the rendering of services, as well as other related interpretations. The new standard becomes effective for Alstom for fiscal year beginning on 1 April 2018.

Transition method elected

Alstom has elected to apply the full retrospective method. Accordingly, opening equity at 1 April 2017 will be restated, and the 2018/19 consolidated financial statements will include restated comparative data for fiscal year 2017/18 to reflect the impact of applying IFRS 15.

Estimated impacts on equity restatement

Based on analyses performed so far, Alstom achieved several qualitative and quantitative conclusions:

- The identification of performance obligations does not lead to significant changes *versus* current practice.
- Most of construction contracts as well as long term service agreements fulfill the requirements for revenue recognition over time and will remain accounted for under the percentage of completion method. Nevertheless, the percentage of completion method used by Alstom will change. Currently, the stage of completion on construction contracts and long-term service agreements is assessed upon the milestones method which ascertains the stage of completion of a physical proportion of the contract work or the performance of services provided in the agreement. Under IFRS 15, the percentage of completion method retained will be the cost to cost method: revenue will be recognised for each performance obligation based on the percentage of costs incurred to date divided by the total costs expected at completion. For each contract, depending on the stage of completion and the milestones reached compared to the costs incurred to date, this change in method will impact the phasing in the recognition of revenue and margin from one period to another. The analysis performed on the current portfolio of contracts should reduce equity at the opening date of 1 April 2017 from approximately €190 million.
- Moreover, the new standard puts additional constraint on the transaction price estimates and especially on variable consideration and contract modifications. The estimation of the transaction price should include variable amounts and/or contract modifications to the extent that it is highly probable that no significant reversal in the amount of cumulative revenues recognised will occur when the uncertainty associated with these elements is subsequently resolved. The introduction of this constraint on the price escalation estimate on the one hand, as well as the incorporation of amendments under negotiation on the other hand, will lead to recognise these effects on contract value at a later point in time, when they become enforceable. This will thus have the effect of deferring revenue and margin and contribute to reduce equity at restatement date by approximatively €80 million for price escalation estimate and €180 million for contract amendments.
- No significant financial component on orders has been identified except for one contract, since timing of cash receipts and revenue recognition under cost to cost method do not differ substantially. This leads to no effect on equity at restatement date.

Based on analysis performed so far, the impact of applying IFRS 15 is expected to result in an aggregate reduction of equity of approximatively €450 million at transition at 1 April 2017; these amounts are not representative of the standard's impact on the financial statements of future periods.

It must be underlined that these estimates may evolve as the impact assessment is being finalised.

As a conclusion, while these changes may have an impact on the timing of revenues and margins and result in a reduction of equity at the date of restatement, the new standard does not affect the cash position of the contracts and has no impact on the economy of the contracts at completion.

Estimated impacts on Balance sheet presentation

Besides, changes to the balance sheet presentation are also expected due to IFRS 15 implementation.

The Balance sheet at 1 April 17 restated appears as follows:

(in € billion)	At 31 March 2017	Restat.	At 31 March 2017 IFRS 15
Goodwill	1.5	-	1.5
Intangible assets	0.4	-	0.4
Property, plant and equipment	0.7	-	0.7
Investments in joint-venture and associates	2.8	-	2.8
Non consolidated investments	0.1	-	0.1
Other non-current assets	0.3	-	0.3
Deferred Tax	0.2	0.1	0.3
Total non-current assets	**6.0**	**0.1**	**6.1**
Inventories	0.9	0.4	1.3
Construction contracts in progress, assets	2.8	(2.8)	-
Cost to fulfill a contract	-	-	-
Contract assets	-	1.1	1.1
Trade receivables	1.7	0.2	1.9
Other current operating assets	1.4	-	1.4
Other current financial assets	-	-	-
Cash and cash equivalents	1.6	-	1.6
Total current assets	**8.4**	**(1.1)**	**7.3**
Assets held for sale	-	-	-
TOTAL ASSETS	**14.4**	**(1.0)**	**13.4**

(in € billion)	At 31 March 2017	Restat.	At 31 March 2017 IFRS 15
Equity attributable to the equity holders of the parent	3.7	(0.5)	3.2
Non controlling interests	-	-	-
Total equity	**3.7**	**(0.5)**	**3.2**
Non current provisions	0.6	-	0.6
Accrued pensions and other employee benefits	0.5	-	0.5
Non-current borrowings	1.4	-	1.4
Non-current obligations under finance leases	0.3	-	0.3
Deferred Tax	-	-	-
Total non-current liabilities	**2.8**	**-**	**2.8**
Current provisions	0.2	0.6	0.8
Current borrowings	0.4	-	0.4
Current obligations under finance leases	-	-	-
Construction contract in progress, Liabilities	4.5	(4.5)	-
Contract liabilities	-	3.1	3.1
Trade payables	1.1	-	1.1
Other current liabilities	1.7	0.3	2.0
Total current liabilities	**7.9**	**(0.5)**	**7.4**
Liabilities related to assets held for sale	-	-	-
TOTAL EQUITY AND LIABILITIES	**14.4**	**(1.0)**	**13.4**

Main adjustments can be rationalised in the following way:

- With respect to the constructions contracts and long term service agreement, the captions "Construction contracts in progress, assets" and "Construction contracts in progress, liabilities" disappear. The advance payments received from customers were presented exclusively in the aggregate "construction contracts in progress, liabilities".
- New aggregates called "contract assets" and "contract liabilities" will be disclosed for constructions contracts and long term service agreement in progress and will be determined on a contract-by contract basis. The aggregate "contract assets" correspond to the unbilled part of revenues recognised to date net of the advance payments received from customers. Unbilled part of revenue corresponds to revenue recognised to date in excess of progress billings. On the contrary,

when progress billings are in excess of revenue recognised to date, the net amount will be accounted for as deferred income and aggregated with the related advance payments received from customers under the caption "contract liabilities".

- In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the present obligations under contracts remain measured using the same valuation principles. They will be presented as current provisions and no longer in construction contracts in progress (as per former IAS 11 application).
- For costs incurred in fulfilling a contract with a customer that are within the scope of other standards, namely IAS 2 "Inventories", IAS 16 "Property, Plant and Equipment", IAS 38 "Intangible assets", these costs should be accounted for in accordance with those other standards that apply primarily. For other costs incurred in fulfilling a contract that are not within the scope of the standards stated above, those costs should be accounted for under a new caption called "costs to fulfil a contract" when eligible for capitalisation. Therefore, related amounts in construction contracts in progress have been reclassified accordingly.

Other topics

- Under IFRS 15, quantitative and qualitative disclosures are requested on transaction price allocated to the remaining performance obligations, which corresponds to Alstom's definition of order backlog as reported in Management Report.
- Order backlog represents sales not yet recognised from orders already received. Order backlog at the end of a financial year is computed as follows:
  - order backlog at the beginning of the year;
  - plus new orders received during the year;
  - less sales recognised during the year;
  - plus/Less adjustments on transaction price (including cancellations of orders, changes in scope of consolidation, contract price adjustments, foreign currency translation effects…).
- The change in percentage of completion method from milestones to cost to cost, as well as the deferral of revenue at a later point in time for price escalation estimates and contract amendments, should result in a new valuation of the order backlog to approximatively €36.9 billion at 1 April 2017.

2.1.2. IFRS 9 Financial instruments

IFRS 9 Financial instruments includes revised guidance on the classification and measurement of the financial instruments, as well as impairment on financial assets and also introduces new general hedge accounting requirements.

This new standard becomes effective for Alstom for fiscal year starting 1 April 2018. The review and analysis of this standard is still in progress, but the Group does not at this stage anticipate any material impact on its consolidated financial statements.

Nevertheless, two options have been already elected:

- In the course of its operations, the Group is exposed to currency risk arising from awarded contracts in foreign currency: future cash in but also future cash out transactions. Thus, the Group puts in place a significant volume of hedges at inception of the contract to cover these exposures applying fair value hedge accounting. When Alstom designates only foreign exchange spot changes as hedged item, the cost of hedging approach will be retained, allowing the Group to recognise the change in fair value of forward points in Other Comprehensive Income (rather than in income statement under IAS 39).
- For the portfolio of non-consolidated investments (previously designated as available for sale financial assets), Alstom has elected to record the change in fair value on these investments through Other Comprehensive Income with no subsequent recycling in income statement

Finally, the new standard modifies the recognition of the credit risk related to financial assets and especially trade receivables, moving from the incurred loss approach to an expected loss approach. Nevertheless, from the Group perspective, the application of IFRS 9 impairment's requirements will result in no material impact over the impairment already accounted for under IAS 39. Indeed, impairment losses will continue to be determined considering the risk of non-recovery on a case-by-case basis. Due to the type of business operated by the Group as well as the customers profile (see Note 28.4 on Credit risk management), past due receivables are mostly representative of outstanding amounts confirmed by customers but whose payments is subject of clearance of items raised during inspection of the works. Such receivables do remain fully recoverable.

2.1.3. New standards and interpretations mandatorily applicable for financial periods beginning on 1 April 2017

Several amendments are applicable at 1 April 2017:

- Amendments to IAS 7: Disclosure initiative;
- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses;
- Annual Improvements to IFRS 2014-2016 Cycle.

All these amendments effective at 1 April 2017 for Alstom do not have any material impact on the Group's consolidated financial statements.

2.1.4. New standards and interpretations not yet mandatorily applicable

New standards and interpretations endorsed by the European Union not yet mandatorily applicable

- IFRS 16 Leases. The standard will be applicable for annual periods beginning after 1 January 2019;
- Amendments to IFRS 2 Classification and measurement of share-based payment transactions. The amendments will be applicable for annual periods beginning after 1 January 2018.

New standards and interpretations not yet approved by the European Union and not yet mandatorily applicable

- IFRIC 22 Foreign currency transactions and advance consideration. The interpretation will be applicable for annual periods beginning after 1 January 2018;
- IFRIC 23 Uncertainty over income tax treatments. The interpretation will be applicable for annual periods beginning after 1 January 2019;
- Amendments to IAS 28: Long-term interests in associates and joint ventures. The amendments will be applicable for annual periods beginning after 1 January 2019;
- Annual improvement to IFRS Standards 2015-2017 cycle will be applicable for annual periods beginning after 1 January 2019;
- Amendments to IAS 19: Plan Amendment, curtailment or settlement. The amendments will be applicable for annual periods beginning after 1 January 2019;
- Amendments to References to the Conceptual Framework in IFRS Standards. The amendments will be applicable for annual periods beginning after 1 January 2020.

The potential impacts of these new pronouncements are currently being analysed.

2.2. Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make various estimates and to use assumptions regarded as realistic and reasonable. These estimates or assumptions could affect the value of the Group's assets, liabilities, equity, net income and contingent assets and liabilities at the closing date. Management reviews estimates on an on-going basis using information currently available. Actual results may differ from those estimates, due to changes in facts and circumstances.

The accounting policies most affected by the use of estimates are the following:

Revenue and margin recognition on construction and long-term service contracts and related provisions

The Group recognises revenue and gross margin on construction and long-term service contracts using the percentage of completion method based on milestones; in addition, when a project review indicates a negative gross margin, the estimated loss at completion is immediately recognised.

Recognised revenue and margin are based on estimates of total expected contract revenue and cost, which are subject to revisions as the contract progresses. Total expected revenue and cost on a contract reflect management's current best estimate of the probable future benefits and obligations associated with the contract.

Assumptions to calculate present and future obligations take into account current technology as well as the commercial and contractual positions, assessed on a contract-by-contract basis. The introduction of technologically-advanced products exposes the Group to risks of product failure significantly beyond the terms of standard contractual warranties applicable to suppliers of equipment only.

Obligations on contracts may result in penalties due to late completion of contractual milestones, or unanticipated costs due to project modifications, suppliers or subcontractors' failure to perform or delays caused by unexpected conditions or events. Warranty obligations are affected by product failure rates, material usage and service delivery costs incurred in correcting failures.

Although the Group makes individual assessments on contracts on a regular basis, there is a risk that actual costs related to those obligations may exceed initial estimates. Estimates of contract costs and revenues at completion in case of contracts in progress and estimates of provisions in case of completed contracts may then have to be re-assessed.

Estimate of provisions relating to litigations

The Group identifies and analyses on a regular basis current litigations and measures, when necessary, provisions on the basis of its best estimate of the expenditure required to settle the obligation at the balance sheet date. These estimates take into account information available and different possible outcomes.

Valuation of deferred tax assets

Management judgment is required to determine the extent to which deferred tax assets can be recognised. Future sources of taxable income and the effects of the Group global income tax strategies are taken into account in making this determination. This assessment is conducted through a detailed review of deferred tax assets by jurisdiction and takes into account past, current and future performance deriving from the existing contracts in the order book, the budget and the three-year plan, and the length of carry back, carry forwards and expiry periods of net operating losses.

Measurement of post-employment and other long-term defined employee benefits

The measurement of obligations and assets related to defined benefit plans makes it necessary to use several statistical and other factors that attempt to anticipate future events. These factors include assumptions about the discount rate, the rate of future compensation increases as well as withdrawal and mortality rates. If actuarial assumptions materially differ from actual results, it could result in a significant change in the employee benefit expense recognised in the income statement, actuarial gains and losses recognised in other comprehensive income and prepaid and accrued benefits.

Valuation of assets

The discounted cash flow model used to determine the recoverable value of the group of cash generating unit to which goodwill is allocated includes a number of inputs including estimates of future cash flows, discount rates and other variables, and then requires significant judgment.

Impairment tests performed on intangible and tangible assets are also based on assumptions. Future adverse changes in market conditions or poor operating results from underlying assets could result in an inability to recover their current carrying value.

Inventories

Inventories, including work in progress, are measured at the lower of cost and net realisable value. Write-down of inventories are calculated based on an analysis of foreseeable changes in demand, technology or market conditions in order to determine obsolete or excess inventories. If actual market conditions are less favourable than those projected, additional inventory write-downs may be required.

2.3. Significant accounting policies

2.3.1. Consolidation methods

Subsidiaries

Subsidiaries are entities over which the Group exercises control.

The Group controls an entity when (i) it has power over this entity, (ii) is exposed to or has rights to variable returns from its involvement with that entity, and (iii) has the ability to use its power over that entity to affect the amount of those returns.

Subsidiaries are fully consolidated in the consolidated financial statements from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

Inter-company balances and transactions are eliminated.

Non-controlling interests in the net assets of consolidated subsidiaries are identified in a specific line of the equity named "Non-controlling interests". Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. In the absence of explicit agreements to the contrary, subsidiaries' losses are systematically allocated between equity holders of the parent and non-controlling interests based on their respective ownership interests even if this results in the non-controlling interests having a deficit balance.

Transactions with non-controlling interests that do not result in loss of control are considered as transactions between shareholders and accounted for in equity.

Joint arrangements

Joint arrangements are the entities over which the Group has joint control.

The Group jointly controls an entity when decisions relating to the relevant activities of that entity require unanimous consent of the Group and the other parties who share control.

A joint arrangement is classified either as a joint operation or as a joint venture. The classification is based on the rights and obligations of the parties to the arrangement, taking into consideration the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances (see also Note 13).

Joint operations

Joint operations are entities in which the Group has rights to the assets and obligations for the liabilities.

The Group recognises the assets, liabilities, revenues and expenses related to its interests in the joint operation. A joint operation may be conducted under a separate vehicle or not.

Joint ventures

Joint ventures are entities in which the Group only has rights to the net assets.

Interests in joint ventures are consolidated under the equity method as described in the paragraph below.

Investments in associates

Associates are entities over which the Group has significant influence. In other words, the Group has the possibility to participate in decisions related to these entities' financial and operating policies without having control (exclusive or joint).

Generally, the existence of significant influence is consistent with a level of voting right held by the Group between 20% and 50%.

If need be, accounting policies of associates will be standardised with the Group accounting policies.

Interests in associates are consolidated under the equity method in the consolidated financial statements as described in the paragraph below.

Equity method

The Group accounts for its interests in associates and joint ventures under the equity method. Wherever necessary, accounting policies of associates and joint ventures have been changed to ensure consistency with the IFRS framework.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost, including any goodwill arising and transaction costs. Earn-outs are initially recorded at fair value and adjustments recorded through cost of investment when their payments are probable and can be measured with sufficient reliability.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. In case of an associate or joint venture purchased by stage, the Group uses the cost method to account for changes from available for sale (AFS) category to "Investments in joint ventures and associates".

Associates and joint ventures are presented in the specific line "Investments in joint ventures and associates" of the balance sheet, and the Group's share of its associates' profits or losses is recognised in the line "Share of net income of equity-accounted investments" of the income statement whereas its share of post-acquisition movements in reserves is recognised in reserves.

Losses of an associate or joint venture in excess of the Group's interest in that associate or joint venture are not recognised, except if the Group has a legal or implicit obligation.

The impairment expense of investments in associates and joint ventures is recorded in the line "Share of net income of equity-accounted investments" of the income statement.

According to IAS 28, if the financial statements of an associate used in applying the equity method are prepared as of a different date from that of the investor, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements. In any case, the difference between the end of the reporting period of the associate and that of the investor shall be no more than three months.

According to IAS 39, liquidity rights related to Energy alliances are booked at fair market value without external model based on observable factors, taking into account internal assumptions. These put options are considered and accounted for by the Group as share derivatives under cash flow hedge. This liquidity rights are accounted for as part as the joint venture caption on the line "investments in joint-ventures and associates".

2.3.2. Assets held for sale

Non-current assets held for sale are presented on a separate line of the balance sheet when (i) the Group has made a decision to sell the asset(s) concerned and (ii) the sale is considered to be highly probable. These assets are measured at the lower of net carrying amount and fair value less costs to sell.

When the Group is committed to a sale process leading to the loss of control of a subsidiary, all assets and liabilities of that subsidiary are reclassified as held for sale, irrespective of whether the Group retains a residual interest in the entity after sale.

2.3.3. Cash flow hedge

When cash flow hedge applies, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.

If a hedge of a forecast transaction subsequently resulting in the recognition of a non-financial asset qualifies for cash flow hedge, then the entity shall reclassify the associated gains and losses that were recognised in other comprehensive income to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

2.3.4. Translation of financial statements denominated in currencies other than euro

Functional currency is the currency of the primary economic environment in which a reporting entity operates, which in most cases, corresponds to the local currency. However, some reporting entities may have a functional currency different from local currency when that other currency is used for the entity's main transactions and faithfully reflects its economic environment.

Assets and liabilities of entities whose functional currency is other than the euro are translated into euro at closing exchange rate at the end of each reporting period while their income and cash flow statements are translated at the average exchange rate for the period. The currency translation adjustments resulting from the use of different currency rates for opening balance sheet positions, transactions of the period and closing balance sheet positions are recorded in other comprehensive income. Translation adjustments are transferred to the consolidated income statement at the time of the disposal of the related entity.

Goodwill and fair value adjustments arising from the acquisition of entities whose functional currency is not euro are designated as assets and liabilities of those entities and therefore denominated in their functional currencies and translated at the closing rate at the end of each reporting period.

2.3.5. Business combinations

Business combinations completed between the 1 January 2004 and the 31 March 2010 have been recognised applying the provisions of the previous version of IFRS 3.

Business combinations completed from the 1 April 2010 onwards are recognised in accordance with IFRS 3R.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the sum of fair values of the assets transferred and the liabilities incurred by the acquirer at the acquisition date and the equity-interest issued by the acquirer. The consideration transferred includes contingent consideration, measured and recognised at fair value at the acquisition date.

For each business combination, any non-controlling interest in the acquiree may be measured:

- either at the acquisition-date fair value, leading to the recognition of the non-controlling interest's share of goodwill (full goodwill method) or;
- either at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, resulting in recognition of only the share of goodwill attributable to equity holders of the parent (partial goodwill method).

Acquisition-related costs are recorded as an expense as incurred.

Goodwill arising from a business combination is measured as the difference between:

- the fair value of the consideration transferred for an acquiree plus the amount of any non-controlling interests of the acquiree and;
- the net fair value of the identifiable assets acquired and liabilities assumed at the acquisition date.

Initial estimates of consideration transferred and fair values of assets acquired and liabilities assumed are finalised within twelve months after the date of acquisition and any adjustments are accounted for as retroactive adjustments to goodwill. Beyond this twelve-month period, any adjustment is directly recognised in the income statement.

Earn-outs are initially recorded at fair value and adjustments made beyond the twelve-month measurement period following the acquisition are systematically recognised through profit or loss.

In case of a step-acquisition that leads to the Group acquiring control of the acquiree, the equity interest previously held by the Group is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

2.3.6. Sales and costs generated by operating activities

Measurement of sales and costs

The amount of revenue arising from a transaction is usually determined by the contractual agreement with the customer. In the case of construction contracts, claims are considered in the determination of contract revenue only when it is highly probable that the claim will result in additional revenue and the amount can be reliably estimated.

Penalties are taken into account in reduction of contract revenue as soon as they are probable.

Production costs include direct costs (such as material, labour and warranty costs) and indirect costs. Warranty costs are estimated on the basis of contractual agreement, available statistical data and weighting of all possible outcomes against their associated probabilities. Warranty periods may extend up to five years. Selling and administrative expenses are excluded from production costs.

Recognition of sales and costs

Revenue on sale of manufactured products is recognised according to IAS 18, *i.e.* essentially when the significant risks and rewards of ownership are transferred to the customer, which generally occurs on delivery. Revenue on short-term service contracts is recognised on performance of the related service. All production costs incurred or to be incurred in respect of the sale are charged to cost of sales at the date of recognition of sales.

Revenue on construction contracts and long-term service agreements is recognised according to IAS 11 based on the percentage of completion method: the stage of completion is assessed by milestones which ascertain the completion of a physical proportion of the contract work or the performance of services provided for in the agreement. The revenue for the period is the excess of revenue measured according to the percentage of completion over the revenue recognised in prior periods.

Cost of sales on construction contracts and long-term service agreements is computed on the same basis. The cost of sales for the period is the excess of cost measured according to the percentage of completion over the cost of sales recognised in prior periods. As a consequence, adjustments to contract estimates resulting from work conditions and performance are recognised in cost of sales as soon as they occur, prorated to the stage of completion.

When the outcome of a contract cannot be estimated reliably but the contract overall is expected to be profitable, revenue is still recognised based on milestones, but margin at completion is adjusted to nil.

When it is probable that contract costs at completion will exceed total contract revenue, the expected loss at completion is recognised immediately as an expense.

Bid costs are directly recorded as expenses when a contract is not secured.

2.3.7. Impairment of goodwill, tangible and intangible assets

Assets that have an indefinite useful life – mainly goodwill and intangible assets not yet ready to use – are not amortised but tested for impairment at least annually or when there are indicators that they may be impaired. Other intangible and tangible assets subject to amortisation are tested for impairment only if there are indicators of impairment.

The impairment test methodology is based on a comparison between the recoverable amount of an asset and its net carrying value. If the recoverable amount of an asset or a cash-generating unit (CGU) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognised immediately in the income statement. In the case of goodwill allocated to a group of CGUs, the impairment loss is allocated first to reduce the carrying amount of goodwill and then to the other assets on a pro-rata basis of the carrying amount of each asset.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. If an asset does not generate cash inflows that are largely independent of other assets or groups of assets, the recoverable amount is determined for a cash-generating unit.

The recoverable amount is the higher of fair value less costs to sell and value in use. The value in use is elected as representative of the recoverable value. The valuation performed is based upon the Group's internal three-year business plan. Cash flows beyond this period are estimated using a perpetual long-term growth rate for the subsequent years. The recoverable amount is the sum of the discounted cash flows and the discounted terminal residual value. Discount rates are determined using the weighted-average cost of capital.

Impairment losses recognised in respect of goodwill cannot be reversed. The impairment losses recognised in respect of other assets than goodwill may be reversed in a later period and recognised immediately in the income statement. The carrying amount is increased to the revised estimate of recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognised in prior years.

C. SEGMENT INFORMATION

NOTE 3 • SEGMENT INFORMATION

The Group organisation, customer focused and also influenced by an increasing number of integrated services, leading to complete and turnkey solutions, leads to present financial information issued through various axes of analysis (regions, sites, contracts, functions and products). None of these axes allow for a comprehensive operating profit and loss measure nor segment assets and liabilities.

The segment information issued to the Alstom Executive Committee, identified as the Group's Chief Operating Decisions Maker (CODM) presents Key Performance Indicators at Group level. Strategic decisions and resource allocation are driven based on this reporting. The segment information has been adapted according to a similar method as those used to prepare the consolidated financial statements.

3.1. Sales by product

	Year ended	
(in € million)	**31 March 2018**	**31 March 2017**
Rolling stock	3,464	3,170
Services	1,480	1,468
Systems	1,691	1,286
Signalling	1,316	1,382
TOTAL GROUP	**7,951**	**7,306**

3.2. Key indicators by geographic area

Sales by country of destination

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Europe	3,938	4,104
of which France	*1,074*	*1,372*
Americas	1,531	1,247
Asia & Pacific	974	702
Middle-East & Africa	1,508	1,253
TOTAL GROUP	**7,951**	**7,306**

Non-current assets by country of origin

Non-current assets by country of origin are defined as non-current assets other than those related to financial debt, to employee defined benefit plans and deferred tax assets (See Section E).

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Europe	1,330	1,275
of which France	*596*	*548*
Americas	114	170
Asia/Pacific	219	180
Middle East/Africa	120	60
Total excluding alliances and goodwill	**1,783**	**1,685**
Alliances and goodwill (*)	**1,535**	**3,838**
TOTAL GROUP	**3,318**	**5,523**

(*) Reclassification of Alliances Grid and Renewable to Assets held for sale (see Note 13).

3.3. Information about major customers

No external customer represents individually 10% or more of the Group's consolidated sales.

D. OTHER INCOME STATEMENT

NOTE 4 • RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is expensed as incurred. Development costs are expensed as incurred unless the project they relate to meets the criteria for capitalisation (see Note 11). Research and Development costs cover also product sustainability costs booked when incurred.

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Research and development gross cost	(278)	(248)
Funding received	58	51
Research and development spending, net	**(220)**	**(197)**
Development costs capitalised during the period	81	70
Amortisation expense of capitalised development costs	(49)	(48)
RESEARCH AND DEVELOPMENT EXPENSES (IN P&L)	**(188)**	**(175)**

Alstom continued to invest further in the development of the Avelia™ range and notably, the very high-speed train of the future as well as the latest generation of Coradia Stream™ regional trains. Alstom further developed its zero-emission train Coradia i-Lint™ and the Citadis™ X05 light rail vehicle.

Investments in Alstom electric bus solution lead to the real-time testing of Aptis™, the 100% electric bus, in various locations across France and Germany.

The Group continued the development of the Urbalis™ Fluence signalling solution as well as the APS™ ground-level electrification solution used by tramways for application on the road in partnership with Volvo Group and the PINTA Shift2Rail, the next generation traction system.

NOTE 5 • SELLING AND ADMINISTRATIVE EXPENSES

Selling Costs are expenses incurred in the marketing and selling of a product or a service. Selling Costs typically include expenditure in the following departments: Market & Strategy, Sales & Business Development and Communication as well as the direct labour costs of operational population such as engineering working on the tendering phase.

Administrative Costs are structure and operational support costs. Administrative Costs include mostly expenditure of Headquarter and sites with a transverse role, in particular Finance, Human Resources, Legal and Information Systems departments.

Selling and administrative expenses are recognised in charges as incurred.

Effective control of the cost structure has contributed to constraint selling and administrative expenses in an increasing environment.

NOTE 6 • OTHER INCOME AND OTHER EXPENSES

Other income and expenses are representative of items which are inherently difficult to predict due to their unusual, irregular or non-recurring nature.

Other income may include capital gains on disposal of investments or activities and capital gains on disposal of tangible and intangible assets arising from activities disposed or facing restructuring plans, any income associated to past disposals as well as a portion of post-employment and other long-term defined employee benefits (plan amendments, impact of curtailments and settlements and actuarial gains on long-term benefits other than post-employment benefits).

Other expenses include capital losses on disposal of investments or activities and capital losses on disposal of tangible and intangible assets relating to activities facing restructuring plans as well as any costs associated to past disposals, restructuring costs, rationalisation costs, significant impairment losses on assets, costs incurred to realise business combinations and amortisation expense of assets exclusively acquired in the context of business combinations (technology, customer relationship, margin in backlog, margin on inventory), litigation costs that have arisen outside the ordinary course of business and a portion of post-employment and other long-term defined benefit expense.

	Year ended	
(in € million)	**31 March 2018**	**31 March 2017**
Capital gains/(losses) on disposal of business	3	2
Restructuring and rationalisation costs	(47)	(6)
Impairment loss and other	(89)	(59)
OTHER INCOME/(EXPENSE)	**(133)**	**(63)**

As at 31 March 2018, restructuring and rationalisation costs are mainly related to the adaptation of the means of production in certain countries, notably in UK, Brazil, and the US.

At 31 March 2018, impairment loss and other represent mainly:

- €(25) million of amortisation of intangible assets and integration costs related to business combinations, such as SSL, GE Signalling and Nomad;
- €(18) million related to legal proceedings that have arisen outside of the ordinary course of business;
- €(39) million of transaction costs related to Siemens combination (see Note 1).

NOTE 7 • FINANCIAL INCOME (EXPENSE)

Financial income and expense include:

- interest income representing the remuneration of the cash position;
- interest expense related to the financial debt (financial debt consists of bonds, other borrowings and lease-financing liabilities);
- other expenses paid to financial institutions for financing operations;
- cost of commercial and financial foreign exchange hedging (forward points);
- the financial component of the employee defined benefits expense (net interest income (expenses) and administration costs).

(in € million)	Year ended 31 March 2018	31 March 2017
Interest income	7	10
Interest expense on borrowings	(64)	(87)
NET FINANCIAL INCOME/(EXPENSES) ON DEBT	**(57)**	**(77)**
Net cost of foreign exchange hedging	(15)	(29)
Net financial expense from employee defined benefit plans	(13)	(12)
Other financial income/(expense)	(6)	(9)
NET FINANCIAL INCOME/(EXPENSES)	**(91)**	**(127)**

Net financial income/(expenses) on debt represent the cost of borrowings net of income from cash and cash equivalents. As at 31 March 2018, interest income totals €7 million, representing the remuneration of the Group's cash positions over the period, while interest expenses total €(64) million which correspond to cost of the external gross financial debt of the Group.

The net cost of foreign exchange hedging of €(15) million includes primarily the cost of carry (unrealised and realised forward points) of foreign exchange hedging implemented to hedge the exposures in foreign currency arising from commercial contracts

The net financial expense from employee defined benefit plans of €(13) million represents the interest costs on obligations net of interest income from fund assets calculated using the same discount rate.

Other net financial income/expenses of €(6) million include mainly bank fees and commitment fees paid on bonds and guarantees facilities, syndicated loans and revolving facilities.

NOTE 8 • TAXATION

The Group computes taxes in accordance with prevailing tax legislation in the countries where income is taxable.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Temporary differences arising between the carrying amount and the tax base of assets and liabilities, unused tax losses and unused tax credits are identified for each taxable entity (or each tax group when applicable). Corresponding deferred taxes are calculated at the enacted or substantively enacted tax rates that are expected to apply in the period when the asset is realised or the liability settled.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future against which the deductible differences, unused tax losses and unused tax credits can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of certain taxable temporary differences between the Group's share in the net assets in subsidiaries, joint arrangements and associates and their tax bases. The most common situation when such exception applies relates to undistributed profits of subsidiaries where distribution to the shareholders would trigger a tax liability: when the Group has determined that profits retained by the subsidiary will not be distributed in the foreseeable future, no deferred tax liability is recognised. Nevertheless, the exception is no more applicable to investments/subsidiaries being disposed since it becomes probable that the temporary difference will reverse in the foreseeable future with the sale of the subsidiaries. Therefore, in this specific case, deferred tax liabilities are recognised.

Deferred tax assets and liabilities are offset when both of the following conditions are met:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Deferred tax is charged or credited to net income, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is classified in other comprehensive income.

8.1. Analysis of income tax charge

The following table summarises the components of income tax charge:

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Current income tax charge	(125)	(100)
Deferred income tax charge	52	24
INCOME TAX CHARGE	**(73)**	**(76)**

The following table provides reconciliation from the income tax charge valued at the French statutory rate to the actual income tax charge, free of the temporary additional contributions:

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Pre-tax income	**290**	**231**
Statutory income tax rate of the parent company	34.43%	34.43%
Expected tax charge	**(100)**	**(80)**
Impact of:		
• Difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	27	32
• Changes in unrecognised deferred tax assets	55	(6)
• Changes in tax rates	(6)	(2)
• Additional tax expenses (withholding tax, CVAE in France and IRAP in Italy)	(41)	(23)
• Permanent differences and other	(8)	3
INCOME TAX CHARGE	**(73)**	**(76)**
Effective tax rate	**25%**	**33%**

The Group has taken into account for the financial year 2017/18 the change in the current tax rate in France, which should occur as of 1 April 2019 for Alstom, and also in the US current tax rate from 1 January 2018. The impact of current tax rates changes on the Group net profit is €(6) million, of which €(5) million related to the US.

8.2. Deferred tax assets and liabilities

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Deferred tax assets	224	189
Deferred tax liabilities	(22)	(23)
DEFERRED TAX ASSETS, NET	**202**	**166**

The following table summarises the significant components of the Group's net deferred tax assets:

(in € million)	At 31 March 2017	Change in P&L	Change in equity (*)	Translation adjustments and other changes	At 31 March 2018
Differences between carrying amount and tax basis of tangible and intangible assets	(46)	47	-	(3)	(2)
Accruals for employee benefit costs not yet deductible	44	(17)	(8)	(3)	16
Provisions and other accruals not yet deductible	91	6	-	(2)	95
Differences in recognition of margin on construction contracts	(52)	(8)	-	17	(43)
Tax loss carry forwards	132	28	-	(15)	145
Other	(3)	(4)	-	(2)	(9)
NET DEFERRED TAXES ASSET/ (LIABILITY)	**166**	**52**	**(8)**	**(8)**	**202**

(*) Mainly related to actuarial gains and losses directly recognised in equity.

(in € million)	At 31 March 2016	Change in P&L	Change in equity (*)	Translation adjustments and other changes	At 31 March 2017
Differences between carrying amount and tax basis of tangible and intangible assets	15	(12)	-	(49)	(46)
Accruals for employee benefit costs not yet deductible	32	7	4	1	44
Provisions and other accruals not yet deductible	73	23	-	(5)	91
Differences in recognition of margin on construction contracts	(24)	(25)	-	(3)	(52)
Tax loss carry forwards	87	40	-	5	132
Other	7	(9)	-	(1)	(3)
NET DEFERRED TAXES ASSET/ (LIABILITY)	**190**	**24**	**4**	**(52)**	**166**

(*) Mainly related to actuarial gains and losses directly recognised in equity.

The assessment of the ability to recover net deferred tax assets is based on an extrapolation of the latest three-year business plan and a strategy of five years maximum recovery of tax losses in each country, and leads to the recognition of an higher level of deferred tax, up to €202 million at 31 March 2018 thanks to strong perspectives.

Unrecognised deferred tax assets amounts to €1,126 million at 31 March 2018 (€1,312 million at 31 March 2017). Most of these unrecognised deferred taxes are originated from tax losses carried forward (€647 million at 31 March 2018 and €809 million at 31 March 2017), out of which €511 million are not subject to expiry at 31 March 2018 (€632 million at 31 March 2017).

NOTE 9 • FINANCIAL STATEMENTS OF DISCONTINUED OPERATIONS

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The results and cash flows of discontinued operations are presented on a separate line in the consolidated income statement and statement of cash flows for each period. The Group decides whether a discontinued operation represents a major line of business or geographical area of operations based on both qualitative criteria (technology, market, products, geographic region) and quantitative criteria (revenue, earnings, cash flows, assets). If the assets held by a discontinued operation are classified as held for sale they are measured at the lower of their carrying amount and fair value less costs to sell.

In compliance with IFRS 5, the Group applies the following specific measurements which impact the consolidated financial statements:

- discontinued operations (including non-current assets, current assets and the related liabilities classified as held for sale), as a whole, are measured at the lower of their carrying amount and fair value less costs to sell;
- consequently, goodwill, tangible and intangible assets are no longer reviewed for impairment;
- the exception of IAS 12 consisting in not recognising mechanical deferred taxes resulting from the difference between tax and consolidated values of the investments/subsidiaries being disposed is no more applicable since it becomes probable that the temporary difference will reverse in the foreseeable future with the sale of the subsidiaries. Thus, deferred tax liabilities are recognised with an income statement impact presented within the "Net profit from discontinued operations";
- amortisation on non-current assets classified as "assets held for sale" ceases at the date of IFRS 5 application;
- costs specifically incurred in the context of the deal are presented in the P&L within the "Net profit from discontinued operations";
- all intercompany balance-sheet and income statement positions are eliminated.

9.1. Net profit of discontinued operations

The line "Net profit from discontinued operations", recognised in the Consolidated Income Statement, includes the operations of staggered and delayed transferred assets upon effective transfer, the costs directly related to the disposal transaction of Energy activities and the estimation of future liabilities, in compliance with IFRS 5. Over the fiscal year ended 31 March 2018, Alstom recognised a profit for €52 million, mainly due to a remeasurement of certain tax risks.

9.2. Aggregated statement of cash-flow

In accordance with IFRS 5, Alstom's Consolidated Statement of Cash Flows takes into account the cash flows of staggered and delayed transferred assets, until their effective transfer to General Electric and costs directly related to the sale of Energy activities.

9.3. Contingent liabilities

In the context of the General Electric transaction, the release of some conditional and unconditional parent company guarantees, formerly issued mainly by Alstom Holdings SA to cover obligations of the former Energy affiliates, amounts to €7.2 billion, as at 31 March 2018.

The Group benefits from a general indemnification from General Electric in these matters.

NOTE 10 • EARNINGS PER SHARE

Basic earnings per share are computed by dividing the period net profit (loss) before the financial cost (net of tax) of bonds reimbursable with shares, by the weighted average number of outstanding shares during the period increased by the weighted average number of shares to be issued on reimbursement of bonds reimbursable with shares ("ORA").

Diluted earnings per share are computed by dividing the period net profit (loss) before the financial cost (net of tax) of bonds redeemable into shares, by the weighted average number of outstanding shares during the period adjusted in order to take into consideration all dilutive instruments (ORA, stock options, free shares).

10.1. Earnings

	Year ended	
(in € million)	**31 March 2018**	**31 March 2017**
Net Profit attributable to equity holders of the parent:		
• From continuing operations	423	223
• From discontinued operations	52	66
EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**475**	**289**

10.2. Number of shares

	Year ended	
(number of shares)	**31 March 2018**	**31 March 2017**
Weighted average number of ordinary shares used to calculate basic earnings per share	**221,097,018**	**219,322,035**
Effect of dilutive instruments other than bonds reimbursable with shares:		
• Stock options and performance shares (LTI plan)	3,936,232	3,818,476
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED TO CALCULATE DILUTED EARNINGS PER SHARES	**225,033,250**	**223,140,511**

10.3. Earnings per share

	Year ended	
(in €)	**31 March 2018**	**31 March 2017**
Basic earnings per share	2.15	1.32
Diluted earnings per share	2.11	1.30
Basic earnings per share from continuing operations	1.91	1.02
Diluted earnings per share from continuing operations	1.88	1.00
Basic earnings per share from discontinued operations	0.24	0.30
Diluted earnings per share from discontinued operations	0.23	0.30

E. NON-CURRENT ASSETS

NOTE 11 · GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets with indefinite useful lives are reviewed for impairment at least annually and whenever events or circumstances indicate that they might be impaired. Such events or circumstances are related to significant, unfavourable changes that are of a lasting nature and affect either the economic environment or the assumptions or the targets adopted as of the acquisition date. An impairment loss is recognised when the recoverable value of the assets tested becomes durably lower than their carrying value.

In the Group, goodwill cannot be allocated on a non-arbitrary basis to individual cash-generating units, but only to groups of cash-generating units. As a result, the lowest level within the entity at which the goodwill is monitored for internal management purposes comprises a number of cash-generating units to which the goodwill relates, but to which it cannot be allocated.

Due to the organisation and the increasing number of integrated services leading to complete and global turnkey solutions, financial information issued is presented through various axes of analysis (regions, sites, contracts, functions, products). Free Cash Flow, basis of the impairment tests of goodwill is only relevant at Group level. Therefore, goodwill acquired in case of business combinations is only monitored and ultimately tested at Group level.

11.1. Goodwill

(in € million)	At 31 March 2017	Acquisitions and adjustments on preliminary goodwill	Disposals	Translation adjustments and other changes	At 31 March 2018
GOODWILL	**1,513**	**(6)**	**-**	**(85)**	**1,422**
of which:					
Gross value	1,513	(6)	-	(85)	1,422
Impairment	-	-	-	-	-

Movements between 31 March 2017 and 31 March 2018 arose from the adjustment in the Nomad purchase price allocation for an amount of €(6) million, of which €(9) million allocated to intangible assets. As at 31 March 2018, the goodwill is final.

Goodwill impairment test

As of 31 March 2018, Alstom tested the value of goodwill applying valuation methods consistent with previous years. Alstom ensured that the recoverable amount exceeded its carrying value (including goodwill).

Presentation of key assumptions used for the determination of recoverable amounts

The value in use is determined as the discounted value of future cash flows by using cash flow projections for the next three years consistent with the Group's internal business plan, the extrapolation of the two following years and the most recent forecasts prepared by the Group.

The value in use is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the discount rate after tax, the long-term growth rate and the terminal value Adjusted EBIT margin (corresponding to the ratio aEBIT over Sales).

The indicator "aEBIT" corresponds to EBIT adjusted with the following elements:

- net restructuring expenses (including rationalisation costs);
- tangibles and intangible impairment;
- costs incurred to realise business combinations and amortisation of an asset exclusively valued in the context of business combination;
- and any other non-recurring items, such as capital gains or loss/ revaluation on investments disposals or controls changes of an entity, as well as litigation costs that have arisen outside the ordinary course of business.

The main assumptions used to assess the recoverable amounts of goodwill are as follows:

Net carrying amount of goodwill at 31 March 2018 *(in € million)*	**1,422**
Value elected as representative of the recoverable value	value in use
Number of years over which cash flow estimates are available	3 years
Extrapolation period of cash flow estimates	2 years
Long-term growth rate at 31 March 2018	**1.5%**
Long-term growth rate at 31 March 2017	1.5%
After tax discount rate at 31 March 2018 (*)	**8.5%**
After tax discount rate at 31 March 2017 (*)	8.5%

(*) The application of pre-tax discount rates to pre-tax cash flows leads to the same valuation of Cash Generating Units.

Discount rate is based on weighted average cost of capital (WACC) which is calculated for the Group based on a risk-free rate and a market risk premium. The current market assessment of the risks specific to Group activity is reflected by taking into account specific peer group information on industry beta, leverage and cost of debt. The parameters for calculating the discount rate are based on external sources of information.

Sensitivity of the values in use to key assumptions can be presented as follows:

(in € million)		
aEBIT Margin	-25 bp	+25 bp
	(207)	207
After tax discount rate	-25 bp	+25 bp
	257	(239)
Long-term growth rate	-10 bp	+10 bp
	(78)	80

As of 31 March 2018, the recoverable amount exceeded its carrying value and the sensitivity of the values in use to key assumptions support the Group's opinion that goodwill is not impaired.

11.2. Intangible assets

Intangible assets include acquired intangible assets (such as technology and licensing agreements) and internally generated intangible assets (mainly development costs).

Acquired intangible assets

Acquired intangible assets are initially measured at cost and amortised on a straight-line basis over their estimated useful lives. Useful lives can extend to twenty years due to the long-term nature of the underlying contracts and activities. The amortisation expense of assets acquired through ordinary transactions is recorded in cost of sales, research and development expenditure, selling or administrative expenses, based on the function of the underlying assets. The amortisation expense of assets exclusively acquired in the context of a business combination (technology, backlog product and project, customer relationship) is recognised as other expenses.

Internally generated intangible assets

Development costs are capitalised if and only if the project they relate to meet the following criteria:

- the project is clearly defined and its related costs are separately identified and reliably measured;
- the technical feasibility of the project is demonstrated;
- the intention exists to complete the project and to use or sell it;
- adequate technical and financial resources are available to complete the project;
- it is probable that the future economic benefits attributable to the project will flow to the Group.

Capitalised development costs are costs incurred directly attributable to the project (materials, services, fees…), including an appropriate portion of relevant overheads.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life of the asset. The amortisation charge is reported in research and development expenses.

(in € million)	At 31 March 2017	Additions/disposals/ amortisation/ impairment	Other changes including CTA & scope	At 31 March 2018
Development costs	1,171	81	(63)	1,189
Other intangible assets	377	10	(3)	384
Gross value	**1,548**	**91**	**(66)**	**1,573**
Development costs	(941)	(49)	60	(930)
Other intangible assets	(212)	(23)	2	(233)
Amortisation and impairment	**(1,153)**	**(72)**	**62**	**(1,163)**
Development costs	230	32	(3)	259
Other intangible assets	165	(13)	(1)	151
NET VALUE	**395**	**19**	**(4)**	**410**

(in € million)	At 31 March 2016	Additions/disposals/ amortisation/ impairment	Other changes including CTA & scope	At 31 March 2017
Development costs	1,115	70	(14)	1,171
Other intangible assets	325	3	49	377
Gross value	**1,440**	**73**	**35**	**1,548**
Development costs	(905)	(48)	12	(941)
Other intangible assets	(148)	(36)	(28)	(212)
Amortisation and impairment	**(1,053)**	**(84)**	**(16)**	**(1,153)**
Development costs	210	22	(2)	230
Other intangible assets	177	(33)	21	165
NET VALUE	**387**	**(11)**	**19**	**395**

NOTE 12 • PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. When an item of property, plant and equipment is made up of components with different useful lives, the total cost is allocated between the various components. Components are then separately depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of each component. The useful lives most commonly used are the following:

	Estimated useful life *(in years)*
Buildings	7-40
Machinery and equipment	3-25
Tools, furniture, fixtures and others	1-10

Useful lives are reviewed on a regular basis and changes in estimates, when relevant, are accounted for on a prospective basis. The depreciation expense is recorded in cost of sales, selling expenses or administrative expenses, based on the function of the underlying assets.

Borrowing costs that are attributable to an asset whose construction period exceeds one year are capitalised as part of the costs of the asset until the asset is substantially ready for use or sale.

Property, plant and equipment acquired through finance lease arrangements or long-term rental arrangements that transfer substantially all the risks and rewards incidental to ownership are capitalised. They are recognised at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a financing obligation. Lease payments are apportioned between finance charges and repayment of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the term of the relevant lease, when shorter.

Leases that do not transfer substantially all risks and rewards incidental to ownership are classified as operating leases. Rentals payable are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised on a straight-line basis over the lease term.

(in € million)	At 31 March 2017	Additions/ amortisation/ impairment	Disposals	Other changes of which translation adjustments and scope	At 31 March 2018
Land	88	-	-	2	90
Buildings	745	34	(10)	87	856
Machinery and equipment	770	15	(21)	-	764
Constructions in progress	107	123	-	(118)	112
Tools, furniture, fixtures and other	233	12	(15)	(24)	206
Gross value	**1,943**	**184**	**(46)**	**(53)**	**2,028**
Land	(9)	-	-	-	(9)
Buildings	(432)	(33)	9	-	(456)
Machinery and equipment	(568)	(30)	19	13	(566)
Constructions in progress	(14)	-	-	-	(14)
Tools, furniture, fixtures and other	(171)	(14)	14	19	(152)
Amortisation and impairment	**(1,194)**	**(77)**	**42**	**32**	**(1,197)**
Land	79	-	-	2	81
Buildings	313	1	(1)	87	400
Machinery and equipment	202	(15)	(2)	13	198
Constructions in progress	93	123	-	(118)	98
Tools, furniture, fixtures and other	62	(2)	(1)	(5)	54
NET VALUE	**749**	**107**	**(4)**	**(21)**	**831**

The Group continues to adapt and modernise its organisation around the world, notably with the construction of new manufacturing sites in India and the USA. In the same way, less than two years after the start of the construction, the new factory and training center complex in Dunnottar (South Africa) are almost finalised.

This mainly contributes to the commitments of fixed assets amounting to €68 million at 31 March 2018 (€75 million at 31 March 2017).

(in € million)	At 31 March 2016	Additions/ amortisation/ impairment	Disposals	Other changes of which translation adjustments and scope	At 31 March 2017
Land	87	3	(1)	(1)	88
Buildings	688	23	(3)	37	745
Machinery and equipment	727	38	(10)	15	770
Constructions in progress	58	61	-	(12)	107
Tools, furniture, fixtures and other	257	9	(4)	(29)	233
Gross value	**1,817**	**134**	**(18)**	**10**	**1,943**
Land	(9)	-	-	-	(9)
Buildings	(405)	(24)	2	(5)	(432)
Machinery and equipment	(553)	(36)	10	11	(568)
Constructions in progress	(15)	(1)	-	2	(14)
Tools, furniture, fixtures and other	(180)	(10)	4	15	(171)
Amortisation and impairment	**(1,162)**	**(71)**	**16**	**23**	**(1,194)**
Land	78	3	(1)	(1)	79
Buildings	283	(1)	(1)	32	313
Machinery and equipment	174	2	-	26	202
Constructions in progress	43	60	-	(10)	93
Tools, furniture, fixtures and other	77	(1)	-	(14)	62
NET VALUE	**655**	**63**	**(2)**	**33**	**749**

The net value of tangible assets held under finance leases and included in the above data is as follows:

(in € million)	At 31 March 2018	At 31 March 2017
Land	-	3
Buildings	13	15
Machinery and equipment	2	-
Tools, furniture, fixtures and other	1	1
NET VALUE OF TANGIBLE ASSETS HELD UNDER FINANCE LEASES	**16**	**19**

NOTE 13 • INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

FINANCIAL INFORMATION

	Share in equity		Share of net income	
(in € million)	At 31 March 2018	At 31 March 2017	Year ended 31 March 2018	Year ended 31 March 2017
Grid Alliance	-	1,395	(96)	(78)
Renewable Alliance	-	(317)	(124)	(884)
Nuclear Alliance	(65)	(40)	(36)	(170)
Put on Alliances (*)	178	1,287	421	1,222
Energy Alliances	**113**	**2,325**	**165**	**90**
The Breakers Investments B.V.	260	281	23	8
Other	100	89	31	(10)
Other Associates	**360**	**370**	**54**	**(2)**
Associates	**473**	**2,695**	**219**	**88**
Joint ventures	**60**	**60**	**(3)**	**(5)**
TOTAL	**533**	**2,755**	**216**	**83**
Of which continued			*216*	*82*
Of which discontinued			*-*	*1*

(*) At March 2018, only related to Nuclear Alliance.

At 31 March 2018, the main variations are as follows:

- Energy Alliances (see Note 13.1):
  - Alstom decided to exercise its put options in September 2018: Grid and Renewable Alliances (and the related options) have been reclassified in Assets held for sale for €2,382 million,
  - in addition, as the exit price is guaranteed with the put option mechanism, the decrease in the Alliances value is balanced with the increase of the put option value;
- The Breakers Investments B.V.: the variation is mainly due to the profit for the period for €23 million and to the currency translation effect for €(44) million over the period.

MOVEMENTS DURING THE PERIOD

(in € million)	At 31 March 2018	At 31 March 2017
Opening balance	**2,755**	**2,588**
Share in net income of equity-accounted investments	216	83
Dividends	(18)	(8)
Acquisitions	-	32
Transfer to assets held for sale	(2,382)	-
Translation adjustments and other	(38)	60
CLOSING BALANCE	**533**	**2,755**

13.1. The three Energy Alliances

In the framework of the acquisition of Energy activities by General Electric, three alliances have been created, consisting of respectively:

- combination of Alstom Grid and General Electric Digital Energy businesses ("Grid Alliance");
- Alstom's hydro, offshore wind and tidal businesses ("Renewable Alliance");
- Global Nuclear & French Steam production assets for servicing of the "Arabelle" steam turbine equipment for nuclear power plants worldwide and servicing for applications in France ("Nuclear Alliance").

Main features on each alliance are detailed in the table below:

	JV Nuclear (Global Nuclear and French Steam)	**JV Grid (Alstom Grid + GE Digital Energy)**	**JV Renewable (Hydro + offshore Renewable)**
Alstom initial investment in capital	€0.1 billion 20% – one share	€1.7 billion 50% – one share	€0.6 billion 50% – one share
Alstom voting rights	50% – 2 votes	50% – one share	50% – one share
Governance (*Board*)	Alstom: 50% – one member GE: 50% French State: 1 member CEO nominated by GE has a casting vote on main operational and financial decisions (approval budget, strategic matters, dividends…)	Alstom: 50% GE: 50% CEO nominated by GE has a casting vote on main operational and financial decisions (approval budget, strategic matters, dividends…)	Alstom: 50% GE: 50% CEO nominated by GE has a casting vote on main operational and financial decisions (approval budget, strategic matters, dividends…)
Specific rights	French State: Veto Right on specific issues	Alstom consent protective rights (material amendments, changing shares, material related party transactions, …)	Alstom consent protective rights (material amendments, changing shares, material related party transactions, …)
Put option	Lock up period: 5 years Put option to sell its shares to GE during first quarter following the 5th and 6th year Exit value: highest of minimum acquisition price + 2% per year or fair value (based on contractual multiple x operating results)	If no IPO completed by 1 September 2018 or 2019, Alstom can exercise the put at any time between 1 and 30 September 2018 or 1 and 30 September 2019. Exit value: highest between Minimum acquisition price + 3% per year or fair value (based on contractual multiple x operating results)	If no IPO completed by 1 September 2018 or 2019, Alstom can exercise the put at any time between 1 and 30 September 2018 or 1 and 30 September 2019. Exit value: highest between Minimum acquisition price + 3% per year or fair value (based on contractual multiple x operating results)
Call option	If Alstom exercises its put options in the JV Grid and the JV Renewable, at any time during two months GE has a call on the Nuclear JV		Call option to buy GE's shares (60% up to 100%) at any time between 1 and 31 May on 2016 to 2019

The Group booked these put options in compliance with IAS 39. Their valuation is based on the following assumptions:

- the Group will exercise the puts on Grid and Renewable Alliances on 1 September 2018;
- Alstom will exercise its put option on Nuclear Alliance in the first quarter of 2021;
- the exit value will be the acquisition price +3% per annum on Grid and Renewable Alliance, acquisition price +2% per annum on Nuclear Alliance.

As the ultimate exit price is guaranteed in euro:

- the capital gain arising from the disposal price evaluation as well as the amortisation of the time value are recognised over the holding period of the shares: the amount for the financial year 2017/18 is €165 million;
- the change in fair value of put options, qualified as a cash flow hedge, is recognised as follows:
  - €126 million in other comprehensive income (of which €121 million related to translation adjustment and to actuarial gains & losses symmetrically to the hedged associates),
  - €256 million in the income statement symmetrically to the result of Alliances on the period.

In January 2018, Alstom informed GE that the Group intend to exercise its put options on Grid and Renewable Alliances in September 2018 in accordance with the agreements concluded within the framework of the combination with Siemens. The minimum price that GE would be required to pay, pursuant to the agreements, to purchase Alstom's interest at that time would be a net amount of €1,828 million for Grid Alliance and €636 million for Renewable Alliance. In consequence, Grid and Renewable Alliances have been reclassified in Assets held for sale for a total amount of €2,382 million. Alstom has also informed GE of its intention to exercise the put option with respect to the Nuclear joint venture in the first quarter of 2021.

For practical reason, to be able to get timely and accurate information, data as of 31 December will be retained and booked within Alstom 31 March accounts. The length of the reporting periods and any difference between the ends of the reporting periods will remain the same from period to period to allow comparability and consistency.

Summarised combined financial information (at 100%) presented below are the figures as of 31 December 2017 and are established in accordance with IFRS. These financial statements are established in USD and were converted to euros, based on the exchange rates used by the Group, as of 31 March 2018.

Balance sheet

	At 31 December 2017		
(in € million)	Grid Alliance	Renewable Alliance	Nuclear Alliance
Non-current assets	4,250	1,420	1,079
Current assets	4,210	568	1,809
TOTAL ASSETS	**8,460**	**1,988**	**2,888**
Equity-attributable to the owners of the parent company	2,127	(994)	(350)
Equity-attributable to non-controlling interests	432	20	-
Non-current liabilities	984	212	1,088
Current liabilities	4,917	2,750	2,150
TOTAL EQUITY AND LIABILITIES	**8,460**	**1,988**	**2,888**
Equity interest held by the Group	50%	50%	20%
NET ASSET	**1,064**	**(497)**	**(70)**
Goodwill	139	22	5
Put option	561	1,093	178
Transfer to assets held for sale	(1,764)	(618)	-
CARRYING VALUE OF THE GROUP'S INTERESTS	**-**	**-**	**113**

	At 31 December 2016		
(in € million)	Grid Alliance	Renewable Alliance	Nuclear Alliance
Non-current assets	5,253	1,523	1,124
Current assets	4,459	813	1,749
TOTAL ASSETS	**9,712**	**2,336**	**2,873**
Equity-attributable to the owners of the parent company	2,511	(676)	(225)
Equity-attributable to non-controlling interests	482	30	-
Non-current liabilities	1,835	181	1,074
Current liabilities	4,884	2,801	2,024
TOTAL EQUITY AND LIABILITIES	**9,712**	**2,336**	**2,873**
Equity interest held by the Group	50%	50%	20%
NET ASSET	**1,256**	**(338)**	**(45)**
Goodwill	139	22	5
CARRYING VALUE OF THE GROUP'S INTERESTS	**1,395**	**(317)**	**(40)**

Income statement

	Year ended 31 December 2017		
(in € million)	Grid Alliance	Renewable Alliance	Nuclear Alliance
Sales	4,585	978	713
Net income	(177)	(250)	(179)
Share of non-controlling interests	(15)	3	-
Net income attributable to the owners of the parent company	**(192)**	**(247)**	**(179)**
Equity interest held by the Group	50%	50%	20%
GROUP'S SHARE IN THE NET INCOME	**(96)**	**(124)**	**(36)**
Net income attributable to the owners of the parent company	(192)	(247)	(179)
Other comprehensive income	(306)	(75)	55
Other items (*)	115	4	-
Change in net asset	**(383)**	**(318)**	**(124)**
Equity interest held by the Group	50%	50%	20%
GROUP'S SHARE IN CHANGE IN NET ASSET	**(192)**	**(159)**	**(25)**

(*) Relates to opening adjustments recognised by GE on Alliance combined amounts.

	Year ended 31 December 2016		
(in € million)	Grid Alliance	Renewable Alliance	Nuclear Alliance
Sales	4,601	606	1,142
Net income	(154)	(1,772)	(848)
Share of non-controlling interests	(3)	4	-
Net income attributable to the owners of the parent company	**(157)**	**(1,768)**	**(848)**
Equity interest held by the Group	50%	50%	20%
GROUP'S SHARE IN THE NET INCOME	**(78)**	**(884)**	**(170)**
Net income attributable to the owners of the parent company	(157)	(1,768)	(848)
Other comprehensive income	(9)	41	59
Other items	-	-	-
Change in net asset	**(166)**	**(1,727)**	**(789)**
Equity interest held by the Group	50%	50%	20%
GROUP'S SHARE IN CHANGE IN NET ASSET	**(83)**	**(864)**	**(158)**

Reclassification of Grid and Renewable Alliances in Assets held for sale

As at 31 March 2018, the Alliances Grid and Renewable have been reclassified for €2,382 million from Associates to Assets held for sale.

Furthermore, in the context of the disposal of Energy activities to GE, only one Chinese entity remains accounted for as assets (and related liabilities) held for sale, while waiting for authorisations required from a regulatory and merger control standpoint. The Group has already been compensated within the transaction price for €3 million, accounted for as liabilities related to assets held for sale, for those "staggered and delayed transferred assets". Amounts are not significant in the income statement as in the balance sheet for this entity.

13.2. The Breakers Investments B.V.

Since 29 December 2015, Alstom owns 33% of The Breakers Investments B.V., the 100% holding company of Transmashholding ("TMH"), the leading Russian railway equipment manufacturer that operates in Russia and in the other countries of the Commonwealth of Independent States (CIS). Alstom also has three seats in the TMH Board of Directors. As Alstom owns only a significant influence, the group TMH is accounted for by the equity method.

For practical reason, to be able to get timely and accurate information, data as of 31 December are retained and booked within Alstom 31 March accounts. The length of the reporting periods and any difference between the ends of the reporting periods remain the same from period to period to allow comparability and consistency.

The summarised financial information (at 100%) presented below are the figures disclosed in the financial statements of The Breakers Investments B.V. at 31 December 2017 and are established in accordance with IFRS. These financial statements, established in Rubles, were converted to euros based on the rates used by the Group at 31 March 2018.

Balance sheet and reconciliation on carrying value

(in € million)	At 31 December 2017	At 31 December 2016
Non-current assets	818	955
Current assets	1,107	1,381
TOTAL ASSETS	**1,925**	**2,336**
Equity-attributable to the owners of the parent company	772	853
Equity-attributable to non-controlling interests	125	158
Non current liabilities	238	173
Current liabilities	790	1,152
TOTAL EQUITY AND LIABILITIES	**1,925**	**2,336**
Equity interest held by the Group	33%	33%
NET ASSET OF THE BREAKERS INVESTMENTS B.V.	**257**	**284**
Goodwill	73	85
Impairment of share in net asset of equity investments	(62)	(72)
Other (*)	(8)	(16)
SHARE IN THE CARRYING VALUE OF THE GROUP'S INTERESTS IN THE BREAKERS INVESTMENTS B.V	**260**	**281**

(*) Correspond to the remaining fair value restatements calculated at the time of the acquisition, as at 31 March 2018.

Income statement

(in € million)	Year ended 31 December 2017	Year ended 31 December 2016
Sales	2,300	1,725
Net income from continuing operations	40	26
Share of non-controlling interests	8	14
Net income attributable to the owners of the parent company	**48**	**40**
Equity interest held by the Group	33%	33%
Share in the net income	**16**	**13**
Other items (*)	7	(5)
GROUP'S SHARE IN THE NET INCOME	**23**	**8**
Net income attributable to the owners of the parent company	48	40
Other comprehensive income	(129)	138
Change in net asset	**(81)**	**178**
Equity interest held by the Group	33%	33%
GROUP'S SHARE IN CHANGE IN NET ASSET S OF THE BREAKERS INVESTMENTS B.V	**(27)**	**59**
Other items (*)	6	8
SHARE IN THE CARRYING VALUE OF THE GROUP'S INTERESTS IN THE BREAKERS INVESTMENTS B.V	**(21)**	**67**

(*) Include changes in the amounts recognised at the time of allocation of the acquisition price.

13.3. Other associates

The Group's investment in other associates comprises investment in Casco, held by the Group at 49%, for €91 million (of which €29 million of net profit) as well as other associates which are not significant on an individual basis. On aggregate, the net carrying value of Alstom's Investment represents €100 million as of 31 March 2018 (€89 million as of 31 March 2017).

EKZ

As at 22 December 2017, Alstom signed an agreement with the Kazakh national railway company (KTZ) to acquire their 25% stake in the EKZ Joint Venture (JV) for €21 million, recognised as non-current assets (see Note 15) because of existing precedent conditions. At the end, Alstom will own 75% of the shares and will become majority shareholder in its Kazakh locomotive joint venture.

13.4. Investment in joint-ventures

	Share in equity		Share of net income	
(in € million)	At 31 March 2018	At 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2017
SpeedInnov JV	60	60	-	-
Other	-	-	(3)	(5)
JOINT VENTURES	**60**	**60**	**(3)**	**(5)**

NOTE 14 • NON-CONSOLIDATED INVESTMENTS

Entities over which the Group has no significant influence or when the value is not material are not consolidated. Investments in non-consolidated companies are designated as available-for-sale financial assets. They are initially measured at their fair value, plus directly attributable transaction costs and subsequently re-measured at fair value.

The fair value of listed securities is the market value at the closing date. A valuation model is used in case of unlisted securities. Changes in fair value are directly recognised in other comprehensive income until the security is disposed of or is determined to be impaired. On disposal or in case of significant or prolonged decline in the fair value, the cumulative gain or loss previously recognised in other comprehensive income is included in the profit or loss for the period. Unlike impairment losses recognised in respect of investments in a debt instrument, impairment losses recognised in respect of investments in equity instruments cannot be reversed through profit and loss.

When the fair value cannot be determined reliably, investments in non-consolidated companies are measured at cost. Any impairment loss recognised for such investment is not reversed in a subsequent period, except when disposed of.

All debt securities that the Group has the expressed intention and ability to hold to maturity are designated as held-to-maturity financial assets. They are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect amounts expected not to be recoverable. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the investment's carrying value and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses may be reversed through profit and loss in subsequent periods.

Marketable securities are securities held for trading which cannot be considered as cash and cash equivalents. They are designated as financial asset at fair value through profit or loss. Changes in fair value are reported as financial income or expense.

Movements during the period

(in € million)	At 31 March 2018	At 31 March 2017
Opening balance	**55**	**38**
Acquisitions/disposals	3	18
Translation adjustments and other	-	(1)
CLOSING BALANCE	**58**	**55**

The Group's equity investment in other investments is not significant on an individual basis and notably comprises investments in companies that hold PPPs (public-private partnerships) agreements or have entered into concession agreements, typically for an ownership lower than 20%.

NOTE 15 • OTHER NON-CURRENT ASSETS

Loans are initially measured at their fair value, plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Deposits are reported as other non-current assets when their initial maturity is more than three months and as cash and cash equivalents in case of demand deposits or when the initial maturity is less than three months.

If there is any indication that those assets may be impaired, they are reviewed for impairment. Any difference between the carrying value and the impaired value (net realisable value) is recorded as a financial expense. The impairment loss can be reversed if the value is recovered in the future. In that case, the reversal of the impairment loss is reported as a financial income.

(in € million)	At 31 March 2018	At 31 March 2017
Financial non-current assets associated to financial debt (*)	213	260
Long-term loans, deposits and other	64	56
OTHER NON-CURRENT ASSETS	**277**	**316**

(*) These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator (see Notes 27 and 34). They are made up as follows:
- at 31 March 2018, €213 million receivables;
- at 31 March 2017, €244 million receivables and €16 million deposit.

Movements over the period ended 31 March 2018 mainly arise from the decrease of €(41) million of obligations described above, from the increase of €21 million related to the acquisition of 25% shares more in EKZ (see Note 13.3) and from foreign exchange translation impacts of €(12) million.

F. WORKING CAPITAL

NOTE 16 • WORKING CAPITAL ANALYSIS

(in € million)	At 31 March 2018	At 31 March 2017	Variation
Inventories	1,146	916	230
Construction contracts in progress, net	(1,472)	(1,652)	180
Trade receivables	1,589	1,693	(104)
Other current operating assets/(liabilities)	(227)	(309)	82
Provisions	(843)	(864)	21
Trade payables	(1,346)	(1,029)	(317)
WORKING CAPITAL	**(1,153)**	**(1,245)**	**92**

(in € million)	For the year ended 31 March 2018
Working capital at the beginning of the period	**(1,245)**
Changes in working capital resulting from operating activities	33
Changes in working capital resulting from investing activities	9
Translation adjustments and other changes	50
Total changes in working capital	**92**
WORKING CAPITAL AT THE END OF THE PERIOD	**(1,153)**

NOTE 17 • INVENTORIES

Raw materials and supplies, work in progress and finished products are stated at the lower of cost, using the weighted average cost method, or net realisable value.

Inventory cost includes direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their existing location and condition.

Work in progress refers to costs incurred on product contracts or short term service contracts whose execution will be finalised during a next period.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(in € million)	At 31 March 2018	At 31 March 2017
Raw materials and supplies	825	664
Work in progress	287	234
Finished products	150	130
Inventories, gross	**1,262**	**1,028**
Raw materials and supplies	(103)	(92)
Work in progress	(3)	(7)
Finished products	(10)	(13)
Write-down	**(116)**	**(112)**
INVENTORIES, NET	**1,146**	**916**

NOTE 18 • CONSTRUCTION CONTRACTS IN PROGRESS

With respect to construction contracts and long-term service agreements, the aggregate amount of costs incurred to date *plus* recognised margin *less* progress billings is determined on a contract-by-contract basis. If the amount is positive, it is included as an asset designated as "Construction contracts in progress, assets". If the amount is negative, it is included as a liability designated as "Construction contracts in progress, liabilities".

The caption "Construction contracts in progress, liabilities" also includes down payments received from customers.

(in € million)	At 31 March 2018	At 31 March 2017	Variation
Construction contracts in progress, assets	2,675	2,834	(159)
Construction contracts in progress, liabilities	(4,147)	(4,486)	339
CONSTRUCTION CONTRACTS IN PROGRESS	**(1,472)**	**(1,652)**	**180**

(in € million)	At 31 March 2018	At 31 March 2017	Variation
Contracts costs incurred plus recognised profits less recognised losses to date	33,641	33,078	563
Less progress billings	(32,961)	(32,454)	(507)
Construction contracts in progress excluding down payments received from customers	**680**	**624**	**56**
Down payments received from customers	(2,152)	(2,276)	124
CONSTRUCTION CONTRACTS IN PROGRESS	**(1,472)**	**(1,652)**	**180**

NOTE 19 • TRADE RECEIVABLES

Receivables are initially recognised at fair value, which in most cases approximates the nominal value. If there is any subsequent indication that those assets may be impaired, they are reviewed for impairment. Any difference between the carrying value and the impaired value (net realisable value) is recorded within income from operations. The impairment loss can be reversed if the value is recovered in the future. In that case, the reversal of the impairment loss is reported within Earnings Before Interests and Taxes.

Impairment losses are determined considering the risk of non-recovery assessed on a case by case basis. Due to the type of business operated by the Group, past due receivables are frequently representative of outstanding amounts confirmed by customers but whose payment is subject to clearance of items raised during inspection of works. Such receivables do remain fully recoverable; costs to be incurred for the clearance of pending items are included in the determination of the margin at completion of the related contracts.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the contractual rights in a transaction under which substantially all the risks and rewards of the financial assets are transferred.

			Past due on the closing date		
(in € million)	Total	No past due on the closing date	Less than 60 days	Between 60 and 180 days	More than 180 days
AT 31 MARCH 2018	**1,589**	**1,138**	**142**	**48**	**261**
• o/w gross	1,651	1,171	161	49	270
• o/w impairment	(62)	(33)	(19)	(1)	(9)
AT 31 MARCH 2017	**1,693**	**1,175**	**167**	**88**	**263**
• o/w gross	1,715	1,189	167	88	271
• o/w impairment	(22)	(14)	-	-	(8)

NOTE 20 • OTHER CURRENT OPERATING ASSETS

(in € million)	At 31 March 2018	At 31 March 2017
Down payments made to suppliers	154	96
Corporate income tax	59	80
Other taxes	242	209
Prepaid expenses	80	60
Other receivables	286	199
Derivatives relating to operating activities	298	290
Remeasurement of hedged firm commitments in foreign currency	209	431
OTHER CURRENT OPERATING ASSETS	**1,328**	**1,365**

Over the period ended 31 March 2018, the Group entered into an agreement of assignment of receivables that leads to the derecognition of tax receivables for an amount of €31 million in accordance with IAS 39 criteria. The total disposed amount outstanding at 31 March 2018 is €119 million.

NOTE 21 • OTHER CURRENT OPERATING LIABILITIES

(in € million)	At 31 March 2018	At 31 March 2017
Staff and associated liabilities	483	461
Corporate income tax	48	23
Other taxes	89	79
Deferred income	4	-
Other payables	415	439
Derivatives relating to operating activities	253	487
Remeasurement of hedged firm commitments in foreign currency	263	185
OTHER CURRENT OPERATING LIABILITIES	**1,555**	**1,674**

Movements over the period ended 31 March 2018 mainly arose from derivatives (included Remeasurement of hedged firm commitments in foreign currency).

NOTE 22 • PROVISIONS

As long as a construction contract or a long-term service agreement is in progress, obligations attributable to such a contract are taken into account in the assessment of the margin to be recognised and are therefore reported within the accounts "Construction contracts in progress, assets" or "Construction contracts in progress, liabilities".

Upon completion of the contract, such obligations are recognised as distinct liabilities when they satisfy the following criteria:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic resources will be required to settle the obligation; and
- such outflow can be reliably estimated.

These liabilities are presented as provisions when they are of uncertain timing or amount. When this uncertainty is dispelled, they are presented as trade payables or other current liabilities.

Obligations resulting from transactions other than construction contracts and long-term service agreements are directly recognised as provisions as soon as the above-mentioned criteria are met.

Where the effect of the time value of money is material, provisions are measured at their present value.

Restructuring provisions are made when plans to reduce or close facilities, or to reduce the workforce have been finalised and approved by the Group management and have been announced before the closing date, resulting in an obligation of the Group to third parties. Restructuring costs include employees' severance and termination benefits and estimated facility closing costs. In addition to such provisions, restructuring costs may include asset write-off relating to the restructured activities.

(in € million)	At 31 March 2017	Additions	Releases	Applications	Translation adjustments and other	At 31 March 2018
Warranties	109	96	(17)	(51)	(2)	135
Other risks on contracts	141	48	(16)	(6)	11	178
Current provisions	**250**	**144**	**(33)**	**(57)**	**9**	**313**
Tax risks & litigations	215	27	(92)	(7)	5	148
Restructuring	25	38	(4)	(23)	(9)	27
Other non-current provisions	374	6	(3)	(5)	(17)	355
Non-current provisions	**614**	**71**	**(99)**	**(35)**	**(21)**	**530**
TOTAL PROVISIONS	**864**	**215**	**(132)**	**(92)**	**(12)**	**843**

(in € million)	At 31 March 2016	Additions	Releases	Applications	Translation adjustments and other	At 31 March 2017
Warranties	105	92	(34)	(54)	-	109
Other risks on contracts	103	58	(18)	(12)	10	141
Current provisions	**208**	**150**	**(52)**	**(66)**	**10**	**250**
Tax risks & litigations	214	34	(38)	(4)	9	215
Restructuring	70	3	(15)	(34)	1	25
Other non-current provisions	371	40	(14)	(18)	(5)	374
Non-current provisions	**655**	**77**	**(67)**	**(56)**	**5**	**614**
TOTAL PROVISIONS	**863**	**227**	**(119)**	**(122)**	**15**	**864**

Provisions for warranties relate to estimated costs to be incurred over the residual contractual warranty period on completed contracts.

As well, provisions for other risks on contracts relate to commercial disputes and operating risks, not directly linked to contracts in progress.

In relation to tax risks, the Group tax filings are subject to audit by tax authorities in most jurisdictions in which the Group operates. These audits may result in assessment of additional taxes that are subsequently resolved with the authorities or potentially through the courts. The Group believes that it has strong arguments against the questions being raised, that it will pursue all legal remedies to avoid an unfavourable outcome and that it has adequately provided for any risk that could result from those proceedings where it is probable that it will pay some amounts. Change in tax risks over the period includes a release of provision further to the latest status of the audit relating to the transfer of the Energy activities.

Restructuring provisions mainly derive from the adaptation of the means of production in certain countries, as UK, the US and Brazil.

Other non-current provisions mainly relate to guarantees delivered or risks in connection with disposals, employee litigations, commercial disputes and environmental obligations.

Main disputes are described in Note 33.

G. EQUITY AND DIVIDENDS

NOTE 23 • EQUITY

When managing capital, objectives of the Group are to safeguard its ability to continue as a going concern so that it can provide returns to shareholders, bring benefits to its other partners and optimise the structure of the capital in order to reduce its cost.

To achieve this, the Group may choose to:

- adjust the amount of dividends paid to the shareholders;
- reimburse a portion of capital to the shareholders;
- issue new shares; or,
- sell assets in order to scale back its debt.

23.1. Movements in share capital

At 31 March 2018, the share capital of Alstom amounted to €1,555,473,297 consisting of 222,210,471 ordinary shares with a par value of €7 each. For the year ended 31 March 2018, the weighted average number of outstanding ordinary shares amounted to 221,097,018, after the dilutive effect of bonds reimbursable in shares "Obligations Remboursables en Actions", and to 225,033,250 after the effect of all dilutive instruments.

During the year ended 31 March 2018:

- 2,672 bonds reimbursable in shares "Obligations Remboursables en Actions" were converted into 168 shares at a par value of €7. The 74,378 bonds reimbursable with shares outstanding at 31 March 2018 represent 4,671 shares to be issued;
- 1,020,164 of ordinary shares were issued under long term incentive plans;
- 1,478,309 of ordinary shares were issued under equity settled share based payments.

23.2. Currency translation adjustment in shareholders equity

As at 31 March 2018, the currency translation reserve amounts to €(587) million.

The currency translation adjustment, presented within the consolidated statement of comprehensive income for €(233)million, primarily reflects the effect of variations of the US Dollar (€(86) million), Brazilian Real (€(53) million), Russian Federation Rouble (€(42) million), Indian Rupee (€(25) million), and British Pound (€(2) million) against the euro for the year ended 31 March 2018.

NOTE 24 • DISTRIBUTION OF DIVIDENDS

The Shareholders' Meeting of Alstom held on 4 July 2017 decided to distribute for the financial year ended 31 March 2017, a dividend in cash for 0.25 by share. Dividends have been fully paid on 11 July 2017 for a total amount of €55 million.

At 31 March 2018, €7 million of dividends granted to non-controlling interests have been approved, of which €5 million paid over the period.

H. FINANCING AND FINANCIAL RISK MANAGEMENT

NOTE 25 • OTHER CURRENT FINANCIAL ASSETS

As at 31 March 2018, other non-current financial assets comprise the positive market value of derivatives instruments hedging loans, deposits and Group cash pooling positions.

(in € million)	At 31 March 2018	At 31 March 2017
Derivatives related to financing activities	8	8
OTHER CURRENT FINANCIAL ASSETS	**8**	**8**

NOTE 26 • CASH AND CASH EQUIVALENTS

Cash equivalents are held to meet short-term cash commitments. In order to be considered as cash equivalent, an investment must be convertible to a known amount of cash within the coming three months and subject to a negligible risk of change in value, thereby satisfying the requirements of IAS 7.

Cash and cash equivalents include all cash balances, certain term deposit accounts, negotiable debt instruments and monetary UCITS.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(in € million)	At 31 March 2018	At 31 March 2017
Cash	409	459
Cash equivalents	822	1,104
CASH AND CASH EQUIVALENT	**1,231**	**1,563**

In addition to bank open deposits classified as cash for €409 million, the Group invests in cash equivalents:

- euro money market funds in an amount of €465 million (€746 million at 31 March 2017), qualified as "monetary" or "monetary short term" under the French AMF classification;
- bank term deposits that can be terminated at any time with less than three months notification period in an amount of €357 million (€358 million at 31 March 2017).

NOTE 27 • FINANCIAL DEBT

Bonds and interest-bearing bank loans are initially recognised at fair value, less any transaction costs directly attributable to the issuance of the liability. These financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

		Cash movements	Non-cash movements			
(in € million)	At 31 March 2017	Net cash variation	Change in scope	Assets acquired under finance leases	Translation adjustments and other	At 31 March 2018
Bonds	1,519	(272)	-	-	1	1,248
Other borrowing facilities	175	9	-	-	(21)	163
Put options and earn-out on acquired entities	55	(4)	-	-	(14)	37
Derivatives relating to financing activities	12	-	-	-	1	13
Accrued interests [(1)]	17	(66)	-	-	65	16
Borrowings	**1,778**	**(333)**	**-**	**-**	**32**	**1,477**
Obligations under finance leases	17	(2)	-	-	2	17
Other obligations under long-term rental [(2)]	244	(25)	-	-	(6)	213
Obligations under finance leases	**261**	**(27)**	**-**	**-**	**(4)**	**230**
TOTAL FINANCIAL DEBT	**2,039**	**(360)**	**-**	**-**	**28**	**1,707**

(1) Paid interests are disclosed in the net cash provided by operating activities part in the cash flow statement. Net interests paid and received amount to €(66) million.
(2) The other obligations under long-term rental represent liabilities related to lease obligations on trains and associated equipment (see Note 15).

The financial debt's variation over the period is mainly due to bonds reimbursement amounting to €272 million.

The following table summarises the significant components of the Group's bonds:

	Initial nominal value *(in € million)*	Maturity date (dd/mm/yy)	Nominal interest rate	Effective interest rate	Accounting value At 31 March 2018	Market value At 31 March 2018
Alstom October 2018 [(*)]	500	05/10/2018	3.63%	3.71%	371	378
Alstom July 2019	500	08/07/2019	3.00%	3.18%	282	294
Alstom March 2020	750	18/03/2020	4.50%	4.58%	595	650
TOTAL AND WEIGHTED AVERAGE RATE			**3.90%**	**4.01%**	**1,248**	**1,322**

(*) During fiscal year ended 31 March 2016, bonds have been subject to partial repurchase.

Other borrowings consist in banking facilities drawn by affiliates.

The value of the external financial debt split by currency is as follows:

(in € million)	At 31 March 2018	At 31 March 2017
Euro	1,300	1,585
Indian Rupee	77	54
British Pound	213	245
US Dollar	47	60
Other currencies	70	95
FINANCIAL DEBT IN NOMINAL VALUE	**1,707**	**2,039**

The external debt in GBP for €213 million essentially originates from a long-term lease scheme of trains, involving London Underground. The equivalent debt denominated in GBP is counter-balanced by long-term receivables having the same maturity and also denominated in GBP that are recognised as non-current assets (see Notes 15, 28 and 34).

NOTE 28 • FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

28.1. Financial instruments reported in the financial statements

The Group's financial liabilities encompass borrowings, trade and other payables.

The Group's financial assets include loans, trade and other receivables, other current assets and cash and cash equivalents.

The Group is exposed to volatility risk in currency and interest rate, to credit risk and liquidity risk.

The main valuation methods applied are as follows:

- borrowings, when unhedged, are stated at amortised cost, determined by the effective interest rate method;
- the fair value of the financial debt is estimated based on either quoted market prices for traded instruments or current rates offered to the Group for debt of the same maturity;
- the fair value of cash, cash equivalents, trade receivables and trade payables is considered as being equivalent to carrying value, due to their short maturities, or their market value in the case of money market funds;
- the fair value of derivative instruments is calculated on the basis of relevant yield curves and foreign exchange rates at "mid-market" at closing date.

IFRS 13 application for "Fair Value Measurement", which requires counterparty risk to be taken into account in measuring derivative instruments, does not have a material impact on the Group's financial statements.

Year ended 31 March 2018

Balance sheet positions at 31 March 2018

			Carrying amount of financial instruments by categories (*)					Fair value of items classified as financial instruments			
At 31 March 2018 *(in € million)*	Balance sheet carrying amount	Carrying amount not defined as financial instru-ments	FV P/L	AFS	LRL at amortised cost	DER	Total	Listed prices	Internal model based on observable factors	Internal model not based on observable factors	Total
Non consolidated investments	58	-	-	36	22	-	58	-	22	36	58
Other non-current assets	277	-	-	-	277	-	277	-	64	213	277
Trade receivables	1,589	-	-	-	1,589	-	1,589	-	1,589	-	1,589
Other current operating assets	1,328	535	209	-	286	298	793	-	793	-	793
Other current financial assets	8	-	-	-	-	8	8	-	8	-	8
Cash and cash equivalents	1,231	-	465	-	766	-	1,231	465	766	-	1,231
ASSETS	**4,491**	**535**	**674**	**36**	**2,940**	**306**	**3,956**	**465**	**3,242**	**249**	**3,956**
Non-current borrowings	952	-	-	-	952	-	952	944	75	-	1,019
Non-current obligations under finance leases	212	-	-	-	212	-	212	-	212	-	212
Current borrowings	525	-	-	-	512	13	525	378	154	-	532
Current obligations under finance leases	18	-	-	-	18	-	18	-	18	-	18
Trade payables	1,346	-	-	-	1,346	-	1,346	-	1,346	-	1,346
Other current liabilities	1,555	624	263	-	415	253	931	-	931	-	931
LIABILITIES	**4,608**	**624**	**263**	**-**	**3,455**	**266**	**3,984**	**1,322**	**2,736**	**-**	**4,058**

(*) FV P/L short for fair value through profit and loss; AFS short for available-for-sale assets; LRL short for loans, receivables and liabilities and DER short for derivative instruments.

As mentioned in Note 13.1, there is a financial instrument (put) presented together with alliances in investments in associates disclosure.

Financial income and expense arising from financial instruments for the year ended 31 March 2018

(in € million)	FV P/L	AFS	LRL at amortised cost & DER	Total
Interests	7	-	(64)	(57)
Interest income	*7*	-	-	*7*
Interest expense	-	-	*(64)*	*(64)*
Foreign currency and other	-	-	(21)	(21)
NET INCOME/EXPENSE FOR THE YEAR ENDED 31 MARCH 2018	**7**	**-**	**(85)**	**(78)**

Year ended 31 March 2017

Balance sheet positions at 31 March 2017

			Carrying amount of financial instruments by categories (*)					Fair value of items classified as financial instruments			
At 31 March 2017 *(in € million)*	Balance sheet carrying amount	Carrying amount not defined as financial instru-ments	FV P/L	AFS	LRL at amortised cost	DER	Total	Listed prices	Internal model based on observable factors	Internal model not based on observable factors	Total
Non consolidated investments	55	-	-	55	-	-	55	-	-	55	55
Other non-current assets	316	-	-	-	316	-	316	-	56	260	316
Trade receivables	1,693	-	-	-	1,693	-	1,693	-	1,693	-	1,693
Other current operating assets	1,365	445	431	-	199	290	920	-	920	-	920
Other current financial assets	8	-	-	-	-	8	8	-	8	-	8
Cash and cash equivalents	1,563	-	746	-	817	-	1,563	746	817	-	1,563
ASSETS	**5,000**	**445**	**1,177**	**55**	**3,025**	**298**	**4,555**	**746**	**3,494**	**315**	**4,555**
Non-current borrowings	1,362	-	-	-	1,362	-	1,362	1,361	115	-	1,476
Non-current obligations under finance leases	233	-	-	-	233	-	233	-	233	-	233
Current borrowings	416	-	-	-	404	12	416	275	145	-	420
Current obligations under finance leases	28	-	-	-	28	-	28	-	28	-	28
Trade payables	1,029	-	-	-	1,029	-	1,029	-	1,029	-	1,029
Other current liabilities	1,674	566	185	-	436	487	1,108	-	1,108	-	1,108
LIABILITIES	**4,742**	**566**	**185**	**-**	**3,492**	**499**	**4,176**	**1,636**	**2,658**	**-**	**4,294**

(*) FV P/L short for fair value through profit and loss; AFS short for available-for-sale assets; LRL short for loans, receivables and liabilities and DER short for derivative instruments.

As mentioned in Note 13.1, there is a financial instrument (put) presented together with alliances in investments in associates disclosure.

Financial income and expense arising from financial instruments for the year ended 31 March 2017

(in € million)	FV P/L	AFS	LRL at amortised cost & DER	Total
Interests	10	-	(87)	(77)
Interest income	*10*	-	-	*10*
Interest expense	-	-	*(87)*	*(87)*
Foreign currency and other	-	-	(38)	(38)
NET INCOME/EXPENSE FOR THE YEAR ENDED 31 MARCH 2017	**10**	**-**	**(125)**	**(115)**

28.2. Currency risk management

Foreign currency transactions are initially recognised by applying to the foreign currency amount the spot exchange rate between the functional currency of the reporting unit and the foreign currency at the date of the transaction. Currency units held assets to be received and liabilities to be paid resulting from those transactions are re-measured at closing exchange rates at the end of each reporting period. Realised exchange gains or losses at date of payment as well as unrealised gains or losses deriving from re-measurement are recorded in the income statement.

Since the Group is exposed to foreign currency volatility, the Group puts in place a significant volume of hedges to cover this exposure. These derivatives are recognised on the balance sheet at their fair value at the closing date. Provided that the relationships between the foreign currency exposure and the related derivatives are qualifying relationships, the Group uses the specific accounting treatments designated as hedge accounting. A relationship qualifies for hedge accounting if, at the inception of the hedge, it is formally designated and documented and if it proves to be highly effective throughout the financial reporting periods for which the hedge was designated.

Hedging relationships are mainly corresponding to fair value hedge in case of hedge of the exposure attributable to recognised assets, liabilities or firm commitments.

Derivative are recognised and re-measured at fair value.

Fair value hedge

When fair value hedge accounting applies, changes in the fair value of derivatives and changes in the fair value of hedged items are both recognised in the income statement and offset each other up to the gain or loss on the effective portion on the hedging instrument.

Whatever the type of hedge, the ineffective portion on the hedging instrument is recognised in the income statement as well as realised and unrealised exchange gains and losses on hedged items and hedging instruments.

As the effective portion on the hedging instrument offsets the difference between the spot rate at inception of the hedge and the effective spot rate at the outcome of the hedge, sales and costs resulting from commercial contracts are recognised at the spot rate at inception of the hedge throughout the life of the related commercial contracts, provided that the corresponding hedging relationships keep on qualifying for hedge accounting. For a large project located in South Africa, the hedged firm commitments resulting from the commercial contract are recognised on a forward rate basis. Provided that the corresponding hedging relationship qualifies for hedge accounting, the change in fair value of the hedged items recorded at the project forward rate at inception offsets the change in fair value of the derivatives.

The Group uses export insurance policies to hedge its currency exposure on certain contracts during the open bid period. When commercial contracts are awarded, insurance instruments are settled and forward contracts are put in place and recorded according the fair value hedge accounting as described above.

Derivatives relating to financing activity

Whenever possible, Alstom Holdings acts as an in-house bank for its affiliates through cash-pooling and loans/deposits agreements. The intercompany positions so generated are hedged through foreign exchange swaps, the cost of which is included in net cost of foreign exchange (see Note 7).

At 31 March 2018, net derivatives positions amount to a net liability of €(5) million and comprise mainly forward sale contracts of British Pound and South African Rand, but also, forward purchase contracts of Canadian Dollar and United Arab Emirates Dirrham.

(in € million)	Net derivatives positions	
Currency 1/Currency 2 (*)	**Net notional**	**Fair value**
EUR/GBP	(211)	(5)
EUR/CAD	161	(1)
EUR/AED	181	2
EUR/ZAR	(10)	(3)
Other		2
NET DERIVATIVES RELATED TO FINANCING ACTIVITIES		**(5)**

(*) Positive amount: the currency 2 is bought forward against currency 1. Negative amount: the currency 2 is sold forward against currency 1.

Derivatives hedging commercial activity

In the course of its operations, the Group is exposed to currency risk arising from tenders submitted in foreign currency, awarded contracts and any future cash out transactions denominated in foreign currency. The main currency triggering a significant exposure as of 31 March 2018 is primarily the US dollar.

During the tender period, depending on the probability to obtain the project and on market conditions, the Group may hedge in some cases a portion of its tenders using options or export insurance policies. Once the contract is in force, forward exchange contracts are used to hedge the actual exposure during the life of the contract.

Forward currency contracts are denominated in the same currency than the hedged item. Generally, the tenor of hedging derivatives matches with the tenor of the hedged items. However, the Group may decide depending on market conditions to enter into derivatives in shorter tenors and to roll them subsequently. Finally, in some cases, the Group can waive to be hedged because of the cost of the hedge or absence of efficient market.

The portfolio of operating of foreign exchange forward contracts has a weighted maturity below 1 year and 6 months. However some forward contracts may mature beyond five years to reflect the long term nature of some of the hedged contracts. The Group hedges about forty different currencies with a multitude of crosses depending on which entity of the Group is exposed to the currency. Change in foreign exchange rate is compensated by the reevaluation through Income Statement at fair market value on derivatives.

At 31 March 2018, net derivatives positions amount to a net asset of €45 million. They are summarised as follows:

(in € million)	Net derivatives positions	
Currency 1/Currency 2 (*)	**Net notional**	**Fair value**
EUR/USD	(1,313)	53
EUR/BRL	60	10
EUR/INR	(130)	(24)
EUR/PLN	654	35
EUR/ZAR	(154)	(42)
EUR/CAD	(171)	8
Other		5
NET DERIVATIVES RELATED TO OPERATING ACTIVITIES		**45**

(*) Positive amount: the currency 2 is bought forward against currency 1. Negative amount: the currency 2 is sold forward against currency 1.

Most of the hedging instruments are negotiated by Alstom Holdings and are mirrored by hedging agreements between Alstom Holdings and the exposed subsidiaries. Whenever local regulations prohibit this intercompany hedging, instruments are negotiated directly by affiliates with local banks under the supervision of central Treasury.

Overall derivatives positions

Derivative instruments hedging foreign currency risk are recognised at their fair value on the balance sheet as follows:

	At 31 March 2018		At 31 March 2017	
(in € million)	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for fair value hedge	305	265	297	499
Derivatives not qualifying for hedge accounting	1	1	1	-
TOTAL	**306**	**266**	**298**	**499**
Of which derivatives relating to financing activities	*8*	*13*	*8*	*12*
Of which derivatives relating to operating activities	*298*	*253*	*290*	*487*

Since derivatives have been set up, the change in foreign exchange spot rates, and to a lesser extend the relative change in interest rate curves relating to the hedged currencies, during the periods ended 31 March 2017 and 31 March 2018 explains the amount of fair value of derivative instruments (either positive or negative). For instruments that qualify for fair value hedge accounting, change in fair value arising from spot rates is mostly offset by the re-measurement of the underlying exposure (either on balance sheet or off-balance sheet).

The sensitivity of the Group's pre-tax income to a change in currencies arising from derivative instruments not qualifying for hedge accounting is not significant.

Alstom enters with its banking counterparties in bilateral standard derivatives agreements that generally do not provide a collateralisation of derivatives market value.

These agreements generally require the offsetting of receivable and payable amounts in case of default of one of the contracting parties. These derivatives fall within the scope of disclosures under IFRS 7 on compensation and are presented in the tables below:

At 31 March 2018 *(in € million)*	Gross amounts of recognised financial assets/ liabilities	Gross amounts of recognised financial assets/ liabilities set off in the balance sheet	Net amount of financial assets/liabilities presented in the balance sheet	Related amount not set off in the balance sheet: Financial instruments	Related amount not set off in the balance sheet: Cash collateral received	Net amount
Derivatives liabilities	306	-	306	(180)	-	126
Derivatives assets	(266)	-	(266)	180	-	(86)

At 31 March 2017 *(in € million)*	Gross amounts of recognised financial assets/ liabilities	Gross amounts of recognised financial assets/ liabilities set off in the balance sheet	Net amount of financial assets/liabilities presented in the balance sheet	Related amount not set off in the balance sheet: Financial instruments	Related amount not set off in the balance sheet: Cash collateral received	Net amount
Derivatives liabilities	298	-	298	(240)	-	58
Derivatives assets	(499)	-	(499)	240	-	(259)

28.3. Interest rate risk management

The Group may enter into hedges for the purpose of managing its exposure to movements in interest rates. Derivatives are recognised on the balance sheet at fair value at the closing date. Providing that the relationships between the interest rate exposure and the related derivatives are qualifying relationships, the Group uses the specific accounting treatments designated as hedge accounting. Fair value hedge accounting and cash flow hedge accounting are applied to fixed and floating rate borrowings, respectively.

In the case of fair value hedge relationships, the re-measurement of the fixed rate borrowing is offset in the income statement by the movement in the fair value of the derivative up to the effective portion of hedged risk. In the case of cash flow hedging relationships, the change in fair value of the derivative is recognised directly in other comprehensive income. Amounts previously recognised directly in other comprehensive income are reclassified to the income statement, when the hedged risk impacts the income statement.

As at 31 March 2018, the Group keeps short dated floating rate financial assets on its balance sheet, while its debt is merely made of fixed rate bonds.

The Group has not implemented an active interest rate risk management policy. However under the supervision of the Executive Committee, it may enter into transactions in order to hedge its interest rate risk on a case-by-case basis according to market opportunities.

(in € million)	At 31 March 2018	At 31 March 2017
Financial assets at floating rate	1,294	1,618
Financial assets at fixed rate	213	260
Financial assets bearing interests	**1,507**	**1,878**
Financial debt at floating rate	(140)	(153)
Financial debt at fixed rate, put options and earn-out on acquired entities	(1,567)	(1,886)
Financial debt bearing interests	**(1,707)**	**(2,039)**
Total position at floating rate before swaps	1,154	1,465
Total position at fixed rate before swaps	(1,354)	(1,626)
Total position before hedging	**(200)**	**(161)**
Total position at floating rate after swaps	1,154	1,465
Total position at fixed rate after swaps	(1,354)	(1,626)
TOTAL POSITION AFTER HEDGING	**(200)**	**(161)**

Sensitivity is analysed based on the Group's net cash position at 31 March 2018, assuming that it remains constant over one year.

In absence of interest rate derivatives, the effects of increases or decreases in market rates are symmetrical: a rise of 0.1% would increase the net interest income by €1 million while a fall of 0.1% would decrease it by €1 million.

28.4. Credit risk management

Credit risk is the risk that counterparty will not meet its payment obligations under financial instrument or customer contract, leading to a loss. The Group is exposed to credit risk on its operating activities (primarily for trade receivables and for construction contracts in progress) and on its financing activities, including deposits, foreign currency hedging instruments and other financial instruments with banks and financial institutions.

Risk related to customers

The Group believes that the risk of a counterpart failing to perform as contracted, which could have a significant impact on the Group's financial statements or results of operations, is limited because the Group seeks to ensure that customers generally have strong credit profiles or adequate financing to meet their project obligations, or can also be the subject of the insurance policies taken out by the Group, hedging up to 85% of the credit risk on certain contracts (see also Note 19). However, this mechanism of protection may become incomplete, uncertain or ineffective because of the duration of the Group's contract in a changing environment, particularly in emerging countries.

Risk related to other financial assets

In addition to the recovery of assets held for sale, the Group's exposure to credit risk related to other financial assets, especially derivatives, arises from default of the counterpart, with a maximum exposure equal to the carrying amount of those instruments. The financial instruments are taken out with more than 30 different counterparties and the risk is therefore highly diluted, the largest exposure with one single counterparty (rated A1) being limited to €55 million.

28.5. Liquidity risk management

In addition to its available cash and cash equivalents, amounting to €1,231 million at 31 March 2018, the Group can access a €400 million revolving credit facility, maturing in June 2022, which is fully undrawn at March 2018.

This facility is subject to the ratio of total net debt to EBITDA:

- total net debt is defined as total debt except financial lease and financial derivatives less cash and cash equivalents;
- the EBITDA is defined as earnings before financing expense, financing income, income taxes, amortisation and impairment charges on tangible and intangible assets.

This ratio should not exceed 2.5.

The financial covenant calculation is detailed below:

(in € million)	For the year ended 31 March 2018	For the year ended 31 March 2017
EBITDA	541	515
Total net debt	232	203
TOTAL NET DEBT LEVERAGE	**0.4**	**0.4**

The GAAP measure EBIT reconciles with non-GAAP measure EBITDA indicator, as follows:

(in € million)	At 31 March 2018	At 31 March 2017
Earnings Before Interests and Taxes	**381**	**358**
Amortisation, Depreciation & Impairment	163	155
Capital G/L on Disposal of Investment	(3)	2
EBITDA	**541**	**515**

At closing of the transaction with Siemens, Alstom will have to be waived of the change of control clauses, as usual in this context, if the Group wishes to keep benefiting from this facility.

Also, the bond issues of ALSTOM contain a clause of change of control, forecasting the possibility for any bondholder to require the early refund in 101% of the nominal of its obligations during a limited period following a change of control.

Treasury Centralisation

Credit risk from balances with banks and financial institutions is managed by Group treasury in accordance with the Group's policy.

The Group diversifies its cash investments in order to limit its counterparty risk. In addition to short term deposits with tier-one banks, the Group invested in euro money market funds qualified as "monetary" or "monetary short term" under the AMF classification. Cash investments are reviewed on a regular basis in accordance with Group procedures and in strict compliance with the eligibility criteria set out in IAS 7 and the AMF's recommendations.

The Group's parent company has access to some cash held by wholly-owned subsidiaries through the payment of dividends or pursuant to intercompany loan arrangements. However local constraints can delay or restrict this access. Furthermore, while the Group's parent company has the power to control decisions of subsidiaries of which it is the majority owner, its subsidiaries are distinct legal entities and their payment of dividends and granting of loans, advances and other payments to the parent company may be subject to legal or contractual restrictions, be contingent upon their earnings or be subject to business or other constraints. These limitations include local financial assistance rules and corporate benefit laws.

The Group's policy is to centralise liquidity of subsidiaries at the parent company's level when possible. Cash available in subsidiaries located in countries with local constraints delaying or restricting the Group's access to this cash was €88 million at 31 March 2018 and €128 million at 31 March 2017.

Future Cash Flow

The Group's objective is to maintain a strong liquidity, commensurate with the changes in working capital triggered by its long term activity.

The following tables show the remaining maturities of all financial assets and liabilities held at 31 March 2018 and 31 March 2017, except for the put option on Energy Alliances described in Note 13.1.

Planning data for future new assets and liabilities are not reported. Amounts in foreign currency are translated at the closing rate. The variable interest payments are calculated using the last interest rates available at the closing date. Assets and liabilities that can be repaid at any time are always assigned to the earliest possible time period.

Financial instruments held at 31 March 2018

Cash flow arising from instruments included in net cash/(debt) at 31 March 2018

	Carrying	2019		2020		2021-2023		2024 and thereafter	
(in € million)	amount	Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	213	77	17	14	17	33	59	22	120
Other current financial assets	8	-	8	-	-	-	-	-	-
Cash and cash equivalents	1,231	(2)	1,231	-	-	-	-	-	-
Assets	**1,452**	**75**	**1,256**	**14**	**17**	**33**	**59**	**22**	**120**
Non-current borrowings	(952)	(36)	-	(64)	(915)	(28)	(36)	-	-
Non-current obligations under finance leases	(212)	-	-	-	(19)	-	(21)	-	(172)
Current borrowings	(525)	(30)	(525)	-	-	-	-	-	-
Current obligations under finance leases	(18)	-	(18)	-	-	-	-	-	-
Liabilities	**(1,707)**	**(66)**	**(543)**	**(64)**	**(934)**	**(28)**	**(57)**	**-**	**(172)**
NET CASH/(DEBT)	**(255)**	**9**	**713**	**(50)**	**(917)**	**5**	**2**	**22**	**(52)**

Cash flow arising from operating derivatives at 31 March 2018

(in € million)	Carrying amount	2019 Interests	2019 Repayment	2020 Interests	2020 Repayment	2021-2023 Interests	2021-2023 Repayment	2024 and thereafter Interests	2024 and thereafter Repayment
Other current operating assets	298	-	166	-	63	-	66	-	3
Assets	**298**	**-**	**166**	**-**	**63**	**-**	**66**	**-**	**3**
Other current operating liabilities	(253)	-	(143)	-	(54)	-	(55)	-	(2)
Liabilities	**(253)**	**-**	**(143)**	**-**	**(54)**	**-**	**(55)**	**-**	**(2)**
DERIVATIVES	**45**	**-**	**23**	**-**	**9**	**-**	**11**	**-**	**1**

Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2018

(in € million)	Carrying amount	2019 Interests	2019 Repayment	2020 Interests	2020 Repayment	2021-2023 Interests	2021-2023 Repayment	2024 and thereafter Interests	2024 and thereafter Repayment
Non consolidated investments	58	-	-	-	17	-	-	-	41
Other non-current assets	64	-	-	-	-	-	-	-	64
Trade receivables	1,589	-	1,589	-	-	-	-	-	-
Other current operating assets	495	-	495	-	-	-	-	-	-
Assets	**2 206**	**-**	**2,084**	**-**	**17**	**-**	**-**	**-**	**105**
Trade payables	(1,346)	-	(1,346)	-	-	-	-	-	-
Other current operating liabilities	(680)	-	(680)	-	-	-	-	-	-
Liabilities	**(2,026)**	**-**	**(2,026)**	**-**	**-**	**-**	**-**	**-**	**-**
OTHER FINANCIAL ASSETS AND LIABILITIES	**180**	**-**	**58**	**-**	**17**	**-**	**-**	**-**	**105**

Financial instruments held at 31 March 2017

Cash flow arising from instruments included in net cash/(debt) at 31 March 2017

(in € million)	Carrying amount	2018 Interests	2018 Repayment	2019 Interests	2019 Repayment	2020-2022 Interests	2020-2022 Repayment	2023 and thereafter Interests	2023 and thereafter Repayment
Other non-current assets	260	17	26	15	17	38	57	31	160
Other current financial assets	8	-	8	-	-	-	-	-	-
Cash and cash equivalents	1,563	-	1 563	-	-	-	-	-	-
Assets	**1,831**	**17**	**1 597**	**15**	**17**	**38**	**57**	**31**	**160**
Non-current borrowings	(1,362)	(49)	-	(49)	(468)	(36)	(894)	-	-
Non-current obligations under finance leases	(233)	-	-	(16)	(18)	(40)	(63)	(32)	(152)
Current borrowings	(416)	(21)	(416)	-	-	-	-	-	-
Current obligations under finance leases	(28)	(17)	(28)	-	-	-	-	-	-
Liabilities	**(2,039)**	**(87)**	**(444)**	**(65)**	**(486)**	**(76)**	**(957)**	**(32)**	**(152)**
NET CASH/(DEBT)	**(208)**	**(70)**	**1 153**	**(50)**	**(469)**	**(38)**	**(900)**	**(1)**	**8**

Cash flow arising from operating derivatives at 31 March 2017

(in € million)	Carrying amount	2018 Interests	2018 Repayment	2019 Interests	2019 Repayment	2020-2022 Interests	2020-2022 Repayment	2023 and thereafter Interests	2023 and thereafter Repayment
Other current operating assets	290	-	148	-	83	-	49	-	10
Assets	**290**	**-**	**148**	**-**	**83**	**-**	**49**	**-**	**10**
Other current operating liabilities	(487)	-	(218)	-	(159)	-	(95)	-	(15)
Liabilities	**(487)**	**-**	**(218)**	**-**	**(159)**	**-**	**(95)**	**-**	**(15)**
DERIVATIVES	**(197)**	**-**	**(70)**	**-**	**(76)**	**-**	**(46)**	**-**	**(5)**

Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2017

(in € million)	Carrying amount	2018 Interests	2018 Repayment	2019 Interests	2019 Repayment	2020-2022 Interests	2020-2022 Repayment	2023 and thereafter Interests	2023 and thereafter Repayment
Non consolidated investments	55	-	-	-	-	-	17	-	38
Other non-current assets	56	-	-	-	-	-	-	-	56
Trade receivables	1,693	-	1,693	-	-	-	-	-	-
Other current operating assets	630	-	630	-	-	-	-	-	-
Assets	**2,434**	**-**	**2,323**	**-**	**-**	**-**	**17**	**-**	**94**
Trade payables	(1,029)	-	(1,029)	-	-	-	-	-	-
Other current operating liabilities	(621)	-	(621)	-	-	-	-	-	-
Liabilities	**(1,650)**	**-**	**(1,650)**	**-**	**-**	**-**	**-**	**-**	**-**
OTHER FINANCIAL ASSETS AND LIABILITIES	**784**	**-**	**673**	**-**	**-**	**-**	**17**	**-**	**94**

28.6. Commodity risk management

Most of commodities bought by the Group has already been modified and included into spare parts. For the other commodities, the Group has included into customer contracts a customer price adjustment clause, so that the Group has a limited exposure to the variation of commodity prices.

Occasionally, the Group can hedge its exposure with commodity derivatives (copper, aluminum) for which the notional and the market values remain not significant at 31 March 2018.

I. POST-EMPLOYMENT AND OTHER LONG-TERM DEFINED EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

NOTE 29 • POST-EMPLOYMENT AND OTHER LONG-TERM DEFINED EMPLOYEE BENEFITS

The Group provides its employees with various types of post-employment benefits, such as pensions, retirement bonuses and medical care, and other long-term benefits, such as jubilee awards and deferred compensation schemes. The type of benefits offered to individual employees is related to local legal requirements as well as practices of the specific subsidiaries.

The Group's health care plans are generally contributory with participants' contributions adjusted annually.

Post-employment defined benefit plans

For single employer defined benefit plans, the Group uses the Projected Unit Credit Method to determine the present value of its obligations and the related current and past service costs/profits. This method considers the actuarial assumptions' best estimates (for example, the expected turnover, the expected future salary increase and the expected mortality).

Most defined benefit pension liabilities are funded through pension funds legally distinct from the entities constituting the Group. Plan assets related to funded plans are invested mainly in equity and debt securities. Other supplemental pension plans sponsored by the Group for certain employees are directly paid by the employer as they become due. Post-employment medical benefit plans are predominantly unfunded.

The Group periodically reviews plan assets and obligations. The effects of any change in actuarial assumptions together with the differences between forecast and actual experience are assessed. The Group recognises in other comprehensive income the full amount of any actuarial gains and losses as well as the effect of any asset ceiling.

The estimated cost of providing defined benefits to employees is accrued during the years in which the employees render services. In the income statement, the service cost is included in Earnings Before Interests and Taxes. The past service cost/profit and specific events impacts (*e.g.* curtailments and settlements) are recognised in other expense/income. Net interest on the net defined benefit liability (asset) and administration costs are included in financial income (expenses).

Post-employment defined contribution plans

For defined contribution plans, the Group pays contributions to independently administered funds at a fixed percentage of employees' pay. These contributions are recorded as operating expenses.

Other long-term employee benefits

The accounting method used when recognising obligations arising from other long-term employee benefits is similar to the method used for post-employment defined benefits, except that actuarial gains/losses are immediately recognised in full in "Other income/expenses" in the income statement.

The defined benefit obligation amounting to €950 million as at 31 March 2018 (see Note 29.2) is analysed as follows:

- several pension plans for €758 million;
- other post-employment benefits for €151 million which include mainly end-of-service benefits in France and Italy; and
- other long-term defined benefits for €41 million which mainly correspond to jubilees in France and Germany.

The reconciliation of funded status of the plans with assets and liabilities recognised in the balance sheet is as follows:

(in € million)	At 31 March 2018	At 31 March 2017
Defined benefit obligations	**(950)**	**(995)**
Fair value of plan assets	482	469
Unfunded status of the plans	**(468)**	**(526)**
Impact of asset ceiling	-	-
NET OF ACCRUED AND PREPAID BENEFIT COSTS AFTER ASSET CEILING	**(468)**	**(526)**
Of which:		
Accrued pension and other employee benefit costs	*(468)*	*(526)*
Prepaid pension and other employee benefit costs	*-*	*-*

As detailed in this note, net provisions for post-employment benefits total €468 million, as at 31 March 2018, compared with €526 million, as at 31 March 2017. Movements over the period ended 31 March 2018 mainly arose from United Kingdom, Germany, Switzerland, the United States of America and France.

29.1. Description of the plans

Post-employment benefits are paid under defined contribution and defined benefit plans. The Group's only obligation under defined contribution plans is to pay fixed contributions into the funding vehicle. The payments are recognised when incurred in the income statement.

Defined benefit plans primarily relate to United Kingdom, Germany, and France. The specific characteristics (benefit formulas, funding policies and types of assets held) of the plans vary according to the regulations and laws in the country where the employees are located.

In the United Kingdom, there are three defined benefit pension plans covering different populations. Each of these are Sections of the large UK Railways Pension Scheme and provide a pension in the form of an indexed annuity. Two of these plans are historical and were closed to new members as of 1 July 2013 and the third was closed to new members on 1 April 2016. New hires are ordinarily offered the opportunity to participate in a defined contribution group pension plan ("GPP"), a group life insurance plan and an income replacement scheme.

In Germany, the plans provide coverage for pension, death and disability. In the past, the pension was accrued in the form of an annuity. The plans were deeply modified for future accruals in 2010 for the employees to remove most, particularly the higher risk, defined benefit pension plans. The plans continue to be accounted for as defined benefit plans under IAS 19R but with much lower risks for the Company. With respect to employee contributions, these are remitted into defined contributions plans.

In France, defined benefit pension plans are mainly end-of-service benefits provided for under the terms of collective bargaining agreements and Group agreements.

In some countries, these commitments are covered in whole or in part by insurance contracts or pension funds. In this case, the commitments and assets are measured independently.

The fair value of plan assets is deducted from the Group's defined benefit obligation, as estimated using the projected unit credit method, in order to calculate the unfunded obligation to be covered by a provision, or the overfunded right to be recognised as an asset under specific requirements.

In the following tables, the "Other" zone represents mainly the United States of America, Sweden and Switzerland.

29.2. Defined benefit obligations

(in € million)	At 31 March 2018	United Kingdom	Euro Zone	Other
Defined benefit obligations at beginning of year	**(995)**	**(453)**	**(449)**	**(93)**
Service cost	(39)	(14)	(16)	(9)
Plan participant contributions	(3)	(3)	-	-
Interest cost	(21)	(11)	(7)	(3)
Plan amendments	-	-	-	-
Business combinations/disposals	-	-	-	-
Curtailments	1	1	-	-
Settlements	-	-	-	-
Actuarial gains (losses) – due to experience	(12)	(8)	(1)	(3)
Actuarial gains (losses) – due to changes in demographic assumptions	14	13	-	1
Actuarial gains (losses) – due to changes in financial assumptions	44	28	16	-
Benefits paid	42	12	25	5
Foreign currency translation and others	19	9	1	9
DEFINED BENEFIT OBLIGATIONS AT END OF YEAR	**(950)**	**(426)**	**(431)**	**(93)**
of which:				
Funded schemes	*(733)*	*(426)*	*(249)*	*(58)*
Unfunded schemes	*(217)*	-	*(182)*	*(35)*

(in € million)	At 31 March 2017	United Kingdom	Euro Zone	Other
Defined benefit obligations at beginning of year	**(938)**	**(400)**	**(448)**	**(90)**
Service cost	(34)	(10)	(16)	(8)
Plan participant contributions	(4)	(3)	-	(1)
Interest cost	(23)	(13)	(7)	(3)
Plan amendments	11	-	(1)	12
Business combinations/disposals	-	-	-	-
Curtailments	4	-	3	1
Settlements	-	-	-	-
Actuarial gains (losses) – due to experience	9	4	6	(1)
Actuarial gains (losses) – due to changes in demographic assumptions	1	-	(1)	2
Actuarial gains (losses) – due to changes in financial assumptions	(87)	(73)	(9)	(5)
Benefits paid	47	12	25	10
Foreign currency translation and others	19	30	(1)	(10)
DEFINED BENEFIT OBLIGATIONS AT END OF YEAR	**(995)**	**(453)**	**(449)**	**(93)**
of which:				
Funded schemes	*(783)*	*(453)*	*(269)*	*(61)*
Unfunded schemes	*(212)*	-	*(180)*	*(32)*

29.3. Plan assets

As indicated in Note 29.1, for defined benefit plans, plan assets have been progressively built up by contributions from the employer and the employees, primarily in the United Kingdom, Germany, Switzerland and the United States of America.

(in € million)	At 31 March 2018	United Kingdom	Euro Zone	Other
Fair value of plan assets at beginning of year	**469**	**351**	**72**	**46**
Interest income	11	9	1	1
Actuarial gains (losses) on assets due to experience	16	13	(1)	4
Company contributions	10	5	-	5
Plan participant contributions	3	3	-	-
Benefits paid from plan assets	(16)	(12)	-	(4)
Foreign currency translation and others	(11)	(6)	-	(5)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**482**	**363**	**72**	**47**

(in € million)	At 31 March 2017	United Kingdom	Euro Zone	Other
Fair value of plan assets at beginning of year	**452**	**340**	**68**	**44**
Interest income	12	10	1	1
Actuarial gains (losses) on assets due to experience	33	30	3	-
Company contributions	13	6	-	7
Plan participant contributions	4	3	-	1
Benefits paid from plan assets	(20)	(12)	-	(8)
Foreign currency translation and others	(25)	(26)	-	1
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**469**	**351**	**72**	**46**

29.4. Components of plan assets

(in € million)	At 31 March 2018	%	United Kingdom	Euro Zone	Other
Equities	291	60.5%	71%	28%	29%
Bonds	170	35.3%	29%	66%	38%
Insurance contracts	4	0.9%	-	3%	4%
Other	16	3.3%	-	3%	29%
TOTAL	**481**	**100%**	**100%**	**100%**	**100%**

(in € million)	At 31 March 2017	%	United Kingdom	Euro Zone	Other
Equities	277	59.1%	71%	33%	5%
Bonds	149	31.8%	29%	62%	7%
Insurance contracts	37	7.9%	-	3%	77%
Other	6	1.3%	-	2%	11%
TOTAL	**469**	**100%**	**100%**	**100%**	**100%**

An active market price exists for all plan assets except properties. Assets of each funded plan are managed by a dedicated investment committee in accordance with the scheme rules and local regulation. The Group has representatives on these committees and promotes simple and diversified investment strategies.

The aim is to limit investment risks to those necessary to fulfil the benefit commitment (asset and liability management). As a result, strategic allocation favours liquid assets and especially long bonds. As at 31 March 2018, plan assets do not include securities issued by the Group.

29.5. Assumptions (weighted average rates)

Actuarial valuations of the Group's benefit obligation have been made as at 31 March 2018 and 31 March 2017.

These valuations include:

- assumptions on staff turnover, mortality and salary increases;
- assumptions on retirement ages varying from 60 to 65 depending on the country and the applicable laws;
- discount rates used to determine the actuarial present value of the projected benefit obligations.

Actuarial assumptions used vary by type of plan and by country.

(in %)	At 31 March 2018	United Kingdom	Euro Zone	Other
Discount rate	2.30	2.80	1.68	2.86
Rate of compensation increase	3.15	3.60	2.75	2.41

(in %)	At 31 March 2017	United Kingdom	Euro Zone	Other
Discount rate	2.05	2.50	1.50	2.48
Rate of compensation increase	3.22	3.65	2.71	2.75

As of 31 March 2018, the weighted average durations of the defined benefit obligations are the following:

(in years)	At 31 March 2018	United Kingdom	Euro Zone	Other
Weighted average duration	16	19	13	14

Discount rate

In accordance with IAS 19R principles, discount rates are set each year by reference to the market yields on high quality corporate bonds denominated in the relevant currency. In countries where there is no deep market in such bonds, discount rates are set by reference to the yields on government bonds. The required information is sourced from the Company's actuarial advisors and from market quotations and indices.

Rate of compensation increase

Compensation increase assumptions are determined at country level and reviewed centrally.

Assumptions related to the post-employment healthcare obligation

The healthcare trend rate is assumed to be 8.69% in the year ended 31 March 2018 and reduces thereafter to an ultimate rate of 4.49%.

Sensitivity analysis

A 25 bp increase or decrease in the main assumptions would have the following impacts on the defined benefit obligation:

(in € million)	At 31 March 2018
Impact of a 25 bp increase or decrease in the discount rate	(29)/+37
Impact of a 25 bp increase or decrease in the rate of compensation increase	+7/(8)

29.6. Analysis of post-employment and other long-term defined benefit expense

As at 31 March 2018, the benefit expense for the whole Group is the following:

(in € million)	Year ended 31 March 2018	United Kingdom	Euro Zone	Other
Service cost	(39)	(14)	(16)	(9)
Defined contribution plans	(62)	(5)	(47)	(10)
Curtailments/settlements	1	1	-	-
EBIT impact	**(100)**	**(18)**	**(63)**	**(19)**
Financial income (expense)	**(13)**	**(4)**	**(6)**	**(3)**
TOTAL BENEFIT EXPENSE	**(113)**	**(22)**	**(69)**	**(22)**

(in € million)	Year ended 31 March 2017	United Kingdom	Euro Zone	Other
Service cost	(34)	(10)	(16)	(8)
Defined contribution plans	(67)	(4)	(45)	(18)
Past service gain (cost)	11	-	(1)	12
Curtailments/settlements	4	-	3	1
EBIT impact	**(86)**	**(14)**	**(59)**	**(13)**
Financial income (expense)	**(12)**	**(3)**	**(6)**	**(3)**
Net impact in discontinued activities	(5)	-	-	(5)
TOTAL BENEFIT EXPENSE	**(103)**	**(17)**	**(65)**	**(21)**

29.7. Cash flows

In accordance with local practice and regulations, the Company pays contributions to the funded schemes it sponsors and benefits to the members of unfunded plans.

Total cash spent for defined benefit plans in the year ended 31 March 2018 amounted to €26 million and covers both regular contributions for accruing service and recovery contributions in case of funding shortfall.

For defined benefit plans, the expected cash outflows are the following:

- €26 million in the year ending 31 March 2019;
- €24 million in the year ending 31 March 2020;
- €25 million in the year ending 31 March 2021.

Total cash spent for defined contribution plans in the year ended 31 March 2018 amounted to €62 million.

For defined contribution plans, according to the Company's best estimate, payments should remain stable over the next years, at constant scope and exchange rates.

NOTE 30 • SHARE-BASED PAYMENTS

The Group issues equity-settled and cash-settled share-based payments to certain employees.

Equity-settled share-based payments

Equity-settled share-based payments are measured at fair value at the grant date (excluding the effect of non-market-based conditions) using the binomial pricing model or the Black-Scholes model for plans issued from 2009 or the Monte Carlo model for plans issued from 2016. The cumulative recognised expense is based on the fair value at grant date and on the estimated number of shares that will eventually vest (including the effect of non-market-based vesting conditions). It is recorded in Earnings Before Interests and Taxes throughout the vesting period with a counterpart in equity.

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Cash-settled share-based payments

For cash-settled share-based payments, a liability equal to the portion of the goods or services rendered is recognised at the current fair value. The fair value is remeasured at each balance-sheet date and at the date of settlement, with any changes recognised in the income statement.

The Group may also provide employees with the ability to purchase the Group's ordinary shares at a discounted price compared to that of the current market value. In that case, the Group records an expense based on the discount given and its estimate of the shares expected to vest.

30.1. Stock options and performance shares

KEY CHARACTERISTICS

	Plans issued by Shareholders Meeting on 26 June 2007				Plans issued by Shareholders Meeting on 22 June 2010			
	Plan n°10	Plan n°10	Plan n°12	Plan n°12	Plan n°13	Plan n°13	Plan n°14	Plan n°14
	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares
Grant date	25/09/2007	25/09/2007	21/09/2009	21/09/2009	13/12/2010	13/12/2010	04/10/2011	04/10/2011
Exercise period	25/09/2010 24/09/2017	n/a	21/09/2012 20/09/2017	n/a	13/12/2013 12/12/2018	n/a	04/10/2014 03/10/2019	n/a
Number of beneficiaries	1,196	1,289	436	1,360	528	1,716	514	1,832
Adjusted number granted [(1)]	1,950,639	252,000	1,001,612	522,220	1,419,767	740,860	1,573,723	804,040
Adjusted number exercised since the origin	1,150	220,320	-	182,432	440,340	506,330	647,163	478,149
Adjusted number cancelled since the origin	1,949,489	31,680	1,001,612	339,788	468,163	234,530	638,291	325,891
Ajusted number outstanding at 31 March 2018	-	-	-	-	511,264	-	288,269	-
inc. to the present members of the Executive Committee	-	-	-	-	50,211	-	44,867	-
Adjusted exercise price [(2)] *(in €)*	58.73	n/a	43.48	n/a	28.83	n/a	22.96	n/a
Fair value at grant date *(in €)*	29.24	129.20	11.26	48.11	7.59	31.35	3.14	19.77

(1) The number of options and performance shares and the exercise price of options have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.

(2) The exercise price corresponds to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the Board (neither discount nor surcharge) and adjusted where necessary due to share buy back operation.

	Plans issued by Shareholders Meeting on 22 June 2010				Plans issued by Shareholders Meeting on 18 December 2015			
	Plan n°15	Plan n°15	Plan n°16	Plan n°16	PSP 2016	We are Alstom	PSP 2017	PSP 2018
	Stock options	Performance shares	Stock options	Performance shares	Performance shares	Free shares	Performance shares	Performance shares
Grant date	10/12/2012	10/12/2012	01/10/2013	01/10/2013	17/03/2016	23/09/2016	17/03/2017	13/03/2018
Exercise period	10/12/2015 09/12/2020	n/a	03/10/2016 30/09/2021	n/a	n/a	n/a	n/a	n/a
Number of beneficiaries	538	1,763	292	1,814	737	27,480	755	732
Adjusted number granted (1)	1,508,777	883,140	771,997	1,130,791	957,975	824,400	1,022,400	1,016,025
Adjusted number exercised since the origin	451,994	391,458	410,587	1,022,311	1,050	30	-	-
Adjusted number cancelled since the origin	806,630	491,682	72,625	108,480	132,348	-	43,425	-
Ajusted number outstanding at 31 March 2018	250,153	-	288,785	-	824,577	824,370	978,975	1,016,025
inc. to the present members of the Executive Committee	35,218	-	45,400	-	139,500	-	195,000	185,625
Adjusted exercise price (2) *(in €)*	24.10	n/a	23.44	n/a	n/a	n/a	n/a	n/a
Fair value at grant date *(in €)*	5.80	26.70	3.84	22.62	17.17	23.39	21.74	25.59

(1) The number of options and performance shares and the exercise price of options have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.
(2) The exercise price corresponds to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the Board (neither discount nor surcharge) and adjusted where necessary due to share buy back operation.

At 31 March 2018, stock options granted by plans 10, 12, 13, 14, 15 and 16 are fully vested. For plan 10, the end of the exercise period expired in September 2017, seven years after the end of the vesting period of each plan. For plans 12, 13, 14, 15 and 16, options expire five years after the end of the vesting period. For plan 12, the exercise period expired in September 2017.

The long term incentive plans set up since 2007 combine the allocation of stock options with the allocation of performance shares, except the latter since 2016 that allocate only performance shares.

The grant of these instruments is conditioned by the satisfaction of performance indicators.

LTI plan 15 granted on 10 December 2012

The total number of options exercisable and performance shares delivered was depending on the Group's operating margin and the free cash flow for the fiscal years ended 31 March 2013, 31 March 2014 and 31 March 2015.

Based on consolidated financial statements for the fiscal years ended 31 March 2013 and 31 March 2014, the performance conditions were achieved for 30% of the initial grant of the LTIP 15 options and performance shares.

In the context of the sale of the Energy activities, the Board of Directors considered that the performance conditions set for fiscal year ended 31 March 2015, weighting 20% of the initial grant, were deemed fully satisfied subject to and upon the completion of the transaction. As a result, 50% of the options were exercisable under this plan and 50% of performance shares have been delivered. 50% of options and performance shares have been cancelled.

LTI plan 16 granted on 1 October 2013

In the context of Energy transaction, the Board of Directors has considered that the performance conditions set for fiscal years ended 31 March 2015 and 31 March 2016 were deemed fully satisfied subject to and upon the completion of the transaction.

As a consequence, all options will be exercisable under this plan and all performance shares have been delivered on 2 October 2017.

In addition, for both plans 15 & 16, the presence condition has been waived for the beneficiaries having left the Group as part of the Energy transaction on the condition they are employees of Alstom Group as at the date of the closing of the transaction. This triggered the stock option and performance plans expense acceleration recorded in Income statement of discontinued operations.

PSP 2016 granted on 17 March 2016

This plan has been approved by the Board of Directors of 17 March 2016. It allocates 957,975 performance shares to 737 beneficiaries.

The final allocation depends on two internal performance conditions based on Group adjusted EBIT margin and Free Cash Flow for fiscal years ended 31 March 2017, 31 March 2018, and 31 March 2019, and one external condition linked to the performance of the Company's share. The final delivery will take place five days after the communication of the 31 March 2019 results. As the performance conditions have been set for the year ended 31 March 2017, 5.27% of the performance shares have been cancelled.

2016 free share plan

On 23 September 2016, the Board of Directors approved the grant of a worldwide free share Plan named "We are Alstom". The 30-shares-award concerns all employees within Alstom on 30 June 2016, on the condition they are still employees of Alstom Group at the end of a 2-years-vesting period, representing a maximum of 824,400 new shares of €7 of nominal value each to be issued in favor of a maximum of 27,480 beneficiaries.

It was also decided that in the countries where, for tax and/or legal purpose, the granting of free shares would be difficult or not possible, a cash equivalent bonus will be granted to employees.

PSP 2017 granted on 17 March 2017

This plan has been agreed by the Board of Directors of 17 March 2017. It allocates 1,022,400 performance shares to 755 beneficiaries.

The final allocation depends on two internal performance conditions based on Group adjusted EBIT margin and Free Cash Flow for fiscal years ended 31 March 2018, 31 March 2019, and 31 March 2020, and one external condition linked to the performance of the Company's share. The final delivery will take place five days after the communication of the 31 March 2020 results.

PSP 2018 granted on 13 March 2018

This plan has been agreed by the Board of Directors of 13 March 2018. It allocates 1,016,025 performance shares to 732 beneficiaries.

The final allocation depends on one internal performance condition based on Group adjusted EBIT margin for fiscal years ended 31 March 2021, and one external condition linked to the performance of the Company's share. The final delivery will take place five days after the communication of the 31 March 2021 results.

The number of Performance Shares will be determined as follows:

		Performance to be achieved end of fiscak year 2020/2021		
Performance conditions	**Percentage of shares to be acquired**	**Percentage of shares to be acquired**	**Percentage of shares to be acquired**	**Percentage of shares to be acquired**
Internal condition	50%	0%	66.7%	100%
		Linear from 0% up to 100%		
Adjusted EBIT Margin		≤ 7%	7.5%	≥ 8.3%
External condition (Relative)	50%	0%	66.7%	100%
		Linear from 0% up to 100%		
Alstom TSR/Index TSR		Alstom TSR ≤ 95% Index TSR	Alstom TSR = Index TSR	Alstom TSR ≥ 120% Index TSR

Movements

	Number of options	Weighted average exercise price per share *(in €)*	Number of performance shares
Outstanding at 31 March 2016	**7,838,555**	**35.44**	**2,208,837**
Granted [(1)]	-	0.00	1,846,800
Exercised	(387,226)	23.41	(215,144)
Cancelled	(2,693,928)	32.82	(66,115)
Outstanding at 31 March 2017	**4,757,401**	**37.90**	**3,774,378**
Granted [(2)]	-	0.00	1,016,025
Exercised	(1,460,920)	25.08	(1,020,164)
Cancelled	(1,958,010)	55.94	(126,292)
OUTSTANDING AT 31 MARCH 2018	**1,338,471**	**25.52**	**3,643,947**
of which exercisable	*1,388,471*		*N/A*

(1) Includes 824,400 free shares granted through the "We are Alstom" plan as well as 1,022,400 performance shares granted through the PSP 2017.
(2) Includes 1,016,025 free shares granted through PSP 2018.

Valuation

	Plan n°12	Plan n°12	Plan n°13	Plan n°13	Plan n°14	Plan n°14	Plan n°15	Plan n°15
	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares
Grant date	21/09/2009	21/09/2009	13/12/2010	13/12/2010	04/10/2011	04/10/2011	10/12/2012	10/12/2012
Expected life *(in years)*	3.5	2.5 or 4.0	3.5	2.5 or 4.0	4.0	2.5 or 4.0	4.0	2.5 or 4.0
End of vesting period	20/09/2012	31/05/2012 or 20/09/2013	12/12/2013	31/05/2013 or 12/12/2014	03/10/2014	31/05/2014 or 03/10/2015	09/12/2015	31/05/2015 or 09/12/2016
Adjusted exercise price (*) *(in €)*	43.48	n/a	28.83	n/a	22.96	n/a	24.10	n/a
Share price at grant date *(in €)*	50.35	50.35	35.40	35.40	23.82	23.82	29.77	29.77
Volatility	30%	n/a	31%	n/a	31%	n/a	30%	n/a
Risk free interest rate	2.0%	2.3%	1.8%	2.0%	1.5%	1.5%	0.5%	0.5%
Dividend yield *(in %)*	1.3%	1.3%	3.1%	3.1%	5.0%	5.0%	3.4%	3.4%

(*) The exercise price corresponds to the average opening price of the shares during the twenty trading days preceding the day of which the options were granted by the Board (no discount or surcharge) and adjusted, where necessary, due to share buy back operation.

	Plan n°16	Plan n°16	PSP 16	We are Alstom	PSP 17	PSP 18
	Stock options	Performance shares	Performance shares	Free shares	Performance shares	Performance shares
Grant date	01/10/2013	01/10/2013	17/03/2016	23/09/2016	17/03/2017	13/03/2018
Expected life *(in years)*	3.0	4.0	3.2	2.0	3.2	3.2
End of vesting period	30/09/2016	30/09/2017	17/05/2019	23/09/2018	17/05/2020	13/05/2021
Adjusted exercise price (*) *(in €)*	23.44	n/a	n/a	n/a	n/a	n/a
Share price at grant date *(in €)*	26.33	26.33	21.84	24.00	26.56	34.19
Volatility	28%	n/a	23%	n/a	22%	20%
Risk free interest rate	0.9%	0.9%	(0.3)%	(0.6)%	(0.1)%	(0.2)%
Dividend yield *(in %)*	3.8%	3.8%	3.8%	1.3%	1.5%	1.5%

(*) The exercise price corresponds to the average opening price of the shares during the twenty trading days preceding the day of which the options were granted by the Board (no discount or surcharge) and adjusted, where necessary, due to share buy back operation.

The option valuation method follows a Black & Scholes model for plans 12, 13, 14, 15, 16, and the plan "We are Alstom" as well as Monte Carlo model for PSP 2016, PSP 2017, and PSP 2018 with exercise of the options anticipated and spread over the exercise period on a straight-line basis.

The volatility factor applied is an average of CAC40 comparable companies' volatility at the grant date for plans 12 to 16, and Alstom's volatility for the plans since PSP 2016.

The Group booked a total expense of €20 million for the year ended 31 March 2018 (to be compared to €10 million for the year ended 31 March 2017).

The Board of Directors is committed, in the event of a major change in the Group's strategy or structure, and in particular in connection with the proposed merger with Siemens' Mobility activities, or at the time of implementing new accounting standards (IFRS 15) to adapting these performance conditions to new issues highlighted for the coming years, both in their nature and in the levels of results to be achieved, while maintaining a high level of demand.

30.2. Stock appreciation rights ("SARs")

Key characteristics

	SARs n°10
Grant date	25/09/2007
Vesting date	25/09/2010
Expiry date	24/09/2017
Number of beneficiaries	8
Adjusted number granted (1)	4,800
Adjusted number exercised since the origin	-
Adjusted number cancelled since the origin	(4,800)
Ajusted number outstanding At 31 March 2018	-
Adjusted exercise price (2) *(in €)*	73.42

(1) The number of SARs and their exercise prices have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.
(2) The exercise price corresponds to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the Board (no discount or surcharge).

Movements

	Number of SARs	Weighted average exercise price per share *(in €)*
Oustanding at 31 March 2016	**11,300**	**48.62**
Granted	-	-
Exercised	-	-
Cancelled	(8,400)	40.05
Oustanding at 31 March 2017	**2,900**	**73.42**
Granted	-	-
Exercised	-	-
Cancelled	(2,900)	73.42
OUSTANDING AT 31 MARCH 2018	**-**	**-**
of which exercisable		

Valuation

	SARs n°10
Grant date	25/09/2007
Expected life (in years)	4
End of vesting period	24/09/2010
Adjusted exercise price (*) *(in €)*	73.42
Share price At 31 March 2018 *(in €)*	36.61
Share price At 31 March 2017 *(in €)*	28.02
Volatility	17.92%
Risk free interest rate	0.23%
Dividend yield	5.0%

(*) The number of SARs and their exercise prices has been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.

The value of SARs plans is measured at the grant date using a Black & Scholes option valuation model taking into account the terms and conditions according to which the instruments were granted. Until the liability is settled, it is measured at each reporting date with changes in fair value recognised in Consolidated Income Statement.

NOTE 31 • EMPLOYEE BENEFIT EXPENSE AND HEADCOUNT

In the following figures, staff of joint-operations entities are integrated in fully, staff of joint-ventures and associates are not considered.

	Year ended	
(in € million)	**31 March 2018**	**31 March 2017**
Wages and salaries	1,867	1,723
Social charges	415	433
Post-employment and other long-term benefit expense (see Note 29)	113	103
Share-based payment expense (see Note 30)	20	10
TOTAL EMPLOYEE BENEFIT EXPENSE	**2,415**	**2,269**

	Year ended	
	31 March 2018	**31 March 2017**
Staff of consolidated companies at year end		
Managers, engineers and professionals	17,927	16,486
Other employees	16,539	16,293
HEADCOUNT	**34,466**	**32,779**

	Year ended	
	31 March 2018	**31 March 2017**
Average staff of consolidated companies over the period		
Managers, engineers and professionals	17,374	15,456
Other employees	16,612	16,419
HEADCOUNT	**33,986**	**31,875**

J. CONTINGENT LIABILITIES AND DISPUTES

Commitments arising from execution of operations controlled by the Group

In the ordinary course of business, the Group is committed to fulfil various types of obligations arising from customer contracts (among which full performance and warranty obligations). Obligations may also arise from leases and regulations in respect of tax, custom duties, environment, health and safety. These obligations may or may not be guaranteed by bonds issued by banks or insurance companies.

As the Group is in a position to control the execution of these obligations, a liability only arises if an obligating event (such as a dispute or a late completion) has occurred and makes it likely that an outflow of resources will occur.

When the liability is considered as only possible but not probable or, when probable, cannot be reliably measured, it is disclosed as a contingent liability.

When the liability is considered as probable and can be reliably measured, the impact on the financial statements is the following:

- if the additional liability is directly related to the execution of a customer contract in progress, the estimated gross margin at completion of the contract is reassessed; the cumulated margin recognised to date based on the percentage of completion and the accrual for future contract loss, if any, are adjusted accordingly,
- if the additional liability is not directly related to a contract in progress, a liability is immediately recognised on the balance sheet.

The contractual obligations of subcontractors towards the Group are of the same nature as those of the Group towards its customers. They may be secured by the same type of guarantees as those provided to the Group's customers.

No contingent asset is disclosed when the likelihood of the obligation of the third party remains remote or possible. A contingent asset is disclosed only when the obligation becomes probable. Any additional income resulting from a third party obligation is taken into account only when it becomes virtually certain.

Commitments arising from execution of operations not wholly within the control of the Group

Obligations towards third parties may arise from on-going legal proceedings, credit guarantees covering the financial obligations of third parties in cases where the Group is the vendor, and indemnification guarantees issued in connection with disposals of business entities.

In case of legal proceedings, a contingent liability is disclosed when the liability is considered as only possible but not probable, or, when probable, cannot be reliably measured. In case of commitments arising from guarantees issued, contingent liabilities are disclosed as soon as guarantees have been delivered and as long as they have not matured.

A provision is recorded if the obligation is considered as probable and can be reliably measured. Contingent assets arising from legal proceedings or guarantees delivered by third parties are only disclosed when they become probable.

NOTE 32 • CONTINGENT LIABILITIES

Commercial obligations

Contractual obligations of the Group towards its customers may be guaranteed by bank bonds or insurance bonds. Bank and insurance bonds may guarantee liabilities already recorded on the balance sheet as well as contingent liabilities.

To issue these bonds, the Group relies on both uncommitted bilateral lines in numerous countries and a €3 billion Committed Bilateral Bonding Facility Agreement ("CBBGFA") with five tier one banks allowing issuance until 2 November 2020 of bonds with tenors up to 7 years. This bilateral line contains a change of control clause, which may result in the program being suspended, in the obligation to procure new bonds to replaces outstanding bonds or to provide cash collateral, as well as early reimbursement of the other debts of the Group, as a result of their cross-default or cross-acceleration provisions. Preparing the closing of the transaction with Siemens, Alstom will ask the lenders to accept change in control clause. The Group doesn't expect any difficulty to obtain this consent.

As at 31 March 2018, the total outstanding bonding guarantees related to contracts from continuing operations, issued by banks or insurance companies, amounted to €8.5 billion (€8.3 billion at 31 March 2017).

The available amount under the Committed Bilateral Bonding Guarantee Facility Agreement at 31 March 2018 amounts to €1.0 billion (€1.2 billion at 31 March 2017). The Committed Bilateral Bonding Guarantee Facility Agreement includes a financial covenant (leverage ratio) based on consolidated figures of the Group and consistent with the financial covenant of the revolving credit facility.

The key Group indicators used to calculate the financial covenants are detailed in Note 28.5.

NOTE 33 • DISPUTES

As a preliminary remark, it shall be noted that, by taking over Alstom's Energy Businesses, General Electric undertook to assume all risks and liabilities exclusively or predominantly associated with said businesses and in a symmetrical way, Alstom undertook to keep all risks and liabilities associated with the non-transferred business. Cross-indemnification for a duration of 30 years and asset reallocation ("wrong pocket") mechanisms have been established to ensure that, on the one hand, assets and liabilities associated with the Energy businesses being sold are indeed transferred to General Electric and on the other hand, assets and liabilities not associated with such businesses are borne by Alstom. As a result, the consequences of litigation matters that were on-going at the time of the sale and associated with these transferred activities are taken over by General Electric. Indemnity provisions protect Alstom in case of third party claims directed at Alstom and relating to the transferred activities. For this reason and since Alstom no longer manages these litigation matters, Alstom is ceasing to include them in this section.

Disputes in the Group's ordinary course of business

The Group is engaged in several legal proceedings, mostly contract-related disputes that have arisen in the ordinary course of business. These disputes, often involving claims for contract delays or additional work, are common in the areas in which the Group operates, particularly for large long-term projects. In some cases, the amounts, which may be significant, are claimed against the Group, sometimes jointly with its consortium partners.

In some proceedings the amount claimed is not specified at the beginning of the proceedings. Amounts retained in respect of these litigations are taken into account in the estimate of margin at completion in case of contracts in progress or included in provisions and other current liabilities in case of completed contracts when considered as reliable estimates of probable liabilities. Actual costs incurred may exceed the amount of initial estimates because of a number of factors including the inherent uncertainties of the outcome of litigation.

Other disputes

Asbestos

Some of the Group's subsidiaries are subject to civil proceedings in relation to the use of asbestos in France essentially and in Italy, Spain and the United Kingdom. In France, these proceedings are initiated by certain employees or former employees suffering from an occupational disease in relation to asbestos with the aim of obtaining a court decision allowing them to obtain a supplementary compensation from the French Social Security funds. In addition employees and former employees of the Group not suffering from an asbestos related occupational disease have started lawsuits before the French courts with the aim of obtaining compensation for damages in relation to their alleged exposure to asbestos, including the specific anxiety damage.

The Group believes that the cases where it may be required to bear the financial consequences of such proceedings do not represent a material exposure. While the outcome of the existing asbestos-related cases cannot be predicted with reasonable certainty, the Group believes that these cases would not have any material adverse effect on its financial condition.

Alleged anti-competitive activities

Transportation activities in Brazil

In July 2013, the Brazilian Competition Authority ("CADE") raided a number of companies involved in transportation activities in Brazil, including the subsidiary of Alstom, following allegations of anti-competitive practices and illegal payments. After a preliminary investigation stage, CADE notified in March 2014 the opening of an administrative procedure against several companies, of which the Alstom's subsidiary in Brazil, and certain current and former employees of the Group. Alstom is cooperating with CADE. In case of proven anti-competitive practices, possible sanctions include fines, criminal charges and a temporary exclusion from public contracts. Civil damages are also possible. Following the opening phase, this procedure has continued with the phase of production of evidence. The hearing phase took place from January to March 2016, with the deposition of current and former employees of the Group as well as the questioning of witnesses. CADE has actively asserted its positions in this phase of the proceedings. The final report setting forth its conclusions on the procedure is still pending. It remains difficult to assess with precision the outcome of this procedure. Current and former employees of Alstom are also subject to criminal proceedings initiated by the public prosecutor of the state of Sao Paulo in connection with some of the Transport projects subject to CADE procedure.

In December 2014, the public prosecutor of the state of Sao Paulo also initiated a lawsuit against Alstom's subsidiary in Brazil, along with a number of other companies, related to alleged anti-competitive practices regarding the first phase of a train maintenance project, which is also subject to administrative proceedings since 2013. In the last quarter of 2016, this Alstom subsidiary in Brazil, along with a number of other companies, faced the opening of another lawsuit by the public prosecutor of the state of Sao Paulo related to alleged anti-competitive practices regarding a second phase of the said train maintenance project. In case of proven illicit practices, possible sanctions can include the cancellation of the relevant contracts, the payment of damage compensation, the payment of punitive damages and/or the dissolution of the Brazilian companies involved.

Alleged illegal payments

Certain companies and/or current and former employees of the Group are currently being investigated and/or subject to procedures, by judicial or administrative authorities (including in Brazil, in the United Kingdom and in France) or international financial institutions with respect to alleged illegal payments in certain countries.

With respect to these matters, the Group is cooperating with the concerned authorities or institutions. These investigations or procedures may result in criminal sanctions, including fines which may be significant, exclusion of Group subsidiaries from tenders and third-party actions.

The Prosecutor of the State of Sao Paulo launched in May 2014 an action against a Group's subsidiary in Brazil, along with a number of other companies, for a total amount asserted against all companies of BRL2.5 billion (approximately €610 million) excluding interests and possible damages in connection with a transportation project. The Group's subsidiary is actively defending itself against this action.

Alstom concluded on 22 December 2014 an agreement with the US Department of Justice (DOJ) in order to put an end to the investigation conducted in the United States from 2010 on subsidiaries of the Group relating to alleged potential violations of the Foreign Corrupt Practices Act (FCPA). This agreement was approved by the competent American court during a hearing held on 13 November 2015 and the payment of the fine stipulated in the agreement was effected on 23 November 2015. Subsequent to the validation of the agreement at the end of 2015, Alstom has submitted to the DOJ three annual reports on its integrity program pursuant to the applicable three-year reporting period, the last of which was submitted end of September 2017 and the three-year reporting period came to an end on 22 December 2017.

In the United Kingdom, the Serious Fraud Office (SFO) began investigations in 2010. The SFO opened during fiscal year 2014/15 three criminal prosecutions against entities of the Group and certain current and past employees of the Group in connection with transportation projects located in Poland, Tunisia, India and Hungary, and with an energy project located in Lithuania that is no longer handled by Alstom. In March 2016, the SFO announced that it was pressing charges against a seventh individual in its investigation. Following a shift in the procedural calendar, the trial phase for the project in Hungary took place during the summer of 2017 and could not be concluded. It has now been scheduled for September 2018. The trial phase for the other transportation projects took place at the beginning of 2018 and concluded on 10 April 2018. At the Southwark Crown Court in London, Alstom Network (UK) Ltd was acquitted, by a Jury, of conspiracies to corrupt in India and Poland. It was convicted on a single count of a conspiracy to corrupt in Tunisia but has lodged an appeal against this conviction. A financial penalty in relation to Tunisia will be determined following the conclusion of the Hungary Trial, which is likely to conclude by the end of 2018. It follows that should the appeal against conviction succeed, the financial penalty will be returned to the Company. Due to the ongoing proceedings in London there is, in the UK, a strict prohibition on any reporting of the fact of the trial, the verdicts, or the upcoming proceedings referred to above. Accordingly, publication of this information would be a criminal offence in the UK, pursuant to the Contempt of Courts Act 1981, which is punishable with imprisonment. It remains difficult to assess with precision the final outcome of these procedures.

Budapest metro

In 2006, Alstom was awarded by BKV a contract for the delivery of metros for two lines in the city of Budapest. During the execution of the project, Alstom experienced delays mostly related to technical change requests from BKV and the refusal by the Hungarian Authority "NKH" to deliver the final train homologation in 2010 (in August 2007, NKH granted a Preliminary Type License). On 19 October 2010 BKV terminated the contract and called the bank guarantees. In July 2011 the parties agreed the re-entry into force of the contract and the suspension of the arbitration procedure initiated by Alstom in January 2011. The final train homologation was obtained in July 2012. The arbitration proceedings resumed on 17 December 2012 and are at the phase of assessments of damages claimed by the parties and expertise. The expert appointed by the arbitral tribunal has issued preliminary findings and the parties have submitted their responses to these findings for further consideration by the expert. This process is expected to continue until mid-2018.

CR-1 Marmaray railway infrastructure – Turkey

In March 2007, the Turkish Ministry of Transport (DLH) awarded the contract to upgrade approximately 75 km of railway infrastructure in the Istanbul region, known as the "Marmaray Commuter Rail Project (CR-1)" to the consortium Alstom Dogus Marubeni (AMD), of which Alstom Transport's main French subsidiary is a member. This project, which included works on the transcontinental railway tunnel under the Bosphorus, has undergone significant delays mainly due to difficulties for the DLH to make the construction site available. Thus, the AMD consortium terminated the contract in 2010. This termination was challenged by DLH, who thereafter called the bank guarantees issued by the consortium up to an amount of approximately €80 million. Following injunctions, the payment of such bank guarantees was forbidden and the AMD consortium immediately initiated an arbitration procedure to resolve the substantive issues. The arbitral tribunal has decided in December 2014 that the contract stands as terminated by virtue of Turkish law and has authorised the parties to submit their claims for compensation of the damages arising from such termination. Following this decision on the merits, DLH made renewed attempts in 2015 to obtain payment of the bank guarantees but defense proceedings by the AMD consortium have enabled so far to reject these payment requests.

In the arbitration procedure, the phase of assessment of damages is over. Hearings took place in October 2017 and post-hearing submissions were exchanged in February 2018. The main next step will therefore be the issuance of the arbitral award on the quantum.

Also, through arbitration request notified on 29 September 2015, Marubeni Corporation launched proceedings against Alstom Transport SA taken as consortium leader in order to be compensated for the consequences of the termination of the contract with AMD. In a similar fashion, through arbitration request issued on 15 March 2016, the other consortium member Dogus launched proceedings against Alstom Transport SA with similar demands and a request to have the disputes between consortium members consolidated in a single case. Alstom Transport SA is rejecting these compensation requests and is defending itself in these proceedings between consortium members which, while having gone through a consolidation in a single case, have however been suspended by the arbitral tribunal pending the outcome of the main arbitral proceedings between AMD and DLH.

Regional Minuetto trains & high-speed Pendolino trains – Italy

Alstom Transport's subsidiary in Italy is involved in two litigation proceedings with the Italian railway company Trenitalia. One is related to a supply contract of regional Minuetto trains awarded in 2001 (the "Minuetto case"), and the other to a supply contract of high-speed Pendolino trains awarded in 2004 (the "Pendolino case"). Each of these contracts has undergone technical issues and delays leading the Trenitalia company to apply delay and technical penalties and, consequently, to withhold payments. Since the parties dispute certain technical matters as well as the causes and responsibilities of the delays, the matter was brought before Italian courts in 2010 and 2011 respectively. In the Minuetto case, the technical expertise report has been released and Alstom has challenged its contents with amendment requests. The technical expert submitted his final report in April 2017 and certain amendment requests were taken into account. The procedure is now in the phase of exchange of final summary memorials, which is expected to continue until 2018. In the Pendolino case, the technical expertise report was also released and Alstom has obtained certain corrections following its challenge on some of the conclusions of the report. On this case, the expertise phase is therefore over and the proceedings continue their path on the legal aspects of the dispute.

Intercity trains Poland

On 30 May 2011, PKP Intercity SA ("PKP") and Alstom Transport subsidiaries in Poland and Italy entered into a contract for the delivery of trains and maintenance services to PKP. The delivery of the trains with the planned signalling system was not possible due to the lack of necessary railway infrastructure in Poland. Therefore, a dispute has arisen between the parties in connection with damages arising from project delays and PKP initiated arbitration proceedings on 29 April 2015. Following the phase of assessment of damages claimed by the parties, these arbitration proceedings have progressed towards the closing of hearings. On 12 December 2016, the Alstom subsidiaries involved in this case received the notification of the arbitral decision whereby the arbitrators came to the conclusion that these subsidiaries had to compensate PKP for delay damages amounting to €42 million (plus interests and legal costs), following which PKP was indemnified in January 2017 through a draw-down on the project bond.

Alstom strongly contests the arbitral decision and has launched proceedings in Poland in the Court of Appeal of Katowice to obtain the cancellation of this decision and the compensation of damages suffered by Alstom as a result, in particular, of the call on the project bond. The Court of Appeal of Katowice rejected Alstom's request for cancellation of the arbitral decision in August 2017 and Alstom filed a recourse to the Supreme Court on 16 October 2017. The Supreme Court proceedings continue their path.

Saturno

Following a dispute within a consortium involving Alstom's subsidiary in Italy and three other Italian companies, the arbitral tribunal constituted to resolve the matter has rendered in August 2016 a decision against Alstom by awarding €22 million of damage compensation to the other consortium members. Alstom's subsidiary strongly contests this decision and considers that it should be able to avoid its enforcement and thus prevent any damage compensation payment. On 30 November 2016, Alstom's subsidiary filed a motion in the Court of Appeals of Milan to obtain the cancellation of the arbitral award. On 1 December 2016, Alstom's subsidiary filed an ex parte motion for injunctive relief to obtain the suspension of the arbitral award pending the outcome of the appeal proceedings, which was temporarily accepted by the Court. After a phase of hearings in contradictory proceedings on the request for suspension of the arbitral award, the Court of Appeals of Milan decided on 3 March 2017 in favor of Alstom's subsidiary by confirming definitively the suspension of this arbitral decision pending the outcome of the proceedings relating to the cancellation of such decision. These proceedings are still on-going.

Jerusalem LRT

On the Jerusalem light rail tramway project, a dispute started in 2009 between the Concessionaire CityPass and the State of Israel to ascertain responsibilities for certain project delays and extra costs. Alstom's subsidiary in charge of the project is involved in the dispute in its capacity as EPC Contractor. The resolution of this dispute was initially handled through some form of dispute review board with two arbitrators reviewing claims and counterclaims produced by the parties and giving instructions to delay and quantum experts. In the past months, the matter has been evolving towards full-fledged arbitration proceedings with the parties being in the process of appointing a new panel of three arbitrators who will have to decide on the resolution of the dispute. Once this arbitral tribunal is constituted, its main tasks will be to review the financial compensation claimed by the Concessionaire and Alstom for the project prolongation, and to decide on the admissibility of the counterclaims raised by the State of Israel. In the past months though, the parties decided to postpone further developments in the arbitral proceedings in order to launch a mediation process, which is due to start in May 2018.

There are no other governmental, legal or arbitration procedures, including proceedings of which the Group is aware and which are pending or threatening, which might have, or have had during the last twelve months, a significant impact on the financial situation or profitability of the Group.

K. OTHER NOTES

NOTE 34 • LEASE OBLIGATIONS

(in € million)	Total	Within one year	1 to 5 years	Over 5 years
Long term rental (*)	296	31	125	140
Finance leases	20	3	9	8
Operating leases	378	56	148	174
TOTAL AT 31 MARCH 2018	**694**	**90**	**282**	**322**
Long term rental (*)	345	42	127	176
Finance leases	21	3	10	8
Operating leases	259	42	183	34
TOTAL AT 31 MARCH 2017	**626**	**87**	**320**	**219**

(*) Obligations related to a long-term rental of trains and associated equipment to a London metro operator (see Note 27) including interests to be paid.

NOTE 35 • INDEPENDENT AUDITORS' FEES

Fees due to auditors and members of their networks in respect of years ended 31 March 2018 and 31 March 2017 were as follows:

	Year ended 31 March 2018				Year ended 31 March 2017			
	Mazars		PricewaterhouseCoopers		Mazars		PricewaterhouseCoopers	
(in € million)	Amount	%	Amount	%	Amount	%	Amount	%
Independent Auditors' diligence, certification, review of individual and consolidated accounts	**3.5**	**67%**	**3.1**	**65%**	**3.3**	**85%**	**3.0**	**83%**
ALSTOM SA	*0.6*	*12%*	*0.7*	*15%*	*0.6*	*15%*	*0.9*	*25%*
Controlled entities	*2.9*	*55%*	*2.4*	*50%*	*2.7*	*69%*	*2.1*	*58%*
Non audit services	**1.8**	**33%**	**1.7**	**35%**	**0.6**	**15%**	**0.6**	**17%**
TOTAL	**5.3**	**100%**	**4.8**	**100%**	**3.9**	**100%**	**3.6**	**100%**

Other services mainly include services rendered in connection with the contemplated transaction of combination of Alstom and Siemens Mobility (agreed upon procedures, information document to be published by Alstom, etc.), agreed-upon procedures and acquisition due diligences, technical consultations on accounting, tax and regulatory matters.

NOTE 36 • RELATED PARTIES

The Group has identified the following related parties:

- shareholders of the Group;
- state & publicly owned companies;
- associates & joint ventures (including Energy alliances);
- key management personnel.

36.1. Shareholders of the Group

As per the announcement of 26 September 2017, the French State did not exercise the call options on Alstom shares hold by Bouygues and restituted them on 17 October 2017.

Bouygues, a French company listed on Paris stock market, is the main shareholder of the Group, holding 27.94% of Alstom's share capital.

36.2. Related-party disclosures

As French State restituted Alstom Shares on 17 October 2017, the State-owned companies, in particular SNCF, RATP and some of their subsidiaries, are not anymore considered as related parties at 31 March 2018. As a reminder, at 30 September 2017, the sales realised with these companies amounted to €470 million.

Bouygues and Alstom are involved in various contracts which are part of the ordinary course of business (*e.g.* phone contracts, construction contracts). These relations are subject to normal market terms and conditions. Those operating flows are not material at Group's level.

Moreover, related party transactions are also transactions with companies over which Alstom exercises significant influence or joint ventures over which Alstom exercises joint control. Those transactions with related parties are undertaken at market prices and represent less than 1% of the sales and trade receivable.

36.3. Key management personnel

The Group considers that key management personnel as defined by IAS 24 are the members of the Executive Committee.

	Year ended	
(in € thousand)	**31 March 2018**	**31 March 2017**
Short-term benefits	**8,710**	**6,188**
Fixed gross salaries (1)	4,319	4,063
Variable gross salaries (2)	3,368	2,125
Exceptional amounts (3)	1,023	-
Post-employment benefits (4)	**1,177**	**1,377**
Post-employment defined benefit plans	91	905
Post-employment defined contribution plans	1,023	247
Other post-employment benefits	63	225
Other benefits	**5,390**	**4,201**
Non monetary benefits	882	823
Employer social contributions	2,512	1,988
Share-based payments (5)	1,996	1,390
TOTAL	**15,277**	**11,766**

(1) Change is mainly linked to the evolution/modification of the composition of the Executive Committee.
(2) Evolution is mainly due to short term incentive for Executive Committee in connection with the performance of the Group.
(3) Conditional remunerations subject to the completion of the transaction with Siemens.
(4) The decrease is mainly linked to the closure of the defined benefit plans (Art. 39) and the subsequent setting up of a defined contribution plan (Art. 82).
(5) Increase of the share-based payments expenses mainly relate to the value of Alstom share on the Stock market.

NOTE 37 • SUBSEQUENT EVENTS

On 10 May 2018, Alstom signed an agreement with General Electric relating to the implementation of the agreements from 2015 regarding the intended exit of Alstom from the three Energy Joint Ventures. Alstom intends to exercise its options to sell its interests in the "Renewables" and "Grid" Joint Ventures in 2018 (pursuant to Alstom's put options as presented in Note 13.1). If these options are exercised during the exercise period (between 4 September and 10 September), GE will then be deemed to have exercised its option to acquire Alstom's interest in the "Nuclear" Joint Venture (pursuant to General Electric's call option), and the transfer of all interests will occur on 2 October 2018 for a total amount of €2.594 billion.

The Group has not identified any subsequent event to be reported other than the items already described above or in the previous notes.

NOTE 38 • SCOPE OF CONSOLIDATION

PARENT COMPANY	Country	Ownership %	Consolidation Method
ALSTOM SA	France	-	Parent Company
COMPANIES			
ALSTOM Algérie «Société par Actions»	Algeria	100	Full consolidation
ALSTOM Grid Algérie SPA	Algeria	100	Full consolidation
ALSTOM Argentina S.A.	Argentina	100	Full consolidation
ALSTOM Transport Australia Pty Limited	Australia	100	Full consolidation
NOMAD DIGITAL PTY LTD	Australia	100	Full consolidation
ALSTOM Transport Azerbaijan LLC	Azerbaijan	100	Full consolidation
ALSTOM Belgium SA	Belgium	100	Full consolidation
CABLIANCE BELGIUM	Belgium	100	Full consolidation
ALSTOM Brasil Energia e Transporte Ltda	Brazil	100	Full consolidation
ETE – EQUIPAMENTOS DE TRACAO ELETRICA LTDA	Brazil	100	Full consolidation
ALSTOM Transport Canada Inc.	Canada	100	Full consolidation
ALSTOM Chile S.A.	Chile	100	Full consolidation
ALSTOM (Guangdong) High Voltage Electric Co. Ltd	China	51	Full consolidation
ALSTOM Hong Kong Ltd	China	100	Full consolidation
ALSTOM Investment Company Limited	China	100	Full consolidation
ALSTOM Qingdao Railway Equipment Co Ltd	China	51	Full consolidation
SHANGHAI ALSTOM Transport Electrical Equipment Company Ltd	China	60	Full consolidation
XI'AN ALSTOM YONGJI ELECTRIC EQUIPMENT CO., LTD	China	51	Full consolidation
ALSTOM Transport Danmark A/S	Denmark	100	Full consolidation
NOMAD DIGITAL APS	Denmark	100	Full consolidation
NOMAD DIGITAL (DENMARK) APS	Denmark	100	Full consolidation
ALSTOM Egypt for Transport Projects SAE	Egypt	99	Full consolidation
AREVA INTERNATIONAL EGYPT FOR ELECTRICITY TRANSMISSION & DISTRIBUTION	Egypt	100	Full consolidation
ALSTOM Transport Finland Oy	Finland	100	Full consolidation
ALSTOM Executive Management	France	100	Full consolidation
ALSTOM Holdings	France	100	Full consolidation
ALSTOM Kleber Sixteen	France	100	Full consolidation
ALSTOM Leroux Naval	France	100	Full consolidation
ALSTOM Network Transport	France	100	Full consolidation
Omega 1	France	100	Full consolidation
ALSTOM Sextant 10	France	100	Full consolidation
ALSTOM Sextant 13	France	100	Full consolidation
ALSTOM Transport SA	France	100	Full consolidation
ALSTOM Transport Technologies	France	100	Full consolidation
CENTRE D'ESSAIS FERROVIAIRES	France	92	Full consolidation
CHANTIERS DE L'ATLANTIQUE	France	100	Full consolidation
ETOILE KLEBER	France	100	Full consolidation
INTERINFRA (COMPAGNIE INTERNATIONALE POUR LE DÉVELOPPEMENT D'INFRASTRUCTURES)	France	50	Full consolidation
LORELEC	France	100	Full consolidation
ALSTOM Lokomotiven Service GmbH	Germany	100	Full consolidation
ALSTOM Transport Deutschland GmbH	Germany	100	Full consolidation
NOMAD DIGITAL GMBH	Germany	100	Full consolidation
VGT VORBEREITUNGSGESELLSCHAFT TRANSPORTTECHNIK GMBH	Germany	100	Full consolidation
ALSTOM Network UK Ltd	Great Britain	100	Full consolidation
ALSTOM NL Service Provision Limited	Great Britain	100	Full consolidation
ALSTOM Academy for rail	Great Britain	100	Full consolidation

Companies	Country	Ownership %	Consolidation Method
ALSTOM Transport	Great Britain	100	Full consolidation
ALSTOM Transport Service Ltd	Great Britain	100	Full consolidation
ALSTOM Transport UK (Holdings) Ltd	Great Britain	100	Full consolidation
ALSTOM Transport UK Limited	Great Britain	100	Full consolidation
ALSTOM Transportation Projects International Ltd	Great Britain	100	Full consolidation
NOMAD DIGITAL (INDIA) LIMITED	Great Britain	70	Full consolidation
NOMAD DIGITAL LIMITED	Great Britain	100	Full consolidation
NOMAD DIGITAL NETWORKS UK LIMITED	Great Britain	100	Full consolidation
NOMAD HOLDINGS LIMITED	Great Britain	100	Full consolidation
NOMAD SOLUTIONS UK LIMITED	Great Britain	100	Full consolidation
NOMAD SPECTRUM LIMITED	Great Britain	100	Full consolidation
NOMAD WEST COAST LIMITED	Great Britain	100	Full consolidation
SIGNALLING SOLUTIONS LIMITED	Great Britain	100	Full consolidation
WASHWOOD HEATH TRAINS LTD	Great Britain	100	Full consolidation
WEST COAST SERVICE PROVISION LIMITED	Great Britain	100	Full consolidation
WEST COAST TRAINCARE LIMITED	Great Britain	100	Full consolidation
ALSTOM Transport Hellas AE	Greece	100	Full consolidation
J&P AVAX SA – ETETH SA – ALSTOM TRANSPORT SA	Greece	34	Full consolidation
ALSTOM Transport Hungary Zrt.	Hungary	100	Full consolidation
ALSTOM Manufacturing India Private Limited	India	100	Full consolidation
ALSTOM Systems India Private Limited	India	95	Full consolidation
ALSTOM Transport India Limited	India	100	Full consolidation
MADHEPURA ELECTRIC LOCOMOTIVE PRIVATE LIMITED	India	74	Full consolidation
NOMAD DIGITAL (INDIA) PRIVATE LIMITED	India	70	Full consolidation
PT ALSTOM Transport Indonesia	Indonesia	67	Full consolidation
ALSTOM Khadamat S.A.	Iran	100	Full consolidation
ALSTOM Transport Ireland Ltd	Ireland	100	Full consolidation
CITADIS ISRAEL	Israel	100	Full consolidation
ALSTOM Ferroviaria S.p.A.	Italy	100	Full consolidation
ALSTOM Services Italia S.p.A.	Italy	100	Full consolidation
ALSTOM S.p.A.	Italy	100	Full consolidation
ALSTOM Kazakhstan LLP	Kazakhstan	100	Full consolidation
ALSTOM Transport (Malaysia) Sdn Bhd	Malaysia	50	Full consolidation
ALSTOM Transport Mexico, S.A. de C.V.	Mexico	100	Full consolidation
ALSTOM CABLIANCE	Morocco	100	Full consolidation
ALSTOM Transport Maroc SA	Morocco	100	Full consolidation
ALSTOM Transport BV	Netherlands	100	Full consolidation
ALSTOM Transport China Holding BV	Netherlands	100	Full consolidation
ALSTOM Transport Holdings B.V.	Netherlands	100	Full consolidation
ALSTOM Transport Investment BV	Netherlands	100	Full consolidation
New ALSTOM Holdings B.V.	Netherlands	100	Full consolidation
NOMAD DIGITAL B.V.	Netherlands	100	Full consolidation
AT NIGERIA LIMITED	Nigeria	100	Full consolidation
ALSTOM Transport Norway AS	Norway	100	Full consolidation
ALSTOM Panama, S.A.	Panama	100	Full consolidation
ALSTOM Transport Peru S.A.	Peru	100	Full consolidation
ALSTOM Transport Construction Philippines, Inc	Philippines	100	Full consolidation
ALSTOM Konstal Spolka Akcyjna	Poland	100	Full consolidation
ALSTOM Pyskowice Sp. z o.o.	Poland	100	Full consolidation
ALSTOM Transporte Portugal Unipessoal Lda	Portugal	100	Full consolidation
NOMAD TECH, LDA.	Portugal	51	Full consolidation
ALSTOM Transport SA (Romania)	Romania	93	Full consolidation
ALSTOM Transport Rus LLC	Russian Federation	100	Full consolidation

Companies	Country	Ownership %	Consolidation Method
ALSTOM Saudi Arabia Limited	Saudi Arabia	100	Full consolidation
ALSTOM Transport (S) Pte Ltd	Singapore	100	Full consolidation
ALSTOM Southern Africa Holdings (Pty) Ltd	South Africa	100	Full consolidation
ALSTOM Transport Holdings SA (Pty) Ltd	South Africa	100	Full consolidation
ALSTOM Ubunye (Pty) Ltd	South Africa	51	Full consolidation
GIBELA RAIL TRANSPORT CONSORTIUM (PTY) LTD	South Africa	61	Full consolidation
ALSTOM Korea Transport Ltd	South Korea	100	Full consolidation
ALSTOM Espana IB, S.L.	Spain	100	Full consolidation
ALSTOM Transporte, S.A.	Spain	100	Full consolidation
APLICACIONES TECNICAS INDUSTRIALES, S.A.	Spain	100	Full consolidation
ALSTOM Transport AB	Sweden	100	Full consolidation
ALSTOM Transport Information Systems AB	Sweden	100	Full consolidation
MOTALA TRAIN AB	Sweden	100	Full consolidation
ALSTOM Network Schweiz AG	Switzerland	100	Full consolidation
ALSTOM Schienenfahrzeuge AG	Switzerland	100	Full consolidation
ALSTOM Transport (Thailand) Co., Ltd.	Thailand	100	Full consolidation
ALSTOM T&T Ltd	Trinidad and Tobago	100	Full consolidation
ALSTOM Ulasim Anonim Sirketi	Turkey	100	Full consolidation
ALSKAW LLC	USA	100	Full consolidation
ALSTOM Transport Holding US Inc.	USA	100	Full consolidation
ALSTOM Transportation Inc.	USA	100	Full consolidation
ALSTOM Signaling Inc.	USA	100	Full consolidation
ALSTOM Signaling Operation, LLC	USA	100	Full consolidation
NOMAD DIGITAL, INC	USA	100	Full consolidation
ALSTOM Venezuela, S.A.	Venezuela	100	Full consolidation
ALSTOM Transport Vietnam Ltd	Vietnam	100	Full consolidation
ALSOMA G.E.I.E.	France	55	Joint Operation
METROLAB	France	50	Joint Operation
THE ATC JOINT VENTURE	Great Britain	37	Joint Operation
IRVIA MANTENIMIENTO FERROVIARIO, S.A.	Spain	51	Joint Operation
CITAL	Algeria	49	Equity Method
CASCO SIGNAL LTD	China	49	Equity Method
SHANGHAI ALSTOM Transport Company Limited	China	40	Equity Method
TRANSLOHR INDUSTRIAL (TIANJIN) CO. LTD	China	56	Equity Method
NEWTL	France	51	Equity Method
NTL HOLDING	France	51	Equity Method
SPEEDINNOV	France	65	Equity Method
TRANSLOHR SAS	France	51	Equity Method
ABC ELECTRIFICATION LTD	Great Britain	33	Equity Method
ELECTROVOZ KHURASTYRU ZAUYTY LLP	Kazakhstan	58	Equity Method
LLP JV KAZELEKTROPRIVOD	Kazakhstan	50	Equity Method
RAILCOMP BV	Netherlands	67	Equity Method
THE BREAKERS INVESTMENTS B.V.	Netherlands	33	Equity Method
TMH-ALSTOM BV	Netherlands	67	Equity Method
DEMIKHOVSKY MASHINOSTROITELNY ZAVOD OAO	Russian Federation	33	Equity Method
IVSK OOO	Russian Federation	20	Equity Method
KMT LOMONOSOVSKIY OPITNY ZAVOD PF OAO	Russian Federation	10	Equity Method
KMT UPRAVLYAUSHCHAYA KOMPANIYA ZAO	Russian Federation	14	Equity Method
KOLOMENSKY ZAVOD OAO	Russian Federation	28	Equity Method
MASHCONSULTING ZAO	Russian Federation	33	Equity Method
METROVAGONMASH OAO	Russian Federation	25	Equity Method
OKTYABRSKY ELEKTROVAGONOREMONTNY ZAVOD OAO	Russian Federation	25	Equity Method
OVK TMH ZAO	Russian Federation	33	Equity Method
PENZADIESELMASH OAO	Russian Federation	33	Equity Method

Companies	Country	Ownership %	Consolidation Method
PO BEZHITSKAYA STAL OAO	Russian Federation	20	Equity Method
PROIZVODSTVENNAYA FIRMA KMT LOMONOSOVSKY PILOT PLANT	Russian Federation	3	Equity Method
RAILCOMP LLC	Russian Federation	67	Equity Method
ROSLOKOMOTIV ZAO	Russian Federation	33	Equity Method
RUSTRANSKOMPLEKT ZAO	Russian Federation	25	Equity Method
SAPFIR OOO	Russian Federation	33	Equity Method
TORGOVY DOM TMH ZAO	Russian Federation	33	Equity Method
TRAMRUS LLC	Russian Federation	67	Equity Method
TRANSMASH OAO	Russian Federation	19	Equity Method
TRANSMASHHOLDING ZAO	Russian Federation	33	Equity Method
TRTrans LLC	Russian Federation	67	Equity Method
TVERSKOY VAGONOSTROITELNY ZAVOD INVEST OOO	Russian Federation	8	Equity Method
TVERSKOY VAGONOSTROITELNY ZAVOD OAO	Russian Federation	17	Equity Method
UPRAVLYAUSCHAYA KOMPANIYA BRYANSKY MASHINOSTROITELNY ZAVOD ZAO	Russian Federation	33	Equity Method
VSEROSSIYSKY NAUCHNO-ISSLEDOVATELSKY I PROEKTNO-KONSTRUKTORSKY INSTITUT ELEKTROVOZOSTROENIYA OAO	Russian Federation	21	Equity Method
ZENTROSVARMASH OAO	Russian Federation	33	Equity Method
LUGANSKTEPLOVOZ OAO	Ukraine	25	Equity Method
RTA RAIL TEC ARSENAL FAHRZEUGVERSUCHSANLAGE GMBH	Austria	15	Non consolidated investment
MOBILIEGE	Belgium	15	Non consolidated investment
ISLAND CAPITAL LTD	Bermuda	1	Non consolidated investment
CADEMCE SAS	France	16	Non consolidated investment
COMPAGNIE INTERNATIONALE DE MAINTENANCE – C.I.M.	France	1	Non consolidated investment
EASYMILE	France	16	Non consolidated investment
ENTREPRISES-HABITAT IMMOBILIER	France	0	Non consolidated investment
ESPACE DOMICILE SA HABITAT LOYER MODERE	France	1	Non consolidated investment
FRAMECA – FRANCE METRO CARACAS	France	19	Non consolidated investment
MOBILITE AGGLOMERATION REMOISE SAS	France	17	Non consolidated investment
OC'VIA	France	2	Non consolidated investment
OC'VIA CONSTRUCTION	France	12	Non consolidated investment
OC'VIA MAINTENANCE	France	12	Non consolidated investment
RESTAURINTER	France	35	Non consolidated investment
SOCIÉTÉ FRANÇAISE D'EXPORTATION DE SYSTÈMES AVANCÉS	France	1	Non consolidated investment
SOCIÉTÉ IMMOBILIÈRE DE VIERZON	France	1	Non consolidated investment
IFB INSTITUT FUR BAHNTECHNIK GMBH	Germany	7	Non consolidated investment
TRAMLINK NOTTINGHAM (HOLDINGS) LTD	Great Britain	13	Non consolidated investment
PARS SWITCH	Iran	1	Non consolidated investment
METRO 5 SPA	Italy	9	Non consolidated investment
S.A.T. SISTEMA AUTOMATICO DI TRASPORTO S.R.L.	Italy	20	Non consolidated investment
T.P.B. TRASPORTI PUBBLICI DELLA BRIANZA S.p.A. (in bankruptcy)	Italy	30	Non consolidated investment
TRAM DI FIRENZE S.p.A.	Italy	10	Non consolidated investment
VAL 208 TORINO GEIE	Italy	50	Non consolidated investment
SUBURBANO EXPRESS, S.A. DE C.V.	Mexico	11	Non consolidated investment
IDEON S.A.	Poland	0	Non consolidated investment
INVESTSTAR S.A.	Poland	0	Non consolidated investment
KOLMEX SA	Poland	2	Non consolidated investment
ALBALI SEÑALIZACIÓN, S.A.	Spain	12	Non consolidated investment
TRAMVIA METROPOLITA DEL BESOS SA	Spain	21	Non consolidated investment
TRAMVIA METROPOLITA, S.A.	Spain	24	Non consolidated investment

ENERGY ALLIANCES	Country	Ownership %	Consolidation Method
GEAST	France	20	Equity Method
GE GRID ALLIANCE BV	Netherlands	50	Equity Method
GE Renewable Holding BV	Netherlands	50	Equity Method
ALSTOM Renewable US, LLC	USA	45	Equity Method
GRID ALLIANCE US HOLDINGS INC	USA	91	Equity Method
GRID SOLUTIONS (U.S.) LLC	USA	30	Equity Method
RENEWABLES ALLIANCE US HOLDINGS INC	USA	91	Equity Method
SUBSIDIARIES OF NUCLEAR ALLIANCES INCLUDED IN COMBINATED FINANCIAL STATEMENT			
ALSTOM Power Conversion	France	20	Equity Method
ALSTOM Power Service	France	20	Equity Method
ALSTOM Power Systems	France	20	Equity Method
PROTEA	France	20	Equity Method
ALSTOM Atomenergomash	Russian Federation	10	Equity Method

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(For the year ended 31 March 2018)

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Alstom SA for the year ended 31 March 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 March 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 April 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Revenue and margin recognition on long-term contracts

(Note 2.3.6 Sales and costs generated by operating activities and Notes 3, 18 and 32)

Identified risks

As at 31 March 2018, the Group's revenue and earnings before interests and taxes (EBIT) amounting to respectively 7,951 M€ and 381 M€ mainly derive from construction contracts and long-term service agreements ("the long-term contracts").

As described in Note 2.3.6 to the financial statements, revenue on long-term contracts is recognised according to IAS 11 based on the stage of completion assessed by milestones which ascertain the completion of a physical proportion of the contract work or the performance of services provided for in the contract.

At each closing date, estimates and assumptions involving a high degree of judgement by management are required in order to assess:

- the revenue at completion, including contract variations (variation orders, claims and contract amendments);
- the revenue recognised in accordance with milestones achieved;

- the margin at completion on each contract, incorporating appropriate contingencies to cover identified risks (technical, commercial, etc.) related to the project execution.

We consider the revenue and margin recognition on long-term contracts to be a key audit matter, because quality and proper implementation of processes, management assessments and judgements significantly impact the revenue and the margin recognised on projects.

Our response

As part of our audit, we obtained an understanding of the Group's internal processes and controls for project management of long-term contracts.

We also performed a critical review of the systems and controls implemented by the Group relating to the measurement of the revenue and costs at completion and of the stage at completion.

For a sample of contracts, selected based on their risk profile including the technical or commercial complexity and/or the financial impact, we also:

- examined the terms and conditions of the contracts, including contract amendments and variations
- obtained an understanding of the performance and stage of completion of the contract through discussion with the project and Group management;
- examined externally available evidence, such as customer correspondence, approval of external milestones, for the most significant turnkey contracts, physical inspection of construction site;
- used our experience gained in previous years on these contracts or on similar contracts; and
- assessed the consistency of the accounting information reflected in the financial statements with the project information obtained.

We verified that Notes 3, 18 and 32 to the consolidated financial statements contain the appropriate information.

Disputes and Investigations

(Note 22 Provisions and Note 33 Disputes)

Identified risks

As described in Note 22 and Note 33 to the financial statements, Alstom's operations lead to the risk of litigation and contractual claims from third parties, and the Group faces on-going investigations and procedures by judicial authorities with respect to alleged illegal payments in certain countries. Alstom assesses the corresponding risk based on assumptions and estimates, to determine whether a provision is recorded or a risk disclosed in the consolidated financial statements. This assessment involves a high level of judgment.

Due to the potential impact on the consolidated financial statements, the degree of management's judgment and the uncertainty around the resolution of those procedures, we consider the disputes and investigations to be a key audit matter.

Our response

We performed a critical review of the provisions recorded and disclosures provided by in particular:

- examining the procedures implemented by management to identify, assess and account for disputes and investigations;
- inquiring with the in-house legal counsels and analysing underlying documentation of procedures ongoing;
- obtaining external legal positions if considered as relevant;
- examining legal expenses accounts for any indication of legal matters not yet considered;
- reading minutes of the meetings of the Boards of Directors and of the shareholders' meetings of Alstom's key entities;
- assessing management's judgment through understanding of precedent outcomes in similar cases and external legal positions;
- verifying that Note 33 to the consolidated financial statements contains the appropriate disclosures on the status of disputes and related uncertainties

Adoption of IFRS 15

(Note 2.1.1 IFRS 15 Revenue from contracts with customers)

Identified risks

IFRS 15 "Revenue from Contracts with Customers" will be applied by Alstom starting 1 April 2018. As described in note 2.1.1 "IFRS15 Revenue from contracts with customers" to the financial statements, Alstom has elected to apply the full retrospective method. Accordingly, based on analysis performed by the management, opening equity at 1 April 2017 is expected to be restated of approximately (0.5) B€ after tax.

The Group has studied the differences implied by IFRS 15 with its current accounting methods. Alstom has identified and measured the accounting impacts of IFRS 15 by relying on analyses of the contractual and general conditions applicable to its construction contracts as well as long term service agreements.

The differences and the estimated impacts of the restatement on the equity and the balance sheet at 1 April 2017 are presented in the Note 2.1.1 "IFRS15 Revenue from contracts with customers".

We consider the adoption of IFRS 15 to be a key audit matter, in view of the differences with the existing accounting principles and methods, notably including the transition from the milestones percentage of completion method to the cost to cost percentage of completion method in order to recognise the revenue from contracts qualified as overtime contracts.

Our response

We performed a critical review of the IFRS 15 impacts and disclosures by in particular:

- assessing the compliance of the new revenue recognition accounting principles and methods described in Note 2.1.1 with IFRS 15;
- examining the quantified impacts as at April 1, 2017 in Note 2.1.1 concerning the adoption of IFRS 15 on equity, balance-sheet and order backlog.

For this purpose, we:

- selected contracts and entities on the basis of their financial impact and risk profile;
- considered the Group's analyses of the selected contracts and entities, notably the transfer of control over time or point in time and, where applicable, the identification of the various performance obligations, the contract modifications and variable considerations;
- examined the parameters of the simulation tool developed by Alstom and reconciled the data used in the tool and in the analyses done by the main subsidiaries with the accounting data.

Lastly, we assessed the appropriateness of the qualitative and quantitative information given in Note 2.1.1 to the financial statements.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We, PricewaterhouseCoopers Audit and Mazars, were appointed as statutory auditors of Alstom SA by the annual general meeting held on 23 June 2009.

As at 31 March 2018, PricewaterhouseCoopers Audit and Mazars were in the 9th year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris La Défense, 15 May 2018

The statutory auditors

PricewaterhouseCoopers Audit	**Mazars**
Édouard Demarcq	Cédric Haaser

STATUTORY FINANCIAL STATEMENTS

as at 31 March 2018

INCOME **STATEMENT**

(in € million)	Note	Year ended 31 March 2018	31 March 2017
Management fees and other operating income		54	52
Administrative costs and other operating expenses		(40)	(24)
Depreciation and amortisation expense		-	-
Operating income	**4**	**14**	**28**
Financial income		302	-
Interest income		-	-
Interest expenses		(52)	(71)
Provisions		-	-
Bonds issuance costs and premiums recognised as income or expense		(2)	(3)
Change differences		-	-
Financial income	**5**	**248**	**(74)**
Current income		**262**	**(46)**
Non recurring result	**6**	**(2)**	**2**
Income tax credit	7	22	21
NET PROFIT		**282**	**(23)**

BALANCE **SHEET**

Assets

(in € million)	Note	At 31 March 2018	At 31 March 2017
FIXED ASSETS			
Intangible assets		-	-
Investments	8	8,016	8,016
Advances to subsidiary	8	81	54
Total fixed assets		**8,097**	**8,070**
CURRENT ASSETS			
Receivables	9	46	38
Cash		-	1
Deferred charges	10	2	4
Total current assets		**48**	**43**
TOTAL ASSETS		**8,145**	**8,113**

Liabilities

(in € million)	Note	At 31 March 2018	At 31 March 2017
SHAREHOLDERS' EQUITY			
Share capital		1,555	1,538
Additional paid-in capital		917	890
Legal reserve		210	210
Restricted reserve		33	33
General reserve		3,727	3,812
Net profit		282	(23)
Total shareholders' equity	**11**	**6,724**	**6,459**
PROVISIONS FOR RISKS AND CHARGES	**12**	**7**	**6**
LIABILITIES			
Bonds	14	1,264	1,539
Other borrowings	16	-	4
Borrowings from subsidiary	15, 16	-	-
Trade payables	15, 16	18	3
Other payables	15, 16	132	102
Deferred income		-	-
Total liabilities		**1,414**	**1,648**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**8,145**	**8,113**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

DETAILED SUMMARY OF THE NOTES TO THE STATUTORY FINANCIAL STATEMENTS

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NOTE 1 • BASIS OF PREPARATION OF THE STATUTORY FINANCIAL STATEMENTS

The statutory financial statements for the year ended 31 March 2018 are established in compliance with the legal and regulatory rules applicable in France according the regulation 2014-03 of "l'Autorité des Normes Comptables" of 5 June 2014 as well as subsequent comments and recommendations of "l'Autorité des Normes Comptables".

These accounts have been prepared using the same accounting policies and measurement methods as at 31 March 2017.

NOTE 2 • DESCRIPTION OF ACCOUNTING POLICIES

2.1. Investments

Investments are recorded at acquisition cost, excluding transaction costs.

Investments are measured based on a multi-criteria approach:

- investments are generally measured at their value in use, defined as the enterprise value net of the indebtedness. The enterprise value is the sum of the discounted cash flows and of the discounted terminal residual value, and represents the ability of the assets to generate profits and cash flows;
- when values in relation with current or considered transactions or any other fair market values exist, these values are also considered in the year-end measurement of the investments.

When this value is less than acquisition cost, a provision for impairment is recorded to cover the difference.

2.2. Share capital

A share capital increase is recorded at the nominal share price. If the issue price is higher than the nominal value, this difference is recorded as a paid-in capital.

Transaction costs on capital increase are offset against paid-in capital. If total transaction costs exceed the paid-in capital, the excess is recorded as intangible assets and amortised over a period of five years.

2.3. Provisions for risks and charges

Provisions for litigations and disputes

The Company identifies and analyses on a regular basis current litigations in which it is engaged. When provisions are deemed necessary, they are measured on the basis of its best estimate of the expenditure required to settle the obligation at the balance-sheet date. These estimates take into account information available and different possible outcomes.

Due to changes in facts and circumstances, costs finally incurred may differ from those estimates.

Provisions for post-employment benefits

The obligation arising from post-employment defined benefits granted to the Chairman and Chief Executive Officer is determined using the projected unit credit method and is wholly recognised as a liability.

2.4. Financial debt

Financial debt (bonds) is recorded at nominal value in the liabilities. Transaction costs and bonds premium are recorded as deferred charges or deferred income and amortised over the duration of the borrowings.

2.5. Tax Group

The Company is the parent company of a French tax group including ALSTOM Holdings and several French subsidiaries of ALSTOM Holdings.

Each company, member of the tax group, determines its income tax charge on the basis of its own pre-tax income for the year, as if it was not included in a tax group. The Company recognises a gain or a loss equal to the difference between the current income tax based on the Group pre-tax income and the sum of tax charges recognised by the entities members of the tax group.

When a subsidiary member of the tax group exits from the said tax group, it is not compensated for the loss of its tax credits, tax losses carried forward and/or long term losses derived during the period of time it belonged to the tax group and which are unused at the exit date.

NOTE 3 • SIGNIFICANT EVENTS

3.1. Combination of Siemens and Alstom's mobility businesses

On 26 September 2017, Siemens and Alstom signed a Memorandum of Understanding to combine Siemens' mobility business including its rail traction drives business with Alstom. The transaction brings together two innovative players of the railway market with unique customer value and operational potential. The two businesses are largely complementary in terms of activities and geographies.

On 23 March 2018, Siemens and Alstom signed a Business Combination Agreement (BCA). The BCA sets forth the terms and conditions agreed upon by the two companies and follows the conclusion of the required works council information and consultation process at Alstom regarding the proposed deal.

The combined entity will offer a significantly increased range of diversified product and solution offerings to meet multi-facetted, customer-specific needs, from cost-efficient mass-market platforms to high-end technologies. The global footprint enables the merged company to access growth markets in Middle East and Africa, India, and Middle and South America where Alstom is present, and China, United States and Russia where Siemens is present. Customers will significantly benefit from a well-balanced larger geographic footprint, a comprehensive portfolio offering and significant investment into digital services. The combination of know-how and innovation power of both companies will drive crucial innovations, cost efficiency and faster response, which will allow the combined entity to better address customer needs.

The transaction, supported by Bouygues, is subject to the approval of Alstom shareholders at the Company's Shareholders' Meeting, planned to be held in July 2018. The transaction is also subject to approval by relevant regulatory authorities, including foreign investment clearance by the French Ministry for the Economy and Finance and approval by anti-trust authorities as well as the confirmation by the French capital market authority (AMF) that no mandatory takeover offer has to be launched by Siemens following completion of the contribution. Siemens has already initiated the internal carve-out process of its mobility business and other related businesses in order to prepare for the combination with Alstom

As per the Business Combination Agreement signed on 23 March 2018 with Siemens, Alstom took the formal commitment to exercise its put options on Grid and Renewable Alliances in September 2018. In anticipation, Alstom informed GE in January 2018 of its intention to exercise them in September 2018. As a consequence, Grid and Renewable Alliances have been reclassified in Assets held for sale for a total amount of €2,382 million. Alstom has also informed GE of its intention to exercise the put option with respect to the Nuclear joint venture in the first quarter of 2021.

The costs already incurred by the Group in relation with the transaction with Siemens during fiscal year 2017/18 have been accounted for in these consolidated financial statements.

3.2. Post closing events

The Company has not identified any post-closing event that should be mentioned.

NOTE 4 • OPERATING INCOME

At the financial year ended 31 March 2018, operating income is essentially made of €53 million management fees invoiced to the Group's Companies for the use of the ALSTOM name.

Administrative costs and other operating expenses include management fees invoiced by ALSTOM Holdings, external operating expenses, the compensation paid to the Chairman and Chief Executive Officer (€1,726,210 paid for the financial year ended 31 March 2018) and Directors' fees due for the fiscal year (€849,667 for the same financial year ended).

NOTE 5 • FINANCIAL INCOME

(in € million)	Year ended at 31 March 2018	Year ended at 31 March 2017
Financial income	302	-
Net interest income on advances made to ALSTOM Holdings	-	-
Interest expenses on bonds	(52)	(71)
Interest expenses on borrowings	-	-
Provision	-	-
Bonds issuance costs and premiums recognised as income or expense	(2)	(3)
Change differences	-	-
TOTAL	**248**	**(74)**

The net interest charge of the year amounts to €52 million.

The variation of net interest expenses is explained by:

- dividends paid by ALSTOM Holdings to the Company during financial year ended at 31 March 2018 for an amount of €300 million;
- the effect of the repayment of bonds during the year ending 31 March 2018 for an amount of €272 million, decreasing interest expenses on bonds (see Note 14).

NOTE 6 • NON-RECURRING RESULT

	Year ended at 31 March 2018			Year ended at 31 March 2017
(in € million)	Non-recurring income	Non-recurring expense	Net amount	Net amount
Disposals of fixed assets	-	-	-	-
Addition or release of provisions	-	(1)	(1)	3
Other	-	(1)	(1)	(1)
NON-RECURRING RESULT	**-**	**(2)**	**(2)**	**2**

NOTE 7 • INCOME TAX

The €22 million Income tax credit is mainly linked to the tax grouping.

In the absence of tax grouping, no income tax charge would have been recorded at 31 March 2018, the Company being loss-making taxwise.

The deferred tax position of the Company at 31 March 2018, amounting to €1,402 million, is mainly composed of tax losses carried forward.

NOTE 8 • FINANCIAL ASSETS

8.1. Investments

(in € million)	At 31 March 2017	Provision	Release	At 31 March 2018
Investments				
• ALSTOM Holdings	9,216	-	-	9,216
• Impairment	(1,200)	-	-	(1,200)
TOTAL	**8,016**	**-**	**-**	**8,016**

ALSTOM Holdings is the Company's sole subsidiary and owns all operating entities of the Group Alstom.

8.2. Advances

(in € million)	At 31 March 2017	Variation	At 31 March 2018
Advances to ALSTOM Holdings			
• Gross value	54	27	81
• Accrued interests	-	-	-
TOTAL	**54**	**27**	**81**

Advances to ALSTOM Holdings can be cancelled by anticipation, which ensures their liquidity.

NOTE 9 • RECEIVABLES

Current receivables can be broken down as follows:

	At 31 March 2018				At 31 March 2017	
(in € million)	Total	Within one year	One to five years	Out of which related parties	Total	Out of which related parties
Current account with ALSTOM Holdings	-	-		-	1	1
Trade receivables	1	1	-	1	3	3
"Research tax credit & others" receivables from the French Tax administration	39	5	34	-	34	-
Receivables on Group companies included in the Tax Group	1	1	-	1	-	-
Other receivables	5	5	-	-	-	-
TOTAL	**46**	**12**	**34**	**2**	**38**	**4**

NOTE 10 • DEFERRED CHARGES

(in € million)	At 31 March 2017	Amount capitalised during the period	Amortisation expense of the period	At 31 March 2018
Bonds issuance costs and premiums	4	-	(2)	2

NOTE 11 • SHAREHOLDERS' EQUITY

11.1. Share capital

As at 31 March 2018, ALSTOM's share capital amounted to €1,555,473,297 consisting of 222,210,471 ordinary shares with a par value of €7 each and fully paid.

The variations of share capital during the period are the following:

	Number of shares	Par value *(in €)*
Existing shares at beginning of year	**219,711,830**	**7**
Capital increase	-	7
Reimbursement of bonds	168	7
Exercise of options	1,478,309	7
Subscription of shares under employee sharing program	1,020,164	7
Shares buy back	-	7
EXISTING SHARES AT YEAR END	**222,210,471**	**7**

At 31 March 2017, ALSTOM's share capital amounted to €1,537,982,810 consisting of 219,711,830 ordinary shares with a par value of €7 and fully paid.

11.2. Changes in shareholders' equity

(in € million)	At 31 March 2017	Shareholders' Meeting held *5 July 2016*	Other movements	At 31 March 2018
Capital	1,538		17	1,555
Additional paid-in capital	890		27	917
Legal reserve	210		-	210
Restricted reserve	33		-	33
General reserve	3,812	(23)	(62)	3,727
Net profit	(23)	23	282	282
SHAREHOLDERS' EQUITY	**6,459**	**-**	**264**	**6,724**

"Other movements" for the period arise from:

- €37 million cash contribution, resulting from the exercise of options;
- subscriptions of shares under employee sharing programme;
- conversions of convertible bonds;
- the €282 million net profit of the period.

NOTE 12 • PROVISIONS FOR RISKS AND CHARGES

(in € million)	At 31 March 2017	Additions	Releases	At 31 March 2018
Post-employment defined benefits	6		-	6
Others provisions	-	1	-	1
PROVISION FOR RISKS AND CHARGES	**6**	**1**	**-**	**7**

Provisions for post-employment defined benefits

The Chairman and Chief Executive Officer benefits from an additional pension plan based on three distinct elements that have not been modified during the fiscal year 2017/18.

- A defined contribution pension plan (so-called "Article 83").
  - The contributions of the "Article 83"-type plan are paid annually and correspond to:
    - 1% of the annual compensation as high as four Annual Social Security Ceilings,
    - 4% of the annual compensation between four and eight Annual Social Security Ceilings, and
    - 11% of the annual compensation between eight and twelve Annual Social Security Ceilings.
  - Since 1 July 2014, 95% of the contributions are paid by the Company.
  - The contributions paid as part of the defined contributions plan for the fiscal year 2017/18 are equal to €25.187, of which €23.927 are paid by the Company;
- A defined contribution pension plan (so-called "Article 82").
  - The "Article 82" defined contribution plan was set up in 2016 by the Board of Directors, upon the Nominations and Remuneration Committee's recommendation, in order to replace the "Article 39" defined benefits pension plan, closed in 31 December 2016.
  - As part of this plan, the annual contributions are paid to a third-party entity in charge of the supplemental pension plan. The computation of this contribution is based upon the annual total compensation (annual fixed and variable compensation owed in cash) of the Chairman and Chief Executive Officer as follows:
    - 10% of the fraction of the gross fixed compensation comprised between 8 and 12 Annual Social Security Ceilings and 20% of the fraction of the fixed compensation in excess of 12 Annual Social Security Ceilings, and
    - 20% of his annual variable compensation as defined by the Board of Directors.
  - The baseline compensation (annual fixed and variable owed in cash) for the contribution computation cannot, for any reason, exceed €2,000,000.
  - No contribution is to be paid if the variable compensation is equal to zero. The contributions are paid once a year, after the General Shareholders' Meeting approval of the annual variable compensation's payment of the prior fiscal year.
  - The Chairman and Chief Executive Officer committed, once the fiscal and social obligations linked to these contributions are fulfilled, to keep the paid amount on the dedicated retirement-capital vehicle, at least for the duration of his mandate.
  - The amounts paid in November 2017 under this defined contribution pension plan for the fiscal year 2017/18 is equal to €71,774 and corresponds to the acquisition period from 1 January to 31 March 2017.
  - For fiscal year 2017/18, a provision for expenses was made on the basis of a target variable compensation for a gross amount of €221,292 but no payment was made before the approval by the General Meeting of Shareholders of the variable remuneration of the Chairman and Chief Executive Officer for the same financial year;
- A defined benefit pension plan (so-called "Article 39"), of which entitlements have been frozen since 31 December 2016.
  - The rights accrued over the period from 1 January 2004 to 31 December 2016, the date on which they were frozen, amount, as of 31 March 2018, to an annual pension of €176,000 (in constant euros) subject to a condition of presence at the time the Chairman and Chief Executive Officer asserts his rights to retire.
  - Under the defined benefits plan, the amount of the commitments borne by the Company that would have allowed the payment of the previously mentioned pension is equal, as of 31 March 2018, to €5,641,000 in constant euros, including an amount of €1,091,806 of applicable taxes to supplemental pension plans. Changes in the value of these commitments since the end of the fiscal year 2016/17 are due to application of the inflation rate observed by the Group's actuaries over the period and to the evolution of the actuarial hypothesis.
  - No new rights can be acquired as part of this plan.

The three schemes listed above are collective plans available (for "article 82" and "article 83") or formerly available (for "article 39") to other senior managers in the Group.

NOTE 13 • BONDS REIMBURSABLE WITH SHARES

In December 2003, the Company had issued bonds reimbursable with shares maturing in December 2008.

At 31 March 2018, a balance of 74,378 bonds is still outstanding amounting to €0.1 million, in the absence of notification from bondholders regarding the redemption. Those bonds represent 4,671 shares to issue.

NOTE 14 · BONDS

The movements in nominal amount of bonds over the past two years are as follows:

		Maturity date						
(Nominal value in € million)	Total	05/10/2015	02/03/2016	01/02/2017	11/10/2017	05/10/2018	08/07/2019	18/03/2020
Annual nominal interest rate		*2.88%*	*3.88%*	*4.13%*	*2.25%*	*3.63%*	*3.00%*	*4.50%*
Outstanding amount at 31 March 2015	**1,975**	**-**	**-**	**453**	**272**	**371**	**283**	**596**
Bonds issued	-							
Currency adjustments	-							
Repurchase	-			-	-	-	-	-
Bonds reimbursed at maturity date	(453)	-	-	(453)				
Outstanding amount at 31 March 2016	**1,522**			**-**	**272**	**371**	**283**	**596**
Bonds issued	-							
Currency adjustments	-							
Repurchase	-							
Bonds reimbursed at maturity date	(272)			-	(272)			
OUTSTANDING AMOUNT AT 31 MARCH 2017	**1,250**				**-**	**371**	**283**	**596**

During the year, €272 million bonds were reimbursed at maturity in October 2017.

Accrued interests at 31 March 2018 amounting to €14 million are added to the outstanding principal amount in the balance-sheet.

The existing credit facility of €400 million, which came into force on 4 November 2015, has not been used during the year.

This facility is subject to a maximum ratio of Total Net Debt of 2.5, based on consolidated data. This corresponds to Net Debt (*i.e.*, the total debt less marketable securities and cash or cash equivalents) to EBITDA ratio.

Given its debt repayment schedule and the credit facility presented above, and access to its subsidiary ALSTOM Holdings' liquidity, ALSTOM considers that it has sufficient financial flexibility to meet its obligations and financial needs.

As of 31 March 2018, the key Group indicators used to calculate the financial covenants are detailed below:

(in € million)	For the year ended 31 March 2018	For the year ended 31 March 2017
EBITDA (*)	562	515
Total net debt	232	207
TOTAL NET DEBT LEVERAGE	**0.4**	**0.4**

(*) EBIT before amortisation and impairment charges and before gain/losses on disposals.

NOTE 15 • PAYABLES AND RELATED PARTIES

	At 31 March 2018		At 31 March 2017	
(in € million)	Total	Out of which related parties	Total	Out of which related parties
Borrowings from subsidiary	-	-	-	-
Trade payables	18	17	3	-
Payables to members of the tax group	125	125	99	99
Payables to members of the VAT group	1	1	-	-
Other tax and social security payables	2	-	1	-
Other liabilities	4	-	2	-
TOTAL	**150**	**143**	**105**	**99**

The Company is the head of a "VAT Group", with six members (against five as at 31 March 2017). This group allows compensation between debit and credit statements of the six members.

NOTE 16 • MATURITY OF LIABILITIES

(in € million)	As at 31 March 2018	Within one year	One to five years	More than five years	out of which related parties
Bonds	1,264	378	886	-	-
Other borrowings	-	-	-	-	-
Borrowings from subsidiary	-	-	-	-	-
Trade payables	18	18	-	-	17
Other payables	132	35	97	-	126
TOTAL	**1,414**	**431**	**983**	**-**	**143**

NOTE 17 • OTHER INFORMATION

17.1. Off Balance-sheet Commitments

Total outstanding guarantees given by the Company amount to €522 million at 31 March 2018, of which:

- €497 million guarantees of commercial obligations contracted by the subsidiaries;
- €25 million in respect of financial commitments given on behalf of subsidiaries.

17.2. Stock-options and performance shares

Key characteristics

	Plans issued by Shareholders Meeting on 26 June 2007				Plans issued by Shareholders Meeting on 22 June 2010			
	Plan n°10	Plan n°10	Plan n°12	Plan n°12	Plan n°13	Plan n°13	Plan n°14	Plan n°14
	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares
Grant date	25/09/2007	25/09/2007	21/09/2009	21/09/2009	13/12/2010	13/12/2010	04/10/2011	04/10/2011
Exercise period	25/09/2010 24/09/2017	n/a	21/09/2012 20/09/2017	n/a	13/12/2013 12/12/2018	n/a	04/10/2014 03/10/2019	n/a
Number of beneficiaries	1,196	1,289	436	1,360	528	1,716	514	1,832
Adjusted number granted (1)	1,950,639	252,000	1,001,612	522,220	1,419,767	740,860	1,573,723	804,040
Adjusted number exercised since the origin	1,150	220,320	-	182,432	440,340	506,330	647,163	478,149
Adjusted number cancelled since the origin	1,949,489	31,680	1,001,612	339,788	468,163	234,530	638,291	325,891
Ajusted number outstanding at 31 March 2018	-	-	-	-	511,264	-	288,269	-
inc. to the present members of the Executive Committee	-	-	-	-	50,211	-	44,867	-
Adjusted exercise price (2) *(in €)*	58.73	n/a	43.48	n/a	28.83	n/a	22.96	n/a
Fair value at grant date *(in €)*	29.24	129.20	11.26	48.11	7.59	31.35	3.14	19.77

(1) The number of options and performance shares and the exercise price of options have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.

(2) The exercise price corresponds to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the Board (neither discount nor surcharge) and adjusted where necessary due to share buy back operation.

	Plans issued by Shareholders Meeting on 22 June 2010				Plans issued by Shareholders Meeting on 18 December 2015			
	Plan n°15	Plan n°15	Plan n°16	Plan n°16	PSP 2016	We are Alstom	PSP 2017	PSP 2018
	Stock options	Performance shares	Stock options	Performance shares	Performance shares	Free shares	Performance shares	Performance shares
Grant date	10/12/2012	10/12/2012	01/10/2013	01/10/2013	17/03/2016	23/09/2016	17/03/2017	13/03/2018
Exercise period	10/12/2015 09/12/2020	n/a	03/10/2016 30/09/2021	n/a	n/a	n/a	n/a	n/a
Number of beneficiaries	538	1,763	292	1,814	737	27,480	755	732
Adjusted number granted [(1)]	1,508,777	883,140	771,997	1,130,791	957,975	824,400	1,022,400	1,016,025
Adjusted number exercised since the origin	451,994	391,458	410,587	1,022,311	1,050	30	-	-
Adjusted number cancelled since the origin	806,630	491,682	72,625	108,480	132,348	-	43,425	-
Ajusted number outstanding at 31 March 2018	250,153	-	288,785	-	824,577	824,370	978,975	1,016,025
inc. to the present members of the Executive Committee	35,218	-	45,400	-	139,500	-	195,000	185,625
Adjusted exercise price [(2)] *(in €)*	24.10	n/a	23.44	n/a	n/a	n/a	n/a	n/a
Fair value at grant date *(in €)*	5.80	26.70	3.84	22.62	17.17	23.39	21.74	25.59

(1) The number of options and performance shares and the exercise price of options have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.

(2) The exercise price corresponds to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the Board (neither discount nor surcharge) and adjusted where necessary due to share buy back operation.

At 31 March 2018, stock options granted by plans 10, 12, 13, 14, 15 and 16 are fully vested. For plan 10, the end of the exercise period expired in September 2017, seven years after the end of the vesting period of each plan. For plans 12, 13, 14, 15 and 16, options expire five years after the end of the vesting period. For plan 12, the exercise period expired in September 2017.

The long term incentive plans set up since 2007 combine the allocation of stock options with the allocation of performance shares, except the latter since 2016 that allocate only performance shares.

The grant of these instruments is conditioned by the satisfaction of performance indicators.

LTI plan 15 granted on 10 December 2012

The total number of options exercisable and performance shares delivered was depending on the Group's operating margin and the free cash flow for the fiscal years ended 31 March 2013, 31 March 2014 and 31 March 2015.

Based on consolidated financial statements for the fiscal years ended 31 March 2013 and 31 March 2014, the performance conditions were achieved for 30% of the initial grant of the LTIP15 options and performance shares.

In the context of the sale of the Energy activities, the Board of Directors considered that the performance conditions set for fiscal year ended 31 March 2015, weighting 20% of the initial grant, were deemed fully satisfied subject to and upon the completion of the transaction. As a result, 50% of the options were exercisable under this plan and 50% of performance shares have been delivered. 50% of options and performance shares have been cancelled.

LTI plan 16 granted on 1 October 2013

In the context of Energy transaction, the Board of Directors has considered that the performance conditions set for fiscal years ended 31 March 2015 and 31 March 2016 were deemed fully satisfied subject to and upon the completion of the transaction.

As a consequence, all options will be exercisable under this plan and all performance shares have been delivered on 2 October 2017.

In addition, for both plans 15 & 16, the presence condition has been waived for the beneficiaries having left the Group as part of the Energy transaction on the condition they are employees of Alstom Group as at the date of the closing of the transaction. This triggered the stock option and performance plans expense acceleration recorded in Income statement of discontinued operations.

PSP 2016 granted on 17 March 2016

This plan has been approved by the Board of Directors of 17 March 2016. It allocates 957,975 performance shares to 737 beneficiaries.

The final allocation depends on two internal performance conditions based on Group adjusted EBIT margin and Free Cash Flow for fiscal years ended 31 March 2017, 31 March 2018, and 31 March 2019, and one external condition linked to the performance of the Company's share. The final delivery will take place five days after the communication of the 31 March 2019 results. As the performance conditions have been set for the year ended 31 March 2017, 5.27% of the performance shares have been cancelled.

2016 free share plan

On 23 September 2016, the Board of Directors approved the grant of a worldwide free share Plan named "We are Alstom". The 30-shares-award concerns all employees within Alstom on 30 June 2016, on the condition they are still employees of Alstom Group at the end of a 2-years-vesting period, representing a maximum of 824,400 new shares of €7 of nominal value each to be issued in favor of a maximum of 27,480 beneficiaries.

It was also decided that in the countries where, for tax and/or legal purpose, the granting of free shares would be difficult or not possible, a cash equivalent bonus will be granted to employees.

PSP 2017 granted on 17 March 2017

This plan has been agreed by the Board of Directors of 17 March 2017. It allocates 1,022,400 performance shares to 755 beneficiaries.

The final allocation depends on two internal performance conditions based on Group adjusted EBIT margin and Free Cash Flow for fiscal years ended 31 March 2018, 31 March 2019, and 31 March 2020, and one external condition linked to the performance of the Company's share. The final delivery will take place five days after the communication of the 31 March 2020 results.

PSP 2018 granted on 13 March 2018

This plan has been agreed by the Board of Directors of 13 March 2018. It allocates 1,016,025 performance shares to 732 beneficiaries.

The final allocation depends on one internal performance condition based on Group adjusted EBIT margin for fiscal years ended 31 March 2021, and one external condition linked to the performance of the Company's share. The final delivery will take place five days after the communication of the 31 March 2021 results.

The number of Performance Shares will be determined as follows:

		Performance to be achieved end of fiscal year 2020/2021		
Performance conditions	**Percentage of the total initial grant**	**Percentage of shares to be acquired**	**Percentage of shares to be acquired**	**Percentage of shares to be acquired**
Internal condition	50%	0%	66.7%	100%
		Linear from 0% up to 100%		
Adjusted EBIT Margin		≤ 7%	7.5%	≥ 8.3%
External condition (Relative)	50%	0%	66.7%	100%
		Linear from 0% up to 100%		
Alstom TSR/Index TSR		Alstom TSR ≤ 95% Index TSR	Alstom TSR = Index TSR	Alstom TSR ≥ 120% Index TSR

Movements

	Number of options	Weighted average exercise price per share *(in €)*	Number of performance shares
Outstanding at 31 March 2016	**7,838,555**	**35.44**	**2,208,837**
Granted [(1)]	-	0.00	1,846,800
Exercised	(387,226)	23.41	(215,144)
Cancelled	(2,693,928)	32.82	(66,115)
Outstanding at 31 March 2017	**4,757,401**	**37.90**	**3,774,378**
Granted [(2)]	-	0.00	1,016,025
Exercised	(1,460,920)	25.08	(1,020,164)
Cancelled	(1,958,010)	55.94	(126,292)
OUTSTANDING AT 31 MARCH 2018	**1,338,471**	**25.52**	**3,643,947**
of which exercisable	*1,388,471*		*N/A*

(1) Includes 824,400 free shares granted through the "We are Alstom" plan as well as 1,022,400 performance shares granted through the PSP 2017.
(2) Includes 1,016,025 free shares granted through PSP 2018.

17.3. Severance payment and other benefits arising upon the termination of the mandate

The Chairman and Chief Executive Officer does not benefit from any specific measure protecting his accrued rights under the defined benefit pension plan, in the event of departure.

In the event of a forced departure, he will not be able to keep the non-fully vested rights to performance shares awarded under his mandate pursuant to the last two performance shares plans.

Furthermore, the Chairman and Chief Executive Officer would benefit in the event of departure of a severance pay subject to performance conditions. It would be equal to two years of target compensation, fixed and variable, the amount at which would be applied the average rate of achievement of the variable compensation of the last three years prior to departure, capped at 100%. Consequently, the severance pay to which the Chairman and Chief Executive Officer may be entitled shall not exceed two years of target remuneration, fixed and variable, in accordance with the recommendations of the AFEP-MEDEF Code as of November 2015. It would include the severance pay to which Mr. Henri Poupart-Lafarge would be eligible in the frame of his suspended employment contract.

17.4. Transactions with related parties

The decree n°2009-267 dated 9 March 2009 requires to give information about transactions with related parties contracted at conditions other than normal market conditions.

The Company has not identified any transaction coming into the scope of this requirement.

17.5. List of subsidiaries

ALSTOM Holdings is ALSTOM's sole subsidiary and is 100% owned.

Information on ALSTOM Holdings

Gross value of investment held by the Company	€9.2 billion
Net value of investment held by the Company	€8.0 billion
Gross value of loans and advances granted by the Company	€0.1 billion
Net value of loans and advances granted by the Company	€0.1 billion
Bonds and guarantees granted by the Company outstanding at 31 March 2018	-
Dividends paid by ALSTOM Holdings to the Company during financial year ended at 31 March 2018	€0.3 billion
ALSTOM Holdings shareholders' equity at 31 March 2017	€7.7 billion
ALSTOM Holdings shareholders' equity at 31 March 2018	€7.6 billion

FIVE-YEAR SUMMARY

Information as per Article L. 232-1 of the French Commercial Code.

	Year ended				
	31 March 2014	31 March 2015	31 March 2016	31 March 2017	31 March 2018
1. SHARE CAPITAL AT YEAR END					
a) Share capital *(in € thousand)*	2,160,915	2,168,547	1,533,889	1,537,983	1,555,473
b) Number of outstanding issued shares	308,702,146	309,792,497	219,127,044	219,711,830	222,210,471
c) Par value of shares *(in €)*	7	7	7	7	7
2. OPERATIONS AND INCOME FOR THE YEAR *(in € million)*					
a) Dividends received	-	-	-	-	-
b) Income before tax, depreciation, impairment and provisions	56	28	(782)	(45)	262
c) Income tax credit	29	39	100	21	22
d) Net income after tax, depreciation, impairment and provisions	(852)	(597)	(268)	(23)	282
e) Dividends (1)	-	-	-	54.9	77.8
3. EARNINGS PER SHARE *(in €)*					
a) Net earning after tax, but before depreciation, impairment and provisions	0.28	0.22	(3.11)	(0.11)	1.28
b) Net earning after tax, depreciation, impairment and provisions	(2.76)	(1.93)	(1.22)	(0.10)	1.27
c) Net dividend per share (1)	-	-	-	0.25	0.35
4. PERSONNEL					
a) Average headcount of the year	-	-	-	-	-
b) Amount of remuneration of the Chairman and Chief Executive Officer *(in € thousand)* (2)	2,156	1,744	7,823	1,131	1,726
c) Amount of social charges and other welfare benefits for the year *(in € thousand)*	769	464	811	305	718

(1) For the last year-end, subject to the approval of the General Shareholders Meeting.
(2) The amount mentionned at 31 March 2016 includes the conditionnal exceptionnal remuneration of Mr. Patrick Kron for €4,449,000.

APPROPRIATION OF THE NET INCOME FOR THE PERIOD ENDED 31 MARCH 2018

Information as per Article 243-bis of the French Tax Code.

The result for the year ended 31 March 2018 is a profit of €281,672,279.84. It will be proposed at the next Meeting of Shareholders:

- to distribute a dividend for an amount of €77,773,664.85, *i.e.* €0.35 per share, from the result of the fiscal year;
- to allocate the balance of the result not distributed, *i.e.* an amount of €203,898,614.99, to the General Reserve account which would accordingly amount to €3,930,504,836.56.

This dividend distribution will be submitted for approval to the General Meeting of Shareholders on 17 July 2018.

For the last three fiscal years the following dividends were paid:

- year ended 31 March 2015: 0;
- year ended 31 March 2016: 0;
- year ended 31 March 2017: €55 million.

COMMENTS ON STATUTORY ACCOUNTS

Information requested by the Article L. 225-100 of the French Commercial Code.

The Company is the holding company of the Alstom Group. ALSTOM Holdings is Alstom's sole subsidiary. The Company centralises a large part of the external financing of the Group. Fees from its indirect subsidiaries for the use of the ALSTOM name are the Company's main source of revenue.

Income statement

The Company net profit amounted to €282 million and mainly comprised:

- €14 million operating income stemming from the fees for the use of ALSTOM name minus administrative costs and other external costs;
- €248 million financial income mainly linked to the dividends received;
- €2 million non-recurring charges; and
- €22 million net income tax credit mainly linked to the tax grouping.

Balance sheet

Total of balance sheet amounts to €8,145 million and is mainly made of:

- assets:
  - ALSTOM Holdings investments totalling €8,016 million in net value,
  - Advances to ALSTOM Holdings amounting to €81 million;
- shareholders' equity and liabilities:
  - shareholders' equity amounts to €6,724 million and is made of:
    - share capital: €1,555 million,
    - paid-in capital: €917 million,
    - reserves: €3,969 million,
    - net profit of the period: €282 million,
  - provisions for risks and charges amounting to €7 million,
  - outstanding bonds amounting to €1,264 million.

Information on trade payables & trade receivables

In accordance with the Article D.441-4 of the French Commercial Code, it is stated that trade payables and trade receivables recorded on the balance-sheet of the year ended 31 March 2018 are made up as follows:

	Trade payables						Trade receivables					
	Article D.441 I – 1. Invoices received due for payment and remaining unpaid at the closing date						Article D.441 I – 2. Invoices issued due for payment and remaining unpaid at the closing date					
(in million €)	0 day	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total 1 day or more	0 day	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total 1 day or more
(A) Ageing profile of payment arrears												
Number of invoices involved	2					5	0					15
Total amount of invoices involved (excl. VAT)	0.00	0.01	0.01	0.00	0.00	0.02	0.00	0.00	0.00	0.00	1.16	1.16
Percentage of total purchases for the fiscal year (excl. VAT)	0.01%	0.03%	0.02%	0.00%	0.01%	0.06%						
Percentage of sales for the fiscal year (excl. VAT)							0	0	0	0	2.18%	2.18%
(B) Invoices excluded from (A) related to disputed or unrecorded payables and receivables												
Number of invoices excluded			9						32			
Total amount of invoices excluded (incl. VAT)			0.02						3.18			
Comments	Excluded invoices are related to unrecorded or disputed payables.						Excluded invoices are related to disputed receivables.					
(C) Reference payment terms used (contractual or statutory – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment terms used to calculate arrears	Contractual payment terms Statutory payment terms		45 days following the end of the month				Contractual payment terms Statutory payment terms		30 days following the end of the month			

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(For the year ended 31 March 2018)

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

Opinion

In compliance with the engagement entrusted to us by your general meeting, we have audited the accompanying financial statements of Alstom SA ("the Company") for the year ended 31 March 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 March 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 April 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of the investment in Alstom Holdings

(Note 2.1 Investments)

Identified risks

As at 31 March 2018, the net value of the investment in Alstom Holdings amounts to 8 016 m€ and represents 99% of Alstom's total assets. Alstom Holdings owns directly or indirectly all the entities of the Alstom group.

As described in Note 2.1 to the financial statements, investments are recorded at their acquisition cost. The recoverable value of the investments is assessed based on a multi-criteria approach. Alstom records an impairment if the recoverable value of the investments is lower than their carrying value. Determining the recoverable value is based on (i) Discounted Cash Flows, and (ii) values in relation with current or considered transactions or any other fair market values, if available. This impairment test relies on significant management estimates, such as the group's business plans and terminal growth rate.

Accordingly, we consider the measurement of the recoverable value of the investment in Alstom Holdings to be a key audit matter, due to the amount of the investment recorded in the balance-sheet and the inherent uncertainty of certain inputs, in particular the likelihood of achieving forecast results included in such measurement.

Our response

We performed a critical review of the methodology applied by management to perform the impairment test by:

- understanding process and controls implemented by Alstom;
- assessing the consistency of the assumptions used for the impairment test (projected future cash flows, growth rates, discount rates) with the historical and current performance, the existing backlog of contracts and the economic environment in which Alstom operates;
- assessing the reasonableness of the assumptions used to determine values in relation with current or considered transactions or any other fair market values, if any;
- reviewing sensitivity analyses to key assumptions;
- verifying that Note 8 to the statutory financial statements contains the appropriate disclosures.

Verification of the management report and of the other documents provided to Shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents provided to Shareholders with respect to the financial position and the financial statements.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have verified their compliance with the source documents communicated to us. Based on our work, we have no observation to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We, PricewaterhouseCoopers Audit and Mazars, were appointed as statutory auditors of Alstom SA by the annual general meeting held on 23 June 2009.

As at 31 March 2018, PricewaterhouseCoopers Audit and Mazars were in the 9th year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

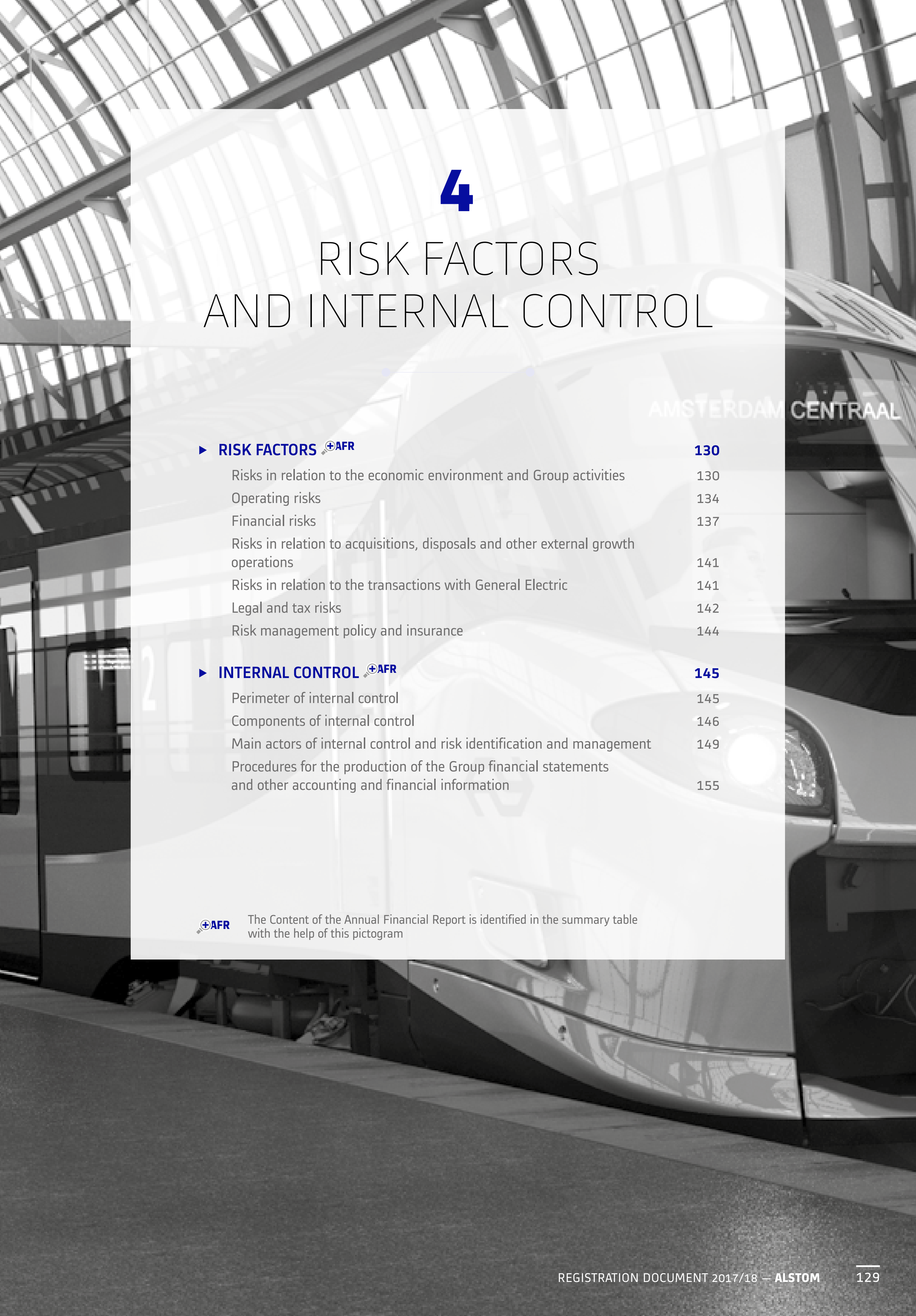
Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris La Defense, 15 May 2018

The statutory auditors

PricewaterhouseCoopers Audit	**Mazars**
Édouard Demarcq	Cédric Haaser



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RISK FACTORS AND INTERNAL CONTROL

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AFR The Content of the Annual Financial Report is identified in the summary table with the help of this pictogram

The Group has implemented an organisation, procedures and processes to identify, quantify and reduce the internal and external risks it faces. The goal of this implementation is also to allocate the resources required to manage these risks in line with the strategic and operational objectives of the Group.

RISK **FACTORS**

RISKS IN RELATION TO THE ECONOMIC ENVIRONMENT AND GROUP ACTIVITIES

Economic and political environment

The evolution of the markets in which Alstom operates is driven by a variety of complex and inter-related external factors, such as economic growth, political stability, public policies and the availability of lines of credit. The rail transportation market is highly dependent on public policy regarding the environment and transportation, and the increasing urbanisation.

Alstom's activity can be affected by international economic problems. The massive intervention of central banks related to the financial crisis of 2008 has probably limited the risk of a worldwide recession and the major world economies are now more stable. Nevertheless, an increased level of risk related to sovereign debt cannot be excluded.

The price fluctuations for certain raw materials over the past years directly affects economies which are dependent on such exportations. This risk could create financial difficulties for certain petroleum exporting countries and result in delays or cancellations of infrastructure projects which are necessary for their development.

Moreover, the recent emergence of trade disputes between major world economies also creates fear of market contraction which would reduce global economic growth.

Government measures to reduce public expenditures in relation to the high levels of sovereign debt and government budget deficits, particularly in Europe, may result in an increased reduction of public investments, notably in the rail transport market as described below (which could limit the financing of new projects) and an additional tax burden increase in some countries. In addition, economic hardships could lead to governments reconsidering their environmental policies, which is one of the compelling arguments in favour of developing rail transportation.

Furthermore, the Brexit and the evolution of the political situation in Russia, the United-States, Europe and the Middle East, and even in other parts of the world, are creating new areas of economic and regulatory uncertainties. This is particularly true with regard to the protectionist movements and trade barriers which are becoming more prevalent.

Should the current uncertain situation in Europe persist over time or deteriorate, should the economic slowdown in certain emerging countries intensify or spread to other countries, should the political situation in certain country become more unstable or should the global economic environment further deteriorate, this could, in particular, result in a reduction in public investment as well as increased difficulties in obtaining credit or a greater risk of insolvency for key customers, suppliers and subcontractors of Alstom, and therefore have an adverse effect on the business activities, financial position, results or future outlook of the Group.

The emerging countries, in which Alstom has developed a strategy to strengthen its presence, are now showing some minor improvement in their growth prospects (source: International Monetary Fund) but could, nevertheless, experience monetary or political instability. As in Europe, these factors may negatively impact public policies. Beyond this immediate impact, these developments may also negatively affect the evolution of the global economy. More generally, the activities in these countries expose Alstom to a number of risks, such as fluctuations in exchange rates, restrictions on the transfer of capital, and economic and political instability.

The current strategy relies on the long-term growth of the mobility market, which is, in turn, most notably related to the economic and demographic growth particularly in emerging countries, a growing trend toward urbanisation, the saturation of infrastructure and environmental concerns aimed at drastically reducing CO_2 emissions in the transportation industry by 2050 (source: IPCC – Intergovernmental Panel on Climate Change). However, economic hardships either in certain geographic zones or worldwide, could affect the growth factors of these activities, and call its growth strategy into question.

The French and European markets represent a significant contribution to the activities of Alstom and their earnings. Therefore, the Group is particularly sensitive to macroeconomic change and to challenges associated with sovereign debt in these markets and, as a result, sensitive to the reduction, the reconsideration or the postponement of public investments in these regions. Alstom considers that this risk can be balanced by the diversity of its business activities and the geographic zones in which they are exercised. However, there can be no guarantee that this diversity will effectively reduce this risk, or that these other business activities and geographic zones in which they are exercised will not face challenges.

Alstom performs a part of its business activities in countries which depend on oil revenues where clients, because of market conditions, could be led to postpone new projects. More generally, and because of this situation, the activities in these countries expose Alstom to a risk of requests for renegotiation of on-going contracts or to payment delays.

Most of the Group's railway transportation business relies on public institutions, in particular governmental institutions that, historically, represent more than two thirds of orders recorded by the Group (the ratio of orders placed by public institutions can decrease during fiscal years in which private entities place a significant amount of orders). The amount they are able to invest and spend depends on complex political and economic factors and could vary from one fiscal year to the next. Economic slowdown or public budgetary restrictions can cause a decrease in infrastructure investments, delays in placing orders, delays in executing contracts or payments, as well as a decrease in incentive-based measures to promote research and development. In periods of over-indebtedness (or of a sovereign debt crisis), the implementation of austerity or public spending reduction programmes can lead to budgetary arbitrage that has a negative impact on the volume of orders placed for transportation infrastructure projects. The availability of financing for large transportation infrastructure projects and their cost also affect the amount of public orders placed. In particular, securing this financing can be either more difficult or more expensive during a financial crisis. As a result, these factors could potentially have a significant adverse impact on the business activities, the financial position, the earnings, or the future outlook of Alstom.

Alstom furthermore exercises its business activities, takes advantage of its production capacities and has developed partnerships throughout the entire world, including in non-member countries of the European Union. Alstom is present in Russia and in the CIS (Commonwealth of Independent States), in Latin America, Africa and Asia. These geographic zones may be subject to higher political and social instability. Investment policies regarding the infrastructure are closely linked to political and regulatory changes in these regions. The commercial success of Alstom or the outlook and earnings of the partnerships put in place could, as a result, be directly or indirectly affected by an unfavourable political or economic slowdown occurring within these geographic zones.

Alstom has notably established a presence in the CIS through its equity interest of 33.34% in the share capital of Transmashholding (TMH), the historic Russian manufacturer of railway trains, and has developed a partnership strategy with this company since May 2011 (please refer to the section entitled "Description of Group activities").

Russia should experience small growth after a period of protracted recession (source: International Monetary Fund). Nevertheless, the situation remains challenging and has a negative impact on the investments planned by RzD, the Russian public operator, to renew its fleet of railway trains and thus on the business activities of TMH and Alstom in Russia.

In addition, despite the current *statu quo* in the region, the political developments in Ukraine could further affect such economic growth projections, as well as the business activities of TMH and Alstom in Russia, in particular if the international community decides to maintain or reinforce the measures aimed directly at Russia. These events could also impact the business activities of TMH's international competitors on the Russian market.

Alstom does not hedge the exchange rate risk resulting from converting TMH's earnings to Euros in the financial statements of the Group. Consequently, any decrease in the value of the Russian Rouble would have an adverse effect on TMH's contribution to the net income in Euros of Alstom, on the Euro-converted amount of dividends received by Alstom in connection with its equity interest in TMH, as well as on TMH's net carrying value (please refer to the Note 13.2 to the consolidated financial statements for the fiscal year ended 31 March 2018).

Worldwide demand analysis on the different markets on which Alstom operates and key drivers for each Alstom's businesses, as well as Alstom's assessment of the impact of the economic situation on its business activities are presented in sections "Description of Group activities" and "Management report on consolidated financial statements as of 31 March 2018".

Competitive environment

Alstom faces intense competition, both from large historical international competitors and regional players as well as new ones from emerging countries (particularly in Asia), where they benefit from more competitive cost structures. The consolidation initiatives on certain transport market segments that have already occurred, such as the German company Siemens' acquisition of the British company Invensys's signalling business or Hitachi's acquisition of the railway businesses of the Italian company Finmeccanica, or the merger of the Chinese companies CSR and CNR (renamed CRRC), could increase this competition. This may put pressure on prices and profit margins, and also on payment terms and conditions, the manufacturing time frame, the technologies proposed and the services provided to the client, which could weaken Alstom's position in certain of its markets and, as a result, have an adverse impact on its business activities, financial position, results or future outlook.

In addition, particularly in an unfavourable economic environment, competition could further intensify.

Furthermore, although Alstom has developed and continues to develop its presence on many geographic markets, including *via* alliances and partnerships, access to certain markets can prove to be difficult, particularly if there is a local competitor benefiting from a stronghold in its home market. These types of situations could put Alstom in an unfavourable position relative to some of its competitors and slow down its expansion strategy in certain zones.

Alstom's competitive position is described in the section "Description of Group activities".

The Group considers that its strong order backlog as well as all the measures it has taken, in particular for reducing costs and adapting headcount to demand, should enable it to remain efficient and face the current competition and the economic environment, which remains uncertain and contrasted across geographies and business activities. The initiatives taken by the Group may prove to be insufficient in case of a long-lasting downturn of the world economy, drop in demand and increasing and continued competitive pressures.

Any unfavourable development of any of the aforementioned factors may have an adverse impact on Alstom's markets and as a consequence an adverse effect on its business activities, financial position, results or future outlook.

Complex and long-term contract execution

Alstom's business activities lead the Group to engage in very large complex long-term contracts. These complex long-term contracts may be signed by several players, *via* a consortium or the creation of a project company, particularly in the case of PPP projects (public-private partnerships) or the like, which take on concession and project financing responsibilities. Due to the complexity and the length of the projects in which Alstom participates, the actual costs and productivity could potentially differ from what the Group had initially forecasted. The profit margins generated by Alstom with respect to some of its contracts can, as a result, prove to be lower than those initially forecasted, or even lead to zero profits or losses. The variation in costs and profitability of certain contracts during their execution can also significantly affect the earnings and cash flows of the Group over a given period. Long term contracts with customers generally include indexing formulas to protect the Group's margin against increases in costs such as labour costs, raw materials, commodities. Although these indices are designed to fit as much as possible with the cost structure of the contracts, they may prove inadequate to preserve the margins at any time, especially due to threshold effects or time lag in their implementation.

The revenue, cash flow and profitability of a long-term project vary significantly in accordance with the progress of that project and depend on a variety of factors, some of which are beyond the Group's control, such as unanticipated technical problems with equipment being supplied, postponement or delays in contract execution or in contract bidding process, financial difficulties of customers, withholding of payment by customers, and performance defaults by or financial difficulties of suppliers, subcontractors or consortium partners (particularly with civil works companies) with whom Alstom may sometimes be jointly liable.

In addition, Alstom has signed many contracts containing requirements to comply with strict delivery schedules or mandatory performance levels for the equipment it delivers or a rigorous delivery schedule. If the Group were unable to comply with these obligations, Alstom's clients could request the payment of contractual penalties, or terminate the contract in question, or even claim compensation for damages, which could have an adverse impact on the business activities, financial position, results or future outlook of Alstom.

Moreover, although these cases remain rare, Alstom may have to face calls of first demand bank guarantees in relation to its contracts for potentially significant amounts. As of 31 March 2018, the aggregate outstanding amount of guarantees over contract granted by banks and insurance companies totals €8.5 billion (please refer to Note 32 to the consolidated financial statements for the year ended 31 March 2018).

Alstom has established strict risk control procedures for performance requirements and technical, financial and contractual risks applying from tendering to contract negotiation and execution and monitoring up to final completion of the projects, as described in the below section Internal Control. However, Alstom can give no assurance that these measures enable it to accurately predict the profitability of a new contract, or to avoid or limit the deterioration of the conditions under which a contract is executed. Certain projects are or may be subject to delays, cost overruns, or performance shortfalls which may lead to the payment of penalties or damages. Such difficulties may have a significant adverse impact on the Group business activities, financial position, results or future outlook.

In addition, unfavourable geopolitical events in the geographic areas in which Alstom operates can increase difficulties relative to the conditions under which the contracts the Group has signed are executed, extend execution periods, disrupt the supply chain or trigger unexpected legislative or regulatory changes that could significantly increase the costs of execution initially projected by Alstom for these contracts. These negative developments could, for example, result in protectionist legislation which creates barriers to trade or result in mandatory embargos or trade sanctions restricting economic exchanges with certain countries or entities. Legal principles such as *force majeure* or change in laws regarding contracts could allow some mitigation of the impact of these developments but their use could create a litigation risk due to differing interpretations of these legal principles. As a result, these geopolitical events could have an adverse impact on the business activities, financial position, earnings or future outlook of Alstom.

These long-term contracts are signed with customers that, for the most part, are public entities. These types of customers require that the Group comply with project bidding and open market specificities, which limit its ability to negotiate certain contractual terms and conditions and can force it to accept less favourable conditions than those normally required by the Group (*e.g.* limitations on liability, cash flow principles). For example such customers may insist on a payment schedule that reduces or eliminates advance payments or that leads to negative cash-flow during the execution of the project, mandatory technical performance levels or requirements associated with the issuance of parent company guarantees. Indeed, public procurement procedures often take the form of contracts of adhesion that cannot be amended, causing bidders to risk disqualification if they attempt to include special considerations in their offers. These particularities could potentially expose Alstom to significant additional risks or costs that could affect the profitability of its projects and have an adverse impact on its business activities, financial position, earnings, or future outlook. Furthermore, a growing portion of Alstom's order backlog includes significant contracts that can impose localised manufacturing or purchasing requirements in countries in which the project is being executed, particularly in emerging countries such as South Africa, India or Brazil, but also in other countries such as the United States or Russia. In order to win contract bids and to complete the projects associated with these contracts, Alstom must build local production capacities or secure or increase its volume of third party purchases from new local suppliers. At times, these contracts also restrict Alstom's freedom to select its own partners, which can lead to constraints regarding costs, refinancing, target volumes and execution. Finally, the political instability that exists in certain countries can have an impact on the public entities with which long-term contracts are signed and, as a result, have the consequences mentioned above.

Technological innovation

The Group designs and manufactures high-technology solutions in the mobility sectors. These markets are already extremely competitive with historical players and newcomers from the emerging countries are entering the market.

The Group develops modular and flexible offers covering components to complete systems in order to meet customers' expectations. This positioning puts technological innovation as a key lever for competitiveness.

The markets in which the Group operates quickly evolve with the development of new technologies, products and services; their transformation is enhanced by newcomers especially from the fields of digital and big data. Alstom has to anticipate these changes and integrate new technological enablers or new solutions into its offering. This requires, on the one hand, significant expenditures and investments of which the future profitability cannot be guaranteed and, on the other hand, a strategy of innovation increasingly developed through partnerships.

As part of this strategy, the Group has launched very large research and development programmes, internally and also externally, taking clearly into account the digital transformation and also an increasing demand in the fields of services. These programmes are addressing:

- the renewal of its offering for railway trains and their adaptation to the needs of emerging countries;
- the development of advanced signalling systems;
- the improvement of the environmental performance of rail systems;
- the development of a disruptive electric bus solution that is passenger-centric and received an award at the Busworld fair in 2017;
- the development of innovative service solutions based on predictive maintenance.

In a highly competitive environment, the Group remains however exposed to the risk that more innovative or more competitive products or services technologies are developed by competitors or introduced on the market more quickly or that the products it develops are not accepted by the market. This may have a material adverse impact on the business activities, financial position, results or future outlook of the Group.

Design and use of complex technologies

The Group designs, manufactures and sells several high-value products and solutions of large individual value that are used particularly in major infrastructure projects. The Group is facing increasingly high expectations in terms of environmental performance. Flexibility requirements are also enhanced, resulting in significant evolution of the specifications. Alstom is required to address the evolution of customers' demands for more and more complex tenders with increasing constraints and uncertainties in homologations. Alstom is also required to introduce new, highly sophisticated and technologically complex products on increasingly short time scales. This necessarily limits the time available for testing and increases the risk of product defects and their financial consequences. It is sometimes necessary to fine-tune or modify products during the production cycle or while the client is using them. Because Alstom manufactures some of its products in series, it may then need to make such modifications throughout the production cycle. In addition to the direct cost of such modifications or of managing returned products, Alstom could be found liable for delays and corresponding operational losses suffered by its customers, which could trigger the payment of penalties or damages.

In addition, Alstom is increasingly using or combining complex technologies that evolve very quickly, or components developed by third parties that integrate such technologies. This evolution requires the implementation of a design and approval process that is more robust in order to shorten the development phase, monitor technological evolution, and comply with product safety requirements. This could trigger additional costs that are more significant than initially anticipated, or cause delays in delivery.

At the same time, when it sells its products or enters into services contracts, Alstom may be required to accept onerous contractual penalties, in particular related to performance, availability and delay in delivering its products, as well as after-sales warranties. Alstom's contracts may also include clauses allowing the customer to terminate the contract or return the product if performance specifications or delivery schedules are not met. As a result of these contractual provisions and the time needed for the development, design and manufacturing of new products, potential problems encountered with Alstom's products may result in significant unanticipated expenditures, including without limitation additional costs related to securing replacement parts and raw materials, delays and cost overruns in modifying the products and the related negotiations or litigation with affected customers.

In instances where such difficulties occur, Alstom cannot ensure that the total costs that it ultimately incurs will not exceed the amount that it has provisioned. Furthermore, given the technical sophistication of its products, Alstom can give no assurance that it will not encounter new problems or delays in spite of the design and technical approval process in place. Any significant problem occurring in connection with the development, manufacturing, reliability, or the performance of Alstom's products could have an adverse impact on the business activities, financial position, results, or future outlook of the Group, as well as on its reputation and that of its products.

Complex homologation procedures applicable to trains

The sale of the Alstom's products depends, most notably, on compliance with rail transportation security standards that differ widely at the global level and are governed by many regulatory authorities. This creates a complex environment, especially in Europe, and disrupts the process of securing the homologation of trains.

The homologation process may last longer and be more costly than initially anticipated due to the extent of testing and other supporting technical elements required by the authorities. In the past, Alstom has faced difficulties associated with complex homologation procedures, particularly in Germany. In addition, contracts increasingly include language that requires Alstom to bear the risks and obligations associated with the homologation process. The materialisation of these risks could trigger cost overruns and the payment of significant penalties or damages, service interruptions affecting the products, or even the risk of cancellation of the contract in extreme cases of prolonged delays. However, the situation varies by country and technology.

No guarantee can be given regarding the time frame required for obtaining homologations, and any significant problem in this domain could have an adverse impact on the business activities, financial position, earnings, or future outlook of Alstom.

OPERATING RISKS

Costs and conditions of access to certain manufactured goods and raw materials

In the course of its business, Alstom uses raw materials and manufactured goods in amounts which vary according to the project and which may represent a significant part of the contract price signed by Alstom. Given the emergence of trade and customs barriers, difficulties and delays in the delivery of certain manufactured goods and the extreme volatility of the prices of raw materials such as steel, aluminium, stainless steel or copper, the Group cannot guarantee that corresponding variations in cost will be fully reflected in contract prices, and may be unable to recoup these raw material price increases, which could affect the profitability of such contracts.

Any unexpected unfavourable evolution in this area may create a negative pressure on profit margins and adversely affect the business activities, financial position, the results or the future outlook of the Group. In addition, Alstom could be dependent on certain suppliers that satisfy the criteria set by the Group. If a dependence relationship exists, the components are clearly identified and existing suppliers are subject to action plans for development. Plans aimed at securing a larger number of supply sources are put in place and the option of having the Group manufacture these products can be envisaged. However, Alstom cannot guarantee that these development plans will prove sufficient or ensure a timely availability.

Certain suppliers or subcontractors could experience financial difficulties or be unable to comply with the quality standards or deadlines set by Alstom, or refuse to accept certain key conditions relative to the technical specifications imposed by Alstom's end client. If one of these suppliers or subcontractors fails to fulfil its obligations, or if contractual relations with one of them are severed, delivery delays, unexpected costs, or reduced technical performance that could lead to the payment of penalties or damages might occur.

Even though the Group has a system to detect these failures, Alstom cannot guarantee that it may not be affected by delays in deliveries, quality defects or the financial difficulties that its suppliers or subcontractors may face. Such events could have an adverse impact on the business activities, financial position, results or future outlook of Alstom, as well as on its reputation and that of its products.

Note 17 to the consolidated financial statements for the fiscal year ended 31 March 2018 presents the exposure to raw materials and manufactured goods and the management policy of this risk.

Capital employed management

The structure and duration of Alstom's projects may result in the disbursement of significant sums before the contract begins to generate any cash flow. As a result, Alstom's ability to negotiate and collect customer advances and progress payments is therefore an important element of its working capital management. Unexpected events associated with the execution of the contracts signed by the Group, which are described in the various risk factors above, increase the scope of this risk. Additional information regarding customer deposits and advances and working capital are given in Notes 16, 19 and 20 to the consolidated financial statements for the fiscal year ended 31 March 2018. Finally, the development of the Group in emerging countries, often through the implementation of partnerships and third party manufacturing may also generate the risk that working capital needs or investment related to these developments further increase, particularly in the launch phase. Any unexpected discrepancy between the Group's disbursements and amounts received on orders placed, or even any reduction in the overall volume of orders placed or a deterioration of the payment terms on these orders has an automatic adverse impact on the evolution in working capital requirements and, as a result, can have a negative effect on the business activity, financial position, results or future outlook of Alstom and its cash flow needs (please refer to the section "Financial risks" below).

Management of human resources

Employment market competition is fierce when it comes to hiring the highly qualified managers and specialists needed to complete the work Alstom requires, particularly in certain emerging countries. The success of Alstom's development plans depends, in part, on its ability to develop skills, to retain its employees, and to recruit and integrate additional managers and skilled employees. Alstom can give no assurance that it will be successful in recruiting, integrating and retaining such employees as needed to accompany its business development, in particular in emerging countries. Conversely the measures to adapt headcount to the market changes may result in significant social risks which may have an adverse impact on the expected cost reductions and the Company production capacities.

Cost reduction programmes

In recent years, Alstom has undertaken a number of continuous improvement measures (costs reduction and adaptation of the production and non-production employee base) in order to adapt to changes in customer demand, competitive pressures, and improve its operating performance and, as a result, its competitiveness. These plans are aimed at reaching its profitability goals while remaining competitive on the market. Due to the intensification of competition and to an economic climate that remains uncertain and contrasted across geographic zones, Alstom is accelerating its cost reduction program through its operational excellence ambitions that constitute one of the key pillars of the Alstom 2020 vision.

Staff reduction measures in markets in which demand has decreased may expose Alstom to significant social risks that could have an adverse impact on both the expected savings and the production capacities of Alstom.

Even though Alstom has reduced costs in preceding fiscal years, it cannot be guaranteed that further cost reductions will enable it to reach the savings objectives set under its operational excellence initiatives, or that the measures will be implemented successfully or within the set time frame. The measures could also prove to be insufficient in the event of a sustained slowing down of the global economy. Any one of these factors could have an adverse impact on the business activities, financial position, results, or the future outlook of the Group.

Risks in relation to accidents

In the event of a railway accident involving equipment supplied by Alstom, the customer, potential victims, or their insurers could take action against Alstom in the context of legal proceedings with respect to damages suffered. Even if the cause of the accident cannot be immediately attributed to the failure of the equipment supplied by Alstom, the simple fact that Alstom supplied equipment involved in a railway accident could suffice to implicate the Group in legal proceedings for as long as the circumstances surrounding the accident have not been clarified. This type of accident may also cause the authority responsible for transportation safety to decide on the temporary suspension of a granted homologation. Furthermore, railway accidents are typically subject to intense media coverage, which could potentially affect Alstom's reputation as well as its public image regarding the reliability of its products.

Alstom relies on many internal verification and approval procedures that enable it to control the quality and the safety of its equipment before it is made operational, in order to avoid the risk of an accident and to ensure the safety of passengers (please refer to section entitled "Risk management policy and insurance").

Despite the existence of these procedures, Alstom cannot guarantee that railway safety will be risk-free. The occurrence of a railway accident involving equipment supplied by Alstom could, in the event that equipment failure is found to be the cause of such accident, have an adverse impact on the business activities, financial position, earnings, or future outlook of Alstom, as well as on its reputation and that of its products.

Information systems and technology risks

The Group relies on state of the art information systems and technology to support its business activities and promote operational efficiency. The Group's broad geographic footprint, its diverse businesses and ranges of products, the integration of successive business activities and since November 2015 the separation of the infrastructure, systems and solutions from the ones integrated by General Electric with the Energy activities acquisition all make for a complex environment. The Group has also set up partnerships to carry out the management of its IT infrastructures and the support of solutions.

The main issues relating to the information systems and technologies used by the Group are ensuring business continuity, protecting sensitive data and intellectual property rights, maintaining systems availability and managing IT assets compliance.

Within the framework of a centralised management of the Group's information systems and infrastructures, Alstom develops global common practices to reinforce the control and security of information technology within the Group, including when facing the risk of a cyber-attack. The technologies used to gain unauthorised access, damage, sabotage or hacking of systems change frequently and are often not recognised before being launched against their target. Alstom has deployed a framework based on identifying and assessing risks, ongoing detection of vulnerabilities and the ability to isolate threats. A strong governance body including senior management and IS&T managers meets on a monthly basis to oversee the management of this risk environment which is in constant evolution and impacts all companies around the world. Compliant best practice technical and organisational measures have been implemented to insure the protection of personal data, the rights of individuals and the disclosures in case of security breaches.

Major initiatives have been undertaken regarding the protection of the development and production activities in order to limit their exposure, management of identification and access to Company resources and the classification of sensitive data.

The operational management of the IT security is ensured in partnership with a major IT protection firm which identified areas of improvement which will allow the Company to reinforce its detection and reaction capacity.

Alstom has defined risk management rules, particularly with respect to data protection, access to confidential data, security of its solutions and infrastructures, and Alstom has so far not experienced significant difficulties in this area. However, Alstom can give no assurance that these rules will be sufficient to prevent any risks in this domain, and the occurrence of complications affecting any one of them could have an adverse impact on the business activities, financial position, results or the future outlook of the Group.

Beyond separating the information infrastructure, systems and solutions from those taken over by General Electric, Alstom is also involved in a multi-year programme for the renewal of certain of its important solutions aimed at adapting the planned obsolescence of systems, deploying standardised solutions for its main units and rationalising its operation processes. The magnitude of these transformation programmes and the complexity of the environment create an intrinsic risk, which precludes Alstom from guaranteeing, without reservations, that its objectives will be reached within the set time frame, the quality level, and the allocated budgets.

Alstom cannot guarantee that the technological level of the information systems it uses will be appropriate given its business activities and development projects, or that these systems will not be subject to technical failures. In addition, the external service providers contracted for these projects could prove unable to meet their objectives.

In the event that the systems used by Alstom do not operate at a satisfactory level, this could alter the quality of its products and result in claims being filed against it, a deterioration of the brand and, more generally, of its reputation. In addition, technical failures or unsatisfactory levels of performance of the information systems used by Alstom could require additional investments, which could affect the financial position and results of Alstom.

The risk of cyber-attacks also exists with regard to the products, services and systems developed by Alstom and sold to customers. This industrial IT risk is relatively recent but is becoming more and more important as seen by the warnings issued by national security authorities and the newly adopted regulations which apply to strategic infrastructure operators, of which the rail transport industry is part.

Cyber-attacks can occur at any time during the life of Alstom products, from the conception phase to production, delivery, installation and implementation and during the actual operation of the products. The risk remains until the decommissioning of the products. These attacks can impact the comfort, availability and even the security of the Alstom solutions used by its customers.

In the last two years Alstom has implemented a cyber-security task force which oversees these security aspects with the goal of ensuring maximizing the IT security of its products and services. The main areas of focus are: updating the Company's development processes to integration the identification of cyber risks and the appropriate countermeasures, raising awareness among Alstom teams to the problems involving cyber-security, the implementation and management of an action plan to reinforce the protection and prevention of cyber-attacks in Alstom product platforms.

This work covers the entire range of the Company's products and addresses and anticipates the issues raised by customer regarding these types of risks. Nevertheless, this activity constitutes a fundamental change in the approach to the Company's activities and is dependent on the level of maturity of its customers with regard to these issues. Furthermore, these efforts and the structure of the Company's business do not allow for the systematic review of products and services which have already been put into service though Alstom does propose such updates in order to address this risk.

Alstom cannot guarantee that its products will be free from such risks, especially given the increasing role that IT technologies play in the Company's products. A cyber-attack could affect the availability and the security of the solutions delivered and has a negative impact on the Company's customers and Alstom's reputation. Commercial impacts are also possible as well as financial costs required to resolve such issues.

The Information Systems & Technology function is presented in the below section Internal Control.

Risks in relation to environmental, health and safety regulations

Alstom's business activities are industrial activities involving potentially dangerous processes and pollutants, which are used not only in its factories, but also during the construction phase of the projects in which it participates, as well as in the context of the services it offers. Alstom is subject to a broad range of laws and regulations relating to environment, health and safety in each of the jurisdictions in which it operates. These laws and regulations impose increasingly stringent environmental and employee protection standards regarding, among other things, air emissions, wastewater discharges, the use and handling of hazardous waste or materials, waste disposal practices and depollution, working conditions, exposure to hazardous chemical agents, compliance with applicable regulations for machines and equipment used for fire safety purposes. These standards expose Alstom to the risk of substantial environmental costs and liabilities, including in relation to divested assets and past activities.

In most of the jurisdictions in which Alstom operates, its industrial activities are subject to obtaining permits, licences and/or authorisations, or to prior notification. Alstom's facilities must comply with these permits, licences or authorisations and are subject to regular inspections by competent authorities. Alstom believes that its facilities are in compliance with their operating permits and that its operations are generally in compliance with environmental laws and regulations.

Alstom invests to conduct its business activities while reducing the risk of harm to the environment or health and safety of its employees. The Company regularly makes the necessary investments to meet the requirements of the regulations in force.

Alstom uses in its manufacturing processes chemical agents or manufacturing components that include chemical agents. Regulatory changes (such as the REACH regulations in Europe or other equivalent regulations particularly in the United States, in China and in Russia) could ban these products from the European market or the world market. This could force Alstom to modify its manufacturing processes, face interruptions in supply, carry out chemical substance substitution programmes, or offset the lack of availability of the spare parts necessary for the maintenance of its products and, as a result, could generate significant cost overruns that are not currently quantifiable. Alstom implements monitoring processes in order to anticipate these risks, but cannot yet guarantee that its entire supply chain does the same, and cannot anticipate all of the regulatory changes that might occur in the future.

The regulations and technical norms applicable to the market introduction of railway systems impose increasingly stringent guidelines regarding the environment in countries in which Alstom operates. These requirements could trigger significant investments or impose technical constraints, which could affect the financial position and earnings of the Group.

It is not possible to provide any assurance that Alstom will not be required to bear the costs of or will not be found liable for environmental matters, including in relation to past cases of pollution caused by third-parties, past activities or assets sold, to the business activities of its subsidiaries or subcontractors, or to its obligations concerning health and safety. Furthermore, Alstom cannot guarantee that amounts budgeted or provisioned for renovations and investments in projects associated with the environment, health and safety will be sufficient enough to cover such an unforeseen expense or necessary investment. In addition, the discovery of new conditions or facts, or future changes in environmental, health and safety laws, regulations or case law may result in increased liabilities or the required costs to bear that are likely to have a material effect on the business activities, financial position, earnings or future outlook of the Company, as well as on its reputation.

Alstom has provisions of €34 million to cover environmental risks linked to its activities as of 31 March 2018.

Specific risks associated with health and safety

The wide scope of safety norms and regulations in the countries in which Alstom operates, the diversity of the locations in which it operates (such as factories, infrastructure worksites, or railway network), as well as the potential application of different safety standards by Alstom's partners and clients, create risks that could lead to serious accidents. These risks could potentially cause harm to human lives or to the physical integrity of persons. Such risks can also trigger various criminal, civil or administrative sanctions, including the temporary shutdown of an installation while authorities conduct their investigation.

Although Alstom has developed strict rules on health and safety, and conducts training sessions and audits to minimise these risks, their occurrence cannot be totally excluded. These elements could have an adverse impact on the business activity, financial position, earnings or future outlook of the Company, as well as on its reputation.

Furthermore, Alstom has been the target of statements on behalf of employees alleging work-related illnesses caused by past exposure to asbestos, as well as legal action under which compensation is sought based on claims of an alleged exposure to asbestos as indicated under the Note 33 to the consolidated financial statements for the year ended

31 March 2018. Alstom cannot guarantee that no new liability cases will be filed against it in France or outside of France on behalf of current or former employees who may have been exposed.

More generally, Alstom's business activities could expose employees to substances that are not currently considered as likely to cause health problems but that could, as knowledge evolves, be analysed differently in the future and lead employees to investigate the potential liability of Alstom in the future. Similarly, it is important to note that regulations setting the tolerance levels and thresholds for the exposure to certain substances have become increasingly stringent and call for levels that are lower than those specified in applicable regulations with which Alstom complies. The surveillance and security procedures implemented by Alstom or changes in regulations can also lead Alstom to relinquish the use of certain substances currently considered risk-free, to modify its industrial installations, or to make significant investments, which could generate additional costs that are not currently quantifiable. These factors could potentially have an adverse impact on the business activities, financial position, earnings, or future outlook of Alstom, as well as on its reputation.

Specific risks related to safety and the management of malicious acts

The general environment in which Alstom undertakes its activities presents an increasing risk of intentional acts of aggression. Such acts can be the result of factors such as the political, social or economic context. Criminal or malicious acts targeting the Group are a real threat and could have damaging consequences on the safety of Alstom employees, assets, information security and, as a result, its activities. Two developments explain this situation: an increase in global insecurity on a worldwide level and, the increase in Alstom activities in high risk areas, especially in the southern hemisphere.

These changes increase the risk that the Group's activities, its employees and infrastructures be the target of malicious acts which can be classified in four categories:

- attacks on individuals: violence, robbery, extortion, harassment, kidnapping;
- damage to assets: robbery, sabotage, destruction of means of production;
- terrorist attacks;
- intentional attacks on the image or reputation of the Company.

Alstom employees could be the victim of violence either due to the fact that they are seen as being part of a French company or as collateral victims of an act which does not specifically target them. On a legal level, French and European legal developments have reinforced the liability of companies in this field by creating a general obligation for companies to ensure the security of their employees. This obligation requires companies to foresee and prevent such risks that could endanger the security of their employees, with criminal consequences in case of non-compliance. In this context, in addition to the implementation of security protocols to ensure the physical safety of its employees, Alstom has deployed several tools to meet its security requirements. Employees who travel or are transferred to at risk countries are systematically informed of the security situation of the destination country. A travel management tool allows the Company and employees to provide constant updates on the international security matters and to provide prompt reaction in case of trouble. In the same manner, security is being systematically integrated into projects planning and implementation.

Tools and processes have been implemented to minimise the impact of such malicious acts. Nevertheless, it is impossible to totally prevent such acts and their human, legal, financial or reputational impact could be particularly serious for the Company.

FINANCIAL RISKS

Currency exchange, interest rate, credit and liquidity risks

The Group is significantly exposed to currency exchange risks. Note 28.2 to the consolidated financial statements for the fiscal year ended 31 March 2018 presents the Group's exposure to currency exchange and the relating hedging portfolio, the exposure to interest rate, credit and liquidity risks, as well as the management policy of these risks. Detailed information on the Group financial debt amounting to €1,707 million as of 31 March 2018 is also given in Note 27 to the consolidated financial statements for the fiscal year ended 31 March 2018.

Currency risk

Operational risk

In the course of its operations, the Group is exposed to transaction currency risk arising from tenders submitted in foreign currency, awarded contracts and any future cash out transactions denominated in foreign currency. Transaction currency risk exists when the currency of the contract or disbursement is different from the functional currency of the subsidiary concerned by the offer or contract. Main currencies triggering a significant exposure for the fiscal year ended 31 March 2018 are the American Dollar, the South African Rand, the Australian Dollar and the Indian Rupee on the export side, the Polish Zloty and the Brazilian Real on the import side. The hedging set by the Group to protect contract execution is presented in Note 28.2 to the consolidated financial statements for the fiscal year ended 31 March 2018.

Most of hedges are negotiated by Alstom Holdings acting as the central treasury of the Alstom Group ("Alstom Treasury Center") and mirrored with an internal hedge contract between Alstom Treasury Center and the relevant exposed subsidiary. When local regulations do not allow internal hedges, hedging contracts, when available and affordable, are recorded directly between banks and the Group's local legal entities under supervision of Alstom Central Treasury.

Although the Alstom's policy is to systematically hedge its identified foreign currency risks and almost all hedging instruments qualify for hedge accounting, changes during the performance of contracts can lead Alstom to terminate some hedges, take new ones, or roll over existing ones, including at historical rate, to better fit to the exposed cash flows actual maturity. No assurance can be given that these hedges will be sufficient, especially in emerging countries experimenting strong devaluations that may translate into credit / counterparty risk with the customer and / or the banks.

Risk of conversion

The Group does not hedge with derivatives the currency risk related to investments in foreign subsidiaries and arising from the conversion into Euros of the financial statements of its subsidiaries consolidated in the Group's consolidated financial statements.

The following table shows the breakdown of the consolidated net equity in the main currencies as of 31 March 2018.

(in € million)	Consolidated net equity
US Dollar and currencies pegged to USD	612
Brazilian Real	270
Chinese Yuan	134
Euro	2,152
Russian Rouble	257
Sterling	128
Other currencies	474
TOTAL	**4,027**

The following table shows the sensitivity of the Group consolidated sales to a change in the exchange rate of the currencies below:

	Impact on sales *(in € million)*	
Fiscal year 2017/18	**Variation of 1%**	**Variation of 5%**
US Dollar and currencies pegged to USD	15.2	76.45
Brazilian Real	1.6	8.2
Indian Rupee	2.9	14.3
South African Rand	1.5	7.3
Mexican Peso	1.4	7.2
Chinese Yuan	1.1	5.5
Sterling	7.0	35.0

The change in exchange rate had an impact of €(14) million on the amount of consolidated sales of Alstom 2017/18.

The following table shows the sensitivity of the Group equity to a change in the exchange rate of the currencies below:

	Impact on equity before tax *(in € million)*	
Fiscal year 2017/18	**Variation of 1%**	**Variation of 5%**
US Dollar	6.1	30.6
Brazilian Real	2.7	13.5
Russian Rouble	2.5	12.8
Chinese Yuan	1.3	6.7
Indian Rupee	1.5	7.7
Sterling	1.3	6.4

In the fiscal year ended 31 March 2018, the change in exchange rate had an impact of €(233)million on Alstom's equity.

Liquidity risk

In addition to its available cash and cash equivalents, amounting to €1,231 million as of 31 March 2018, the Group:

- has a €400 million Revolving Credit Facility initially maturing in June 2020, extended, in April 2017 to June 2022 which was fully undrawn as of 31 March 2018. This facility has been sized taking into account the possible volatility of the working capital of Alstom's project portfolio;
- has filed a short-term marketable securities with Banque de France, in an amount of €1,000 million, that was fully undrawn as of 31 March 2018.

The Group €1,707 million financial debt is now mainly concentrated on the following maturities:

BONDS ISSUANCE MATURITIES

Instrument	Amount *(in € million)*	Maturity	Nominal Interest rate
Capital market			
Bonds	371	5 October 2018	3.625%
EMTN	283	8 July 2019	3.000%
Bonds	596	18 March 2020	4.500%

Based on cash and cash equivalents currently available, expected operational cash flows together with its ability to exercise the puts granted by General Electric on the Energy JVs, the Group believes it has ample liquidity to redeem its outstanding debt.

The ability to obtain sufficient sources of bonding is for the Group a condition to bidding, obtaining new orders and receiving advances and progress payments from the clients.

The Group benefits from a €3 billion committed bonding guarantee facility with five Tier-One banks allowing for the issuance of up to seven years bonds until 1 November 2020 with a possible extension of one year at the discretion of the banks (the "Committed Bonding Facility"). As of 31 March 2018 the available amount under the Committed Bonding Facility was €1.0 billion. In addition the Group has the ability to issue bonds from non-committed bilateral lines in numerous countries.

The Revolving Credit Facility and the Committed Bonding Facility (together the "Facilities") are subject to the following financial covenant on the basis of consolidated data, also disclosed in Note 28.5 to the consolidated financial statements for the fiscal year ended 31 March 2018. Alstom complied with this covenant as at 31 March 2018.

Covenants	Maximum total net debt leverage (*)
	2,5

(*) Ratio of total net debt (Total debt less short-term investments or trading investments and cash and cash equivalents) to EBITDA. The net debt leverage as of 31 March 2017 is 0.4.

As of the closing of the proposed transaction with Siemens, Alstom will need to be released from certain standard change of control provisions in financing facilities agreements such as these. Furthermore, bonds which Alstom has issued contain change of control clauses allowing bondholders to request the accelerated reimbursement at 101% of the nominal value of the bonds during a specified period following the change of control.

Alstom is rated by the rating agency Moody's Investors Services since May 2008. On 23 September 2016, Alstom requested Standard & Poors to withdraw all of its ratings on the Group and to cease rating it going forward. The ratings below are regularly reviewed and the Group cannot ensure that they will remain at the same level.

Agency	May 2016	May 2017
Moody's Investors Services (*)		
Short-term rating	P-3	P-2
Long-term rating	Baa3 (positive outlook)	Baa2 (outlook stable)

(*) Moody's Investors Services revised the long-term credit rating from Baa3 to Baa2 (outlook stable) on 10 June 2016.

As of today the Group believes it faces no major risk to its access to financial markets. Any downgrading of Alstom's rating would unfavourably impact the financial conditions of the Group's financings and the access to certain financings and to bonding capacities. This may result in a substantial deterioration of the Group's financial and commercial situation.

Also, the Group cannot exclude the risks that would arise in project execution as a result of a degradation of the rating of its banks. Indeed, certain contracts of the Group include requirements on the rating level of the banks used for the corresponding projects, including for the issuance of bank guarantees. In case of events triggering a degradation of the rating of these banks, Alstom cannot warrant that this will not lead to various contractual complications, which would have negative consequences on projects execution such as delayed payments, postponement of project schedule, costs increase or other financial impacts.

Additional information regarding the specific management of financial risks is presented in the below section Internal Control.

Interest rate risk

The Group has had a fixed-rate debt policy: although a large amount of bonds have been redeemed, including through a tender offer, shortly after the General Electric transaction completion, the Group indebtedness as of 31 March 2018 was mainly made up of fixed interest bonds with high historical coupons. On the opposite, the excess cash of the Group is mainly invested in euro short dated deposit or money market funds indexed on floating rates: the Group is therefore exposed to further lowering of euro short term rates until the gross debt is finally repaid. Also, the Group does not implement a policy of active management of its interest rate risk, it may enter into derivatives in order to hedge its interest rate risk on a case-by-case basis according to market opportunities. Additional information is given in Note 28.3 to the consolidated financial statements for the fiscal year ended 31 March 2018.

In addition, the Group is also exposed to the fluctuations of interest rates through its foreign exchange hedging policy: although the Group tends to match the tenor of the hedging instruments with the maturity of the underlying operational cash flow, some emerging currencies may prove difficult or too costly to be hedged over the long term. The Group may therefore decide to hedge its exposure over shorter periods and incur the risk of increased costs of carry when rolling over its forex derivatives.

Credit and/or counterparty risk

Credit risk and/or counterparty risk is the risk that one party to a contract with Alstom fails to meet its contractual obligations, causing a financial loss for Alstom.

To reduce its exposure in this area, Alstom analyses credit risks and political risks over the life of a project, particularly with regard to the funding scheme used by its customers, and secures the identified financial exposure through *ad hoc* payment securities or by taking out public or private credit insurance. No external customer represents individually 10% or more of the Group's consolidated sales as indicated in Note 3.3 to the consolidated financial statements for the fiscal year ended 31 March 2018. Alstom also analyses the financial solvency of its partners, suppliers and subcontractors to assess their financial capacity to meet their contractual obligations. Regarding banking counterpart risk, the Group cash and cash equivalents are entirely invested in deposits with Tier One banks and diversified money market funds with limited embedded credit risk. The Group maintains committed bonding and revolving credit facilities with Tier One banks. However, among Alstom's counterparties (including clients, partners in consortium or in joint venture, suppliers and subcontractors), a significant credit and/or political risk deterioration may occur during contract execution which may cause them to be unable to pay upon delivery or to deliver, or to stop an ongoing order. Cancellation of orders may also occur. These risks could have adverse effects on revenues, profitability, financial position or the results of the Group.

Equity risks

In the context of its current cash management, Alstom does not invest in equity shares (apart from shares of money market funds). Upon closing of the disposal of the Energy activities, Alstom invested minority stakes (fifty per cent minus one share for the Grid and Renewable Power JVs and twenty per cent minus one share for the Nuclear & French Steam JV) in three Energy Joint Ventures (see Note 13.1 to the consolidated financial statements for the fiscal year ended 31 March 2018) for a total amount of €2.4 billion: the equity risk associated with these holdings is protected by put options granted by General Electric at pre-determined value, that may be exercised in September 2018 or September 2019 for the Grid and Renewable JVs. Alstom has to finance pension plans in several countries (mainly in the United Kingdom and in Germany) in which a portion of their assets is invested in equity securities. Any change in the stock market may have an impact on the valuation of the assets and hence on the Company's shareholders' equity and liquidity needs. Alstom considers that it has no other significant exposure to equity risks than those described below.

Risks in relation to pension plans

Pursuant to certain defined benefit schemes, notably in the United Kingdom and in Germany, Alstom is committed to providing cash to cover differences between the market value of the plan's assets and required levels of coverage for such schemes over a defined period. Alstom projected benefit obligations are based on certain actuarial assumptions that vary from country to country, including, in particular, discount rates, rates of increase in compensation levels and rates of mortality.

Changes in market conditions may change substantially, up or down, the financial coverage of Alstom's obligations on pensions (see above). Thus, unfavourable market conditions may have a negative effect on the Company's financial position. As of 31 March 2018, net provisions for pension obligations totalled €468 million.

Further details on the methodology used to assess and to allocate pension assets and liabilities together with the annual pension costs are included in Note 29 to the consolidated financial statements for the fiscal year ended 31 March 2018.

The Pension Committee supervises and monitors pension plans and other employee benefits as described in the below section Internal Control.

Risks in relation to intangible assets

Intangible assets of Alstom activities consist primarily of goodwill and capitalised development costs. As of 31 March 2018, goodwill of Alstom activities amounted to €1,422 million (see Note 11.1 to the consolidated financial statements for the fiscal year ended 31 March 2018) from the acquisition of companies in recent years. As of 31 March 2018, the capitalised development costs of activities amounted to €81 million from the resources generated by the Group to develop new technologies/products. Every year, the Group tests for the impairment of its non-amortised intangible assets. In addition, the Group also carries out impairment tests if an event likely to cause the impairment of certain capitalised development costs occurs. Alstom believes that its consolidated financial statements give a true picture of its assets with respect to the IFRS rules. However, the Group cannot exclude that future events, unpredictable by nature, are likely to result in the impairment of certain intangible assets on its balance sheet. Significant impairments (following changes in market appreciation, development opportunities, growth rate or profitability, resulting from either external or internal factors to the business activity) could have an adverse effect on the assets, financial position and results of the Group.

Risks in relation to deferred tax assets

As of 31 March 2018, the deferred tax assets of the Group amounted to €202 million (see Note 8 to the consolidated financial statements for the fiscal year ended 31 March 2018). These deferred tax assets are recognised in the Group's balance sheet for an amount that the Group expects to be able to recover. However, the Group may be unable to realise the expected amount of deferred tax assets if future taxable income is less than expected. Alstom also bases its estimates regarding the collection of deferred tax assets on its understanding of the application of tax regulations, which could be called into question as a result of either changes in tax and accounting regulations, or tax audits or litigation likely to affect deferred taxes. During the fiscal year at 31 March 2018, the Group reassessed its ability to recover tax losses over a long-term period in each country and consequently adjusted the net deferred tax assets position on its balance sheet.

RISKS IN RELATION TO ACQUISITIONS, DISPOSALS AND OTHER EXTERNAL GROWTH OPERATIONS

As part of its development strategy, Alstom may complete acquisitions of businesses and/or companies, as well as joint ventures and partnerships. The Group has notably implemented an important number of joint ventures and partnerships in emerging countries, in particular Russia, Kazakhstan, Algeria, India, South Africa and China, in order to enter and develop these new markets. The Group has also acquired in 2015 General Electric's Signalling business and has created joint-ventures as part of the transactions with General Electric mentioned below.

These operations include risks, in particular in relation to the difficulties that may arise in evaluating assets and liabilities relating to these operations, in integrating people, activities, technologies and products, in implementing governance and compliance systems and procedures, as well as in relation to potential political or economic instability depending on the countries as the case may be. Although the Group monitors the risks relating to these operations, no assurance can be given that acquired businesses or companies do not contain liabilities which were not identified at the time of the transactions for which Alstom would have no or insufficient protection from the seller or partner.

No assurance can also be given that such acquisitions, joint ventures and partnerships may not result in additional financing needs, increased acquisition and integration costs, as well as industrial property risks, disagreements or deadlocks between partners, or that the actual financial performance shall be in line with the original assumptions. Thus, the risks associated with the valuation, as well as undeclared liabilities and the integration of operations (management of complex procedures for the integration of employees, products, technologies and other assets of the acquired company to ensure expected value and expected synergies) may be significant. The occurrence of such events is likely to have an adverse effect on the business activities, financial position, results or future outlook of Alstom.

Moreover, in joint ventures in which Alstom is a minority participant, no assurance can be given about the long-term ability of the Group to benefit from access to the operational activities of the joint venture. Alstom is not involved in daily operations of the legal entities in which it is a minority participant, and can therefore only have limited knowledge of their activities and performances.

Certain businesses activities of the Group have been disposed of in the past or could be sold in the future. As applicable, Alstom may make or may have made certain warranties or retained certain contracts and liabilities regarding the business activities sold. As a result, it cannot be excluded that the Group may be required to bear increased costs on retained contracts and liabilities, to pay indemnities or purchase price adjustments to the acquirer, or, even in the case where the liabilities associated to the business activities sold are transferred to the acquirer, to be required to bear some of these liabilities. The occurrence of such events may have a material adverse effect on Alstom's results and financial position.

Moreover, Alstom could be exposed to risks related to the proposed merger with Siemens Mobility announced on 26 September 2017. The risks related to this project will be set out and documented in the "Document E" which will be filed with the French stock market regulator (the *Autorité des marchés publics*) to present the proposed merger.

RISKS IN RELATION TO THE TRANSACTIONS WITH GENERAL ELECTRIC

Alstom and General Electric signed on 4 November 2014 a set of agreements, related to the sale of the Alstom's Energy businesses, namely Power (electricity generation) and Grid (the "Energy activities"), as well as shared and central services of Alstom. These agreements included also the investments in three joint ventures, in the Nuclear (20% minus one share), Grid (50% minus one share) and Renewables activities (50% minus one share). The transaction was completed on 2 November 2015 after the finalisation of carve-out operations of the Energy activities and the receipt of the competition and regulatory authorisations.

Alstom has, for each of these joint-ventures, a put option (exercisable in September 2018 or in September 2019 for the Grid and Renewable joint ventures, and during the first quarter of years 2021 and 2022 for the nuclear joint venture) at a price based on a formula related to results, provided such price shall not be lower than that of Alstom's acquisition of the joint venture shares plus 2% or 3% per year, as applicable, from the closing of the sale of the Energy activities to General Electric.

In January 2018, Alstom has informed GE of its intention to exercise the put options in September 2018 with respect to the Grid and Renewable joint ventures. Alstom indicated that the minimum price that GE would be required to pay, pursuant to the agreements, to purchase Alstom's interest at that time would be a net amount of €1.828 million for the Grid joint venture and €636 million for the Renewable joint venture. Alstom has also indicated its intention to exercise the put option with respect to the Nuclear joint venture in the first quarter of 2021.

In the event that Alstom exercises its put options in the Grid and Renewable joint ventures, GE holds a call option over Alstom's interest in the Nuclear joint venture at the same amount as Alstom's put option price.

On May 9, 2018, Alstom signed an agreement with General Electric relating to the implementation of the agreements from 2015 regarding the intended exit of Alstom from the Renewables, Grid and Nuclear joint ventures. Alstom intends to exercise its options to sell its interests in these Renewables and Grid joint ventures in September 2018 (pursuant to Alstom's put options). If these options are exercised, GE will then be deemed to have exercised its option to acquire Alstom's interest in the Nuclear joint venture (pursuant to General Electric's call option), and the transfer of all interests should occur on 2 October 2018 for a total amount of €2.594 billion.

On 16 November 2017, Moody's Investors Service ("Moody's") downgraded the long-term rating of General Electric, including the senior unsecured rating to A2 from A1, and affirmed the short-term rating at Prime-1 (P-1), with the indication that the downgrades reflect the severe deterioration in the financial performance of General Electric's Power segment.

By taking over Alstom's Energy activities, General Electric undertook to assume all risks and liabilities exclusively or predominantly associated with said businesses and in a symmetrical way, Alstom undertook to keep all risks and liabilities associated with the non-transferred business. Cross-indemnification for a duration of 30 years and asset reallocation ("Wrong Pocket") mechanisms have been established to ensure that, on the one hand, assets and liabilities associated with the Energy businesses being sold are indeed transferred to General Electric and on the other hand, assets and liabilities not associated with such businesses are borne by Alstom.

In connection with the foregoing liability allocation and indemnity principles, it is worth nothing that General Electric has undertaken to effect the replacement of an important number of bank guarantees and parent company guarantees that had been issued by Alstom or its affiliates in connection with projects and/or entities transferred to General Electric as part of the transaction. Most of the bank guarantees have been replaced while an important number of parent company guarantees still remain in force. Alstom cannot warrant that the replacement of these guarantees will be fully completed or that there will be no time gaps between indemnity recourse and indemnity compensation in case of third party actions.

The acquisition by Alstom of the General Electric Signalling business was completed on 2 November 2015. According to the agreement, General Electric has provided limited representations and warranties. As a result and while certain due diligences were performed, it cannot be excluded that certain risks could arise in the acquired General Electric Signalling business, which could not be identified at the time of carrying out the due diligences formalities.

Alstom cannot ensure that no problems will arise in relation with the performance of the contracts with General Electric including potential enforcement of indemnifications provided between the parties under the agreement, nor that such problems could not lead to significant negative impact on Alstom's business and/or results and financial situation.

LEGAL AND TAX RISKS

This section is to be read in relation to Note 33 to the consolidated financial statements for fiscal year ended 31 March 2018.

Risks in relation to legal and tax regulations

Legal regulations

Alstom's business activities are conducted in a varied, complex and changing legal and regulatory environment that covers both national and international areas. Due to its established presence in many countries, Alstom is subject to national legislation, particularly that resulting from the transposition of international treaties as well as to international norms and standards. This is especially the case in the area of (i) competition laws, (ii) data privacy regulations and (iii) legislation relating to the fight against corruption and money laundering. These latter regulations have not only considerably widened their scope and gained in strength in recent years, for example, with the Sapin II law in France (Law No. 2016-1691 of 9 December 2016 relating to transparency, fight against corruption and modernisation of business practices) or the 2010 ratification of the UK Bribery Act (British law on repression and the prevention of corruption ratified by the British Parliament on 8 August 2010 and effective on 1 July 2011), but authorities and jurisdictions responsible for their application have also increased their efforts to hunt and track down offenders and have enforced increasingly tougher sanctions.

With regard to data privacy regulations, the General Data Privacy Regulation (Regulation (EU) 2016/279) (GDPR) is applicable as of 25 May 2018 within the European Union. The GDPR creates a new framework for the protection of personal data within the European Union and imposes significant obligations on the Group with regard to the collection and processing of the personal data of Alstom employees and certain related parties.

Despite the measures Alstom has taken to comply with the regulations applicable to its business activities, it cannot guarantee that it will remain risk-free in this regard. If the Group or its employees were to commit any voluntary or involuntary act in breach of, or non-compliance with, applicable provisions and guidelines, this could potentially cause civil, criminal, or administrative liability issues for Alstom, exclude or eliminate Alstom from project bidding or manufacturer selection procedures, or even prohibit Alstom from accessing public contracts or exercising its business activities and, as a result, have an adverse impact on its business activities, financial position, earnings, or future outlook, as well as on its reputation.

Tax regulations

Due to its established presence in many countries, Alstom is subject to many different national tax laws. Insofar as the tax laws and regulations in force in the various countries in which Alstom conducts its business activities do not always provide clear and definitive guidelines, Alstom's structure, the operation of its business, and its tax regime are based on its interpretation of laws and regulations applicable with respect to fiscal matters. Alstom cannot guarantee that these interpretations will not be questioned by the relevant tax authorities or that the laws and regulations applicable in certain countries will not be subject to changes, fluctuating interpretations, and contradictory applications. More generally, any violation of the tax laws and regulations of countries in which the companies of the Group are located or operate could trigger tax reassessments, or the payment of late fees, fines, and penalties. These measures could have an adverse impact on the tax rate, cash position, results or future outlook of Alstom.

Export control

The act of exporting products from the markets in which they are produced can be restricted or subject to checks or to the receipt of an export licence. Certain countries are subject to export control regulations, embargoes, economic sanctions or other forms of trade restrictions imposed by the U.S.A, Canada, the European Union, Russia or other countries or organisations (the "Sanctions"). These Sanctions or expanded Sanctions imposed on countries may restrict or prevent the business of the Group in such countries or result in amendments of the Group's policies and practices.

No assurance can be given that checks on export goods, to which Alstom is subject, will not be made more stringent, that new generations of products developed by Alstom will not also be subject to similar checks, or even more rigorous checks, and that geopolitical factors or changes in the international context will not prohibit the receipt of export licences for certain customers or will not reduce Alstom's ability to execute previously signed contracts. Limited access to exported goods could have an adverse impact on the business activities, financial position, earnings, or future outlook of Alstom.

Risks with respect to intellectual property

With respect to intellectual property, Alstom is mainly exposed to two categories of risks: risks associated with technology transfers and licensing agreements and risks of third party intellectual property rights violations which could lead to legal actions being taken against Alstom.

Every year, Alstom commits significant investments to innovation and research and development in order to offer the state-of-the-art products and technologies necessary for its business and for preserving the competitiveness of its offer. Protecting Alstom's intellectual property rights is necessary in the context of heightened competitiveness and market globalisation. Therefore, Alstom is a key player in the domain of innovative partnerships and the protection of innovation through patents. Alstom has negotiated and set up licenses for technologies, patents, or know-how in order to avoid dependency on third party rights.

However, Alstom cannot guarantee that its patents and other intellectual property rights provide adequate protection, or that the application of its guidelines concerning technology transfers will shelter it from all potential risks.

The risks of violating third party intellectual property rights is handled through technological monitoring programmes and patents (published patent requests and granted patents), and by acknowledging the existence of such third party patents while executing research and development programmes.

Disputes in the ordinary course of the Group's business

The Group is involved in court, administrative or arbitration proceedings in the context of its regular business activities. These contract-related disputes, often involving claims for contract delays or additional work, are common in the areas in which the Group operates, particularly for large and long-term projects. Additional information is given in Note 33 to the consolidated financial statements for the fiscal year ended 31 March 2018.

In addition, the Group cannot guarantee that new litigation procedures will not surface, and the risk of which cannot, therefore, be determined or quantified as of today. These procedures could cause significant uninsured losses or losses exceeding the insurance coverage caps of purchased policies, as well as the amount of provisioned for losses incurred in connection with these litigation. These procedures can also harm the reputation or the image of the Group. Furthermore, any disputes with customers could affect on-going existing commercial relationships with these customers, and affect the Group's ability to sign new contracts with these customers. As a result, such procedures could have an adverse impact on the business activities of the Group, its financial position or its earnings.

Allegations of illegal payments and anti-competitive activities

The Group is subject to procedures for alleged anti-competitive practices described in Note 33 to the consolidated financial statements for the fiscal year ended 31 March 2018. Anti-competitive practices can lead to significant sanctions, such as fines, the payment of damages, criminal charges, civil proceedings, sales restrictions, or statutory prohibitions such as a temporary ban on making project bids. Any business restriction or sanction could have an adverse impact on the business activities, financial position, earnings, or future outlook of the Group.

Certain companies and/or current or former employees of the Group are currently being investigated and/or subject to procedures in various countries by judicial or administrative authorities or international financial institutions with respect to alleged illegal payments. The Group cooperates with the concerned authorities and institutions. These procedures and investigations are described in Note 33 to the consolidated financial statements for the fiscal year ended 31 March 2018.

At this stage, Alstom is not able to predict the outcome of the on-going procedures and investigations. These procedures and investigations, as well as any future procedures and investigations that may take place, could result in criminal sanctions, fines that could be significant, the payment of damages, the implementation of compliance programmes and other corrective measures, as well as a potential ban on Alstom's subsidiaries, preventing them from conducting all or part of their business activities or participating in public markets in certain countries, for periods of varying lengths. Civil actions are also possible. Such procedures could also prevent the Group from taking advantage of certain sources of financing. The Group could also record significant provisions in respect of these procedures.

On 22 December 2014, Alstom reached an agreement with the US Department of Justice (DOJ) which resolved the investigations into alleged violations of the U.S Foreign Corrupt Practices (FCPA) conducted by the DOJ for several years on foreign subsidiaries of the Group. The plea agreements have been approved by the competent US court on 13 November 2015 and the fine has been paid on 23 November 2015. For more information, see also Note 33 to the consolidated financial statements for the fiscal year ended 31 March 2018.

Alstom has made significant progress in the area of compliance. The conduct referred to in the agreement with the DOJ mainly arose from the use of external success fee based sales consultants hired by Alstom to support its commercial teams. In order to ensure that Alstom strives for the best compliance procedures, Alstom has discontinued the hiring of such sales consultants. Further, Alstom has committed to continue to improve its internal compliance programme.

The Group's implication in investigations and procedures concerning anti-competitive or corrupt practices, or any other illegal activities, as well as any harmful development relative to these investigations and procedures, including possible civil action, could have a significant adverse impact on the reputation and image of the Group, as well as on the business activities, results and financial position of the Group, particularly considering the severity of the sanctions that can be imposed in this domain.

Strict procedures are in place to ensure compliance with all laws and regulations, and in particular those relating to competition rules and prohibited payments. As part of this objective, the Group communicates to each employee the Alstom Code of Ethics, which prescribes strict compliance with rules of conduct to prevent in particular anti-competitive activities and corruption and which highlights the Alert Procedure and the role of Alstom employees in this area, and conducts training programmes and international communication tools. The Group's internal control rules and procedures to manage the risks linked to illegal activities and anti-competitive practices have been constantly reinforced over the last years. Alstom actively strives to ensure that it appropriately addresses any problems that may arise.

However, given the extent of its activities worldwide, Alstom cannot be assured that such difficulties will not arise or that such difficulties will not have a material adverse effect on its reputation and/or results and financial position. For more information on the internal control system put in place within the Group, the Alstom Code of Ethics and the measures taken by the Ethics & Compliance Department and the Legal function to prevent illegal activities and anti-competitive practices, see the below section Internal Control.

RISK MANAGEMENT POLICY AND INSURANCE

Alstom's Internal Control Department annually updates its risk map in the context of the three-year plan reporting cycle and the preparation of the annual budget.

The risk management policies are described in the below section Internal Control.

The cost of the main Group insurance policies described hereinbelow was less than 0.4% of the consolidated revenue of the Group in 2017/18 Financial Year.

Insurance

The Group policy is to purchase insurance policies from insurers presenting excellent solvency criteria. The amount of insurance purchased varies according to Alstom's estimation of the maximum foreseeable loss, both for Property Damage & Business Interruption as well as for Civil Liability Insurance.

This estimate is made within the framework of Industrial Risk Management Audits that are conducted for property damage and business interruption. For civil liability, the estimation of insurance needs depends on the evaluation of the maximum legal risk considering the various Group activities. The annual risk assessment process which results in the Group risk mapping, has allowed the Group to confirm that the appropriate level of insurance was purchased for insurable risks. For more information see section 4.2 *infra.*

The main risks covered are the following, subject to certain customary limitations, exclusions and declarations in relation of each type of insurance:

- property damage and business interruption caused by fire, explosion, natural events or other perils as well as machinery breakdown;
- liability incurred because of damage caused to third parties by operations, products and services;
- transit, covering transportation risks from start to unloading of goods at warehouse, construction site or final destination; and
- construction and installation, covering risks during execution of contracts.

In addition to these Group policies, Alstom purchases, in the various countries where it is present, policies of a mandatory nature or designed to cover specific risks such as automobile, worker's compensation or employer's liability.

The presentation below is a summary of the main Group insurance policies and does not reflect all applicable restrictions, exclusions and limits. These policies are usually negotiated for one- to two-year periods. For reasons of confidentiality and protection of the interests of the Group, it is not possible to describe exhaustively all policies.

Property damage and business interruption

The insurance programme covers material damage and consequent business interruption caused accidental events such as fire, explosions, impact of vehicles and aircraft, storm, hail, snow, riot, civil commotion, water damage and natural events to industrial, commercial and administrative sites of the Group declared to insurers:

- the programme has an overall limit of €450 million per event;
- sub-limits apply in particular for natural events (these sub-limits vary according to the insured sites and the type of events) for machinery breakdown and accidental events other than those named in the policy;
- coverage is subject to usual limitations and exclusions, in particular: war, civil war, terrorism, nuclear reaction, and certain natural events normally insured in national pools;
- the policy is in force in all countries where the Group has significant industrial sites with the exception of India where a specific local policy is in place.

Civil liability resulting from operations or products and services

The Group Insurance Programme covers the financial consequences of liability of the Group resulting from damages caused to third parties because of its operations or products and services:

- the programme has several layers of insurance for an overall limit of €700 million per event and in annual aggregate; sub-limits are applicable;
- the policy is subject to usual limitations and exclusions of policies of this type, in particular, war, nuclear accidents, work accidents, Directors' and Officers' liability, automobile liability, consequences of contractual obligations more stringent than trade practice, as well as damages caused by products such as asbestos, formaldehyde, lead, organic pollutants as well as those caused by toxic mould, magnetic fields and electronic viruses.

Freight transport (Cargo)

The Group Cargo policy covers damages to transported goods irrespective of the mode of transportation: sea, land or air, anywhere in the world; coverage is extended to war risks (however, some territories are excluded):

- the policy limit is €50 million per event, with sub-limits notably during storage at packers or sub-contractors;
- the policy is subject to limitations and exclusions generally applicable to policies of this type.

Damage during installation and construction

A policy with a limit of €100 million per event is in place to cover contracts. This policy covers contracts having a maximum value of €500 million and maximum execution duration of 48 months. Contracts not covered under this policy are insured specifically according to need. Construction and Installation policies are subject to customary limitations and exclusions, in particular war, radioactive contamination. Sub limits apply to Natural Catastrophe coverage and terrorism.

Directors' and Officers' civil liability

The policy covers the financial consequences and defence costs incurred individually or jointly by Directors and Officers of companies belonging to the Group by reason of claims made against them for civil liability due to wrongful act committed in their capacity as Directors and Officers.

It also covers the financial consequences and defence costs incurred by the Company by reason of claims for breach of securities laws applicable to stock market operations and securities issuers in relation to securities issued by companies belonging to the Group.

This programme is subject to limitations and exclusions generally applicable to this type of insurance.

INTERNAL **CONTROL**

PERIMETER OF INTERNAL CONTROL

The internal control system described herein covers Alstom and all its consolidated companies (the "Group" or "Alstom").

Reference framework

The Group has put in place a system of internal control procedures and evaluations initially based on control guidelines prepared by a recognised body, COSO (Committee of Sponsoring Organisations of the Treadway Commission).

The procedures are compliant with the AMF "Reference Framework" published in July 2010 and updated from time to time.

Objectives

The system of internal control put in place provides reasonable assurance that:

- the Group's Internal Rules and instructions including applicable laws and regulations are complied with at all times;
- information is complete, accurate and to the required quality, particularly financial information;
- operations are completed in an optimal manner and internal control processes are effective, particularly those concerning the safeguard of assets;
- achievement of business objectives are reached with identification and control of risk;
- the risk of fraud is minimised; and
- controls, including controls over risks, are widely understood at all levels within the Group and appropriate actions are taken to mitigate and minimise these risks.

Internal control consists of five inter-related components, which have been implemented within the Group:

- control environment covering integrity, ethics, competencies, authorities, responsibilities and staff development;
- risk assessment including the identification, analysis and minimisation of relevant risks;

- control activities, namely policies and procedures that ensure that Management's instructions are applied;
- information and reporting: information must be identified, captured and communicated in a format and timeframe to enable the relevant persons to carry out their responsibilities; and
- monitoring, including internal check and internal control procedures as well as internal audit: a process that assesses the quality of the systems performance over time and within a defined schedule.

By essence, an internal control system cannot provide a guarantee that such risks have been totally eliminated. It must bring them down to an acceptable level.

COMPONENTS OF INTERNAL CONTROL

Control environment

Organisation

The Internal Control Management Team is responsible for defining the internal control requirements as well as producing and updating the Internal Control Questionnaire and monitoring the results.

Where internal control weaknesses are identified, detailed action plans are put in place to correct these weaknesses in a timely manner with the support of the regional and operating teams, and overseen by the central Internal Control team under the responsibility of the Director of Internal Control.

The Internal Control Management Team communicates regularly with the Group's entities in order to share good practices and carry out any necessary changes.

Regions are organised into clusters composed of a numerous units each headed by a Managing and Finance Director responsible and accountable for their affairs including the control environment. In addition, a continuous improvement approach is taken with internal control regularly monitored at business review meetings.

Group Instructions and codes

The Group's control environment is governed by a series of Group Instructions that constitute the body of Internal Rules (the "Alstom Management System") and are posted on the Group's intranet site.

The Alstom Management System and its related instructions deal with issues of importance throughout the Company and are mandatory for the whole Group, including Regions, businesses, units, countries and functions. All units must ensure that any pre-existing procedures, policies, directives or other communications at any level are revised to comply with the instructions from the Alstom Management System.

The Alstom Management System is articulated around eight macro-processes, with a view to reach business and strategic objectives while complying with the Company's standards and referentials. Each macro-process is defined and detailed in a summary card, listing the main objectives, input and output data, activities, stakeholders, records and performance indicators. Alstom Management System is certified ISO 9001 for all of the Group's operations.

- **Manage Strategy and Governance:** once a year, the long term strategy of the Company is reviewed by the Executive Committee taking into account market trends and performance against the short-term delivery objectives. The "Three Year Plan" provides content and ambitions elaborated, discussed and transmitted to the different parts of the organisation and built from the Product Plans, the Commercial Plans and the Delivery Plans. Based on in-depth market analyses and in line with the vision and long-term strategy, the Product Portfolio is adapted and constitutes the baselines for the Region and Functions strategies.

  Meetings are organised at different levels of the Company to set priorities, define objectives, and monitor the progress of the actions.
- **Manage Standards and Referential:** this macro process is supported by dedicated procedures detailing the specific rules to be used by each function.
- **Manage Customer Relationship:** this process starts from the feedback and return on experience collected from the market and customers' expectations. Its objective is to ensure Alstom profitability while guaranteeing customer satisfaction. Each Region is responsible for its own design and implementation of this macro process.
- **Manage R&D and Product Plan:** the purpose of this macro-process is to generate then select innovative ideas primarily but not limited to the engineering, manufacturing and sourcing areas. The macro-process is articulated around the following governance and deliverables:
  - Innovation Boards evaluate, challenge then select innovative ideas,
  - Product and R&D plans are carried out by the platforms in close collaboration with the Regions and central marketing to review the Company product strategy and positioning. This process is driven by the annual marketing carousel which aims at capturing market trends, product requests expressed by clients, regional strategy, positioning and information on competitors,
  - R&D programs aim at developing new technologies, validating them before they are integrated in our products and service references, and developing products to answer future market needs,
  - the product plan encapsulates the decisions on the programs to be launched, and their related budgets. It is shared with senior management,
  - the programs are managed and improved through feed-back from tenders (Win/Loss analysis) and contracts execution (REX). The validation of the products and services resulting from R&D programs is a key element before they can be offered to customers,
  - the deliverables are identified in reference libraries used as inputs for tenders and references for contracts,
  - this process also covers activities linked to product sustaining up.
- **Manage Opportunities:** the purpose of this process is to deploy the "Yes we care" approach that Alstom wishes to establish with its customers.

  Opportunities are reviewed by management to ensure an adequate level of selectivity and alignment with the business strategy.

- **Management of Offers and Contracts:** during tender preparation, a Tender Gate Review takes place with the objective of verifying that the tender contemplated meets the initial objectives and is based on realistic technico-economic responses. A positive outcome of the Tender Gate Review triggers a presentation of the proposed tender to management who authorises, during the Tender Review Meeting, its submittal to the customer. For tenders deemed as strategic, a "Winning roadmap" is formalised to allow specific monitoring by senior management. If the contract is signed, the Transfer meeting ensures that the requirements identified during the tender phase are properly transferred, understood, acknowledged and committed to by the project team.

  The Regions are responsible for managing the execution of the contracts portfolio according to the commitments taken during the tender phase on safety, quality, cost and delivery. The various functions (*e.g.* Engineering, Sourcing, Supply Chain, Quality, Industrial) deliver their project contributions according to their commitments formalised in the tendering phase, and confirmed in the respective delivery Plans and specific project review meetings.
- **Human Resources:** Alstom's Human Resources policy is based on the three core Alstom values: Team, Trust, Action. People management practices and processes are carried out with the objective of aligning personal competencies with the Company's strategy. People reviews are organised once a year for all the managers and professionals. They aim at identifying potential evolution, transfers, mobility, training, and addressing any potential issue of competence or positioning. In addition, specific actions are defined under the responsibility of the Human Resources function, to ensure a healthy and safe working environment. The EHS program is part of this strategy.
- **Finance:** the Finance function is organised and has set its processes in order:
  - to provide accurate and timely financial information internally and externally using the same language throughout the Company through structured and efficient financial information systems,
  - to be the guardian of the rules, enhancing internal control by ensuring proper compliance with internal and external regulations and encourage application of effective processes and instructions, and
  - to be an economic Business partner, *i.e.,* contributing to the achievement of Alstom's global objectives and value creation in terms of cash generation, profitability, risk control and project execution, notably through adequate performance management processes.

Furthermore, the Alstom Management System requires strict compliance to the Code of Ethics and the Reporting and Accounting Manual.

Since its listing, the Group has implemented a Group Instruction which includes a Code of Conduct for preventing insider dealing. This code defines the situations where concerned persons must refrain from making any transactions on the Company's securities.

In its appendix, this Code includes a reminder of the legal provisions and sanctions. The Code, which is updated when necessary, is applicable to all managers and employees of Alstom who have regular or occasional access to inside information (defined as "insiders").

It is available on the Group's intranet and sent to all new insiders of whom the Company keeps an updated list. These persons are kept informed and must confirm receipt of their registration on the list of insiders.

This information includes the Group Instruction and Code of Conduct, along with the schedule of the general blackout periods during which the securities cannot be traded. The persons are also kept informed when they are removed from the list.

The Group has a Code of Ethics which applies to every employee within the Group. It promotes honest and ethical conduct with all stakeholders: customers, suppliers and contractors, competitors, shareholders, governments, regulatory authorities and the public.

The Code of Ethics prescribes fundamental rules of conduct, relating in particular to:

- full compliance with laws, regulations and requirements in all countries where the Group operates;
- prevention of corruption and prohibition of all unlawful payments and practices;
- competition compliance and prohibition of agreements with competitors;
- compliance with Alstom's internal rules and guidelines; and
- internal control and disclosure of information, to ensure the quality and reliability of financial information.

Also the Code of Ethics prescribes essential rules of conduct with regard to the way Alstom deals with its business partners, its role in the environment, the promotion of a team spirit and the commitments to protect the Group's assets.

The Code of Ethics was updated in February 2016. The topics addressed include the way Alstom deals with the customers, suppliers and contractors, sales partners, government procurement, export controls and trade restrictions, anti-money laundering, conflicts of interest, gifts and hospitality, the environmental protection, community relations, political contributions and activity, charitable contributions, sponsorship, respect of human rights, relationships with employees, career management for employees, equal opportunity and diversity, health and safety, security of employees, data privacy, the Group communication resources, respect for confidential information, intellectual property, prevention of insider dealing, communication with analysts and/or investors, communication with the media and the use of social networks.

The Code of Ethics also details the Alert Procedure which allows any employee or any person or third party entertaining a relationship with Alstom to report alleged violations of the Code of Ethics in strict compliance with the national regulations in force.

It introduces the Alstom Integrity Programme, implemented and monitored throughout the Group under the responsibility of the Chief Compliance Officer.

It refers to the Group Instructions and lists the most relevant for each topic. The Group Instructions treat in more detail the defined rules and procedures put in place to ensure the compliance with its fundamental principles and values.

The Code of Ethics is distributed to each employee and delivered to the Group's external stakeholders. It is available on the intranet website and Alstom's website (www.alstom.com/ethics). It has been translated into multiple languages.

Reporting and Accounting Manual

The Reporting and Accounting Manual defines the Group's policies and procedures regarding accounting and consolidation, definition of main financial indicators, reporting process and three-year plan, budget and forecasting processes.

Training

Since 2006 Alstom has developed appropriate trainings in order to ensure the requirements and basics of internal control are understood.

The training sessions on internal control are part of a continuous improvement initiative that involves the Regions and the Group's central corporate functions. Initially concentrated mainly on the finance community, an e-learning module specifically targeting the non-finance community has also been developed.

Risk mapping & risk management process

Objectives

Since fiscal year 2006/07, a yearly risk mapping review is undertaken, as part of the annual budget and three-year plan process.

The objective is to identify, analyse and to anticipate, the significant risks of the Group, and measure their evolution. And to ensure that the main identified risks are taken into account by the Group and to be sure that strategy and the mitigation actions implemented are efficient to control and to reduce these risks.

The risk assessment review was prepared with the contributions of the six Regions and of the corporate functions including, the Internal Audit and Internal Control Department, the finance function including the Tenders & Projects Control, Information Systems and Technology, Human Resources, Legal & Compliance, Sustainability, and Environment, Health & Safety. Corporate role is to ensure overall coordination between risk assessment owners.

Evaluation

The update of the risks mapping and the main characteristics of the risk management system are presented during the fiscal year to the Audit Committee.

The Ethics, Compliance and Sustainability Committee reviews the risks mapping regarding ethics, compliance, sustainable development and social responsibility in order to advise Audit Committee about identified risks and existing risks prevention process.

The risk assessment process allows the Group to take into consideration the impact that uncertain events may have on the achievement of business objectives.

Such events are considered from two perspectives, likelihood and impact. Likelihood represents the possibility that a given event will occur and impact represents its effect. A combination of qualitative and quantitative methods is used in making an assessment.

The risk mapping exercise also allows to confirm that the appropriate insurance have been subscribed with regards to the insurable risks (see "Insurance" section above). By essence, risk assessment process is not meant to provide a guarantee on the risks assessment performed or on the full achievement of Group's objectives.

Risk management

Under the coordination of the Internal Control Department, Regions and Corporate functions update the risk assessment as part of the budget and three-year plan process.

For each Region, the risk assessment is approved by the management team under the control of the Region Senior Vice President. Risk assessment for transverse activities is made by the relevant Senior Corporate officer.

Each Region Senior Vice President is responsible for the effective management of risks within his or her Region. In addition, functional Vice Presidents (within finance, legal, human resources, ethics and compliance) are responsible for managing risks pertaining to their own processes.

Monitoring of internal control

Unit Management has the responsibility of maintaining internal control at all times. An Internal Control Questionnaire (or "Self-assessment Questionnaire") has been developed which differentiates requirements to units based on their contribution to the Group's financial statements, using a risk based approach and covering the Group consolidation perimeter. This Self-assessment Questionnaire is regularly reviewed in relation with the Group risks evolution.

Where the results of the Self-assessment Questionnaire indicate that controls are not at the required level, corrective action plans are required to be put in place. The progress of action plans is regularly followed up. The Self-assessment Questionnaire results are approved by unit Management (Finance and Managing Directors) and are subject to review by Internal Audit. The results are presented annually to the Audit Committee.

Good practices identified during this self-assessment process are promoted and broadcasted on the internal social media platform in order to ensure large information coverage to the units.

During the July 2017 Self-assessment Questionnaire review, over 1,000 users were mobilised.

MAIN ACTORS OF INTERNAL CONTROL AND RISK IDENTIFICATION AND MANAGEMENT

Main actors of internal control

Senior Management

The Chairman and Chief Executive Officer is responsible for the internal control and risk management systems and for ensuring that internal control and risk management procedures are designed and operated effectively within the Group. Management is responsible for developing, operating and monitoring the systems of internal control and for providing necessary assurance that it has done so.

Audit Committee

The Audit Committee reviews and evaluates twice a year the internal control procedures including those relating to financial information, contributing to the preparation of the financial statements of the Group. A review and evaluation of the risks mapping, including risk assessment and risk management is also made.

Within the Audit Committee, the scope of planned internal audit activities is reviewed in advance and the Internal Audit Department develops a plan and determines the allocation of resources.

The Audit Committee provides a report to the Board of Directors. For more information regarding the Audit Committee, see the first part of the corporate governance report.

Disclosure Committee

The Chairman and Chief Executive Officer and the Chief Financial Officer have established a Disclosure Committee at the central level in order to assist them in evaluating the effectiveness of the Group's disclosure controls and procedures that are designed to ensure that material financial and other information required to be disclosed is recorded, processed, summarised and reported on a timely basis and that appropriate information is communicated to the Management to allow timely decisions.

The Disclosure Committee is composed of the Chief Financial Officer, the General Counsel, the Vice President of Internal Audit and Internal Control, the Vice President Finance Controller, Chief Tax and Finance Officer and the Vice President Tenders & Projects Control. The Disclosure Committee met twice during fiscal year 2017/18 under the Chairmanship of the Chief Financial Officer.

The consolidated financial statements for the fiscal year ended 31 March 2018 and the Management and other financial information disclosed in the Annual Report were reviewed. The interim consolidated financial statements for the six-month period to 30 September 2017 were reviewed. In the reviews of the consolidated financial statements the Committee considered the disclosures made to determine and confirm their relevance, accuracy, completeness and presentations.

Information Committee

The Information Committee was put in place by the Group pursuant to its new internal procedure relating to the identification of and the terms applicable to the transmission and use of inside Information. This procedure was adopted in order to take into account the recommendations issued by the French financial markets regulator "AMF" (Position-Recommendation AMF DOC-2016-08, Guide on Ongoing Information and the Management of Inside Information, "Preliminary Reminder" section).

The Committee comprises the Chief Financial Officer, the Investor Relations Director, the VP Communications, the General Counsel and the VP Legal Governance, Finance and Market Law. In addition, the Chief Compliance Officer is involved, at the Committee's request, to assist with solving any relevant issues pertaining to the qualification and management of inside information. The main mission of the Committee is to assess whether the information concerning the Group qualifies as inside information and to determine the terms and conditions applicable to the transmission and use of such information. To that end, the Committee meets at least on a quarterly basis at the time of preparation of financial statements and results, but it can hold meetings at any time when called pursuant to the rules laid down in the above-mentioned procedure.

Insurance Committee

The purpose of the Insurance Committee is to review the Group's insurance policies and to set the strategy for the renewal of these policies. The Committee also defines the actions to be launched for the management of insurance aspects in tenders and contracts. Finally, the Committee analyses main insurance claims.

The Insurance Committee meets at least every semester and comprises the Insurance Director, the Chief Financial Officer, the General Counsel, the VP Legal Operations & Transformation, as well as the Regions General Counsels.

Finance function

The finance function controls business, operations and projects to optimise the Group's profitability and cash generation whilst providing internal and external stakeholders with reliable information including financial information.

The finance function defines the Group's principles and financial policies in terms of tenders and projects control, funding, treasury, internal control, accounting, tax and management control.

More specifically, the Group's Finance Corporate Control Department is responsible for designing and issuing the relevant accounting procedures, ensuring that they are in compliance with accounting principles and policies, analysing Group performance and forecast, and producing consolidated and parent company financial statements, as well as financial information for external stakeholders.

The Tax Department defines the overall tax policy and planning for the Group and ensures proper compliance with regard to tax returns and payments.

Internal Audit Department

The Vice President of Internal Audit, who is in charge of the Department, reports to the Chairman and Chief Executive Officer and works in close cooperation with the Chief Financial Officer, the General Counsel and the Chief Compliance Officer.

The main role of the Internal Audit Department is to advise the Chairman and Chief Executive Officer and the Audit Committee on the adequacy and effectiveness of the internal control system in all phases of the Group's business. The Internal Audit Department operates in accordance with the terms of an Internal Audit Charter approved by the Audit Committee and has the authority to examine any and all aspects of operations.

In particular, the Internal Audit Department evaluates controls that promote:

- compliance with applicable laws and with internal policies and procedures;
- physical safeguarding of assets including risk identification;
- availability, reliability, integrity, confidentiality of information and reporting; and
- efficiency of business processes, functions, and activities.

Since 2009, information systems have been progressively developed. In early 2016, the means for investigating suspect fraud and ethics & compliance behaviour were added within the Internal Audit Department. At the end of 2017, the size of the internal audit team was doubled to increase the capacity to conduct follow up audits.

Internal Audit may participate in specific assignments such as acquisition and disposal operations, information system implementation, assistance mission or investigations. An additional role is to recommend improvement in the Group's procedures and whenever possible promote good practices. in September 2017, the Internal Audit team participated in the financial due diligence exercise related to the potential business combination with the Mobility branch of Siemens Group.

The Internal Audit Department takes into account the risks mapping and risk profiles in assessing its audit programmes.

After each internal audit assignment, a report is issued setting out the audit findings and recommendations. The results are also summarised in the bi-annual internal audit activity reports, which are presented to the Audit Committee on the overall results of the internal audits as well as on any other matter which affects internal control. These reports provide the basis for the Audit Committee to review the effectiveness of the work performed by the Internal Audit Department.

Internal Control Department

The Internal Control function at Group level is responsible for promoting and coordinating all actions and projects aiming at defining the Group's requirements in terms of internal control, and updating the Internal Control Questionnaire. It is also in charge of following the global results of the Self-assessment campaigns, the main deficiencies identified in the Group's internal control and their respective action plans. During the 2017/18 financial year, the Company management decided to reinforce the regional presence of the Internal Control team by recruiting internal control managers in four geographic regions.

Ethics & Compliance

Ethics and Compliance stands as a top priority for Alstom, and the team has the responsibility of the Alstom Integrity Programme aiming at implementing the culture of integrity as well as the application of all the rules in relation to Business Ethics and Personal Integrity. In September 2010, the Board of Directors created the Ethics, Compliance and Sustainability Committee. Since its creation, it is comprised of three independent Directors.

The EC&S Committee reviews Alstom's policies on ethics and compliance matters and the systems and procedures in place to effectuate these policies and provides the Board of Directors with its views. The Chief Compliance Officer is its secretary.

The role of Ethics & Compliance at Group level is to:

- promote and explain Alstom's culture of integrity ensuring that the highest standards of integrity and ethics are applied throughout the Group;
- ensure compliance with international and national laws and regulations together with internal Group rules;
- prevent all illegal activity and unlawful payments;
- control the business partner selection process, including a prior check of these partners' integrity;
- implement all necessary rules and policies; and
- continually monitor the performance of the Alstom Integrity Programme on a continuous basis.

The Ethics & Compliance team comprises 13 employees. Ethics & Compliance has full authority and independence through its reporting to the Group General Counsel. The Chief Compliance Officer has direct access to Alstom's Chairman and Chief Executive Officer and to the EC&S Committee. The Chief Compliance Officer is fully independent and has an unfiltered access to the governing authorities of Alstom.

In addition to the Chief Compliance Officer, the Ethics & Compliance team comprises a Compliance Officer in charge of the Alstom Integrity Programme Development, a Compliance Officer in charge of the prior due diligence on the sales partners and a Compliance Officer in charge of checking & control of the payment to the sales partners.

The Region Compliance Officers in charge of the application of the Ethics & Compliance policy in their Regions report functionally to the Chief Compliance Officer while preserving a hierarchical relationship with the General Counsel for his or her Region.

In order to reinforce the resources of Ethics & Compliance team, since May 2010 Alstom has built a community of Ethics & Compliance Ambassadors, all of whom are volunteers promoting the Group's culture of integrity. There are approximately 290 such volunteers as of the date hereof.

Ethics & Compliance liaises regularly with Alstom Corporate functions in particular Legal, Finance, Internal Audit, Human Resources and Communication to better determine and promote Alstom ethical principles throughout the whole organisation. In particular, the Chief Compliance Officer, General Counsel, and the Vice President of Internal Audit meet at least once per month within the Audit & Investigation Committee to decide which suspected fraud or compliance issues call for an investigation, as well as the type and scope of such investigation.

E&C Group Instructions provide detailed guidance to employees on rules and procedures to strictly apply in the areas of gift and hospitality, political contributions, charitable contributions, sponsorship, sales partners, consulting companies, conflicts of interest, prevention of corruption with suppliers and contractors and in the context of merger-consolidations, joint ventures and consortiums.

More than 5,000 attendees were trained on ethics and compliance during the 2014-2017 training cycle. A new cycle has been launched in 2017 with more than 5,000 attendees to be trained.

To ensure that Managers and Professionals understand and adhere to the principles expressed in the Code of Ethics, the e-learning module called e-Ethics was launched worldwide in 2010. A new version of e-Ethics was deployed in March 2015. The completion of e-Ethics is mandatory for all Managers & Professionals in the Group. Henceforward they must retake and complete the module every two years.

Extensive communications have been deployed for employees and external stakeholders:

- for employees to be well-informed:
  - a dedicated, and regularly updated section on Alstom's intranet, entitled "Ethics & Compliance", containing not only the E&C Group Instructions but also information on Prevention of Corruption, a monthly Newsletter and Case studies providing tips to help employees to know how to react when facing an ethical dilemma,
  - regular news in Alstom's weekly newspaper, Newsflash, and articles in local internal newspaper, whether at country or site levels,
  - an educational video, available in English and French on the internet and the intranet, was released to address the topic of prevention of corruption,
  - posters displayed in all locations;
- for external stakeholders:
  - a dedicated section, entitled "Ethics" on Alstom's internet web site, www.alstom.com. In this section, all the translations of the Code of Ethics are available and can be downloaded.

The Alert Procedure allows any employee or any person or third party in relationship with Alstom to report violations of anticorruption, competition, securities and accounting laws and regulations. It was modernised in July 2013 to add two additional means of reporting: a secure website (www.alstom.ethicspoint.com) and the toll-free hotline, both reachable 24 hours a day, 7 days a week, 365 days a year.

Information Systems function

The Information Systems and Technology (IS&T) function is the central function, covering all of the Group's businesses and the main purpose of which is to provide IS&T solutions and services aiming to:

- support Alstom businesses, operations and projects;
- meet the strategic evolution of the Group, support business efficiency, process excellence and overall Regions productivity using optimised and innovative technology in a cost effective, secure and compliant way.

Many initiatives have been launched to reinforce IS&T internal control:

- IT assets management centralisation;
- infrastructures upgrade (WAN, LAN, telephony, Windows 7, Unified communication);
- decommissioning of obsolete systems and the rationalisation of existing solutions;
- new tool deployment to secure the workplace environment (Single-Sign-On, shared folders management systems, automatic password reset); and
- adaptation of the IS&T security policy to new disruptive trends (Cloud, BYOD, social network…).

The central management of the Group's systems and infrastructure strengthens its ability to manage the IS&T risk and ensures better control of IS&T activities. "Business Solutions and Innovation", "Technology and Security" and "Service Performance and User Support" Departments assist the Group's CIO in setting IS&T principles, corporate architecture, processes and rules, and in applying common practices to services and standards.

Following the sale of the Energy businesses to General Electric, part of the infrastructure, systems, and solutions management activities were carried out by the Shared Services Centre which was taken over by General Electric. These services were subject to a Transition Services Agreement (TSA) for a maximum two-year period, from November 2015 to November 2017. A specific governance structure was implemented to ensure the proper functioning of this services agreement, in compliance with the safety, confidentiality, and data protection rules in force. Concurrently, Alstom also implemented a program aimed at separating its information technology (IT) from the IT taken over by General Electric, which provided Alstom with a fully autonomous systems and IT structure by the end of 2017.

Management of specific risks

The Project Management Office reports to both the Operations and Finance Departments and is in charge of managing risks related to offers and contracts.

Risks related to tenders

The tender review process includes a list of items which must be systematically reviewed and verified. These include, for example, the profile of the customer, the contractual organisation of the project and the project partners, supplier and subcontracting risks related to the technology being used and other technical risks, la reliability and coherence of the estimated costs, the project timetable, the contractual clauses, secured payment mechanisms, bank and financial guarantees, exchange risks, geographical risks, tax issues, key financial elements (contract price, margin, risks and opportunities and related financial reserves, cash curves, etc.).

The review process for commercial offers includes several review steps from the identification of the opportunity, upon receipt of the tender documentation and up to the final submission of the offer to the customer. Prior to submitting the offer, the region management and the local sites which will be involved in the quality, costing and timing elements of the offer must systematically approve the technical, legal and economic aspects of the project.

The application of these processes are centralised in a specific tool for reporting and approval.

Risks related to contracts

Project reviews (signed contracts) are organised:

- on the headquarters level for projects of more than €25 million and which are classified internally as having a high level of risk; these reviews are referred to as "Critical Project Reviews";
- on the region level for projects of less than €25 million or which are classified as non-critical; these reviews are referred to as "Region Project Reviews".

All of these project reviews are documented in formal minutes and are held on a semi-annual basis to assess the impact of the project portfolio as part of the financial closing for the period. The region management teams are closely involved in the preparation of these reviews and oversee:

- after the signature of the contract, all material changes after the submission of the offer regarding the terms of the initial offer and the related impact on the risk analysis for the project;
- during the performance of the contract, any material changes (for example, new risks or opportunities) which could have an impact on the financial performance of the project at termination.

Risks related to financial markets

Corporate funding & treasury

The Funding and Treasury Department defines rules and procedures regarding cash management, currency risk hedging, as well as bonds and guarantees. In addition, it manages the related risks (liquidity risks, including availability of lines of credit and deposits, counterparties, foreign exchange and interest rate), the financial relationships with subsidiaries, the cash pooling structure and the netting process.

The central organisation facilitates the financial risk management as all transactions on derivative products are performed or, when that is not possible, at least supervised by the Corporate front-office and under the control of a strictly independent middle office.

The Funding and Treasury Department is solely entitled to raise bank loans and invest cash surplus except when local regulations do not permit it. In such cases, the involvement and approval from the Funding and Treasury Department remain mandatory before any commitment.

It has also defined a detailed list of authorised banks which the units are authorised to operate with. For further information regarding the management of financial risk, see Note 28 to the consolidated financial statements for the fiscal year ended 31 March 2018.

Corporate Pension Committee

Pensions and other employee benefits are governed and monitored by the Corporate Pension Committee which is composed of the Corporate Treasury, Consolidation and Compensation & Benefits functions, according to the following principles:

- assets/liabilities management approach so that only risks necessary to cover Alstom's liabilities are taken;
- when possible, simplicity in the investment strategy to ensure visibility on the portfolio risk;
- a global policy on employee benefits to address principles for pension plan design, funding & investment, administration and governance;
- a responsibility chart whereby changes to plan design, funding & investment and administration must be authorised by designated Corporate officers.

The Committee meets at least two times per year to monitor the schemes' evolution. During the 2017/18 financial year, the Committee met on five occasions.

Risks related to international trade

Until January 2014, Alstom used commercial advisors (sales consultants) paid on the basis of a percentage of the project in the event of success to support its own commercial teams in a number of countries. Such commercial advisors were compensated on a "success fee" basis for the specific project they were selected for. In recent years, the use of such commercial advisors has been very substantially reduced, as the strong development of the Group's international operations has led to a sharp increase of its internal commercial resources. In an effort to further reduce compliance risks to the Group, the Company has discontinued the hiring of such commercial advisors with such remuneration structures since 17 January 2014.

Alstom has deployed all its efforts since early 2000 to strengthen its internal procedures, increasing centralisation of control to respond to risks of corruption. Thus today Alstom has a system and a collection of Ethical and compliance rules and procedures to address the corruption risks to which the Group is exposed.

Legal Risks

Legal function

The Legal Function is responsible for monitoring and mitigating risks arising out of the activities of the Group, as well participating in the Group's efforts to ensure full compliance with applicable laws and the Alstom Code of Ethics. Legal is comprised of Region Legal Departments and the Corporate Legal Department.

The Legal Function is headed by the Group General Counsel, reporting to the Chairman and Chief Executive Officer. The Group General Counsel attends all of the meetings of the Board of Directors, the EC&S Committee, and attends Audit Committee meetings when legal matters are discussed. He or she routinely provides an account of ongoing legal proceedings and investigations.

The Region Legal Departments are headed by Region General Counsels, who report hierarchically to the Group General Counsel and functionally to his or her Region Senior Vice President. The Region Legal Departments are responsible for handling legal matters for their Region. They are in particular involved in the negotiation of contracts, from tendering to signature. They also participate in contract management risks and legal support throughout the project execution. The Region General Counsels also act in support of the Ethics and Compliance Team for the purpose of regionally relaying information for the deployment of the Group's integrity programme.

The main risks in relation to contract performance are presented in the Risks Factors section of the Registration Document 2017/18 filed with the AMF.

The Corporate Legal Department includes the following Departments: (i) Ethics and Compliance (ii) Governance, Finance Law, and Securities Law, (iii) Mergers & Acquisitions, Disputes, and Competition, (iv) Transactions and Transformation, and (v) Intellectual Property. It provides legal assistance to the Board of Directors and senior management, to other corporate functions and Regions, as appropriate, in dispute resolution, acquisitions and disposals of businesses, finance and stock market law, insurance, intellectual property, competition law, sourcing and criminal law. For more specific information on Ethics & Compliance and the actions taken to mitigate the risks of illicit practices, please refer to the above section on Ethics & Compliance.

In particular, the Corporate Legal Department handles major disputes affecting the whole Group and compliance matters involving criminal investigations. It monitors the Group exposure reporting relating to disputes and prepares the Group Annual Litigation Report concerning the status of the main potential and pending law suits which is submitted annually to the Corporate Disclosure Committee, the Audit Committee and the Group Statutory Auditors. Legal provides training on the management of legal risks at all levels of the Group.

The Corporate Legal Department is responsible for the implementation of the programme developed by the Group aiming to prevent any anti-competitive activity in the course of the Group's activities and to ensure the compliance by all employees with the Code of Ethics, the laws and regulations in the area of competition law in the countries where Alstom carries out its activities.

This programme which was reinforced since 2012 and was completely revamped in 2016, applies to all Group employees who are involved directly or indirectly in the management of Group companies, in commercial activities or who are in contact with competitors, customers, suppliers, sub-contractors, distributors or resellers. Under the responsibility of the Legal Department, it is deployed on a continuous basis in the countries where the Group carries out its activities *via* awareness and training sessions of officers and employees. These training sessions are, in particular, based on the Group instruction "Compliance with competition or antitrust rules", was completely revamped and updated in 2016 to include changes in law and regulations and the refocusing of the Group's business on transport. This instruction is available on the Alstom intranet site, and its availability is adapted to each local legal environment. This programme aims to permanently follow up and inform on the evolution of applicable American, European or other local regulations, and to improve the internal rules implemented to ensure strict compliance with all applicable regulations.

The major legal risks and disputes are presented respectively in the Risks Factors section and Note 33 to the Consolidated Financial Statements of this Registration Document.

Risks related to Environment, Health and Safety (EHS)

The Corporate Environment, Health, Safety (EHS) Department is responsible for defining the risk management policy and strategy and programs with respect to the environment, health and safety in the workplace. It is supported in its mission by the EHS managers' network, organised per Region, by cluster, by country, and by operational worksites or projects, which ensure operational implementation of all such programmes.

Based on the Group EHS roadmap internal and external assessors network validate EHS actions and advice on deployment plans.

Through the programmes the Group seeks to:

- ensure high standard level of monitoring industrial risks at least equal or above local regulations;
- evaluate environment and employee health impact of new industrial processes prior to implementation, as well as, discontinuation of existing processes;
- develop a continuous improvement process to reduce energy and water consumption, generation of industrial waste, Greenhouse gas and Volatile Organic Compounds emission and to minimize risks related to accidental pollution; and
- ensure to its employees, suppliers and contractors, involved in contract execution and on sites the best protection regarding safety and health.

Particular attention is given to high risk activities performed by Group employees, suppliers or contractors during contracts execution.

A specific prevention plan is supervised by the Group VP EHS aiming to reduce the occurrence of severe accidents. This plan is regularly presented to the Group's Executive Committee (the "Alstom Zero Deviation Plan"). The assets & business interruption management is designed to minimise exposure to loss or damage and to ensure business continuity. This includes exposure to fire, breakdown, and natural catastrophes, as well as theft or deliberate damage.

External specialised assessors regularly perform audits and self-evaluation of fire prevention and natural disasters. During the fiscal year 2017/18, seven sites were audited by an independent third party and expertise and consultation assignments were performed during this fiscal year.

The EHS coordination guarantees the consistency of the prevention programmes at a central level and the EHS Roadmap update. The EHS performance indicators are gathered on a regular basis by a reporting system covering all the permanent businesses in order to guide the risk management approach.

During fiscal year 2017/18, more than 60 EHS audits were performed, in connection with the plan to reduce serious accidents and control of high-risk activities: "Alstom Zero Deviation Plan". Such audits were conducted by Internal Auditors specifically trained. In addition, each site conducts self-appraisals regularly based on the safety guidelines of the plan. In the area of environment as of the date of this report more than 22,000 employees of Alstom Group and related contractors working on industrial sites, regional centres, depots, and projects were implementing the processes in accordance with the ISO 14001 standard and were certified by and independent authority.

Alstom updated its climate change risk assessment in fiscal year 2017/18 taking into account the evolution of climate data and its activity perimeter as detailed on page 216.

The Company has taken good note of the new French law of 27 March 2017 relating to the duty of vigilance for parent companies and controlling companies (Law No. 2017-399 published in the Official Journal on 28 March 2017). The vigilance plan required by this new law shall include measures to identify risks and prevent serious violations of human rights and fundamental freedom, health and safety of persons and environment that would result from the activities of the Company and its affiliates as well as the activities of its main subcontractors or suppliers. The Company has launched several actions towards the setting-up of the vigilance plan considering that the Company already has existing processes supporting directly or indirectly certain requirements of the new law (*e.g.* risks mapping processes, suppliers qualification processes, alert procedure, etc.). Therefore, as part of the actions deployed to establish its vigilance plan, the Company has created a transverse working group comprising members of the following Departments: HR and EHS, Sustainability and Corporate Social Responsibility, Legal, Ethics and Compliance, Sourcing and Internal Audit. The aim of the working group is to ensure that the Company benefits in the most efficient manner from the contribution of its various experts having implemented control processes in the areas to be covered by the vigilance plan.

Risks related to the design of complex solutions

The management of risks related to the design and use of complex technology in the design of new solutions is governed by an instruction that defines how Alstom manages development of goods and services, in particular the mandatory gate reviews to be held along each development phase from technology to product development and contract execution.

The program Review Board governs the introduction of up-stream new technologies and in our solutions, by ensuring that the performance, quality, cost, and planning criteria are respected. All gate reviews of the technology and product phases are validated by the above Boards.

Concerning Digital Mobility, the review of R&D programs is done by the S&P (Systems & Products) reviews, which are also monitoring applicative projects.

The quality process for new technologies is supervised by Steering Committees in which the R&D and the Marketing functions are represented as well as relevant product lines.

Main identified risks related to use of complex technology

The use of complex technologies exposes the Group to a number of risks. The functions of R&D and Engineering implemented mitigation plans to reduce, anticipate and contain their effects.

The risks occurring due to complex technologies are evaluated during each step of the R&D process. The validation steps of the new technologies allow the creation of new internal reference data base that reduce risks arising in new projects.

Concerning Digital Mobility, risks can be related to availability of the new systems and the products sold to customers, or can be related to the performance of delivered security systems such as high density traffic management systems. In order to meet the situation Digital Mobility has put in place, a strict methodology of development, validation, qualification and certification of its products which aims to ensure integrity and safety of operated products.

Technological, industrial, and contractual risks can occur when R&D competencies are commonly executed with a third party mainly during two main steps:

- innovative technology collaboration;
- licensing on innovative technologies and equipment.

In both cases the choice of the scientific, technical, or manufacturing third party partner is significant and is subject to a strict evaluation.

Risk management procedures pertaining to the safety of products and railway accident risk

The Group has several procedures to control the quality of its equipment before they are suitable for use, which are intended to limit the risk of a railway accident and ensure the safety of passengers. The analysis and demonstration processes put in place are used for all of the products/systems Alstom designs or integrates. In addition, they can be modified or adapted based on regulatory and/or contractual requirements.

A procedure exists for managing technical failures. It combines:

- a process for managing safety threats, which relies on risk assessment;
- a notification and monitoring process that includes the identification and manager notification of technical failures based on their impact on safety, as well as a routine follow-up of the resolution status of these problems.

This procedure also includes a crisis management process that takes into account the communication and public image aspects of such problems as well as their legal ramifications.

In addition, specific training on "Railway Safety" is provided to managers who have responsibilities in the manufacturing and market launch of equipment in order to introduce them to the challenges and requirements associated with the safety of its products.

PROCEDURES FOR THE PRODUCTION OF THE GROUP FINANCIAL STATEMENTS AND OTHER ACCOUNTING AND FINANCIAL INFORMATION

The accounts of reporting units are prepared in accordance with the Group's accounting policies. The data is then adjusted, where necessary, to produce the local statutory and tax accounts. Integrated consolidation software is used for both management reporting purposes and also to produce the Group financial statements. The consolidation software allows the reconciliation between contract data and financial reporting. The main reporting processes facilitate consolidation of financial data to produce the consolidated financial statements and forecast data, as well as regular management information.

Accounting standards

The consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union. The consolidated financial statements comply with accounting policies as detailed in Note 2 of the consolidated financial statements at 31 March 2018.

Accounts closing process

The reporting units produce monthly statements which are used to determine the Group's monthly operating income, cash flow and balance sheet.

Role of the Group's Accounting Department

The list of entities to be accounted for by the equity or line by line methods or fully consolidated is drawn up by the Accounting Department. This Department also checks the quality of the reporting packages submitted by the units, focusing primarily on inter-company eliminations, and the accounting treatment of non-recurring transactions for the period, and movements between the opening and closing balance sheet used to prepare the statement of cash flows and reconciliations between legal entities and reporting entities.

The Department also checks the results of procedures, including foreign exchange, inter-company eliminations, transfers to minority interests and recognition of the effects of changes in scope of consolidation. The Group's consolidated financial statements are also analysed in detail, to understand and check the main contributions by Regions, businesses or subsidiaries, as well as the transactions reflected in the accounts.

Financial information and reporting

Application and compliance with these principles, rules and procedures are under the direct responsibility of each unit Finance Director. All Finance Directors report directly to the financial officers of the relevant businesses and Regions and ultimately to the Group Chief Financial Officer.

Unit Finance Directors must ensure with the Finance Corporate Department that information provided *via* the Group accounting and reporting information system covering the complete Group perimeter reflects required disclosures, the results of the period and the financial position at the end of the period.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make various estimates and use assumptions regarded as realistic and reasonable. These estimates or assumptions could affect the value of the Group's assets, liabilities, equity, net profit and contingent assets and liabilities at the date of the financial statements. Management reviews estimates on an on-going basis using currently available information. Actual results may differ from those estimates, due to changes in facts and circumstances.

For more information regarding the use of estimates and critical accounting policies, see Note 2.2 to the consolidated financial statements for the fiscal year ended 31 March 2018.

Estimates of future cash flows reflect Management's current best estimates of the probable outflow of financial resources that will be required to settle contractual obligations. The estimates are therefore subject to change, due to changes in circumstances surrounding the execution of contracts.

Management regularly reviews the effectiveness of internal control over financial reporting, in particular to ensure the timeliness and accuracy of accounting for transactions and assets in circulation, it verifies that transactions have been recorded consistently, in accordance with IFRS as applied by the Group and as set out in the Reporting and Accounting Manual.

5

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AFR The Content of the Annual Financial Report is identified in the summary table with the help of this pictogram

This chapter presents the corporate governance information of the Company for the 2017/18 financial year as well as further details regarding the resolutions being proposed to its shareholders at the 2018 Annual Shareholder Meeting not including those related to the proposed combination of the mobility activities of Alstom and Siemens. The information related to this combination are presented in a separate document filed with the French stock market regulator, the AMF, and published on the website of the Company under the title "Document E".

The Company has, for many years, made every effort to comply with the corporate governance principles set forth in the AFEP-MEDEF Corporate Governance Code (the "AFEP-MEDEF Code").

BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

Pursuant to article L. 225-37 of the French Commercial Code, the Board of Directors hereby presents to the 2018 Annual Shareholder Meeting its report on corporate governance which is attached to the management report.

This report was approved by the Board of Directors during its meeting of 15 May 2018, after review by the Nominations and Remuneration Committee and the Ethics, Compliance and Sustainability Committee for the sections which cover their area of activity.

Pursuant to article L. 225-235 of the French Commercial Code, this report of the Board of Directors on corporate governance has been submitted to the Company's Statutory Auditors who, in their report on the annual accounts of the Company (see page 125), present their observations related to the information mentioned in article L. 225-37-5 of the French Commercial Code and attest to the existence of the required information pursuant to articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

BOARD OF DIRECTORS

Composition of the Board of Directors

As of 15 May 2018, the Board of Directors is composed of twelve members. The principle of a balanced ratio of men and women is fully implemented; five directors are non-French nationals (42%), seven directors are independent according to the Company and within the meaning of the AFEP-MEDEF Code (58%). Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer ("CEO"), is the only Director who performs executive duties.

The Board of Directors does not include any directors representing the Company's employees or employee shareholders. Within the Alstom Group, the legal provisions regarding employee representation on the Board of Directors apply to ALSTOM Transport SA which includes a director representing the employees.

The Directors are appointed for a four-year period. Spread-out terms of office were never planned for under the terms of the Articles of Association, since the renewal of such terms of office is distributed over three consecutive years. The Articles of Association do not specify any age limit applicable to Directors beyond the legal limit.

Pursuant to the Board's Internal Rules, each Director must hold 2,000 shares, which corresponds to approximately one year of Director's fees. Each Director has two years as from the day he or she takes office to increase his or her equity holdings to this minimum level. As of 31 March 2018, Directors who are natural persons together held a total of 55,390 Company shares, while Bouygues held 62,086,226 shares.

Based on the Nominations and Remuneration Committee's recommendation, the Board of Directors examines the Board and Committees' membership at the time of renewal of Directors' mandates. Directors are also invited to indicate their views on this topic during the annual assessment of the Board and Committees' functioning. The Nominations and Remuneration Committee provides recommendations on proposals for new candidates or on the renewal of Directors' mandates, then submitted to the Board of Directors. The Board of Directors has an on-going objective to increase the diversity and complementarity of skills required for service on the Board, to maintain diversity of nationalities and a balanced ratio of men and women.

During the fiscal year, the cooptations of Ms Sylvie Kandé de Beaupuy and Mr Yann Delabrière were ratified by the shareholders at the Annual Shareholder Meeting of 4 July 2017. Ms Françoise Colpron joined the Board of Directors at the end of this Annual Shareholder Meeting which voted her appointment for a term of four years.

Upon conclusion of the Annual Shareholder Meeting held on 4 July 2017 which ratified his cooptation, Mr Yann Delabrière was appointed Lead Independent Director and Chairman of the Nominations and Remuneration Committee replacing Mr Gérard Hauser.

The Board of Directors acknowledged the resignations of Mr Pascal Faure, appointed as representative of the French State on the Board of Directors of the Company by ministerial decision of 25 July 2016 and of Mr Olivier Bourges, appointed a director proposed by the French State at the Shareholder Meeting of 18 December 2015. These resignations followed the restitution to Bouygues SA on 17 October 2017 of the shares of the Company which were held by the French State. This was the result of the French State's decision (i) not to exercise its option to acquire the shares of the Company it held pursuant to the agreement of 22 June 2014 entered into with Bouygues SA and (ii) to terminate the shareholder loan entered into with Bouygues SA regarding 43,825,360 shares of the Company dated 4 February 2016.

The following chart sets forth the membership of the Board of Directors and its committees as of 15 May 2018:

MEMBERSHIP OF THE BOARD OF DIRECTORS AS OF 15 MAY 2018

				Committee Membership						
Name	Sex	Age	Indepen-dant Director	Audit	N&R [(1)]	EC&S [(2)]	First Term Start	Current Term End	Years on Board	Attendance rate during the 2017/18 financial year (n° of meetings)
Henri Poupart-Lafarge *Chairmand of the Board of Directors and Chief Executive Officer*	M	49					2015	2019	3	100% (8/8)
Yann Delabrière Lead *Independant Director*	M	67	√		Chairman		2017	2020	1	100% (8/8)
Candace K. Beinecke	F	71			√		2001	2019	17	100% (8/8)
Olivier Bouygues	M	67					2006	2018	12	87.5% (7/8)
Bi Yong Chungunco	F	55	√			√	2014	2018	4	100% (8/8)
Françoise Colpron	F	47	√				2017	2021	1	100% (6/6)
Gérard Hauser	M	76			√	√	2003	2020	15	100% (8/8)
Sylvie Kandé de Beaupuy	F	61	√			Chairwo-man	2017	2019	1	100% (8/8)
Klaus Mangold	M	74	√		√		2007	2019	11	87.5% (7/8)
Géraldine Picaud	F	48	√	Chairwo-man			2015	2019	3	100% (8/8)
Sylvie Rucar	F	61	√	√	√		2015	2019	3	100% (8/8)
Philippe Marien *Representative of Bouygues SA*	M	61		√			2008	2018	10	100% (8/8)
	50%M / 50% F	Average: 61.5 years	58% indepen-dant	66.66% indepen-dant	60% indepen-dant	66.66% indepen-dant			Average: 6.75 years	Average: 97% [(3)]

(1) Nomination and Remuneration Committee.
(2) Ethics, Compliance and Sustainability Committee.
(3) Include attendance rates of two directors who resigned from the Board of Directors during the 2017/18 financial year: Mr Pascal Faure 100% (5/5) and Mr Olivier Bourges 83.5% (5/6).

The terms of Mr Olivier Bouygues, Bouygues SA (legal entity represented by Mr Philippe Marien) and Ms Bi Yong Chungunco will end following the 2018 Annual Shareholder Meeting called to approve the accounts for the 2017/18 financial year. On the recommendation of the Nominations and Remuneration Committee, the Board of Directors will propose the renewal of their terms for a period of four years at the 2018 Annual Shareholder Meeting.

Furthermore, on the recommendation of the Nominations and Remuneration Committee, the Board of Directors will propose to the shareholders at the 2018 Annual Shareholder Meeting to appoint Ms Clotilde Delbos and Mr Baudouin Prot as Directors for a period of four years. These two directors, according to the Company and within the meaning of the AFEP-MEDEF Code, meet the requirements to be considered as independent Directors.

Ms Clotilde Delbos started her career in California, then moved to Price Waterhouse in Paris before joining the Pechiney Group in 1992. She held various positions in France and in Brussels in Internal Audit, Treasury and Mergers & Acquisitions to then become Division Financial Director (Bauxite Alumina and International Trade). After the Pechiney acquisition by Alcan, Clotilde Delbos became in 2005 VP & Business Finance Director of the Engineered Products Division, until it was sold in 2011 to Apollo Global Management (Private Equity Fund) and to the "Fonds Stratégique d'Investissement". In this new company, Constellium, her last two positions were Deputy CFO and Chief Risk Officer. She joined the Renault Group in 2012 as Group Controller. In 2014, she was appointed member of the Renault Management Committee and appointed Alliance Global Director, Control, in addition to her role as SVP, Renault Group Controller. On 25 April 2016, Clotilde Delbos is appointed EVP, Chief Financial Officer and Chairman of the

Board of Directors of RCI Banque S.A. and becomes a member of Renault Executive Committee.

Mr Baudouin Prot began his career as an Inspecteur des Finances in the French administration after graduating from the *École Nationale d'Administration*. He joined the Banque Nationale de Paris in 1983 as Deputy Director of the Banque Nationale de Paris Intercontinentale prior to assuming the leadership of the Europe Department in 1985. He joined the management team of Réseaux France in 1987. For ten years (1987-1996), he was in charge of Réseaux France and appointed Deputy Managing Director in 1992. In 1996, he took on the role of Managing Director of the Banque Nationale de Paris and, at the time of the creation of BNP Paribas, he took on the position of Deputy CEO of the new group. In 2000, he was appointed to the Board of Directors of BNP Paribas. In 2003 he became CEO and Director of BNP Paribas, a position he held until 2011. From 2011 to 2014 he served as Non-Executive Chairman of BNP Paribas. He is currently Non-Executive Chairman of the Supervisory Board of Foncia SA and a Senior Advisor at Boston Consulting Group.

Upon the conclusion of the 2018 Annual Shareholder Meeting and subject to the renewal of the directorships of Mr Olivier Bouygues, Bouygues SA (represented by Mr Philippe Marien) and Ms Bi Yong Chungunco as well as the appointment of Ms Clotilde Delbos and Mr Baudouin Prot, the Board of Directors will be made up of fourteen directors. The principle of a balanced ratio of men and women will be complied with and there will be five directors who are non-French nationals (35.5%) and one director, Mr Henri Poupart-Lafarge, Chairman and CEO, with executive functions. The proportion of independent directors will increase to 64% with nine independent directors based on the Code AFEP-MEDEF criteria.

Changes in the composition of the Board of Directors and committees between 2017 and 2018 Annual Shareholder Meetings

Subject to the approval of the shareholders at the 2018 Annual Shareholder Meeting of the three renewed directorships and the appointment of the two proposed candidates, the changes in the composition of the Board of Directors would be as follows:

	Annual Shareholder Meeting held on 4 July 2017	5 July 2017-15 May 2018	2018 Annual Shareholder Meeting
Departure (D)/ End of term (E)		Mr Pascal Faure (D) Mr Olivier Bourges (D)	
Reappointment			Mr Olivier Bouygues Bouygues SA (represented by Mr Philippe Marien) Ms Bi Yong Chungunco (*)
Ratification (R)/Appointment (A)	Ms Sylvie Kandé de Beaupuy (*) (R) Mr Yann Delabrière (*) (R) Ms Françoise Colpron (*) (A)		Ms Clotilde Delbos (*) (A) Mr Baudouin Prot (*) (A)

(*) Independent Director.

Subject to the approval of the shareholders at the 2018 Annual Shareholder Meeting of the three renewed directorships and the appointment of the two proposed candidates, the membership of the Committees would be as follows:

	From the Shareholder Meeting of 4 July 2017 to 15 May 2018	Following the 2018 Annual Shareholder Meeting
AUDIT COMMITTEE		
Chairwoman	Ms Géraldine Picaud (*)	Ms Géraldine Picaud (*)
Members	Mr Philippe Marien (representative of Bouygues SA) Ms Sylvie Rucar (*)	Mr Philippe Marien (representative of Bouygues SA) Ms Sylvie Rucar (*)
NOMINATIONS AND REMUNERATION COMMITTEE		
Chairman	Mr Yann Delabrière (*)	Mr Yann Delabrière (*)
Members	Ms Candace Beinecke Mr Gérard Hauser Mr Klaus Mangold (*) Ms Sylvie Rucar (*)	Ms Candace Beinecke Mr Gérard Hauser Mr Klaus Mangold (*) Ms Sylvie Rucar (*)
ETHICS, COMPLIANCE AND SUSTAINABILITY COMMITTEE		
Chairwoman	Ms Sylvie Kandé de Beaupuy (*)	Ms Sylvie Kandé de Beaupuy (*)
Members	Ms Bi Yong Chungunco (*) Mr Gérard Hauser	Ms Bi Yong Chungunco (*) Mr Gérard Hauser

(*) Independent Director

EXECUTIVE MANAGEMENT

Combination of the positions of Chairman and Chief Executive Officer

In 2014, the Board of Directors chose to proceed with the appointment of a Lead Director whenever the functions of Chairman of the Board of Directors and Chief Executive Officer are combined as one, in order to provide additional guarantees on the existence of a well-balanced and controlled system of corporate governance.

At its meeting of 28 January 2016, the Board of Directors decided to keep the functions of Chairman and Chief Executive Officer combined as one and to appoint Mr Henri Poupart-Lafarge as Chairman and Chief Executive Officer of the Company.

Successive annual reviews have confirmed that this governance structure has proven to be satisfactory, given the Group's present form. This decision was made in the Company's best interests and with the constant concern that the form of governance chosen make it possible to maximize the Group's performance and create the most favourable conditions for its growth and development. The quality and durability of this performance are indissociable from a clear vision of the Group's prospects shared directly with the Board members. This vision is held by the Chairman and Chief Executive Officer, who has a detailed and operational knowledge of the Group's business and operations, in particular given the length of his service with the Group.

This combination of positions is balanced by, for example, the implementation of certain governance safeguards, the existence of limitations on the authority of the Chief Executive Officer and the appointment of a Lead Director with specific powers and responsibilities.

Specific Governance Safeguards

Various factors contribute to ensuring balanced and controlled corporate governance, including:

- a strong presence of independent Directors on the Board of Directors and the Committees, the chairing of which has been entrusted to independent Directors from their inception;
- information provided on a regular basis to the Board of Directors, both at its meetings and outside of its meetings, detailing the business activities of the Group and any significant events;
- the development of interactions between the Board of Directors and the members of the Executive Committee or the functional or operational executives holding key positions within the Group, in particular in the context of their participation in, and presentations given at, Board of Directors and Committee meetings, or during worksite visits organised annually;
- an annual review of the corporate governance practices and of the operation of both the Board of Directors and the Committees, which enables the identification, on a regular basis, of the desired focus points for improvement and the priorities associated therewith, and to assess the follow up of the recommendations; the annual meeting of Directors who are external to the Company in order to assess the performance of the Executive Officer (dirigeant), as directed by the Chairman of the Nominations and Remuneration Committee;
- the availability of the Chairman and Chief Executive Officer and Chairpersons of the Board of Directors Committees, all independent Directors, in order to discuss with institutional investors the key subjects of corporate governance of the Company and sustainable development;
- a routine review of the Internal Rules of the Board of Directors and the Committees, and the adaptation of their provisions, as the case may be.

Limitations imposed by the Board of Directors on the authority of the Chief Executive Officer

The restrictions imposed by the Board on the powers of the Chairman and Chief Executive Officer are set forth in the Internal Rules of the Board, as amended on 5 July 2016, which provide that the Board of Directors' prior approval is required for:

- any transaction that is not part of the Group's announced strategy or that could significantly affect it;
- any transaction that could materially modify the financial structure or results of the Group;
- any single acquisition or divestiture in excess of €80 million, any business partnership or joint venture where the contribution of the Group exceeds €80 million, as well as any financing transaction which exceeds €400 million for new medium or long term loans, or €1 billion for short-term treasury bills;
- organic growth investments in an amount higher than €80 million and the significant internal restructuring undertakings in particular at the time of the annual review of the Group's budget and strategy.

For acquisitions and divestitures, "amount" means the enterprise value, regardless of the terms of payment (immediate or differed, in cash or in shares, etc.). For a business partnership or a newly created company, "the contribution of the Group" means the financial undertaking of the Group (contribution to the share capital or shareholder's loan, exposure to external financings, etc.).

The Internal Rules also require the Board of Directors to review and approve the annual budget and the medium-term plan.

Lead Independent Director

Since 2014, when the functions of Chairman and Chief Executive Officer were combined, the Board of Directors, pursuant to the terms of its own Internal Rules, must appoint a Lead Independent Director, the main responsibility being to ensure the proper functioning of the corporate governance bodies of the Company. The Internal Rules set the following terms and conditions applicable to the role of Lead Director:

Excerpt from the Internal Rules of the Board of Directors on the Lead Director (article 6)

Whenever the functions of Chief Executive Officer and Chairman of the Board of Directors are held by and entrusted to the same individual, the Board of Directors must appoint a Lead Director from among the independent Directors. This Lead Director is appointed for a two-year term, which cannot exceed his or her term of office as Director. He or she is eligible for reappointment. The Board of Directors can terminate the Lead Director's functions at any time.

The main duty of the Lead Director is to ensure the proper functioning of the corporate governance bodies of the Company.

In this context, he or she exercises his or her duties and has the following prerogatives:

6.1. Functioning of the Board of Directors and of the Board of Directors' Committees

- The Chairman of the Board of Directors consults with the Lead Director regarding the matters on the agenda of Board of Directors' meetings and can recommend including additional matters to the agenda.
- The Lead Director may request the Chairman of the Board of Directors to call a meeting of the Board of Directors to discuss a predetermined agenda.
- The Lead Director ensures that the Internal Rules are applied when the meetings of the Board of Directors are prepared and held, and also ensures that the Directors comply with such Internal Rules.
- The Lead Director makes sure that the Directors are able to exercise their duties in the best possible conditions and, in particular, that they can rely on a high level of information prior to the meetings of the Board of Directors.
- The Lead Director can, at his or her own initiative, call for and preside at meetings of Directors who do not exercise executive or salaried functions within the Group (non-Executive Directors).
- The Lead Director can be the Chairman of the Nominations and Remuneration Committee. As such, he or she is responsible, in particular, for managing the succession plan for Executive Directors, selecting new Directors, and for securing the balance with respect to the composition of the Board of Directors and the Committees.
- The Lead Director can attend any of the meetings of any Committee of which he or she is not a member and has access to the work completed by such Committees and to the information made available to them.

6.2. Relations with Directors

- The Lead Director maintains a regular dialogue with Directors and, if need be, is their spokesperson to the Chairman of the Board of Directors.

6.3. Conflicts of interest

- The Lead Director plays a preventive role to raise the awareness of all Directors with respect to conflicts of interest.
- Together with the Chairman of the Board of Directors, he or she reviews situations that could potentially trigger conflicts of interest.

6.4. Relations with shareholders

The Lead Director is kept abreast of any comments and suggestions submitted by shareholders in relation to governance and the remuneration of corporate officers. He or she ensures that their questions are answered, makes him or herself available to communicate with such shareholders at the request of the Chairman of the Board of Directors, and keeps the Board of Directors abreast of these communications.

The Lead Director reports annually to the Board of Directors and to the Shareholders regarding his or her work.

The Secretary of Board of Directors is available to assist to the Lead Director in the completion of his or her assignments.

Following the Annual General Meeting of 4 July 2017, the Board of Directors decided to appoint Mr Yann Delabrière, independent director, as Lead Director and Chairman of the Nominations and Remuneration Committee, the committee which oversees the corporate governance of the Company. The report on the activity of the Lead Director is included in this report on page 175.

INFORMATION REGARDING THE BOARD MEMBERS

Directorships and activities of the Board Members

This section is based on information provided by the Members of the Board of Directors in reponse to an annual questionnaire provided to them by the Company. The information is accurate as of 15 May 2018.

Henri Poupart-Lafarge

Age: 49

Nationality: French

Professional address: Alstom – 48, rue Albert-Dhalenne, 93400 Saint-Ouen – France

Principal function: Chairman and Chief Executive Officer of ALSTOM

End of current appointment: 2019

First appointment: 30 June 2015

Holds 36,510 shares

Other current directorships and positions:

In France:

-

Abroad:

Outside the Alstom Group

Director of Transmashholding (TMH)

Past directorships and positions (held during the past five years):

In France:

Outside the Alstom Group:

Director of Vallourec (*) (term to expire following the Annual General Meeting of Vallourec on 25 May 2018)

Within the Alstom Group:

Chairman of ALSTOM Executive Management (2014-2015)
Director of ALSTOM Transport SA (2012-2015)
Director of ALSTOM T20 (2014)

Abroad:

Within the Alstom Group:

Director of ALSTOM Transport Holdings BV (2013)

Biography:

Mr Henri Poupart-Lafarge, is a graduate of École polytechnique, École nationale des ponts et chaussées and the Massachusetts Institute of *Technology* (MIT). He started his career in 1992 at the World Bank in Washington, D.C., before joining the French Ministry of Economy and Finance in 1994. Mr Henri Poupart-Lafarge joined Alstom in 1998, as Head of Investor relations and responsible for management controls. In 2000, he became the Transmission and Distribution Sector's Senior Vice President Finance, a position he held until the sale of the Sector in 2004. From 2004 to 2010, he was Chief Financial Officer of the Alstom Group, from 2010 to 2011 President of the Alstom Grid Sector and was President of the Transport Sector from 4 July 2011 until his appointment as Chairman and Chief Executive Officer. Mr Henri Poupart-Lafarge has been the Chairman and Chief Executive Officer of the ALSTOM since February 2016.

Yann Delabrière

Age: 67

Nationality: French

Professional address: 420 rue d'Estienne d'Orves, 92700 Colombes (France)

Principal function: Chairman of the Supervisory Board of IDEMIA

End of current appointment: 2020

First appointment: 17 March 2017

Independent Director
Lead Director
Chairman of the Nominations and Remuneration Committee

Holds 2,000 shares

Other current directorships and positions:

In France:

Chairman of the Supervisory Board of IDEMIA

Abroad:

–

Past directorships and positions (held during the past five years)

In France:

Chairman of the Management Board of Zodiac Aerospace
Chairman and CEO, then Chairman of the Board of Directors of Faurecia
Member of the Board of Directors of Capgemini SE (term wil expire following the Annual Shareholder Meeting of Capgemini SE on 23 May 2018)
Director of Société Générale (*) (2016)

Abroad:

–

Biography:

Mr Yann Delabrière is a graduate of the École normale supérieure (Mathematics) and the École nationale d'administration. He began his career at the French Cour des comptes before working in the cabinet office of the Foreign Trade Ministry. He then worked as Chief Financial Officer for Coface and then Printemps Group. In 1990, he joined PSA as Chief Financial Officer and he became member of the Executive Committee in 1998. Mr Yann Delabrière was appointed Chairman and Chief Executive Officer of Faurecia from 2007 until July 2016 and remained Chairman of the Board until May 2017. He was then Chairman of the Management Board of Zodiac Aerospace from June 2017 until February 2018. Mr Yann Delabrière is currently Chairman of the Supervisory Board of IDEMIA. He is a former director of Cap Gemini SE and Société Générale.

(*) Listed company.

Candace K. Beinecke

Age: 71

Nationality: American

Professional address: Hughes Hubbard & Reed LLP – One Battery Park Plaza, New York, NY 10004 – 1482 (USA)

Principal function: Senior Partner of Hughes Hubbard & Reed LLP

End of current appointment: 2019

First appointment: 24 July 2001 – 26 June 2007

Member of the Nominations and Remuneration Committee

Holds 2,000 shares

Other current directorships and positions:

In France:

–

Abroad:

Chairperson of the Board of Directors of First Eagle Funds (*), a leading US public mutual fund family
Lead independent Trustee of Vornado Realty Trust (NYSE) (*)
Board of Directors' member of Rockefeller Financial Services, Inc. and Rockefeller & Co., Inc.

Non-profit organisations:

Director, Vice-Chairperson, the Partnership for New York City
Chairperson, The Wallace Foundation
Trustee, The Metropolitan Museum of Art

Past directorships and positions (held during the past five years):

In France:

–

Abroad:

Chairperson of Hughes Hubbard & Reed LLP (until 2017)

Biography:

Ms Candace K. Beinecke, Senior Partner of Hughes Hubbard & Reed LLP, was named in 1999 the first woman to chair a major New York law firm. Ms Beinecke is also a practicing partner in Hughes Hubbard's Corporate Department. Ms Beinecke serves as Chairperson of First Eagle Funds, a leading US public mutual fund family. She is a Lead Independant Director of Vornado Realty Trust (NYSE) and a Board member of Rockefeller Financial Services, Inc. and Rockefeller & Co., Inc. She also serves as a Director, Vice-Chair and Executive Committee member of the Partnership for New York City, as Chair of The Wallace Foundation, and as Trustee of The Metropolitan Museum of Art. She is also a member of the Board of Advisors, Yale Law School Center for the Study of Corporate Law. She has been included in The Best Lawyers in America, in Chambers, and in the National Law Journal's 100 Most Influential Lawyers in America, and one of the "25 New York executives whose contributions in and beyond business changed the City".

Olivier Bouygues

Age: 67

Nationality: French

Professional address: Bouygues – 32, avenue Hoche – 75378 Paris Cedex 08 (France)

Principal function: Vice-Chief Executive Officer of Bouygues (*)

End of current mandate: AGM 2018

First appointment: 28 June 2006 – 22 June 2010

Holds 2,000 shares

Other current directorships and positions:

In France:

Outside Bouygues Group:

Chief Executive Officer of SCDM
Chairman of SCDM Domaine (SAS)

Within Bouygues Group:

Director of Bouygues (*) TF1 (*), Bouygues Telecom, Colas (*) and Bouygues Construction
Member of the Board of Bouygues Immobilier

Abroad:

Outside Bouygues Group:

Chairman and Chief Executive Officer and Director of SECI (Ivory Coast)
Director of SCDM Energy Limited (United Kingdom)

Within Bouygues Group:

Chairman of the Board of Directors of Bouygues Europe (Belgium)

Past directorships and positions (held during the past five years):

In France:

Director of Bouygues Immobilier (2016)
Standing representative of SCDM on the Board of Bouygues (*) (2016)
Chairman of SCDM Énergie (2015)
Director of Eranove (formerly Finagestion) (2015)
Liquidator of SIR (2015)
Director of Eurosport (2014)

Abroad:

Director of Sodeci (*) (Ivory Coast) (2015)
Director of CIE (*) (Ivory Coast) (2015)
Director of Sénégalaise des Eaux (*) (Senegal) (2015)

Biography:

Mr Olivier Bouygues is a graduate of École nationale supérieure du pétrole (ENSPM). Mr Olivier Bouygues joined the Bouygues Group in 1974. He began his career in the group's civil works branch. From 1983 to 1988, he worked at Bouygues Offshore as Director of the Cameroon subsidiary Boscam and then Director for the France Works and Special Projects division. From 1988 to 1992, he was Chairman and CEO of Maison Bouygues. In 1992, he became group Executive Vice President for Utilities Management, which grouped the international and French activities of Saur. In 2002, Mr Olivier Bouygues was appointed Deputy Chief Executive Officer of Bouygues.

(*) Listed company.

Bi Yong Chungunco

Age: 55

Nationality: Filipino

Professional address: –

Principal function: Director

End of current appointment: 2018

First appointment: 1 July 2014

Independent Director
Member of the Ethics, Compliance and Sustainability Committee

Holds 2,000 shares

Other current directorships and positions:

In France:

–

Abroad:

–

Past directorships and positions (held during the past five years):

In France:

Group General Counsel and *Secrétaire Général* of Lafarge SA (*)

Abroad:

Head of Divestments of the LafargeHolcim Group (*)
Head of Lafarge China Cement Ltd
Director of Lafarge Malaysia Sdn Bhd (*) (Malaysia)
Director of Sichuan Shuangma Cement Ltd (*) (China)
Other directorship in non-listed companies of Lafarge Group
Director of Lafarge Republic Inc. (*) (Philippines)
Director of Lafarge Surma Cement Ltd (*) (Bangladesh)

Biography:

Until August 2017, Ms Bi Yong Chungunco held the position of Head of Divestments of the LafargeHolcim Group mainly in the Asia-Pacific region and Head of Lafarge China.

From July 2015 to March 2016, she was the Area Manager, South East Asia (West) of LafargeHolcim Group, overseeing the operations in Malaysia, Singapore, Bangladesh, Sri Lanka, and Myanmar and also served as the Corporate Secretary of Lafarge SA. Prior to this, she was the Senior Vice President, Group General Counsel and *Secrétaire Général* of Lafarge S.A based in Paris, France. She joined the Lafarge Group in 2002 as Senior Vice President for Legal, Corporate Governance & External Relations of the Lafarge affiliated company in the Philippines. From 2004 to 2007, she was Group Regional Counsel and then Deputy General Counsel of Lafarge, overseeing from Paris the merger and acquisition transactions of the group and coordinating the worldwide legal network. From 2008 to 2012, she was Chief Executive Officer and Director of Lafarge Malayan Cement Berhad one of the largest industrial companies listed on the Malaysian Stock Exchange (a 51% owned subsidiary of Lafarge, with operations in Malaysia and Singapore). Before joining Lafarge Group she was a Director Treasurer and senior Vice president-Legal of Jardine Davies Inc., a subsidiary of Jardine Matheson Group listed in the Philippines. During this period, she was President of the tax management Association of the Philippines, a national organisation of tax practitioners in the Philippines. A lawyer by training, she worked in various law firms prior to joining Lafarge Group.

Françoise Colpron

Age: 47

Nationality: American and Canadian

Professional Address: 150 Stephenson Highway, Troy, Michigan 48083, États-Unis.

Principal function: President of Valeo (*) North America

End of appointment: 2021

First appointment: 4 July 2017

Independent Director

Holds 50 shares

Other current directorships and positions:

In France:

-

Abroad:

Outside Valeo Group:

Director of the Original Equiment Suppliers Association (USA)
Director of the Motor & Equipement Manufacturers Assocations (USA)

Within Valeo Group:

Director of Valeo Canada Inc., subsidiary of Valeo (Canada)
Director of Detroit Thermal Systems LLC (USA)
Director of DTS Leverage Lender, LLC
Director of Valeo Kapec North America Inc.

Past directorships and positions (held during the past five years):

In France:

-

Abroad:

Director of FACC
Director of Inforum

Biography:

Françoise Colpron has been, since 2008, President of Valeo North America in charge of the activities of the group in the United States, Mexico and Canada. She joined Valeo in 1998 in the Legal Department and held various positions, first as General Counsel of the Thermique Habitacle Division in Paris and, more recently, General Counsel of the North America and Latin America zones from 2005 to 2015. Before joining Valeo, Françoise Colpron started her career in private practice at the lawfirm Ogilvy Renault (Montreal, Canada) which merged with Norton Rose. Françoise Colpron holds a degree in Civil Law from the University of Montreal (Canada) (1992). She was admitted to the Bar of Quebec in 1993 and the Michigan Bar in 2003. Françoise Colpron was selected by Automotive News in 2015 as one of the 100 most influential women in the North American automotive industry and, in 2016, by Crain's Detroit Business as one of the 100 most influential women in Michigan in a list that includes leaders in the fields of business, education and politicial groups. Françoise Colpron is a Chevalier in the Legion of Honor.

(*) Listed company.

Gérard Hauser

Age: 76

Nationality: French

Principal function: Director of companies

End of appointment: 2020

First appointment: 11 March 2003 – 9 July 2004

Member of the Nominations and Remuneration Committee
Member of the Ethics, Compliance and Sustainability Committee

Holds 3,430 shares

Other current directorships and positions:

In France:

Director of Technip France
Director of Delachaux

Abroad:

Director of Technip Italy

Past directorships and positions (held during the past five years):

In France:

Director of Technip (*) (2008-2017)
Chairman of Supervisory Board of Stromboli Investissement (SAS) (2009-2016)
Director of Ipsen (March 2006 – 1 July 2014)

Abroad:

Director of Mecaplast (Monaco) (2009-2016)

Biography:

From 1965 to 1975, Mr Gérard Hauser occupied several high-level positions in the Philips Group. From 1975 to 1996, he worked for the Pechiney Group, as Chairman and Chief Executive Officer of Pechiney World Trade first and of Pechiney Rhénalu later; he was later appointed Senior Executive Vice President of American National Can and member of the Pechiney group Executive Board. Mr Gérard Hauser joined Alcatel in 1996 and became President of its Cable and Component Sector in 1997. From October 2000 to May 2009, he was Chairman and Chief Executive Officer of Nexans.

Sylvie Kandé de Beaupuy

Age: 61

Nationality: French and Senegalese

Professional address: B80 Building – Office W338 – PO Box 31, 2, rond-point Émile-Dewoitine, BP 90112 – 31703 Blagnac (France)

Principal function: Group Ethics & Compliance Officer of Airbus Group

End of current appointment: AGM 2019

First appointment: 30 January 2017

Independent Director
Chairwoman of the Ethics, Compliance and Sustainability Committee

Holds 1,400 shares

Other current directorships and positions:

In France:

–

Abroad:

–

Past directorships and positions (held during the past five years):

In France:

–

Abroad:

–

Biography:

Ms Sylvie Kandé de Beaupuy began her career as a lawyer and was part of the Corporate/Mergers and Acquisitions Department of Clifford Chance in Paris for nearly 20 years. From 2003 to 2008 she was General Counsel and Compliance Officer for EADS ATR and member of the Executive Committee and Transactions Approval Committee. From 2009 to 2015, she was Group Chief Compliance Officer, then Executive Vice President – Group Corporate General Counsel of Technip SA. Since November 2015 Ms Kandé de Beaupuy has been Group Ethics & Compliance Officer at Airbus Group and member of its Diversity Committee.

(*) Listed company.

Klaus Mangold

Age: 74

Nationality: German

Professional address: Mangold Consulting GmbH – Leitz-Strasse 45 – 70469 Stuttgart (Germany)

Principal function: CEO of Mangold Consulting GmbH

End of current appointment: AGM 2019

First appointment: 26 June 2007 – 28 June 2011

Independent Director
Member of the Nominations and Remuneration Committee.

Holds 2,000 shares

Other current directorships and positions:

In France:

–

Abroad:

Vice-Chairman of Rothschild Europe, Paris/London
Chairman of the Supervisory Board of Rothschild GmbH, Frankfurt, Germany
Member of the Supervisory Board of Continental AG (*), Hannover, Germany
Chairman of the Supervisory Board of TUI AG (*), Hannover, Germany
Member of the Supervisory Board of Baiterek NHV, Kazakhstan

Past directorships and positions (held during the past five years):

In France:

–

Abroad:

Chairman of the Supervisory Board of ALSTOM Deutschland AG, Germany (2016)
Member of the Supervisory Board of Swarco AG, Austria (2016)
Member of the Supervisory Board of Metro AG (*) (2013)
Member of the Global Governance Council of Ernst & Young Global Ltd., United States (2017)
Member of the Global Advisory Group of Rothschild, Paris/London (2017)

Biography:

Prof. Klaus Mangold is a former Member of the Board of Management of DaimlerChrysler AG, former Chairman of the Board of Management of DaimlerChrysler Services AG and former Executive Advisor to the Chairman of DaimlerChrysler AG. He studied law and economics at the Universities of Munich, Geneva, London, Heidelberg and Mainz and finished his studies with a law degree at Heidelberg University. After graduating, he held different functions in German industry before being nominated a Member and Chairman of the Board of Management of Rhodia AG, a branch of the French Rhône-Poulenc group (1983-1990), and Chairman and Chief Executive Officer of Quelle-Schickedanz AG (1991-1994). He joined the Daimler-Benz group as a Member of the Board of Management in charge of its Services Division and Central and Eastern European markets (1995-2003). Prof. Klaus Mangold has held the position Chairman of the Supervisory Board of TUI AG, Germany and member of a number of Supervisory and Advisory Boards, including those of Alstom, Ernst & Young (United States) and Continental AG (Germany). He is also Chairman of the Supervisory Board of Rothschild GmbH (Frankfurt) and Chief Executive Officer of Mangold Consulting GmbH. Until November 2010 he was Chairman of the Committee on Eastern European Economic Relations of German Industry. He is also *Commandeur de la Légion d'honneur* in France.

Géraldine Picaud

Age: 48

Nationality: French

Professional address: LafargeHolcim Group Services Ltd, Hagenholzstrasse 85, 8050 Zürich (Suisse)

Principal function: Chief Financial Officer of LafargeHolcim (*)

End of current appointment: 2019

First appointment: 30 June 2015

Independent Director
Chairwoman of the Audit Committee

Holds 2,000 shares

Other current directorships and positions:

In France:

-

Abroad:

Member of the Board of Directors of Infineon Technologies AG (*)
Member of the Board of Directors of Transitions Optical IE LTD
Member of the Board of Directors of Transitions Optical Inc.
Member of the Board of Directors of Transitions Optical Holding BV
Member of the Board of Directors of Grupo Visión 3-101-490923 S.A.
Member of the Board of Directors of Coastal.com

Past directorships and positions (held during the past five years):

In France:

Chief Financial Officer of Essilor
Member of the Board of Directors of Aéroports de Paris
Member of the Board of Directors of the Vision for Life Foundation

Abroad:

Member of the Board of Directors of Alcan Rubber & Chemicals Inc.
Director and Member of the Audit Committee of DE Masterblenders 1753 (*)
Member of the Board of Directors of Essilor India Property Limited
Member of the Board of Directors of Vision Direct Group Company Ltd
Member of the Board of Directors of Xiamen Yarui Optical Co. Ltd.
Member of the Board of Directors of Artgri Group International Pte. Ltd

Biography:

Ms Géraldine Picaud was named Chief Financial Officer of LafargeHolcim in January 2018. She was formerly the Chief Financial Officer of the Essilor Group, the global leader in ophthalmic optics. Prior to joining Essilor, Geraldine Picaud worked for the ED&F Man group (a key player in the international commodity market) where she arrived in 2007. Initially, she joined the London Office as the Head of Global Finance Responsible for Mergers & Acquisitions, then transferred to Switzerland, where she headed the Financial Management team of Volcafe Holdings. Prior to this, she was first responsible for Management Control then the Chief Financial Officer at Safic Alcan (international distribution group of specialty chemicals). Ms Géraldine Picaud began her professional career in 1991 at Arthur Andersen Audit. She is a graduate of the Reims Management School (ESC Reims).

(*) Listed company.

Sylvie Rucar

Age: 61

Nationality: French

Professional address: 9 bis, rue Saint-Armand – 75015 Paris (France)

Principal function: Managing Director of SRCFA

End of current appointment: 2019

First appointment: 30 June 2015

Independent Director
Member of the Nominations and Remuneration Committee
Member of the Audit Committee

Holds 2,000 shares

Other current directorships and positions:

In France:

Senior Advisor at Alix Partners (U.S. advisory firm, Paris office)
Director of Avril Gestion (France)
Director of CFAO (France), Chairperson of the Audit Committee

Abroad:

–

Past directorships and positions (held during the past five years):

In France:

Director of SOPROL (France) and Cooper Standard France
Senior Advisor at Grant-Thornton Corporate Finance (advisory firm)

Abroad:

–

Biography:

Ms Rucar began her career in 1978 at Citroën (PSA Group), and then joined the PSA group Finance Management from 1984 to 2007. There, she worked in the fields of mergers and acquisitions, financial controls, and international finance, and was Group Treasurer before becoming the Chief Financial Officer and Chairman of the PSA Finance Bank. She was a member of PSA Group's Management Committee.
In early 2008, Ms Sylvie Rucar joined Société Générale where she was the Deputy CFO and Chief Operating Officer of the Group's Investor Services business, then integrated Family Office Cogepa in mid-2009. She has been since 2010 an advisor in financial management, mergers and acquisitions and corporate restructuring for her own firm and a Senior Advisor of the advisory firm Alix Partners. Ms Sylvie Rucar is a graduate of the ESCP-Europe Business School (*École supérieure de commerce de Paris*, ESCP-Europe).

Philippe Marien

Age: 61

Nationality: French

Professional address: Bouygues – 32, avenue Hoche – 75378 Paris Cedex 08 (France)

Principal function: Vice Chief Executive Officer of Bouygues (*)

Member of the Audit Committee
Designated by Bouygues (*) as its permanent representative

End of Bouygues' appointment: 2018

First appointment of Bouygues: 18 March 2008-22 June 2010
Bouygues SA
French *société anonyme* with a share capital of €354,908,547
Head Office: 32, avenue Hoche – 75378 Paris Cedex 08 (France)
Holds 62,086,226 shares

Current directorships and positions of Mr Philippe Marien as a permanent representative of Bouygues SA:

In France:

Permanent representative of Bouygues, Director of Bouygues Construction
Permanent representative of Bouygues, Director of TF1 (*)
Permanent representative of Bouygues, Director of Colas (*)
Permanent representative of Bouygues, member of the Board of Bouygues Immobilier
Permanent representative of Bouygues on the Boards of Bouygues Telecom

Abroad:

Other current directorships and positions of Mr Philippe Marien inside Bouygues Group:

In France:

-

Abroad:

Director of Bouygues Europe (Belgium)
Director of Uniservice (Switzerland)

Current directorships and positions of Mr Philippe Marien outside Bouygues Group:

In France:

Chief Executive Officer of SCDM

Abroad:

-

Past directorships and positions of Mr Philippe Marien (held during the past five years):

In France:

Permanent representative of Bouygues, member of the Board of Directors of C2S (2017)
Liquidator of Finamag (2015)
Director, then Chairman of the Board of Bouygues Telecom (2017)

Abroad:

-

(*) Listed company.

Biography:

Philippe Marien is a graduate of *École des hautes études commerciales* (HEC). He joined the Bouygues group in 1980 as international finance manager. In 1984, he was special advisor for the takeover of the AMREP oil services group before being appointed Finance Director of Technigaz, a liquefied gas engineering contractor in 1985. In 1986, he joined the Group's Finance Department to take responsibility for the financial aspects of the takeover of Screg. He was successively Head of Finance and Cash Management of Screg in 1987 and Finance Director of Bouygues Offshore [(1)] in 1991. He was appointed Senior Vice President, Finance and Administration of Bouygues Offshore in 1998, then moved to Bouygues Bâtiment in 2000 as Chief Financial Officer. In March 2003, Philippe Marien became Chief Financial Officer of the Saur group [(2)]. He managed the sale of Saur by Bouygues to PAI partners, then by PAI partners to a new group of shareholders led by the Caisse des Dépôts et Consignations. He was appointed Chief Financial Officer of the Bouygues group in September 2007. In February 2009, Philippe Marien was appointed Chairman of Bouygues Telecom's Board of Directors, a position that he held until April 2013. His remit within the Bouygues group was extended to include Information Systems and Innovation in 2015 and Human Resources in 2016. On 30 August 2016, he was appointed Deputy CEO of Bouygues.

Diversity and Areas of Expertise of the Board of Directors

This section is based on information provided by the Members of the Board of Directors in reponse to an annual questionnaire provided to them by the Company.

	Transportation industry	Equipement suppliers	Management of large companies (CA ≥ €7 billion)	Finance	Legal/ M&A	Ethics & Compliance	Human Resources	Corporate Social Responsibility	Digital and Cybersecurity	International
Henri Poupart-Lafarge	√	√	√	√	√	√	√	√	√	√
Yann Delabrière	√	√	√	√					√	√
Candace K. Beinecke				√	√	√				√
Olivier Bouygues			√					√		√
Bi Yong Chungunco			√		√	√				√
Françoise Colpron	√	√			√	√	√	√		√
Gérard Hauser	√	√	√	√		√	√			√
Sylvie Kandé de Beaupuy	√		√		√	√	√	√		√
Klaus Mangold	√		√	√	√	√		√		√
Géraldine Picaud			√	√	√					√
Sylvie Rucar	√		√	√	√	√		√		√
Philippe Marien (Representative of Bouygues SA)			√	√						√
Clotilde Delbos[(1)]	√		√	√	√	√	√			√
Baudouin Prot[(1)]			√	√	√	√	√	√		√

Directors joining the Board at the end of the 2018 Annual Shareholder Meeting, subject to shareholders' approval.

Absence of conviction or conflicts of interest

This section is based on the information provided by the members of the Board in answer to the annual questionnaire sent to them by the Company.

To the Company's knowledge, no member of the Board of Directors:

- has been convicted of fraud during the last five years and/or has been the subject of any official public investigation and/or sanction by statutory or regulatory authorities, it being specified that by a decision of 18 December 2014, the Enforcement Committee of the French Financial Markets Authority (AMF) considered that Faurecia S.A. and its Chairman and CEO, Mr Yann Delabrière, had failed to meet certain obligations defined in Articles 223-1, 223-2 and 223-10-1 of the AMF General Regulation pertaining to information related to Faurecia S.A.'s objectives for 2012. On the basis of Articles L. 621-15 (paragraphs II-(c) and III-(c)) of the French Monetary and Financial Code, the AMF fined Faurecia S.A. and its Chairman and CEO, Mr Yann Delabrière, €2 million and €100,000, respectively. On February 26, 2015, Faurecia S.A. and Mr Yann Delabrière, supported by the Board of Directors of Faurecia S.A., lodged an appeal against this decision with the Paris Court of Appeal. In a ruling rendered on 30 June 2016, the Paris Court of Appeal, considering that the decision did not enable an assessment of the proportionality of the fine, decided that the financial penalty imposed on Faurecia S.A. should be overturned and, as a consequence, reduced to €1 million. As regards Mr Yann Delabrière, the Paris Court of Appeal found no

(1) Bouygues' oil and gas services activity, sold to Saipem in May 2002.
(2) Bouygues' utilities subsidiary, sold to PAI partners in November 2004.

evidence of personal wrongdoing and maintained the penalty solely in his capacity as legal representative of Faurecia S.A. On 22 August 2016, Faurecia S.A. and Mr Yann Delabrière lodged a further appeal against this ruling before the French Supreme Court. The proceedings are currently pending before this Court;

- has been associated in his/her capacity of manager in any bankruptcy, receivership or liquidation for the past five years;
- has been disqualified by a court from acting as a member of an administrative, management or supervisory body of an issuer or from acting in the management or conduct of the business of any issuer for the past five years.

To the Company's knowledge there is no conflict of interest between any duty of the members of the Board of Directors and their private interests and/or other duties.

In the event of a conflict of interest, according to the Director's Charter annexed to the Board of Directors' Internal Rules, any Director must inform the Board as soon as he/she is aware of any, even potential, conflict of interests and he/she must refrain from participating in discussions on the conflicting subject matter and from voting on the corresponding resolution. In case of conflict of interest that cannot be resolved to the satisfaction of the Board, the Director must resign.

Moreover, to the Company's knowledge:

- no arrangement or agreement has been reached with shareholders, clients, suppliers or others to appoint a member of the Board of Directors;
- there is no family relationship among the members of the Company's Board of Directors;
- there is no service contract linking any members of the Board of Directors to the Company or to any of its subsidiaries and granting them any benefits.

To the Company's knowledge, and with the exception of what is described concerning Bouygues in section "Additional Information" of the Registration Document for the 2017/18 fiscal year, there is no restriction applicable to any of the other members of the Board of Directors related to the sale of their stake in the share capital of the Company other than the internal rules set by the Group or, more generally, all applicable legal or regulatory provisions governing refraining from trading in the Company's securities in the context of insider trading prevention.

Directors' independence

According to the AFEP-MEDEF Code and as set forth in the Board of Directors' Internal Rules, the Board of Directors annually assesses the situation of each Director in the light of the independence criteria. The Board meeting of 15 May 2018 performed this review based on the proposals made by the Nominations and Remuneration Committee which were accepted by the Board.

As in the previous year, the Board referred to the AFEP-MEDEF Code's definition and considered that a Director is independent when he or she has no relationship of any kind whatsoever with the Company, its Group or its Management that could potentially compromise his or her ability to exercise independent judgement.

The Board took into account all the AFEP-MEDEF Code's recommmendations for assessing the independence of its members, and established that in order to be qualified as independent, a Director must not:

- be or have been, in the past five years, an employee or an executive officer (*dirigeant mandataire social*) of the Company, or an employee or executive officer or Director of a company within its scope of consolidation, or an employee, executive officer, or Director of the Company's parent company, or of a company within such parent's scope of consolidation;
- be an executive officer (*dirigeant mandataire social exécutif*) of a company in which the Company holds, either directly or indirectly, a seat on the Board of Directors, in which an employee designated as such or an executive officer (*dirigeant mandataire social exécutif*) of the Company (currently or over the past five years) holds a directorship;
- be, either directly or indirectly, a significant customer, supplier, investment or commercial banker of the Company or its Group, or for which the Company or its Group represents a material proportion of the entity's business;
- have any close family ties with a Corporate Officer (*mandataire social*) of the Company;
- have been a Statutory Auditor of the Company in the past five years;
- have been a Director of the Company for more than twelve years (loss of the status of independent Director occurs on the date at which this period of twelve years is reached);
- be, control, or represent a shareholder that holds, individually or in concert, more than 10% of the Company's share capital or voting rights of the Company;
- receive variable compensation In cash or shares or any other form of remuneration linked to performance of the Company or of the Group.

Every year, the Company encourages each Director to submit a statement to the Company concerning their status vis-à-vis each of these criteria.

In compliance with the AFEP-MEDEF Code's recommendation, the Board of Directors may conclude that a Director is not qualified as independent even though he or she meets the criteria for independence, and vice versa.

The Board of Directors reviewed the key business relationships criterion. Whenever business activities or relationships were developed and identified between the Company and the companies in which those Directors qualified as independent perform functions or exercise mandates, in order to assess the independence of the relevant Directors, the Board generally ensured that factors such as the nature and the economic value of the relationship, as assessed from each party's point of view, were not significant, and that the relevant Director did not hold an executive position within the company or group concerned.

The Board of Directors reviewed the relationship that Mr Klaus Mangold had with Rothschild & Cie., the bank advising the Company as financial consultant for the proposed combination with Siemens mobility business. Mr Klaus Mangold (i) only held non-executive directorship positions during the 2017/18 financial year with companies in the Rothschild & Cie group and (ii) only received from this group remuneration as a non-executive director. As a result, the Board of Directors decided that Mr Klaus Mangold met all of the independence requirements and should, therefore, be considered as an independent director.

Furthermore, the Board of Directors reviewed the situation of Ms Sylvie Kandé de Beaupuy in light of the cooperation agreement that the Company signed on 27 April 2017 with Airbus, company in which she is the Group Ethics & Compliance Officer. The Board of Directors considered that given the nature (i) of her activities within Airbus and (ii) the agreement which seeks only to implement a co-development programme to reinforce the efforts to prevent cyber-attacks (with an objective of providing services to analyse the vulnerability of transport systems, to create a common protection platform and define a new standard for security operational centers adapted to the industrial sector), Ms Sylvie

Kandé de Beaupuy met all the independence requirements and should, therefore, be considered as an independent director.

Therefore, after reviewing all the criteria, the Board of Directors decided that, as of 15 May 2018, seven Directors of the twelve Directors making up the Board qualified as independent, corresponding to 58%.

The Board of Directors also reviewed the situation of Ms Clotilde Delbos and Mr Baudouin Prot, whose appointment will be proposed to the shareholders at the 2018 Annual General Meeting and decided that they met all the independence requirements. As a result, if the resolutions related to the proposed appointments and reappointments, not including those related to the business combination between Siemens and Alstom, are adopted by shareholders of the Company, following the 2018 Annual General Meeting, nine directors would be considered as independent out of the fourteen directors on the Board, corresponding to 64%.

AFEP-MEDEF Criteria The criterion is considered met when marked with a "√".	No employment or executive officer position in the Company within past 5 years	Absence of cross directorships	Absence of material business relationsships	Absence of family connections	Not having been the Statutory Auditor of the Company for the past 5 years	Duration of appointment less than 12 years	Less than 10% shareholding in the Company	Absence of variable compensation based on performance of the Company	Qualification assigned by the Board
Henri Poupart-Lafarge		√	√	√	√	√	√		Not independent
Candace Beinecke	√	√	√	√	√		√	√	Not independent
Olivier Bouygues	√	√	√	√	√			√	Not independent
Bi Yong Chungunco	√	√	√	√	√	√	√	√	Independent
Françoise Colpron	√	√	√	√	√	√	√	√	Independent
Yann Delabrière	√	√	√	√	√	√	√	√	Independent
Sylvie Kandé de Beaupuy	√	√	√	√	√	√	√	√	Independent
Gérard Hauser	√	√	√	√	√		√	√	Not independent
Klaus Mangold	√	√	√	√	√	√	√	√	Independent
Philippe Marien (Representative of Bouygues SA)	√	√	√	√	√	√		√	Not independent
Géraldine Picaud	√	√	√	√	√	√	√	√	Independent
Sylvie Rucar	√	√	√	√	√	√	√	√	Independent
Clotilde Delbos (*)	√	√	√	√	√	√	√	√	Independent
Baudouin Prot (*)	√	√	√	√	√	√	√	√	Independent

(*) Directors joining the Board of Directors at the end of the 2018 Annual Shareholder Meeting, subject to shareholders' approval.

Rules of conduct – Ethics for Directors

Director's Charter

Attached to the Board of Directors' Internal Rules is the Director's Charter, defining the Directors' rights and obligations, and the content of which is, in most respects, compliant with the recommendations of the AFEP-MEDEF Code. Before accepting their appointment, all Directors must make themselves aware of the legal and regulatory requirements relating to their office, as well as of the Company Articles of Association, the Group's Code of Ethics, the internal procedures for the Board of Directors, Board Committees and the Director's Charter. Any Director can refer to the Secretary of the Board at any time, regarding the application of these rules and the rights and obligations of their role.

Each Director shall dedicate to her/his function all the required time and attention and shall attend – unless prevented to do so – all meetings of the Board of Directors and of the Committees which he or she is a member, as well as all General Shareholders' Meetings.

Pursuant to the charter, each Director has a duty to inform the Board as soon as he or she is aware of a conflict of interest, even a potential one, and to abstain from attending discussions and from voting on the corresponding resolution. It specifies that the Director must consult with the Chairman of the Board of Directors (or, whenever the Director in question is the Chairman of the Board of Directors, the Chairman of the Nominations and Remuneration Committee) prior to committing to any responsibilities or accepting to exercise any functions or fulfil any obligation that could, according to him or her, create a conflict of interest for him or her, including a potential one. After consulting with the Lead Director, the Chairman can submit such questions to the Nominations and Remuneration Committee, or the Board of Directors. The Lead Director will analyse any potential conflicts of interest with the Chairman of the Board of Directors. In the event of a conflict that cannot be resolved to the satisfaction of the Board, the Director must resign. Upon taking office, then once a year, the Director must submit a statement to the Company on the existence of or the potential for any conflicts of interest by answering a questionnaire provided by the Company. He or she must notify the Company if ever this submitted information becomes inaccurate, and is required to answer to the Chairman of the Board of Directors' information request at any time, in accordance with the Directors' Charter.

Pursuant to the charter, each Director is bound by professional secrecy and must personally protect the confidentiality of any information he or she obtains in connection with his or her office that has not been made public.

In addition, the charter states that the Director must also comply with the provisions of the AFEP-MEDEF Code and the legal provisions in force concerning rules applicable to the combination of mandates. Each Director must provide information to the Company regarding the mandates he or she holds in other companies, including his or her participation in Committees of the Boards of such French or foreign companies. He or she must disclose any new mandate or professional responsibility to the Company as soon as possible. When he or she exercises executive functions within the Company, he or she must also solicit the opinion of the Board of Directors prior to accepting a new corporate mandate in a company outside the Group.

The Director's Charter also restates the Directors' duty to comply with the Group's Internal Rules and, more generally, with the applicable legal or regulatory provisions regarding the Directors' abstention from dealing in the Company's securities, as set forth in the Group's Code of Conduct on the misuse of inside information designed to prevent insider trading.

Code of Conduct on the misuse of inside information designed to prevent insider trading

The Code of Conduct on the misuse of inside information designed to prevent market abuse (the "Code of Conduct") defines the situations in which certain individuals must refrain from carrying out transactions involving the Company's securities. These principles are also contained in the Group's Code of Ethics presented in the second part of this report.

The Group's Code of Ethics and Code of Conduct are also delivered to each Director at the beginning of his or her mandate and following each amendment. Compliance with confidentiality rules is also among the essential rules of the Group's Code of Ethics.

The Code of Conduct applies to the managers (Executive and Non-Executive Directors) and assimilated persons, and to employees of the Group who have regular or occasional access to inside information.

In addition, the opening of each blackout-trading period is notified by email to the interested persons together with an updated timetable of all such periods.

The Board's Internal Rules, as well as this Code of Conduct to which the Internal Rules of the Board refer, also remind the managers and persons related to them of their legal obligations to report dealings in the Company's securities made either by them or by persons close to them.

Pursuant to the Code of Conduct, transactions involving the Company's securities are not allowed:

- during the 30 calendar days before Alstom's first six-month and annual results are disclosed to the public and until the second trading day included after the date when the information has been disclosed to the public;
- during the 15 calendar days before the public disclosure of the sales and orders (or other results) for the first and third quarters of the financial year and until the second trading day included after the date when the information has been disclosed to the public, and in any case;
- when inside information is held and until the second trading day included after the date when this information has been disclosed to the public.

CONDITIONS OF PREPARATION AND ORGANISATION OF THE WORK OF THE BOARD OF DIRECTORS

Organisation and functioning of the Board of Directors

The procedures governing the organisation and functioning of the Board of Directors are defined by the Internal Rules of the Board whose purpose is to complement applicable laws and regulations.

The rules are regularly reviewed by the Board of Directors to determine whether its provisions need to be amended or detailed in order to better comply with regulations in force or to improve the efficiency and operation of the Board of Directors and its Committees.

The Internal Rules notably state that the Board of Directors:

- shall be comprised of independent Board members numbering not less than half of its total members, as determined and reviewed annually by the Board of Directors on the basis of a proposal to be made by the Nominations and Remuneration Committee;
- shall define, upon the proposal of the Chief Executive Officer, the Group's strategy, and shall regularly review the Group's strategic options as previously defined, supervise management and verify the quality of information supplied to shareholders and the financial markets;
- shall review and approve the annual budget and the medium-term plan;
- shall consider prior to implementation, any operation that is not part of the Group's announced strategy or that could significantly affect it or materially modify the financial structure or results of the Group;
- shall approve before implementation any acquisition or divestiture insofar as the amount exceeds €80 million, any decision to set up a partnership or a joint venture where the contribution of the Group exceeds €80 million, as well as any financing transaction which exceeds a total of €400 million for any one transaction for new medium-term or short-term borrowings, or €1 billion for short-term treasury notes;
- shall approve before implementation organic growth investments in an amount higher than €80 million and the significant internal restructuring undertakings in particular at the time of the annual review of the Group's budget and strategy;
- shall be kept regularly informed of developments in the Group's business activities and results, the Group's significant risks, its financial position, indebtedness, cash position and, more generally, any Group commitments, and may request information about the foregoing at any time;

- shall create one or more specialised Committees and shall define their composition and responsibilities;
- shall approve the composition of the Group's Executive Committee;
- shall set the remuneration of the Executive and Non-Executive Directors (*mandataires sociaux*) and assess each year the Chief Executive Officer's performance outside of his presence;
- shall review and approve annually the information published in the Company's Annual Report on its practices and structure of corporate governance, including the presentation of the policy that is followed with respect to the remuneration of Executive and Non-Executive Directors.

The Board shall examine its method of working at least once a year and implement a formal assessment every three years.

Every year, the Board conducts an internal assessment of its method of working and of the Committees' methods of working and entrusts the preparation of such assessment to external consultants every three years.

A minimum of six meetings are scheduled each year.

Training of Directors

Upon being appointed to the Board of Directors, each Director receives all information needed to perform his or her duties and may request any document he or she considers appropriate.

Interviews with those responsible for the Group's main central functions are organised with detailed presentation of the businesses and the visits of production sites to allow the Directors to gain initial contact with management teams and develop a more thorough understanding of elements that are specific to the Company, its activities and the markets in which it operates.

Within the framework of the development of continuing training initiatives, it is also proposed to all Directors the option to participate in these induction and training programs intended for new Directors.

During the annual assessment of the Board of Director's functioning, the members are requested to indicate whether they feel the need to update their knowledge or broaden their skills.

The Board of Director's Internal Rules specify that any further training a Director may request, if he or she considers it necessary, may cover not only Group activities and product lines, but also accounting and financial aspects.

Each year, one Board of Directors meeting is held (when possible) on one of the main Group sites and provides in depth presentations of the business concerned, visits of production sites and exchanges with operational executives.

Information to be provided to Directors

Prior to each Board or Committee meeting, the Directors shall receive, sufficiently in advance and with proper notice (generally one week advance notice), a report on the agenda items that require prior examination and consideration.

In addition to Board of Directors meetings, the Chairman regularly informs the Directors of any event or development that may have a material impact on operations or on any information previously communicated to the Board of Directors or on any matters discussed during the meetings; the Chairman also regularly forwards to the Directors any material information regarding the Company. The Board of Directors Internal Rules, notably provide for prior approval by the Board for any acquisition, disposal or any decision to set up a partnership or a joint venture in excess of €80 million.

The Directors also receive copies of any press release, as well as the main articles appearing in the press and reports by financial analysts.

The Directors may at any time request further information from the Chairman of the Board, who shall assess the relevance of the request. Any Director is also entitled to meet with the Group's Senior Executives outside of the presence of the Executive and non-Executive Directors ("*mandataires sociaux*") of the Company.

The Directors can also be asked to join workgroups organised by the Company whose subject matter will then be presented to the Board of Directors.

The operational or functional executives of the Group, as well as persons outside the Group, participate in meetings at the request of the Chairman, based on the matters on the agenda.

Board Committees

Since the Company's listing in 1998, the Board of Directors has operated two Committees, the Audit Committee and the Nominations and Remuneration Committee, invested with the responsibility to study and prepare the Board's main deliberations in order to improve the Board's efficiency, which is the only body duly authorised to make decisions.

In September 2010, the Board of Directors decided to establish a third Committee, the Ethics, Compliance, and Sustainability Committee.

Each Board meeting is generally preceded by a meeting of one or more of these Committees depending on the items on the Board of Directors meeting agenda. The Committees report to the Board on their work and observations, and submit their opinions, proposals or recommendations. Given the travelling requirements foreign Directors are faced with, Audit Committee meetings are usually held the day prior to Board meetings and not two days ahead as recommended by the AFEP-MEDEF Code, on the basis of documents that have already been sent to participants (a week before the meeting). However, with respect to the approval of the annual financial statements, the Audit Committee has, on occasion, met several days before the Board meeting.

The composition, the powers and the procedures of each Committee are also defined by Internal Rules put forward by each Committee involved and approved by the Board of Directors. Each Committee reviews its Internal Rules to take into account the evolution of the regulations or recommendations and can submit any modifications that it considers appropriate to the Board.

In addition, the Board of Directors can at any time decide to create an ad hoc Committee of Directors to examine a specific matter. As such, on 24 August 2017, it appointed an ad hoc Committee of Directors, made up of the members of the Audit Committee and Mr Yann Delabrière (with a consequent level of independence of 75%) to undertake the examination of the proposed combination of Siemens and Alstom's mobility businesses. This committee met four times during the financial year with an attendance rate of 95%.

A Director's professional career and skills are taken into account as selection criteria in deciding on his or her presence on a given Committee.

According to the Audit and EC&S Committees' Internal Rules, these Committees shall consist of at least three members of whom at least two-thirds must be independent Directors including the Chairman of the Committee. As for the Nominations and Remuneration Committee, the Rules recommend that it shall consist of at least three members and that at least a majority of the Committee's members are independent among whom the Chairman of the Committee who shall have a casting vote in case of a tie vote.

In the context of its work, each Committee can meet any Group executive it wishes, retain the services of experts on its own initiative and ask for any information useful for it to perform effectively.

Moreover, each member of a Committee may propose that a meeting be held if he or she considers this necessary in order to discuss a particular issue.

The Committees' work is subject to an oral report during the Board meeting, followed by a report in writing made available to Directors. Each Committee prepares a report presenting its work during the past fiscal year; this report is included in the Registration Document (see hereinafter).

The Internal Rules of the Board of Directors and its Committees and the Director's Charter appended to the Board Internal Rules of which large extracts are provided herein, as well as the Code of Conduct to which the Board Internal Rules refer, are available on the Alstom website.

Activity report of the Board for fiscal year 2017/18

The Board of Directors met eight times during the fiscal year (six times during the previous fiscal year). The attendance rate was 97% (92% in the previous fiscal year).

Based on the Audit Committee's recommendation, the Board of Directors reviewed and approved the consolidated and statutory accounts for the fiscal year 2016/17, the consolidated accounts for the first half of the fiscal year 2017/18, as well as the related management reports. The Board of Directors reviewed the draft press releases on these accounts before their publication.

Each time it reviewed the half-year and full year accounts and also on a regular basis, the Board of Directors reviewed the financial situation of the Group, the evolution of the cash flow, debt, liquidity position and its financial rating. The Board of Directors received information on the significant risks faced by the Group, how they have evolved, and the action plans launched. In May 2017, the Board of Directors discussed and approved the description of the main risks faced by the Group that were included in the Company's 2016/17 Registration Document.

In the framework of the adoption of the Registration Document for the 2016/17 financial year, the Board of Directors discussed Directors' independence status and, more generally, approved the Chairman's report pursuant to article L. 225-37 of the French Commercial Code and the section "Corporate governance" of the 2016/17 Registration Document before its filing with the AMF (*Autorité des marchés financiers*). It approved the "Sustainable Development" section after having heard the Ethics, Compliance and Sustainability Committee's report.

In May 2017, based on the Nominations and Remuneration Committee's proposal and on the level of achievement of set financial and personal objectives, the Board of Directors determined the amount of variable remuneration for the Chairman and Chief Executive Officer for the 2016/17 fiscal year. The Board of Directors also set the objectives for the determination of his variable remuneration for fiscal year 2017/18 as well as his annual fixed remuneration.

The Board reviewed the reasons for the approval by the shareholders during the Annual General Meeting of 4 July 2017, of the 8th resolution (related to the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of any kind payable to the Chairman and Chief Executive Officer for fiscal year 2017/18) and the 9th resolution (related to elements of remuneration due or attributed to Mr Henri Poupart-Lafarge in the fiscal year which ended on 31 March 2017) by 77.82% and 71.49% respectively. Following this analysis undertaken by the Nominations and Remuneration Committee and having taken into account various comments by shareholders during the 2017/18 financial year, the remuneration policy regarding the Chairman and Chief Executive Officer was adapted to be in line with best market practices.

In the area of governance, the Board discussed the composition of the Board of Directors and its Committees, in particular in light of the departures of Mr Pascal Faure and Mr Olivier Bourges and more general comments on the permanent objective of the Board to strengthen diversity and complementarity of required skills and competence, maintaining diversity among nationalities, and balanced representation of men and women. These activities allowed the Board of Directors to have an active involvement in the selection process for the member who joined the Board of Directors following the Annual Shareholder Meeting held on 4 July 2017 and the two candidates who will be proposed to shareholders' vote at the Annual Shareholder Meeting 2018.

The Board of Directors held two meetings without the participation of the Chairman and Chief Executive Officer (executive sessions). These meetings were devoted to the evaluation of the performance of the Chairman and Chief Executive Officer and the changes to his compensation package. The succession plan in case of incapacity of the Chairman and Chief Executive Officer was also reviewed and maintained.

The Board of Directors approved the adoptation of a performance share plan ("PSP 2018") and set its conditions based on recommendations of the Nominations and Remuneration Committee pursuant to the authority granted by the shareholders at the Annual Shareholder Meeting of 18 December 2015.

During the 2017/18 financial year, the Board of Directors continued to pay special attention to reviewing the Group's strategy and reviewing prospects and opportunities for the Group's growth. In this regard, the Board of Directors unanimously approved the signing on 26 September 2017 of a memorandum of understanding to combine the mobility activities of Siemens, including railway traction activities, with the Company. In continuation of this project, the Board of Directors unanimously supported the signature of the Business Combination Agreement on 23 March 2018. The Board of Directors, who chose to be advised by a separate financial advisor, was closely involved in every step of this process. It was also decided to create an ad hoc committee of the Board of Directors to support the Board of Directors in their review and preparation for this business combination. This committee, which was made up of 75% independent directors, includes the members of the Audit Committee and Mr Yann Delabrière. The committee met four times during the 2017/18 financial year with an attendance rate of 95% and maintained a constant line of communication with the Board of Directors.

Following the evaluation completed by an external firm during the 2016/17 financial year regarding its make up and compensation, the Board of Directors undertook an annual evaluation *via* a questionnaire and individual interviews with the Lead Director who presented the results of this review for the 2017/18 during the meeting of the Board of Directors on 15 May 2018.

During the fiscal year, the Board of Directors also:

- adopted the resolutions and the documents required by law concerning the annual Shareholders' General Meeting which were ongoing during the 2017/18 financial year;
- reviewed agreements with related parties previously approved;

- renewed the financial delegation of authority to the Chairman and Chief Executive Officer for issuing of debt securities;
- followed the evolution of the main on-going investigations and disputes, and received, on a regular basis, information on the internal control and risk management systems through reviewing the Audit Committee's work reports, and on the procedures, actions, and organisation of the Group relative to ethics, compliance, and sustainable development through monitoring the work of the Ethics, Compliance and Sustainability Committee.

The Committees' Chairpersons submitted their Committee work reports to the Board for discussion.

The Board of Directors discussed and acted on all other important matters concerning the Group.

The Statutory Auditors were invited to the two Board meetings dedicated to the review and approval of the annual and half-yearly accounts.

Lead Independent Director: activity report for fiscal year 2017/18

Mr Yann Delabrière, independent director, took office, replacing Mr Gérard Hauser, following the Annual Shareholder Meeting of 4 July 2017. Since this date, he is chairman of the Nominations and Remuneration Committee. He participated in all meetings of the Board of Directors and chaired all the meetings of the Nominations and Remuneration Committee.

During the 2017/18 financial year:

- As Chairman of the Nominations and Remuneration Committee, the Lead Director led the discussions on the composition of the Board of Directors. He was closely involved in the selection process for the two potential directors whose appointment will be proposed to the shareholders at the Annual Shareholder Meeting 2018.
- The Lead Director chaired the executive sessions of the Board of Directors which were devoted to the performance evaluation of the Chairman and Chief Executive Officer and the changes to his compensation package.
- The Lead Director consulted with the Chairman and Chief Executive Officer on a regular basis concerning the preparation of Board meetings and all of the important matters that were presented or decisions made at such meetings. This part of his activity was particularly intense during the 2017/18 financial year as a result of the proposed business combination with Siemens.
- The Lead Director maintained a regular and open dialogue with the members of the Board of Directors. He led the activity to evaluate the activities of the Board of Directors by interviewing each director and presented a summary of this evaluation.
- The Lead Director submitted a report of his work to the Board of Directors at its meeting dated 15 May 2018.

Audit Committee

Members

The Audit Committee is currently composed of three members: Ms Géraldine Picaud, Chairwoman of the Audit Committee, Ms Sylvie Rucar and Mr Philippe Marien.

It has two members out of three who are independent, including its Chairperson, which complies with the two-thirds of Directors recommended by the AFEP-MEDEF Code.

The members of the Audit Committee have specific expertise in financial or accounting matters due to their qualification or professional expertise as set forth in their biographies.

Duties

Acting under the authority of the Board of Directors, the general purpose of the Committee is to assist the Board of Directors in overseeing issues relating to the development and management of financial and accounting information. In particular, the Committee is responsible for monitoring (i) the process according to which the financial information is developed, (ii) the efficiency of internal controls and risk management systems, (iii) the legal auditing of annual account statements and consolidated account statements as carried out by the Statutory Auditors, and the independence of such Statutory Auditors.

In fulfilling its role, as stated in its Internal Rules, the Committee is responsible for the following:

- to review the scope of consolidation and examine all draft consolidated and corporate financial statements and related reports which will be submitted to the Board for approval and to discuss them with Management and the Statutory Auditors;
- to review with Management and the Statutory Auditors the generally accepted accounting principles used in the preparation of the accounts including the review of alternative accounting principles, as well as any change in accounting principles, methods or rules while monitoring that such principles are still relevant;
- to examine and monitor the production process and the treatment of financial and accounting information used in the preparation of account statements;
- to evaluate the validity of the methods chosen for processing significant transactions as well as those transactions through which a conflict of interest could have occurred;
- to examine Management's presentation on risk exposure (including legal risks) and significant off-balance sheet commitments and contingencies at the time of the Committee's review of the accounts;
- to review and evaluate at least annually, the efficiency of internal control procedures and risk management procedures in place, including those associated with the development and treatment of financial and accounting information; the Committee monitors that the main risks are identified and managed, and that it is kept informed of their existence and status, it being specified that it shall receive the opinion of the Ethics, Compliance, and Sustainability Committee on the risk map concerning ethics and compliance, social responsibility and sustainable development and on the procedures in place for preventing the identified risks;

- to examine and review, on an annual basis, the organisation and operation of the internal audit; the Committee approves the internal audit programme, monitors its development and the results of its plans of action;
- to review with the Statutory Auditors the nature, scope, and results of their audit and work performed; and to review their comments and suggestions, in particular those relating to internal control and risk management procedures, to accounting practices and to the internal audit programme;
- to examine and provide the Board of Directors with its opinion on the Chairman of the Board of Director's draft report to shareholders at the general Shareholders' Meeting on the internal controls and risk management procedures implemented by the Company;
- to review and control if any the call for tenders procedure associated with the selection of Statutory Auditors and provide the Board of Directors with a recommendation on the Statutory Auditors proposed for appointment by shareholders at the general Shareholders' Meeting and on the amount of fees that the Company intends to pay them;
- to approve the Statutory Audit Charter governing relations with the Statutory Auditors and examine, on an annual basis, the amount of the fees paid by the Group to the networks to which such Statutory Auditors belong, including fees that are not directly linked to the Statutory Auditors' duties;
- to oversee the Statutory Auditors' independence, to examine with them, if applicable, the risks that could impact such independence and the safety measures undertaken to mitigate these risks and grant its prior approval to any assignments that may be given to the Statutory Auditors and their network.

The Committee may also perform any other activity as the Committee or the Board of Directors deems necessary or appropriate. The Committee is entitled to seek any external assistance it may deem necessary.

Unless the Committee decides differently, the Statutory Auditors will attend meetings.

Activity report of the Audit Committee for fiscal year 2017/18

The Audit Committee met five times during fiscal year 2017/18 (five times during fiscal year 2016/17). The attendance level was 93% (100% for the previous fiscal year).

The Chief Financial Officer, the Vice President of Internal Audit, the Chief Tax & Accounting Officer and the representative of the two independent audit firms attended all five meetings. The Group Controller and the Group General Counsel attended four and three meetings, respectively. Other Senior Management including the Chief Information Officer, the Head of Treasury, the Senior Vice President for Asia Pacific, the Senior Vice President for North America, the Vice President Legal – Mergers and Acquisitions and the Director for Strategy also attended the Committee meetings.

The Committee reviewed the Statutory and Consolidated Financial Statements as of 31 March 2017 as well as the half-year consolidated accounts as of 30 September 2017 (financial statements, notes and management or activity reports) in May and November 2017 respectively. In May 2017, the Committee also reviewed the Registration Document for the fiscal year 2016/17 prior to its filing with the AMF (*Autorité des marchés financiers*) and especially the section concerning risks as well as the section concerning internal controls and risk management procedures of the Chairman's Report, which the Committee approved.

On the basis of the presentations by General Management and the independent audit firms, the Committee verified the relevance of the accounting methods and treatments used in the financial statements.

As in prior years, the annual and half-year closing of accounts were the subject of detailed presentations from the Financial Management, of the Group's major risks (risks linked to the activity, to contract execution, to the main disputes), of cash flow evolution, of the off-balance sheet commitments and of provisions. At the end of each meeting to review the accounts, the Chairman of the Audit Committee met with the independent audit firms without management being present to enquire as to whether all the relevant issues have been raised by them.

In September 2017, the Committee reviewed the existing internal control procedures put in place in the Group and the internal control evaluation carried out by the Company through an annual evaluation questionnaire. The Committee was informed of the detailed results of the annual internal control program and of the action plans aiming to improve internal controls and risk control, to eliminate weaknesses and to ensure compliance with applicable regulations. The results of the action plans were presented to the Committee. The Vice President of Internal Audit reported on the status of the audit and internal controls. The Committee also heard the Statutory Auditors' observations and recommendations on internal control in March 2018.

In May 2017 and March 2018, the risk map – a risk identification and follow-up tool embedded in the Budget/Three year plan – as well as the action plans implemented were examined. The Vice President of Internal Audit presented the updated results.

The Vice President of Internal Audit presented the Internal Audit half-year and full year activity reports for 2017 and the proposed internal audit plan for the next year was reviewed and approved.

The Committee examined the amount of fees paid out to the statutory audit firms during the fiscal year 2017/18. The Statutory Auditors' Charter includes the listing of pre-approved services that can be performed within defined limits by the independent audit firms. The Committee ensured that the work performed by the statutory audit firms was within their guidelines.

After each meeting, the Committee reported to the Board on its work and provided comments on key issues and proposals for improvements.

The Nominations and Remuneration Committee

Members

The Nominations and Remuneration Committee is currently composed of five members: Mr Yann Delabrière, Lead Director and Chairman of the Committee, Ms Candace K. Beinecke, Ms Sylvie Rucar, Mr Gérard Hauser and Mr Klaus Mangold.

Three members of the Committee out of five are independent, including the Chairman, which complies with the AFEP-MEDEF Code's recommendation to have a majority of independent members in the Committees in charge of nominations and of remunerations.

Duties

As stated in its Internal Rules, the Committee reviews and makes proposals or gives its opinion to the Board of Directors on the following subjects:

- the separation or combining of the functions of Chairman of the Board of Directors and Chief Executive Officer of the Company;
- the nomination (or revocation) of the Chairman of the Board of Directors and of the Chief Executive Officer;
- the nomination of new Directors including in case of unforeseeable vacancy; in particular, the Committee organises an appropriate procedure for selecting future independent Directors and makes its own independent research on potential candidates prior to them being approached;
- the nomination (or revocation), upon proposal of the Chief Executive Officer, of any other Executive Directors (*dirigeants mandataires sociaux*) and members of the Executive Committee;
- the succession plans for the Company's Executive Directors;
- the compliance by the Company with corporate governance principles that the Company abides by, notably regarding the policy with respect to the remuneration of the Executive Directors. The Committee advises the Board on the part of the Annual Report dedicated to the shareholders' information on these matters and on Board's work;
- the Board and Committees' composition and functioning (including the Nominations and Remuneration Committee);
- the Company's definition of an independent Director and the list of independent Directors to be inserted in the Company's Annual Report;
- all the elements comprising the compensation to be paid to the Executive Directors of the Company, including any award of stock options or performance-based shares, as well as compensation and benefits of any kind (including pensions and termination benefits) also paid to them by the Company or companies belonging to the Group. The Committee notably reviews and defines the rules for determining the variable part of such compensation, ensures their coherence with the annual performance evaluation and the strategy of the Company, and thereafter controls the implementation of these rules;
- the Company's general policy relating to stock option plans including the granting, timing and frequency of allocations, and any proposed stock option plans including the proposed beneficiaries;
- the Company's general policy relating to employee share purchase schemes and any proposed schemes;
- the Directors' fees and the conditions for their award;
- the definition or the validation of the remuneration, particularly with regard to variable pay, of the members of the Executive Committee and the annual evaluation of its members;
- the creation and implementation of an evaluation process for the Board of Directors and the three committees of the Board of Directors;
- the preparation of the annual evaluation of the senior corporate executives; and
- the analysis of any other issues at the request of the Board of Directors or on its own initiative.

Activity report of the Nominations and Remuneration Committee for fiscal year 2017/18

The Nominations and Remuneration Committee met five times during fiscal year 2017/18 (five times during the previous fiscal year) and the Members' attendance rate at these meetings was 96% (88% for fiscal year 2016/17).

The Committee discussed the action plans to implement following the evaluation of the activities of the Board of Directors in the spring of 2017. The Committee agreed, in particular, to improve its involvement in the selection of new directors notably by better identifying the various expertises which would be of value to the Board of Directors and the formalisation of the reporting to the Board of Director meetings on the work of the Committee by its Chairman.

The Committee discussed possible changes to be made with respect to the composition on the Board of Directors and various Committees in respect of governance best

The Committee proposed to the Board of Directors the amount of the variable remuneration for the Chairman and Chief Executive Officer for fiscal year 2016/17 and made proposals to the Board relating to the structure of his variable remuneration in respect of fiscal year 2017/18. It was also informed about compensation for members of the Executive Committee, which it also approved, based on a review of market practices provided by a specialised external consultant. The Committee also reviewed the Company's practices in terms of the directors' remuneration and recommended to the Board of Directors not to change the current structure during the financial year.

The Committee also studied the possibility of adopting an employee share purchase plan during the 2017/18 financial year before deciding to delay this plan given the strategic context of the Company.

The Committee also examined the draft resolutions and the draft report of the Board of Directors regarding the compensation principles for the Corporate Officers and the elements of the Chairman and Chief Executive Officer's compensation which were submitted for approval at the Annual Shareholder Meeting of 4 July 2017. Thereafter, it analysed and discussed the consequences of the shareholders' vote during this Annual Shareholder Meeting and took part in the modification of certain aspects of the compensation policy to take into account the comments from certain investors and proxy advisors.

Since the announcement of the proposed combination with Siemens mobility business, the Committee has been kept informed of the progress of the project related to governance and human resources and provided recommendations regarding possible adaptations of the compensation policy after the closing of the transaction.

The Committee examined and discussed the Company policy with regard to diversity.

After each meeting, the Committee reported to the Board on its work.

The Ethics, Compliance and Sustainability Committee

Members

The Ethics, Compliance and Sustainability Committee ("EC&S Committee") is currently composed of three members: Ms Sylvie Kandé de Beaupuy, Chairwoman of the Committee, Ms Bi Yong Chungunco and Mr Gérard Hauser. The Board of Directors appointed Ms Sylvie Kandé de Beaupuy to chair the Committee, succeeding Mr Pascal Colombani. Ms Bi Yong Chungunco and Mr Gérard Hauser joined the Committee in July 2014 and in March 2017, respectively.

Duties

As stated in its Internal Rules, the Committee reviews and makes proposals or recommendations to the Board on the following subjects:

With respect to ethics and compliance, the Committee reviews and monitors the Company's policies on ethics and compliance matters and the systems and procedures in place to effectuate these policies and provides the Board of Directors with its views.

The Committee is responsible for the following:

- to review the definition of the Group's core values and ethics and compliance policy;
- to review the organisation of the Ethics and Compliance function and make recommendations if any;
- to review the Group's Code of Ethics, rules and procedures (including procedures with third parties); the Committee is informed of the plans for their promotion and implementation;
- to receive on an annual basis, the presentation of the Group's risk map concerning ethics and compliance; it reviews the risks thus identified and is kept informed of their evolution and of the characteristics of their management systems;
- to receive from the Head of Ethics & Compliance function the annual activity report on the Company's ethics and compliance policy and actions undertaken; to review and recommend the proposed compliance action plan for the following year and to monitor its development;
- the Committee is informed of any possible cases of non-compliance with respect to the ethics and compliance policy, and reviews the actions plans carried out as a result of such cases;
- to review the liaison with stakeholders over ethical issues.

With respect to sustainable development, the Committee is responsible for:

- reviewing the Group's environmental policies and management systems, the human resource policies, policies with respect to relationships with stakeholders (customers, suppliers, local communities);
- receiving on an annual basis, the presentation of the Group's risk map concerning social responsibility and sustainable development and reviewing the risks thus identified while being kept informed of their evolution and of the characteristics of their management systems;
- reviewing and assessing the reporting and control procedures on non-financial indicators (environmental, health and safety, social reporting and indicators);
- reviewing the main lines of the Company's communication on corporate responsibility and sustainable development; the Committee is also responsible for reviewing the annual Board of Directors' draft report on the social and environmental impact of the Company's operations and providing the Board with its views on such report;
- reviewing and monitoring the ratings received by the Group from non-financial rating agencies.

The EC&S Committee provides an opinion to the Audit Committee on the risk map for ethics, compliance, social responsibility, and sustainable development, and on the procedures for preventing such risks from occurring.

Activity report of the EC&S Committee for fiscal year 2017/18

The EC&S Committee met three times during fiscal year 2017/18 (three times during the previous fiscal year). The attendance level was 100% for the meetings.

The EC&S Committee reviewed and approved:

- the Ethics & Compliance key figures and statistics for the fiscal year 2017/18;
- the status of implementation of the Alstom Integrity Programme, including the Code of Ethics, the Group Instruction on training and sensitisation efforts, and the increase and implementation of the resources of the Ethics & Compliance team;
- the results of first audit of the ISO 37001 standard for Anti-bribery Management Systems;
- the review of the third report for the U.S. Department of Justice in the context of obligations deriving from the agreement signed in December 2014.

At each meeting, the Committee was provided with updates on the on-going proceedings and investigations, including investigations conducted by the U.S. Department of Justice and the UK Serious Fraud Office.

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The EC&S Committee also reviewed and approved the Group's sustainability activity and, in particular:

- The evolution of the policy, the objectives including on CO_2 emissions reduction and the approach to sustainable development;
- The development of the Vigilance plan as per the Duty of Vigilance Law;
- The collaboration programs with customers;
- The approach deployed and actions taken on diversity and inclusion.

It was kept informed of and reviewed the evaluations prepared by non-financial rating agencies.

It received information on how the Alstom Foundation is operating and on its objectives, as well as the selection of projects retained for the fiscal year. It continued to monitor the Group's environmental and occupational safety performance to which it continued to pay close attention. More specifically, the results about severe accidents were presented and discussed at each meeting of the Committee.

It also reviewed the main non-financial indicators used by the Group.

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The Committee received and discussed the Group's risk map concerning ethics, compliance, social responsibility and sustainable development and provided its opinion to the Audit Committee and the Board of Directors.

The EC&S Committee also approved its activity report for fiscal year 2016/17 and the "Sustainable Development" section of the 2016/17 Registration Document, which included the Board's report on social and environmental information and provided the objectives and indicators of the Group in these fields.

The Committee reported to the Board on its work regarding these matters.

Annual evaluation of the functioning of the Board and of the Committees and the follow up

Since 2004, the Board has carried out annually a formal evaluation of its organisation and functioning pursuant to its Internal Rules, which is typically based on a questionnaire prepared by the Nominations and Remuneration Committee sent to each Director and processed independently. Every three years, it entrusts the preparation of these evaluations to a specialised independent expert, in compliance with the recommendations of the AFEP-MEFEF Code.

These Board of Directors evaluations cover notably the composition of the Board, the frequency and length of the meetings, the issues discussed and time devoted, the quality of the debates, the works of Committees, the information and the training provided to the Directors, their remuneration and their interaction with the Group's managers. Directors are also requested to give their opinion and proposals on each topic including on the individual contribution of members to the Board works. A summary of the individual assessments collected by the Committee on an anonymous basis is prepared by the Committee and then presented to the Board of Directors in May.

For fiscal year 2017/18, the Board of Directors decided to conduct a self evaluation, based on a questionnaire and individual interviews between the Lead Director and the Directors, which was presented to the Board on 15 May 2018. During this meeting, the Board of Directors identified the significant progress achieved over the past years and new opportunities for improvement. In a spirit of continuous improvement, an action plan will be adopted during the 2018/19 financial year to fully integrate these new objectives.

COMPENSATION OF THE EXECUTIVE CORPORATE OFFICER

This part of the Report of the Board of Directors on Corporate Governance was drafted, pursuant to Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, with a view to the vote of the annual 2018 shareholders meeting on (i) a resolution on the principles and criteria for determining, allocating and allocating fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to executive officers and (ii) a resolution on the remuneration due or awarded for the 2017/18 financial year to Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer.

At the General shareholders' meeting held on 4 July 2017, the shareholders approved by a majority of 77.82% the eighth resolution related to the principles and criteria for the determination, allocation and award of the fixed, variable and exceptional components of the total compensation and benefits-in-kind allocable to the officers for the fiscal year 2017/18 (referred to as "ex ante" approval) and by a majority of 71.49% the ninth resolution relating to the elements of the compensation due or attributed to Mr Henri Poupart-Lafarge for the fiscal year ended on 31 March 2017, which was submitted to the advisory vote of the General shareholders' meeting in accordance with the AFEP-MEDEF Code (referred to as "ex post" approval).

The Nominations and Remuneration Committee and the Board of Directors carefully reviewed the comments made by the shareholders during the dialogue that the Company had with them throughout the 2017/18 financial year. Following this analysis and in order to integrate these feedbacks, the remuneration policy for the executive corporate officer was modified by the Board of Directors, on the proposal of the Nominations and Remuneration Committee. The compensation policy described below has been established to be in line with best market practices.

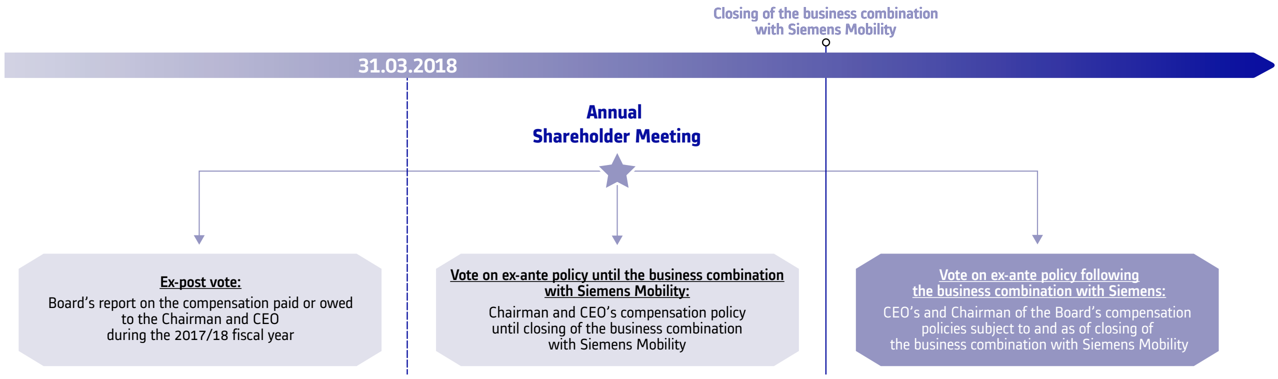
Principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind payable to corporate officers

The information set forth below constitutes the policy for compensating officers as prepared in accordance with article L. 225-37-2 of the French Commercial Code. This policy sets forth the criteria for determining, allocating, and awarding fixed, variable, and exceptional components constituting the total compensation and benefits-in-kind to be granted to the officers of Alstom for the fiscal year 2018/19. As of 31 March 2018, Mr Henri Poupart-Lafarge is the only executive corporate officer of Alstom.

In accordance with article L. 227-37-2 of the French Commercial Code, the principles and criteria set forth in this report will be submitted for approval, in a specific resolution, at the 2018 Annual Shareholder Meeting.

Given that Alstom announced on 26 September 2017 its intent to combine its business with the Siemens' mobility business, the implementation of these principles and criteria will be extended, subject to their approval by the annual 2018 Annual Shareholder Meeting, to the fiscal year 2018/19 and until completion of the business combination with Siemens mobility, at which time the mandates of Chairman of the Board and Chief Executive Director will be split.

A specific resolution related to the principles and criteria for determining, distributing, and granting fixed, variable, and exceptional components of the total compensation and any in-kind benefits payable to the corporate officers, subject to, and as from the completion date of the combination with Siemens, will be submitted to the shareholders for approval during the General Shareholders' Meeting convened to approve this combination. This remuneration policy will be presented in the Document E submitted to the French Stock market regulation authority prior to the 2018 Annual Shareholder Meeting.



General principles of the compensation policy

Alstom's executive officer compensation is based on the following principles:

- **Balance:** the compensation of the Chairman and Chief Executive Officer is set by the Board of Directors upon the Nominations and Remuneration Committee's proposal and comprises a fixed part, an annual variable part paid in cash and an annual grant of performance shares, the delivery of which is entirely conditioned to the Group's performance over at least three years. The Board of Directors thus ensures maintaining a balance among such three components and a preponderance of long-term and short-term variable elements directly linked to the officer's and the Group's performance. The Board of Directors takes into account all the components of the Chairman and Chief Executive Officer's compensation when determining the overall financial conditions pursuant to his mandate.
- **Consistency, strategy and performance:** the performance conditions of the performance shares, as well as the objectives attached to them, are defined in such a way that they are completely aligned with the Company's strategy in the long term. The performance conditions of the annual variable compensation in cash are set so that they are fully aligned with the short-term goals of the Company and the executive himself. In addition, the Board ensures that the level and structure of remuneration is consistent with that of all managers in the Company.
- **Transparency:** the Company publishes all the elements constituting the remuneration of the executive corporate officer. Insofar as they are not considered as confidential with regard to the Company's competitors (most of them themselves not listed and therefore not subject to the transparency obligations related to the Company's listing), the objectives to achieve and the results achieved are precisely communicated.
- **Stability and stringency:** the remuneration policy is stable over time. Its principles and criteria are reviewed each year by the Nomination and Remuneration Committee and the Board of Directors, which rely in particular on analyses enabling them to identify market best practices. They are possibly modified only to reinforce the requirement or adapt them to the Company's strategy. The performance criteria used must correspond to the Company's objectives, and be demanding and long-lasting.

These analyses offer a comparison of the level and the structure of the compensation paid to an executive officer with that of a panel of other companies of a similar size and activity of the CAC 40 and SBF 120 (level and evolution of the compensation, respective ratio of each of the components of the compensation) and of international companies operating in similar sectors. This panel includes in particular companies such as Arkema, Faurecia, Dassault Systèmes, Legrand, Nexans and Thales in France, and BAE Systems, Leonardo, Rolls Royce and ThyssenKrupp in Europe.

Remuneration during the mandate

The Chief Executive Officer's compensation is made of:

- A fixed compensation;
- A short-term variable compensation under performance conditions; and
- A long-term compensation under performance conditions (performance shares).

Fixed compensation

The Chairman and Chief Executive Officer's fixed compensation is determined by the Board of Directors, upon the proposal of the Nominations and Remuneration Committee, at the time of his appointment and for a minimum period of two years taking into consideration the level and difficulty of his responsibilities, experience in the position, prior seniority in the Group (if any), and policy found in groups or companies of comparable size.

As an illustration, for fiscal year 2018/19, the Chairman and Chief Executive Officer's fixed compensation has remained unchanged since his appointment on 1 February 2016 and amounts at a gross annual salary of €750,000.

Variable compensation

The variable portion of the Chairman's Chief Executive Officer's short-term compensation represents 100% of the fixed annual gross remuneration. It is capped, in the event of outperformance, at 170% of his gross annual fixed compensation. No minimum compensation is set.

It is fully linked to the achievement of performance conditions predetermined each year by the Board of Directors on the proposal of the Nomination and Remuneration Committee. These conditions are measured, whenever possible, on the basis of performance indicators adopted more generally within the Company. This last point ensures the relevance of the nature of the criteria selected and their alignment with the Company's strategy. Thus, at least one of the conditions is based on social or environmental considerations.

The vast majority of these conditions are quantifiable since they are based on the Group's overall performance and the achievement of individual objectives, most of them themselves quantifiable as they are linked to the implementation of specific action plans.

All objectives are pre-established annually by the Board on the proposal of the Nominations and Remuneration Committee based on the strategic priorities defined for the Group and for the Chief Executive Officer.

The target variable compensation of 100% is based for 60% on global performance objectives (quantitative) and for 40% on individual objectives (quantitative and/or qualitative). In case of over performance, the global Group performance objectives and the individual objectives may respectively represent up to 120% and 50% of the gross annual fixed compensation (*i.e.* a total cap of 170%).

The level of achievement of these objectives and the amount of the variable compensation are decided by the Board of Directors on the recommendation of the Nominations and Remuneration Committee no later than at the meeting at which the financial statements for the period are approved.

In accordance with article L. 225-37-2 of the French Commercial Code, payment of such variable compensation is conditional upon approval of a resolution at the Company's shareholders' meeting, under the terms set forth in article L. 225-100 II. of the French Commercial Code.

Long Term Incentive (performance shares)

The main characteristics of the performance shares allocation policy applied to the Chairman and Chief Executive Officer, which contributes to align his interests with those of the shareholders, are compliant with the recommendations of the AFEP-MEDEF Code and are the following:

Performance conditions	All of the performance shares are subject to the achievement of performance conditions which are relative and/or internal. The Board of Directors commits, in the event of a major change in the Group's strategy or structure, to adapt the performance conditions to future new challenges, in their nature as well as in the level of results to be achieved, while maintaining stringent requirements and comprehensive disclosure.
Acquisition and performance period	Satisfaction of these performance conditions is henceforth assessed at the end of the third fiscal year following the grant date. The Board shall not assess the achievement of performance conditions or deliver the shares of a given plan prior to the definitive acquisition date initially forecasted.
Limits applicable to the grant	The Board of Directors, at its meeting held on 13 March 2018, reiterated the following principles regarding grants to officers: • the IFRS 2 value (which is used in the establishment of the Group's consolidated financial statements) of any annual grant shall not exceed one year of fixed plus target variable compensation, which corresponds to the compensation obtained when achievements are strictly aligned with the set objectives. Thus, performance share compensation is capped at 100% of target short-term compensation (fixed and target variable), i.e. 200% of fixed short-term compensation; • the aggregate amount of annual grants to corporate officers cannot exceed 2.5% of the overall amount authorised by the General shareholders' meeting for grants of free shares within the Group or 5% of the total grants under the relevant plan.
Holding requirement	Since 2007, the Board of Directors has also set, for each grant, the number of shares that the Chairman and Chief Executive Officer must hold until he no longer exercises his duties. The Chairman and Chief Executive Officer is thus required to hold, in registered form, 50% of the performance shares definitively delivered to him during the entire term of his mandate (as renewed, if applicable). This holding requirement no longer applies when the Chairman and Chief Executive Officer reaches a retention target of shares held in registered form corresponding to the value of three years of his last gross annual fixed compensation. For the assessment of the holding requirement cap, the following is taken into account: • the gross annual fixed remuneration applicable as at the date of the last final share performance acquisition; and • the respective market prices of the shares held in registered form by the Chairman and Chief Executive Officer as at the time of each final acquisition of performance shares.
Prohibition of hedging instruments	The Chairman and Chief Executive Officer commits not to use hedging instruments on the performance shares granted by the Company during the full length of his term of office. To the Company's knowledge, no hedging instrument has been set up.
Periods during which the sale of shares is prohibited	Any transaction involving the Company's securities during the 30-calendar day period preceding public disclosure of Alstom's half-year and annual results (reduced to 15 calendar days for quarterly results) until, and including, the third trading day following the date of disclosure of this information to the public is prohibited. During periods where trading is not prohibited, the Group's internal rules of good conduct create an obligation to consult the Compliance Officer, in the event of any doubt prior to conducting a transaction.
Periodicity	The grants are completed annually (when completed), around the fiscal year closing date.

The level of grant determined by the Board of Directors on the recommendation of the Nominations and Remuneration Committee takes into consideration all of the Chairman and Chief Executive Officer's items of compensation and market practices followed by comparable listed companies.

The general characteristics of the performance shares granted to the Chairman and Chief Executive Officer are identical to those offered in all other grants made under the same plan to the Company's management teams.

The Company's policy is no longer to grant stock options.

Multi-year compensation

The Company's policy is not to grant multi-year compensation.

Exceptional compensation

The Company's policy is not to grant exceptional compensation.

Directors' fees

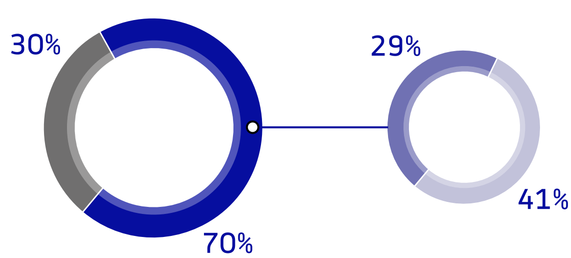
The Chairman and Chief Executive Officer does not receive any compensation (director's fee or others) as member of the Board of Directors or the Company or of any of its subsidiary.

Benefits in-kind

The Chief Executive Officer is entitled to a Company vehicle as well as supplemental health, life and disability coverage.

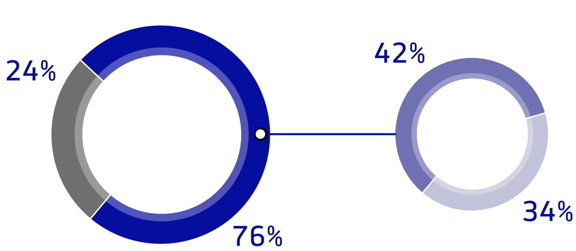
Illustration of the evaluation of the variable part of the Chairman and Chief Executive Officer

TARGET COMPENSATION



- Fixed annual compensation
- Compensation subject to performance conditions
- Variable annual compensation
- Long-term incentives (ref.: IFRS2 value of March 2018 grant)

MAXIMUM COMPENSATION



- Fixed annual compensation
- Compensation subject to performance conditions
- Variable annual compensation
- Long-term incentives (ref.: IFRS2 value of March 2018 grant)

Post-mandate remuneration conditions

Non-compete covenant

The Company's policy is not to enter into any non-compete covenant with its Chairman and Chief Executive Officer.

Severance indemnity

The Company's policy considers severance payments that would never exceed two years of fixed and variable compensation actually due.

As an illustration, on the occasion of the appointment of Mr Henri Poupart-Lafarge as Chairman and Chief Executive Officer effective 1 February 2016, the Board of Directors, on the recommendation of the Nomination and Remuneration Committee, authorised the holding and concomitant suspension of his employment contract. The termination of Henri Poupart-Lafarge's employment contract would have had the effect of depriving him of the rights attached to this contract during his 18 years of work devoted to the Group prior to his appointment as Chairman and Chief Executive Officer. The Board of Directors therefore considered that maintaining the employment contract was justified in order to encourage the principle of internal promotion and sustainable management of the Group's human resources.

The Chairman and Chief Executive Officer would therefore benefit from a termination indemnity subject to performance conditions in the event that his mandate would be terminated early. The termination indemnity would be equal to two years of target compensation, fixed and variable (at which would be applied the average rate of achievement of the variable compensation of the three years prior to departure, capped at 100%) less the value of the termination indemnity to which Mr Henri Poupart-Lafarge could be eligible otherwise in connection with the possible termination of his employment contract suspended during the term of office, *i.e.* €1,856,000. The severance pay for the corporate office could therefore not exceed €1,144,000 and the total amount of the severance payment could never exceed two years of actual fixed and variable remuneration.

Retention conditions of performance shares under vesting period

In the event of a departure, the Chairman and Chief Executive Officer shall not retain rights to acquire performance shares granted under his mandate during the last two plans and which are still subject to performance conditions. Thus, no early acquisition would be possible during the vesting period and the performance shares resulting from the last two plans would be entirely lost. As a reminder, the Board refrains from observing the achievement of performance conditions or from delivering the shares of a plan prior to the end of the vesting period.

Supplemental pension plans

The Company's policy is no longer to provide the executive corporate officer with defined benefit pension plans (article 39). Thus, the plan that was in progress was closed on 31 December 2016 and the related rights frozen.

The Company's policy is to provide the executive corporate officer with a system that is equivalent, but significantly less expensive, to a defined-benefit pension plan, *i.e.* an annual contribution dedicated to retirement to a third-party organisation under an "article 82" scheme.

The Company’s policy is also to provide the executive corporate officer with a defined contribution pension plan (article 83).

As an illustration, upon decision of the Board of Directors held on 8 November 2016, the Chairman and Chief Executive Officer receives additional retirement benefits:

- a defined contribution supplementary retirement scheme (article 83) as follows:
  - the contributions are paid annually and correspond to 1% of the annual remuneration up to four annual Social Security ceilings, 4% of the annual remuneration between four and eight times annual ceilings of the Social Security and 11% of the annual remuneration between eight and twelve times the Social Security ceiling,
  - since 1 July 2014, contributions are 95% borne by the Company;
- an annual contribution dedicated to retirement paid to a third-party organisation under a “article 82” scheme. The calculation of this annual contribution is based on the total annual remuneration (fixed and variable remuneration) according to the following methods:
  - 10% of gross fixed compensation between 8 and 12 Annual Social Security Ceilings and 20% of his fixed compensation in excess of 12 annual Social Security Ceilings,
  - 20% of his variable annual remuneration as decided by the Board of Directors,
  - The reference compensation (fixed and variable) for calculating the contribution cannot, in any case, be greater than €2,000,000,
  - No contribution is paid if the calculation of the variable compensation is zero.

  The Chairman and Chief Executive Officer undertook, once the tax and social obligations relating to these contributions are satisfied, to keep the amounts paid on the dedicated retirement savings vehicle, at least for the duration of his mandate;
- a defined benefit pension plan (article 39), of which closure and freezing of cumulated rights was decided from 31 December 2016. No new rights can be acquired under this plan since this date.

The three schemes listed above are collective plans available (for “article 82” and “article 83”) or formerly available (for “article 39”) to other senior managers in the Group.

Compensation due or granted to Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer, for fiscal year 2017/18

Pursuant to article L. 225-37-2 of the French Commercial Code, the components of the compensation due or granted to the Chairman and Chief Executive Officer in respect of fiscal year 2017/18 will be submitted, in a specific resolution, to shareholders’ approval at the 2018 Annual Shareholder Meeting.

Fixed compensation

For fiscal year 2017/18, Mr Henri Poupart-Lafarge’s total fixed compensation amounted to €750,000, unchanged from the previous fiscal year.

Variable compensation

At its meeting on 3 May 2017, the Board of Directors decided that the nature and the weight of the performance conditions retained would remain identical to those of the previous year.

At its meeting held on 15 May 2018 and acting upon the recommendation of the Nominations and Remuneration Committee, the Board of Directors found that:

- with respect to Company global performance objectives, all quantifiable and based on the following four performance criteria all measured over a full year:
  - free cash flow,
  - adjusted EBIT,
  - gross margin on orders received,
  - injury frequency rate,

  the level of achievement should be evaluated at 102.8% of set objectives for a target at 60% and a ceiling at 120%:

ACHIEVEMENT LEVEL OF GLOBAL PERFORMANCE OBJECTIVES

	Target	Ceiling	Performance level for the fiscal year	Criteria evaluation
GLOBAL OBJECTIVES	**60%**	**120%**		
Free Cash Flow	20%	40%	€128 M	27.8%
Adjusted EBIT	25%	50%	€514 M	50%
Gross margin on orders received	10%	20%	Confidential (1)	20%
Lost time injury frequency rate	5%	10%	1.0 lost time injury by millions of worked hours (2)	5%
2017/18 OVERALL ANNUAL PERFORMANCE				**102.8%**

(1) The Board of Directors considers that margin on orders received is a key performance indicator for the business of the Company as it reflects the strategic orientation to focus on most profitable projects. However, Alstom being the only ”pure player” of the rail industry (i.e. whose business relies solely on the rail industry), the Board considers it would be against the interests of the Group to publicly state the objectives and performance of the Company as to the gross margin on orders received, as this would give competitors strategic information.

(2) With regard to the safety-related indicator, the evolution of the rate of accidents at work has largely exceeded the targets set by the Board but the Board, on the proposal of the Nominations and Remuneration Committee and the Executive Committee, considered that the fatal accident that occurred in India in 2017 does not allow the Company’s objective regarding safety at work to be exceeded. As a result, the rate of achievement of this variable compensation target is capped at 100%.

- with respect to individual objectives related to specific action plans, based on 5 criteria, measurable whenever possible, the level of achievement should be evaluated at 40.2% for a target set at 40% and a ceiling at 50%, as detailed hereafter:

ACHIEVEMENT LEVEL OF INDIVIDUAL OBJECTIVES

	Comments	Target	Criteria evaluation
INDIVIDUAL OBJECTIVES		**40%**	
Management of the organisation and governance of Alstom	In terms of organisation and governance, the Board of Directors noted that Mr Henri Poupart-Lafarge continued to implement the necessary evolutions of the Board itself with regard to its composition and ways of working. Indeed, new Directors were proposed to the vote of the General Shareholders' Meeting on 4 July 2017, namely Yann Delabrière, Sylvie Kandé de Beaupuy and Françoise Colpron, bringing new skills and better diversity to the Board. A detailed evaluation of the operations of the Board of Directors was launched in Spring 2017 with the support of an external specialised consultant. A list of recommendations was made and an action plan set up within the Board and each of its Committees. The Board also noted the quality of management by Mr Henri Poupart-Lafarge of the changes within the Executive Committee. It noted the slow but steady improvement in gender diversity within the management teams (from 18% to 20% over three years) and the geographical diversity with a preponderance of local employees in the management teams of different regional entities outside Europe (more than 75% in Asia-Pacific, Latin America or North America, more than 55% in Africa-Middle East).	5%	90%
Success in the implementation of Alstom strategy	Regarding strategic evolution, precise orientations have been set up as part of the "Alstom 2020" strategic plan and a crucial step has been taken with the combination project between Alstom and the mobility business of Siemens announced on 26 September 2017. The Board considered that the proposed project would allow market consolidation in the context of the emergence of new competitors and the first steps of this combination have been successfully implemented, especially the opinion given by the employee representative bodies and the signing of the *Business Combination Agreement.* At the same time, Alstom's geographical expansion continued during the year, notably with the progress made in the installation works in India (Madhepura) and South Africa (Gibela), and the launch of activities in sub-Saharan Africa. From an Innovation point of view, the Board noted the launch of new solution platforms such as Mastria™ (multi-modal digital mobility platform) and Aptis™ (electric bus).	12%	125%
Sales Performance	The fiscal year 2017/18 was another exceptional year for Alstom, with more than €7.2 billion of order intake. The order intake volume, spread over many contracts, demonstrates the Group's ability to operate in multiple geographies and markets, notably with a rebound in order intake in the Signaling business (+30% compared to the prior-year period). The Board noted, however, that significant orders, although announced, were not yet all formalised at the end of the year.	9%	90%

	Comments	Target	Criteria evaluation
Operational and financial performance	The evaluation of the Board on operational and financial performance is based on various Key Performance Indicators such as On Time Delivery, Inventories, Working Capital… The Board considered that the operational and financial performance improved during the fiscal year 2017/18 through the proven progress in terms of operational excellence on the one hand (On Time Delivery including the delivery of the first trains of the Gibela mega-project in South Africa or the first locomotives in India, Cost of non-quality…) and financial results (margins) on the other hand. The Board noted that some difficult projects were now under control or on an improvement track and that the management teams had taken and implemented the difficult adaptation decisions to the economic context in the United Kingdom and Brazil.	9%	90%
Alstom image	The Board considered that Alstom had regained the trust of the financial markets, resulting in a significant increase of the share price between 1 April 2017 and 31 March 2018. It thus considers that the repositioning of the Company as a worldwide Railway Transportation specialist is now a proven fact. In addition, the Company has been involved for many years in corporate social responsibility surveys conducted under the Dow Jones Sustainability Index method with the objective of being above the eighty-fifth percentile of companies in the same sector. This has been reached continuously for 7 years. In 2017, Alstom's teams helped the Company beat its own record by reaching the ninety-fifth percentile of companies in the industry. The efforts of the Company in terms of Ethics & Compliance have been recognised and allowed the ISO 37001 certification as well as the successful end of the American *Department of Justice* self-reporting obligations.	5%	90%
2017/18 OVERALL ANNUAL PERFORMANCE			**40.2%**

Therefore the Board decided that Mr Henri Poupart-Lafarge's variable compensation for fiscal year 2017/18 would be set at €1,072,500, corresponding to an achievement of 143% of his objectives. Considering the very significant change of context with respect to governance and strategy, the steady level achieved in terms of commercial and financial performance and Mr Poupart-Lafarge's contribution to these results, the Board of Directors, upon the recommendation of the Nominations and Remuneration Committee, considers that it is inappropriate for him to limit his variable compensation to 120% of his annual fixed compensation, as he announced at the General Shareholders' Meeting held on 5 July 2016 for the fiscal year 2016/17, his wish having been reiterated for the fiscal year 2017/18. Accordingly, the Board recommends the 2018 Annual Shareholder Meeting to approve a variable compensation exactly matching the actual achievement at 143% of targets, in consistency with the Company's remuneration policy in place since 2016.

Since 1 February 2016, the date on which he assumed the office of Chairman and Chief Executive Officer, Mr Henri Poupart-Lafarge's annual base and variable compensation has changed as follows:

	Owed for fiscal year 2015/16 (1 February to 31 March 2016) *(in €)*	**Owed for fiscal year 2016/17** *(in €)*	**Owed for fiscal year 2017/18** *(in €)*
Gross annual fixed compensation	125,000 (equal to 750,000 for 12 months)	750,000	750,000
Gross annual variable compensation (*)	120,369 (equal to 722,214 for 12 months)	1,077,750, voluntarily reduced to 900,000	1,072,500
(%/fixed)	(97.9%)	(120%)	(143%)
TOTAL	**245,369 (12-MONTH EQUIVALENT OF 1,472,214)**	**1,650,000**	**1,822,500**

(*) The variable compensation of Mr Henri Poupart-Lafarge is paid during the financial year following the one for which it was due and is submitted to the shareholders' prior approval.

Grant of performance shares

The Board of Directors, acting under the authority granted at the General Shareholders' Meeting held on 18 December 2015, and upon the Nominations and Remuneration Committee's recommandation, adopted on 13 March 2018 a long-term incentive compensation plan (the "PSP 2018") benefiting to 732 employees including Alstom's Chairman and Chief Executive Officer.

The grant to the Chairman and Chief Executive Officer, as the previous fiscal year's grant, concerns a target number of 30,000 shares, ranging from 0 to 45,000 depending on the level of achievement of performance conditions. The IFRS 2 valuation and the calculation of caps have been established on the basis of the maximum number of shares that may be definitively acquired after the vesting period. This maximum allocation, on the basis of the maximum number of shares, is equal to 0.02% of the share capital.

This plan conditions the acquisition of all performance shares (1,016,625 shares, *i.e.* 0.46% of the share capital) upon two equally-weighted performance conditions,

- one internal condition measured on the basis of the level of achievement of the adjusted EBIT Margin of Alstom Group for fiscal year 2020/21;
- the other relative, assessed on the date of publication of the results of operations for fiscal year 2020/21 based on the performance of the Company's shares calculated in relation to the performance of the STOXX® Europe TMI Industrial Engineering index.

The Board considered that it was appropriate to simplify the performance conditions of the long-term incentive plans of the management teams, both by setting objectives only measurable after a period of three years and by focusing this measure of performance on two criteria only, one relative (TSR) and one internal (adjusted EBIT margin, in line with the Company's strategy and outlook). Free Cash Flow remains an important part of the short-term variable compensation objectives of all of the Company's management teams.

Applying such conditions, the number of performance shares to be delivered will be determined as follows (Adjusted EBIT Margin established on the basis of the accounting standards in force at the time of the grant):

At publication date of 2020/21 results	Minimum required level	Target performance	Maximum level considered
TSR at publication of 2020/21 results *vs.* Index TSR (50%)	≤95% of the index	Level of the index	≥120% of the index
	No shares	15,000 shares	22,500 shares
Adjusted EBIT margin 2020/21 (50%)	≤7.0%	7.5%	≥8.3%
	No shares	15,000 shares	22,500 shares

Between each milestone of the performance conditions, the number of definitively acquired shares will be computed by linear interpolation. The Nomination and Remuneration Committee, after having exchanged with the main shareholders of the Company, recommended to the Board of Directors to measure the achievement of the performance conditions only after a period of three fiscal years (no "phased vesting").

The IFRS 2 value of the grant made to the Chairman and Chief Executive Officer, *i.e.*, €1,043,906 for a maximum of 45,000 shares, is lower than the beneficiary's target fixed and variable compensation for one year (compensation obtained when the achievements are strictly in line with set objectives, *i.e.*, €1,500,000). It shows an increase of 18% *vs.* the valuation of the plan granted in 2016/17 (for the same number of shares granted), mainly due to the important rise of the share value on the Stock market.

Eventually, the Board of Directors is committed, in the event of a major change in the Group's strategy or structure, and in particular in connection with the proposed merger with Siemens' Mobility activities, or at the time of implementing new accounting standards (IFRS 15) to adapting these performance conditions to new challenges highlighted for the coming years, both in their nature and in the levels of results to be achieved , while maintaining a high level of stringency.

The Chairman and Chief Executive Officer also committed not to use hedging transactions in respect of all the performance shares during the entire term of his mandate.

SUMMARY OF THE EVOLUTION OF THE PERFORMANCE SHARES PLANS DURING THE VESTING PERIOD

The table below shows the level of achievement of each of the performance conditions of the performance share plans under vesting period (PSP 2016, PSP 2017 and PSP 2018) and the number of confirmed performance shares for Mr Henri Poupart-Lafarge (all unavailable until the end of the related plan):

				FY1			FY2			FY3			
Plan	**Initial grant**	**Performance confitions**		**Weight**	**Perfor-mance (%)**	**Confir-med shares**	**Weight**	**Perfor-mance (%)**	**Confir-med shares**	**Weight**	**Perfor-mance (%)**	**Confir-med shares**	**Total accrued on March 31, 2018**
PSP 2016	36,000	**Fiscal year**				**2016/17**			**2017/18**			**2018/19**	
		TSR	30%			N/A			N/A	30 %	TBD	-	-
		aEBIT Margin	40%	10%	67%	2,400	15%	84%	4,512	15%	TBD	-	6,912
		Free Cash Flow	30%	10%	81%	2,904	10%	71%	2,568	10%	TBD	-	5,472
		Total				**5,304**			**7,080**			**-**	**12,384**
PSP 2017	45,000	**Fiscal year**				**2017/18**			**2018/19**			**2019/20**	
		TSR	30%			N/A			N/A	30%	TBD	-	-
		aEBIT Margin	40%	10%	83%	3,750	15%	TBD	-	15%	TBD	-	3,750
		Free Cash Flow	30%	10%	88%	3,960	10%	TBD	-	10%	TBD	-	3,960
		Total				**7,710**			**-**			**-**	**7,710**
PSP 2018	45,000	**Fiscal year**				**2018/19**			**2019/20**			**2020/21**	
		TSR	50%			N/A			N/A	50 %	TBD	-	-
		aEBIT Margin	50%			N/A			N/A	50 %	TBD	-	-
		Total										**-**	**-**

Multi-year remuneration

Not applicable.

Exceptional remuneration

Not applicable.

Board fees

Not applicable.

Benefits-in-kind

The Chairman and Chief Executive Officer has the use of a Company vehicle corresponding to a value of approximately €4.435 per year as well as supplemental health insurance coverage, and a life and disability insurance policy, the costs of which are borne in part by the Company.

Supplemental retirement scheme

The Chairman and Chief Executive Officer benefits from a supplemental pension plan based on 3 distinct elements that have not been modified during the fiscal year 2017/18.

- A defined contribution pension plan (so-called "article 83").
  - The contributions paid as part of the defined contributions plan for the fiscal year 2017/18 are equal to €25.187, of which €23,927 are paid by the Company.
- A defined contribution pension plan (so-called "article 82").
  - The amount paid in November 2017 under this defined contribution pension plan is equal to €71,774 and corresponds to the acquisition period from 1 January to 31 March 2017.
  - Regarding the fiscal year 2017/18, a provision for such contribution has been accrued, amounting to €221,292, but no payment has been done before the approval by the General Meeting of Shareholders of the variable remuneration of the Chairman and Chief Executive Officer.

  As of 31 March 2018, the total annual pensions resulting from the two defined contribution schemes, and based on the actual contributions paid since Mr Henri Poupart-Lafarge has been appointed as Chairman and Chief Executive Officer, amount to circa €5,000 (any potential individual voluntary contributions, not to be disclosed to the Company, being excluded).

  Employer's social contributions related to these schemes are borne by the Company.
- A defined benefit pension plan (so-called "article 39"), of which entitlements have been frozen since 31 December 2016
  - The rights accrued over the period from 1 January 2004 to 31 December 2016, date on which they were frozen, amount, as of 31 March 2018, to an annual pension of €176,000 (in constant euros) subject to a condition of presence at the time the Chairman and Chief Executive Officer claims his rights for retirement.
  - Under the defined benefits plan, the amount of the liability borne by the Company that would allow the payment of the previously mentioned pension is equal, as of 31 March 2018, to €5,641,000, including an amount of €1,091,806 for applicable taxes. Changes in the value of these commitments since the end of the fiscal year 2016/17 are due to application of the inflation rate observed by the Group's actuaries over the period and to the update of actuarial assumptions.
  - No new rights have been or can be acquired as part of this plan.

Post mandate indemnities or benefits

No remuneration due regarding fiscal year 2017/18.

Principles and criteria for determining the variable compensation granted for fiscal year 2018/19 to Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer

At its meeting held on 15 May 2018, the Board of Directors, on the recommendation of the Nominations and Remuneration Committee, confirmed that the variable compensation scheme for Mr Henri Poupart-Lafarge for fiscal year 2018/19 would be the same as the one approved at the Board of Directors meeting held on 3 May 2017. The objectives linked to the global performance of the Company will represent 60% of the target variable compensation and will be based on the same criteria of adjusted EBIT, free cash flow, gross margin on orders received and lost time injury frequency rate, to which will be added two new criteria linked to Ethics and Compliance (participation rate of managers to the dedicated Ethics and Compliance training) and to Corporate Social Responsibility (result of the Dow Jones Sustainability Index yearly survey). The financial performance indicators will represent 83% of the global performance objectives, *i.e.* 50 points out of 60. The individual objectives will be based on criteria equivalent to the ones of previous fiscal year, above mentioned. For confidentiality reasons, the details of such objectives cannot be disclosed.

Resolutions aiming at obtaining the approval of the contemplated combination with Siemens Mobility activities will be submitted to the shareholders at the 2018 Annual Shareholder Meeting. A specific resolution regarding the compensation policy of the executive corporate officers following the closing of the combination with Siemens will be put to a vote. If the closing of the combination with Siemens occurs during the fiscal year 2018/19, this newly approved compensation policy submitted to the 2018 Annual Shareholder Meeting would apply from the closing date.

REMUNERATION OF OTHER DIRECTORS

The Directors do not receive any compensation other than an attendance allowance ("Directors' fees"). The Chairman of the Board of Directors has waived his Directors' fees.

At the Ordinary and Extraordinary Shareholders' Meeting held 1 July 2014 the maximum annual amount of Directors' fees which can be distributed among the members of the Board of Directors was set at €1,300,000.

The Board of Directors sets the terms of granting the Directors' fees upon the Nominations and Remuneration Committee's proposal. The principles set in the Internal Rules of the Board of Directors are that the Directors' fees are made up of a fixed part and of a variable part for attending the meetings of the Board of Directors or of the Committees and that the Chairmen of the Committees are paid an additional fixed fee. Half of the fixed and variable parts are paid in the fiscal year concerned, while the balance is paid the following fiscal year.

According to the current terms of granting as modified by the Board of Directors, the Directors' fees provide that the fixed part worth €27,500 is to be paid to each Director. The Chairman of the Audit Committee and each Chairman of the Nominations and Remuneration Committee and of the Ethics, Compliance and Sustainability Committee receive an additional amount of respectively €15,000 and €10,000 per year. In addition, each Director is paid €3,500 for attending the meetings of the Board and €3,000 for attending the meetings of the Committees of which she or he is a member. In addition, the Board of Directors decided to fix the annual amount of the Director's fees payable to the Lead Director at €27,500.

Based on these terms, the aggregate amount of Directors' fees paid during fiscal year 2017/18 was €860,750 (€787,598 during the previous fiscal year). The amount due in respect of the 2017/18 fiscal year, €849,667 (€730,232 in respect of the previous fiscal year), represented approximately 65% (56% for the previous fiscal year) of the maximum annual amount authorised and the variable portion represented 52.5% (51% for the previous fiscal year) of the corresponding aggregate amount. Half of the fixed and variable parts were paid in fiscal year 2017/18, with the balance paid in fiscal year 2018/19.

TABLES OF THE REMUNERATIONS OF CORPORATE OFFICERS

TABLE 1 – SUMMARY TABLE OF THE COMPENSATION, CONDITIONAL STOCK OPTIONS AND PERFORMANCE SHARES ACCRUING TO EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2018

Henri Poupart-Lafarge **Chairman and Chief Executive Officer (as from 1 February 2016)**	**Fiscal year 2016/17** *(in €)*	**Fiscal year 2017/18** *(in €)*
Compensation due in respect of the fiscal year (detailed in table 2)	1,653,947	1,826,935
Valuation of the performance shares awarded during the fiscal year (*)	887,318	1,043,906
TOTAL	**2,541,265**	**2,870,841**

(*) This amount corresponds to the value of the performance shares as of the granting date pursuant to IFRS 2 after taking into account the discount related to the probability of presence in the Company prior to the spreading effect of the cost.

TABLE 2 – SUMMARY TABLE OF THE COMPENSATION OF EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2018

	Fiscal year 2016/17		Fiscal year 2017/18	
Henri Poupart Lafarge Chairman and Chief Executive Officer (as from 1 February 2016)	**Due in respect of the fiscal year** *(in €)*	**Paid out during the fiscal year** *(in €)*	**Due in respect of the fiscal year** *(in €)*	**Paid out during the fiscal year** *(in €)*
Fixed gross compensation	750,000	750,000	750,000	750,000
Variable gross compensation (1)	900,000	405,210	1,072,500	900,000
Extraordinary gross compensation	-	-	-	-
Directors' fees	-	-	-	-
Fringe benefits (2)	3,947	3,947	4,435	4,435
TOTAL	**1,653,947**	**1,159,457**	**1,826,935**	**1,654,435**

(1) The variable remuneration owed with respect to a given fiscal year is paid out in the following fiscal year and subject to shareholders' prior approval. The criteria pursuant to which the variable remuneration was calculated and the terms and conditions applicable to setting this amount are described above on page 183 *et seq.*
(2) Company car.

TABLE 3 – TABLE OF NON-EXECUTIVE DIRECTOR'S FEES AND OTHER COMPENSATION AS OF 31 MARCH 2018

Gross Amounts (1)	Fiscal year 2016/17		Fiscal year 2017/18	
Non-Executive Directors	**Amounts due in respect of the fiscal year** *(in €)*	**Amounts paid out during the fiscal year** *(in €)*	**Amounts due in respect of the fiscal year** *(in €)*	**Amounts paid out during the fiscal year** *(in €)*
Candace K. Beinecke	63,500	67,000	70,500	70,500
Olivier Bourges (2)	32,332	21,958	31,250	47,417
Olivier Bouygues	60,500	71,000	49,250	58,250
Bi Yong Chungunco	57,500	64,500	64,500	64,500
Pascal Colombani (3)	74,417	90,000	-	36,167
Françoise Colpron (4)	-	-	43,000	18,750
Yann Delabrière (5)	-	-	100,000	48,000
Gérard Hauser	101,000	114,500	87,500	100,250
Sylvie Kandé de Beaupuy (6)	16,167	-	74,500	55,417
Klaus Mangold	41,333	52,916	59,417	59,417
Géraldine Picaud (7)	60,417	62,417	85,500	83,000
Sylvie Rucar	75,500	80,307	85,500	82,500
Alan Thomson (8)	51,833	89,000	-	13,583
Bouygues (9)	63,500	74,000	67,500	67,500
French State (10)	32,233	-	31,250	55,500
TOTAL	**730,232**	**787,598**	**849,667**	**860,750**

(1) Gross amounts. The Non-Executive Directors do not receive any other compensation from the Company or companies of the Group.
(2) Director who resigned on 9 January 2018.
(3) Director who resigned on 17 March 2017.
(4) Director appointed on 4 July 2017.
(5) Director being coopted to fill vacancy on 17 March 2017 following departure of Mr Pascal Colombani.
(6) Director being coopted on 30 January 2017 following the departure of Mr Alan Thomson and who became chairwoman of the Committee for Ethics, Compliance, and Sustainability following the departure of Mr Pascal Colombani.
(7) Director who became chairman of the Audit Committee following departure of Mr Alan Thomson.
(8) Director who resigned on 8 November 2016.
(9) Director the permanent representative of which is Mr Philippe Marien.
(10) Director who resigned on 17 October 2017, the permanent representative of which was Mr Pascal Faure, (appointed by Order dated 25 July 2016).

The difference between the amounts due and actually paid for a full financial year can be explained by the fact that half of the Director's fees distributed among the Non-Executive Directors are paid during the fiscal year (fees in respect of the first half of the fiscal year) and the remaining part during the following fiscal year (fees in respect of the second half of the fiscal year), as indicated in the above table.

TABLE 4 – STOCK OPTIONS AWARDED DURING THE FISCAL YEAR 2017/18 TO EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2018 BY THE COMPANY OR BY EACH COMPANY OF THE GROUP

No options were granted to Mr Henri Poupart-Lafarge during the 2017/18 fiscal year.

TABLE 5 – STOCK OPTIONS EXERCISED DURING FISCAL YEAR 2017/18 BY EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2018

Options exercised by the Executive Directors (nominative list)	Number and date of the plan	Number of options exercised during the fiscal year	Exercise price *(in €)*	Award year
Henri Poupart-Lafarge Chairman and Chief Executive Officer	-	None	-	-

The summary of the total number of stock options granted to Mr Henri Poupart-Lafarge in respect of his past functions, as of 15 May 2018, is the following:

	Number of options initially granted (*)	Number of exercisable options as of 31 March 2018 (*)	Unit exercise price *(in €)* (*)	Maturity date of options
Plan 2010 No. 13 (LTI No. 13)	57,475	45,980	28.83	13 December 2018
Plan 2011 No. 14 (LTI No. 14)	45,976	32,183	22.96	3 October 2019
Plan 2012 No. 15 (LTI No. 15)	45,976	22,988	24.10	9 December 2020
Plan 2013 No. 16 (LTI No. 16)	34,480	34,480	23.44	30 September 2021

(*) Figures adjusted to take into account the share capital reduction carried out on 28 January 2016 following the share buy-back offer.

The summary of all stock options plans appears on page 197 of the Registration Document.

TABLE 6 – PERFORMANCE SHARES AWARDED DURING THE FISCAL YEAR 2017/18 TO EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2018 BY THE COMPANY OR THE GROUP

45,000 rights to performance shares were granted to Mr Henri Poupart-Lafarge over the course of the 2017/18 fiscal year (PSP 2018, implemented on 13 March 2018).

The total of performance shares held by Mr Henri Poupart-Lafarge as of 15 May 2018 is as follows:

Plan	Number of rights to performance shares initially granted (1)	Number of performance shares	Valuation of the share at the time of the grant *(in €)* (2)	Date of final delivery of the shares
Plan 2016 (PSP 2016)	36,000	32,184 (3)	15.58 (4)	Fifth business day following the date of publication of the 2018/19 consolidated accounts
Plan 2017 (PSP 2017)	45,000	43,710 (5)	19.72 (6)	Fifth business day following the date of publication of the 2019/20 consolidated accounts
Plan 2018 (PSP 2018)	45,000	45,000	23.20 (7)	Fifth business day following the date of publication of the 2020/21 consolidated accounts

(1) The granting is entirely conditional on the obligation to hold a percentage of the shares until the expiration of his functions with the Company based on reaching a target level of held shares
(2) The performance shares are valued on their grant date according to IFRS 2, after taking into account a discount associated with the probability of continued employment within the Company and before taking into account the spread-out effect of the charge.
(3) Initial grant of 36,000 performance shares. By application of the performance conditions relating to results for fiscal year 2016/17 and fiscal year 2017/18, 3,816 performance shares, i.e., 10.60% of the initial grant, were cancelled, and 12,384 shares, i.e., 34,40% of the initial grant, are finally vested subject to presence condition within the Company the day when (included) the 2018/19 consolidated accounts are published.
(4) 70% are valued at €19.48 and 30% at €11.78 before taking into account a discount linked to probability of presence.
(5) Initial grant of 45,000 performance shares. By application of the performance conditions relating to financial results of fiscal year 2017/18, 1,290 shares to be awarded shares, i.e., 2.87% of the initial grant, were cancelled, and 7,710 shares, i.e., 17,13% of the initial grant, are finally vested subject to presence condition within the Company the day when (included) the 2019/20 consolidated accounts are published.
(6) 70% are valued at €25.31 and 30% at €13.41 before taking into account a discount linked to probability of presence.
(7) 50% are valued at €32.59 and 50% at €18.58 before taking into account a discount linked to probability of presence.

TABLE 7 – PERFORMANCE SHARES THAT HAVE BECOME AVAILABLE DURING THE FISCAL YEAR FOR EACH EXECUTIVE DIRECTOR

Performance shares that have become available for the Executive Directors (nominative list)	Number and date of the plan	Number of shares that have become available during the fiscal year	Acquisition Terms	Delivery Date
Henri Poupart-Lafarge Chairman and Chief Executive Officer (the grants related to these plans were made prior to becoming an Executive Director of the Company)	2012 (LTI n° 15) 2013 (LTI n° 16)	2,500 (1) 16,950 (2)	50% 100%	2015 2016

(1) For the LTI N° 15, 1,500 shares were delivered on 15 May 2015 and 1,000 shares were delivered on 9 November 2015 followed by a 2-year retention period.
(2) For the LTI n°16, 16,950 shares were delivered on 2 October 2017 at the end of the "acquisition period" without any retention period.

TABLE 11 – SUMMARY OF THE STATUS AND THE TERMINATION BENEFITS FOR EACH EXECUTIVE DIRECTOR

Executive Directors as of 31 March 2018	Employment Agreement	Supplemental Retirement Regime	Indemnities or advantages owed or potentially owed in case of termination of change of executive position	Indemnities related to a non-compete clause
Henri Poupart-Lafarge Chairman and Chief Executive Officer	Yes (suspended)	Yes (1)	Yes (2)	None

(1) The supplemental retirement regimes to which the executive director subscribes are described in the compensation policy described above.
(2) The severance indemnity which could be owed to the Executive Corporate Officer are related to his employment agreement and his corporate officer mandate. They are set forth in the compensation policy described above.

SUMMARY TABLE OF THE DIFFERENCES RELATIVE TO THE RECOMMENDATIONS OF THE AFEP-MEDEF CODE

The Company has chosen to refer to the AFEP-MEDEF Code of Corporate Governance for Listed Companies (the "AFEP-MEDEF Code") which, at the time of publication of the present registration document, was last updated in November 2016. This document is available on the websites of the AFEP (www.afep.com), of the MEDEF (www.medef.com) and of the Company.

Following the annual review of the corporate governance practices of the Company, the Board of Directors considers that the Company applies the recommendations of the AFEP-MEDEF Code with the exception of the items set forth in the table below. For each item, an explanation is provided.

Article of the AFEP-MEDEF Code	Explanations
ARTICLE 13.2 **(SPREAD OUT CORPORATE OFFICER MANDATES)** The code recommends: *"Terms should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of directors"*	No staggering of terms has been formalised in the articles of association since, in practice, the renewals are spread over three consecutive years
ARTICLE 21 **(TERMINATION OF EMPLOYMENT CONTRACT IN CASE OF APPOINTMENT AS COMPANY OFFICER)** The code recommends: *"(…) when an employee Is appointed as company Officer, it is recommended to terminate his or her employment contract with the Company whether through contractuaermination or resignation"*	In order to take into account the duration of the career as a salaried employee of Mr Henri Poupart-Lafarge before he became an executive officer (18 years), the Board of Directors, on the recommendation of the Nominations and Remuneration Committee, approved the suspension, and not the termination, of his employment agreement with Alstom Executive Management SAS, a 100% subsidiary of the Company, for the duration of his activities as a corporate officer. In case of removal from his position as corporate officer, his employment agreement will be reactivated.
ARTICLE 24.6.2 **(SUPPLEMENTAL RETIREMENT SCHEME)** The code states: *"…in order to benefit from the services of a defined benefit pension plan, the beneficiaries must satisfy reasonable conditions of employee seniority within the Company, as set by the Board of the Directors. Such seniority cannot be less than two years."*	Even though the defined benefit plan does not set any minimum seniority requirement to be met in order to benefit from it, this plan remains compliant with the intention behind the AFEP-MEDEF Code recommendation to the extent that Mr Henri Poupart-Lafarge already meets this condition of reasonable seniority (i.e. he has a 20-year seniority with the Group). In addition, this plan was closed and the rights acquired under this plan were frozen on 31 December 2016. There is no longer any new beneficiary and any rights' acquisition. (See paragraph "Supplemental retirement scheme" page 182.)

PARTICIPATION AT SHAREHOLDER MEETINGS

Pursuant to Art. L. 225-37-4 of the French Commercial Code, information on the conditions for shareholders to attend a Shareholder Meeting is part of the Board of Directors' report. It is described on page 281 of this registration document.

Any shareholder has the right to attend Shareholder Meetings under the conditions set forth by law and in article 15 of the Company's Articles of Association. The provisions of article 15 of the Articles of Association appear on page 281 of this registration document. The Company's Articles of Association are published on the Company's website. The members of the Board of Directors are generally present at Shareholder Meetings.

ELEMENTS THAT COULD HAVE AN IMPACT IN THE EVENT OF A PUBLIC TAKE-OVER OFFER

Pursuant to article L. 225-37-5 of the French Commercial Code, information on these elements is part of the Board of Directors' report . It is described on page 296 of this registration document.

SUMMARY TABLE OF DELEGATIONS OF AUTHORITY REGARDING INCREASES IN SHARE CAPITAL CURRENTLY IN FORCE

Pursuant to article L. 225-37-4 of the French Commercial Code, this table is part of the Board of Directors' report. It is described on page 287 of this registration document.

EXECUTIVE **COMMITTEE**

ROLE

The Executive Committee, chaired by the CEO, comprises regional leaders, with all regions being represented, as well as leaders with functional expertise. Finance, Human Resources, Legal, and Operations are the functions permanently sitting at the Executive Committee.

The CEO leads the Executive Committee in its overall management of the Company to achieve its performance goals and objectives.

More specifically, the role of the Executive Committee is to implement the Financial & Strategic directions provided by the Board of Directors. Formally gathering once a month, this Committee engages in decision-making, supporting the CEO in the following areas:

- Strategic matters within the framework set by the Board;
- Industrial footprint & geographical expansion;
- Capital allocations;
- Organisational & staffing needs;
- Product portfolio evolution through new developments & rationalisation;
- Company policies & critical processes.

It systematically reviews company financial & operational performance, discusses & validates staffing for key positions, seeks insights into various ongoing legal company matters and fosters the implementation of legal best practices.

The Executive Committee endorses the product, marketing & commercial plans and reviews the budget orientations prior to validation by the Company Board of Directors.

The internal audit & internal control management provides regular updates to the Executive Committee, assessing progress towards reaching the objectives set forth by the Audit Committee. The Executive Committee, on a regular basis, reviews the performance of Platform & Operational functions during specific sessions whereby the respective leaders report out on their product development roadmaps & operational improvement initiatives.

COMPOSITION

The Executive Committee is composed of the following person on 15 May 2018:

	Main responsibility	Seniority with the Committee	Age
Henri Poupart-Lafarge	Chairman and Chief Executive Officer	October 2004	49
Thierry Best	Chief Operating Officer	November 2015	58
Marie-José Donsion (1)	Chief Finance Officer	November 2015	46
Pierrick Le Goff	General Counsel	November 2015	51
Thierry Parmentier	Senior Vice-President – Human Resources & Environment, Health and Safety	April 2017	53
Didier Pfleger (2)	Senior Vice-President – Middle East & Africa	July 2017	53
Jean-Baptiste Eyméoud	Senior Vice-President – France	November 2015	50
Gian-Luca Erbacci (3)	Senior Vice-President – Europe	November 2015	56
Michel Boccaccio	Senior Vice-President – Latin America	November 2015	57
Jean-François Beaudoin (4)	Senior Vice-President – Asia Pacific & Alstom Digital Mobility	July 2016	40
Jérôme Wallut	Senior Vice-Président – North America	November 2015	54

(1) Mr Laurent Martinez will replace Ms Marie-José Donsion on 1 July 2018.
(2) Mr Didier Pleger replaced M. Gian Luca Erbacci on 1 July 2017.
(3) Mr Gian Luca Erbacci replaced M. Andreas Knitter on 1 July 2017.
(4) Mr Jean-François Beaudoin replaced Mr Pascal Cléré on 1 November 2017 as Head of Alstom Digital Mobility.

The Executive Committee met 12 times during the 2017/18 fiscal year (as it was the case during the previous fiscal year).

REMUNERATION OF THE MEMBERS OF THE EXECUTIVE COMMITTEE

The financial elements accounted for in the 2017/18 fiscal year and corresponding to the remuneration and benefits granted to members of the Executive Committee are described in Note 36.3 to the Consolidated Financial Statements for the 2017/18 fiscal year.

The compensation of the Executive Committee members, *i.e.*, currently 10 persons excluding the Chairman and Chief Executive Officer, is decided annually by the Chairman and Chief Executive Officer and reviewed by the Nominations and Remuneration Committee. It consists of a fixed component and a variable component tied to the realisation of performance objectives determined at the beginning of the fiscal year. It is supplemented by a grant of free shares subject to performance conditions.

For fiscal year 2017/18, the variable compensation is tied, on one hand, to meeting Company global performance objectives in terms of adjusted EBIT, free cash flow, margin on orders received, and frequency rate of workplace accidents with medical leave and, on the other hand, to reaching specific individual objectives. All members of the Executive Committee share the same global objectives, irrespective of Region or Function. These objectives represent 60% of the target variable remuneration for each Committee member, with a possibility of variation within a range of 0% to 120%. The specific individual objectives refer to specific action plans included in the budgets and strategic plans. These objectives represent 40% of the variable remuneration target for each Committee member, with the possibility of variation within a range of 0% to 50%. The measurement of their achievement is decided by the Chairman and Chief Executive Officer and reviewed by the Nominations and Remuneration Committee.

The variable remuneration level is based on best practices within the industry, compensation surveys and advice from specialised international consultants.

The overall amount of the gross compensation paid from 1 April 2017 to 31 March 2018 to the members of the Executive Committee, excluding the Chairman and Chief Executive Officer's whose remuneration is set forth on page 183, by the Company and the companies controlled by the Company within the meaning of article L. 233-16 of the French Commercial Code, amounted to €5,319,994.

The fixed component, for the fiscal year involved represented €3,569,379 and the variable component linked to the results of fiscal year 2016/17 represented €1,750,615 (excluding the Chairman and Chief Executive Officer).

Certain members of the Executive Committee benefit from supplementary pension plans (defined contribution plan and defined benefit plan). The total amount of the defined benefit obligation accounted for the eligible members of the Executive Committee (excluding the Chairman and Chief Executive Officer) was €1,394,854 as of 31 March 2018, including the provision for legal retirement indemnities and for taxes applicable to supplemental retirement schemes. The total amount of contributions assumed by the Group (paid or accrued), in connection with the defined contribution plans (excluding the Chairman and Chief Executive Officer) for the fiscal year was €642,724.

INTERESTS OF THE OFFICERS AND EMPLOYEES IN THE SHARE CAPITAL

STOCK OPTIONS AND PERFORMANCE SHARE PLANS

Granting policy

Generally every year, the Company sets up a Long Term Incentive Plan in France and outside France within the framework of the authorisation granted at the General Shareholders' Meeting, pursuant to Articles L. 225-177 *et seq.* and to Articles L. 225-197 *et seq.* of the French Commercial Code. The Board of Directors grants these plans upon the proposal of the Nominations and Remuneration Committee, which reviews all terms, including the granting criteria. The awards are made with a regular frequency. Since 2016, the Board of Directors has decided to modify the period of grant in order to ensure that the grant date occurs closer to the beginning of the fiscal year. As such, a plan was granted on 13 March 2018 ("PSP 2018"). In the context of the Long-term Incentive Plans that were put in place starting in the 2007/08 fiscal year, the Board of Directors wanted to combine the allocation of stock options with the grant of free shares. Since 2016, the Board no longer plans to use stock options for these plans and will condition delivery of all shares to internal and external performance conditions and continued employment requirements (please refer to the characteristics of these plans, as set forth in subsequent pages).

The grants of performance shares vary according to beneficiaries' level of responsibility and performance, their number increasing as responsibility and performance levels increase. Beneficiaries of performance shares are generally selected among the executives of profit centres, functional executives, country presidents, managers of large projects and, more generally, holders of key salaried positions in Alstom, which have made a significant contribution to the Group's results.

Since 2004, the number of beneficiaries totals approximately 2% of total Group employees.

Individual grants to members of the Executive Committee are based on the level of responsibilities and are in line with market practice. They are granted under the terms of the plan and implemented annually; the characteristics of the performance shares granted to members of the Executive Committee are similar to those of all the other grants.

The PSP 2018, granted on 13 March 2018, concerned a number of performance shares corresponding to 0.46% of the share capital as of the grant date. For information on the grants awarded to the Chairman and Chief Executive Officer over the course of previous fiscal years, please refer to the section on the Compensation of Executive and Non-Executive Directors in the Board of Directors' report (see page 186).

Main characteristics of the performance shares

- Frequency: Annual allocation. Since 2016, the allocation has been completed in March in order to be closer to the beginning of the following fiscal year.
- Performance requirement: Yes. For the plans granted until 2017, the vesting of all performance shares is subject to internal Group performance conditions to be met over a period of three fiscal years following the grant date and to an external performance requirement to be met on the third fiscal year following the grant date of the performance shares. Since the grant of 2018 both internal and external performance conditions will be assessed at the end of the third fiscal year folllowing the grant date.
- Delivery date: Once in full at expiration of a period of around three years for all beneficiaries.
- Holding requirement: None.
- Specific holding requirement for members of the Executive Committee: Yes, since fiscal year 2007/08.

For all beneficiaries, the shares are acquired following an acquisition period of around three years following the date upon which the Board of Directors granted the performance shares, subject to satisfying internal performance condition(s) linked to the Company and, since 2016, an external performance condition based on the performance of the Company's share price. For the PSP 2018, this performance period is three years long for all beneficiaries. The resulting new shares would be issued at the moment of their final acquisition by deduction from the reserves.

The definitive acquisition is also subject to conditions of continued employment within the Group, except in exceptional cases as provided for in the plan.

Requirement to hold the shares applicable to members of the Executive Committee – Rules of conduct

For each plan since the 2007 plan (LTI No. 10), the Board of Directors has set retention requirements applicable to beneficiaries who are members of the Executive Committee.

They must hold, for the entire period of time during which they serve on the Committee, in registered form, a number of shares resulting from the free allocation granted in the context of these plans and corresponding to 25% of the definitive allocation of performance shares.

Moreover, rules of conduct applicable within the Group where inside information is held prevent any sale of shares during periods preceding the approval of the Group's results and more generally when inside information is held. In addition to this lock-up requirement applicable only to insiders, specific legal obligations are also applicable to all recipients of performance shares, irrespective of whether or not they hold the status of insider. Such obligations preclude them from selling any performance shares during certain periods determined by law.

Summary of the main characteristics of the stock options plans granted and outstanding at the end of fiscal year 2017/18

The total number of options that could be exercised according to the outstanding plans corresponds to 0.60% of the share capital as of 31 March 2018. The main characteristics of all stocks option plans implemented by the Company and outstanding as of 31 March 2018 are summarised below. No other company of the Group has implemented stocks option plans giving right to the Company's shares.

	Plan No. 13 included in plan LTI No. 13 (conditional options)	Plan No. 14 included in plan LTI No. 14 (conditional options)	Plan No. 15 included in plan LTI No. 15 (conditional options)	Plan No. 16 included in plan LTI No. 16 (conditional options)
Date of Shareholders' Meeting	22 June 2010	22 June 2010	22 June 2010	2 July 2013
Date of Board meeting	13 Dec. 2010	4 Oct. 2011	10 Dec. 2012	1 Oct. 2013
Initial exercise price (1)	€33.14	€26.39	€27.70	€26.94
Adjusted post-OPRA exercise price (2)	€28.83	€22.96	€24.10	€23.44
Beginning of stock options exercise period	13 Dec. 2013	4 Oct. 2014	10 Dec. 2015	3 Oct. 2016
Expiry date	12 Dec. 2018	3 Oct. 2019	9 Dec. 2020	30 Sept. 2021
Number of beneficiaries	528	514	538	292
Total number of options (adjusted if any) (2)	1,419,767 (4)	1,573,723 (5)	1,508,777 (6)	771,997
Total number of exercised options (adjusted)	440,340	647,163	451,994	410,587
Total number of cancelled options	468,163	638,291	806,630	72,625
Number of remaining options to be exercised as of 31 March 2018 (2)	511,264	288,269	250,153	288,785
Percentage of capital as of 31 March 2018 that may be issued	0.23%	0.13%	0.11%	0.13%
Number of shares that may be subscribed as of 31 March 2018 by members of the Executive Committee (2)(3)	50,211	44,867	35,218	45,400
of which number of shares that may be subscribed by Mr Henri Poupart-Lafarge as of 31 March 2018	45,980	32,183	22,988	34,480

(1) Undiscounted price corresponding to the average opening price of the share during the twenty French stock market trading days preceding the Board of Directors' meeting that granted the plan.
(2) Stock option plans were adjusted on 28 January 2016 to take into account the share capital reduction following the public share buy-back offer (OPRA).
(3) Refers to the members of the Executive Committee as of 31 March 2018 and not to those who were members of such Committee at the time of the grant.
(4) 20% of the stock options initially granted under LTI Plan 13 were cancelled based on the application of the performance conditions linked to the results of the 2010/11, 2011/12 and 2012/13 fiscal years.
(5) 30% of the stock options initially granted under LTI Plan 14 were cancelled based on the application of the performance condition linked to the results of the 2011/12, 2012/13, and 2013/14 fiscal years.
(6) 50% of the stock options initially granted under LTI Plan 15 were cancelled based on the application of the performance condition linked to the results of the 2012/13 and 2013/14 fiscal years.

TERMS OF EXERCISE/PERFORMANCE CONDITIONS [(7)]

Plan No. 13 included in plan LTI No. 13 (conditional options)	Plan No. 14 included in plan LTI No. 14 (conditional options)	Plan No. 15 included in plan LTI No. 15 (conditional options)	Plan No. 16 included in plan LTI No. 16 (conditional options)
• The percentage of options which can be exercised from 13 December 2013 will vary according to predetermined levels of the Group's operating margin for the 2010/11, 2011/12 and 2012/13 fiscal years (the "Margins"). • 100% of options can be exercised if the Margins are equal or above 7.5%. • No option can be exercised if the Margins are below 6.5%. **Achievement of performance conditions:** 80% of the options initially granted are exercisable since 13 December 2013.	• The percentage of options which can be exercised from 4 October 2014 will vary according to predetermined levels of the Group's operating margin for the 2011/12, 2012/13 and 2013/14 fiscal years (the "Margins"). • 100% of options can be exercised if the Margins are equal or above 7.5%. • No option can be exercised if the Margins are below 6.5%. • For more details, refer to Note 23 to the consolidated financial statements for the 2014/15 fiscal year. **Achievement of performance conditions:** 70% of the options initially granted are exercisable since 4 October 2014.	• The percentage of options which can be exercised from 10 December 2015 will vary according to predetermined Group's operating margin levels for the 2012/13, 2013/14 and 2014/15 fiscal years (the "Margins") and requires a free cash flow ("FCF") above or equal to 0 for each fiscal year. • 100% of options can be exercised if the Margins are equal or above predetermined levels and the FCF is above or equal to 0 for each fiscal year. • No option can be exercised if the Margins are below 7% or the FCFs are negative. • The performance conditions relative to the 2014/15 fiscal year have been fulfilled as a result of the completion of the transaction with General Electric. • For more details, refer to Note 23 to the consolidated financial statements for the 2014/15 fiscal year. **Achievement of performance conditions:** 50% of the options initially granted are exercisable since 10 December 2015.	• The percentage of options which can be exercised will vary according to predetermined Group's operating margin levels for the 2014/15 and 2015/16 fiscal years (the "Margins") and requires a free cash flow ("FCF") above or equal to 0 for each fiscal year. • 100% of options can be exercised if the Margins are equal or above predetermined levels and the FCF is above or equal to 0 for each fiscal year. • No option can be exercised if the Margins are below 7.2% for fiscal year 2014/15 or 7.4% for fiscal year 2015/16 or the FCFs are negative. • The performance conditions relative to the 2014/15 and 2015/16 fiscal years have been fulfilled as a result of the completion of the transaction with General Electric. **Achievement of performance conditions:** 100% of the options initially granted are exercisable since 3 October 2016.

(7) The exercise of the options is also subject to presence condition in the Group except as explicitly set forth in the plan.

Only 80% of the stock options granted under LTI plan N° 13, 70% of the stock options granted under LTI plan N° 14 and 50% of the options granted under LTI plan N° 15 became exercisable upon application of these plans' performance conditions.

Following the completion of the transaction with General Electric, 100% of the grant under LTI plan N° 16 became exercisable.

Conditional stock options granted to Alstom's Executive and Non-Executive Corporate Officers (*mandataires sociaux*) during fiscal year 2017/18 and options exercised by them

No option was granted by the Company during fiscal year 2017/18 to Mr Henri Poupart-Lafarge, the Chairman and Chief Executive Officer and the only Executive Director of the Company. The Chairman and Chief Executive Officer did not exercise any stock options over the course of the fiscal year.

The Company did not grant any stock options to other Non-Executive Directors during the 2017/18 fiscal year.

Conditional stock options granted during fiscal year 2017/18 to the ten employees who are not Alstom's Executive or Non-Executive Directors and who received the largest number of options

No stock options were granted to employees, either Corporate Officers or not, during the 2017/18 fiscal year.

Stock options exercised during fiscal year 2017/18 by the ten employees who are not Alstom' Directors and who exercised the largest number of options

	Number of shares subscribed (*)	Average share price (*)
Total number of options exercised during the fiscal year by the ten first employees who are not Directors and who exercised the largest number of options	88,071	€26.09

(*) Related to exercise of options of plan LTI No. 13, 14, No. 15 and No. 16 adjusted on 28 January 2016 to take into account the share capital reduction following the public share buy-back offer (OPRA)

Summary of the main characteristics of the outstanding plans of free grants of performance shares as of the end of fiscal year 2017/18

The total number of performance shares that could be created in connection with the free allocation of performance shares that have not yet been fully granted represents 1.27% of the share capital as of 31 March 2018 (subject to achievement of the performance conditions, as assessed by the Board of Directors held on 15 May 2018).

	Plan 2016 (PSP 2016) (performance shares)	Plan 2017 (PSP 2017) (performance shares)	Plan 2018 (PSP 2018) (performance shares)
Date of Shareholders' Meeting	18 December 2015		
Date of Board meeting	17 March 2016	17 March 2017	13 March 2018
Initial number of beneficiaries	737	755	732
Number of performance shares initially granted	957,975 (4)	1,022,400 (5)	1,016,025
Outstanding performance shares as of 31 March 2018 (5)	824,577	978,975	1,016,025
Date of delivery of the shares (based on performance conditions)	The fifth business day following the date on which the consolidated financial statements for FY 2018/19 are published	The fifth business day following the date on which the consolidated financial statements for FY 2019/20 are published	The fifth business day following the date on which the consolidated financial statements for FY 2020/21 are published
Percentage of share capital which could be issued	0.37%	0.44%	0.46%
Number of shares as of 31 March 2018 that may be delivered to members of the Executive Committee (1)(3)	139,500	195,000	185,625

	Plan 2016 (PSP 2016) (performance shares)	Plan 2017 (PSP 2017) (performance shares)	Plan 2018 (PSP 2018) (performance shares)
Performance conditions (2)	The percentage of shares definitively delivered varies based on: • two internal performance conditions: the recurrent Adjusted EBIT (Margin) and Free Cash Flow (FCF). These two conditions will be assessed at the end of FY 2016/17, 2017/18 and 2018/19 fiscal year-end. In order for 70% of the shares to be delivered, the Margins and the FCF must be higher than or equal to predetermined levels for each fiscal year. • additionally, an external performance condition, assessed on the date of publication of the financial results for the 2018/19 fiscal year, based on the performance of the Company's shares, calculated as the percentage change between the share price at the grant date and the share price on the publication date, corrected to reflect any potential dividends paid out during the vesting period ("Total Shareholder Return"), compared with the performance of the STOXX® Europe TMI Industrial Engineering Index (hereinafter the "Index") during the same periods. **Achievement level:** The delivery of 14.73% of the initial grant is acquired (subject to presence condition until the end of the vesting period) and 5,27% of the initial grant is cancelled, based on the performance conditions linked to the results of fiscal year 2016/17. The delivery of 19.67% of the initial grant is acquired (subject to presence condition until the end of the vesting period) and 5,33% of the initial grant is cancelled based on the performance conditions linked to the results of fiscal year 2017/18.	The percentage of shares definitively delivered varies based on: • two internal performance conditions: Margin on the Group's Adjusted EBIT (Margin) and free cash flow (FCF). These two conditions will be assessed at the end of FY 2017/18, 2018/19, and 2019/20. In order for 70% of the shares to be delivered, the Margins and the FCF must be higher than or equal to predetermined levels for each fiscal year. • additionally, an external performance condition, assessed on the date of publication of the financial results for the 2019/20 fiscal year, based on the performance of the Company's shares, calculated as the percentage change between the share price at the grant date and the share price on the publication date, corrected to reflect any potential dividends paid out during the vesting period ("Total Shareholder Return"), compared with the performance of the STOXX® Europe TMI Industrial Engineering Index (hereinafter the "Index") during the same periods. In order for 30% of the shares to be delivered, the performance of the share price cannot exceed or fall below the Index by more than a predetermined number of points over three years. **Achievement level:** The delivery of 17.13% of the initial grant is acquired (subject to presence condition until the end of the vesting period) and 2.87% of the initial grant is cancelled based on the performance conditions linked to the results of fiscal year 2017/18.	The percentage of shares definitely delivered varies based on: • one internal performance condition: Margin on the Group's Adjusted EBIT (Margin). This condition will be applied as of the 2020/21 financial year. For a grant of 50% of the shares, the Margin must be higher than or equal to the levels set for the financial year; • an external performance condition, assessed on the date of publication of the financial results for the 2020/21 fiscal year, based on the performance of the Company's shares, calculated as the percentage change between the share price at the grant date and the share price on the publication date, corrected to reflect any potential dividends paid out during the vesting period ("Total Shareholder Return"), compared with the performance of the STOXX® Europe TMI Industrial Engineering Index (hereinafter the "Index") during the same periods. For a grant of 50% of the shares, the performance of the share value must be higher than or equal to the levels set for the index.
Shares retention period	None (3)	None (3)	None (3)

(1) Refers to the Executive Committee as of 31 March 2018. The number of rights to which Mr Henri Poupart-Lafarge is entitled is presented in the section on the Compensation of Executive and Non-Executive Directors of the Board of Directors' report (see page 191).
(2) Final acquisitions are also contingent upon a condition of presence within the Group, unless an exception is made within the plan.
(3) A specific holding requirement applies to the beneficiaries who are members of the Executive Committee (see page 181 for the Chairman and Chief Executive Officer and see page 196 for the other members of the Executive Committee).
(4) Following the financial results of 2016/17 fiscal year approved by the Board of Directors on 3 May 2017 and the financial results of 2017/18 fiscal year approved by the Board on 15 May 2018, 10.60% of the performance shares initially granted under PSP 2016 were cancelled upon application of the performance conditions and 34.40% are acquired subject to a condition of presence. The remaining will depend on the financial results of the 2018/19 fiscal year.
(5) Following the financial results of 2017/18 fiscal year approved by the Board on 15 May 2018, 2.87% of the performance shares initially granted under PSP 2017 were cancelled upon application of the performance conditions and 17.13% are vested subject to presence condition. The remaining will depend on the financial results of the 2018/19 and 2019/20 fiscal years.

Free grants of performance shares to Executive and Non-Executive Corporate Officers (*mandataires sociaux*) during fiscal year 2017/18

Over the course of the 2017/18 fiscal year, 45,000 rights to performance shares were granted to Mr Henri Poupart-Lafarge, the Chairman and Chief Executive Officer and the only Executive Corporate Officer of the Company as of 31 March 2018.

16,950 performance shares were delivered to him over the course of the fiscal year 2017/18 under LTI plan n°16.

No performance shares were delivered to other Non-Executive Directors of the Company during the 2017/18 fiscal year.

Free grants of performance shares during fiscal year 2017/18 to the ten employees who are not Executive or Non-Executive Corporate Officers and who received the largest number of performance shares

Over the course of the 2017/18 fiscal year, the ten largest allocations of performance shares represented an aggregate amount of 151,525 performance shares. Moreover, under LTI plan No. 16, over the course of the fiscal year, 35,595 aggregate performance shares were definitively acquired free of charge, following the expiration of the vesting period, to the ten employees (who are not Corporate Officers) who were granted the highest number of shares.

FREE SHARES PLAN

In accordance with the authority granted at the General Shareholders' Meeting held on 18 December 2015 (second resolution), on the recommendation of the Nominations and Remuneration Committee, the Board of Directors, on 23 September 2016, approved an equal grant of 30 free shares to all of the Group's employees under the "We are Alstom 2016" plan.

It was also decided that, in countries where, for tax and/or legal reasons, a grant of free shares would be difficult or impossible, the equivalent in cash to such thirty shares would be paid in the future to the employees.

In accordance with applicable law, the shares will be fully and finally granted at the end of two years, *i.e.*, 23 September 2018.

In total, approximately 27,000 persons in the Group in 16 countries were concerned by this free grant for a maximum of 824,370 shares, representing approximately 0.37% of the share capital on 31 March 2018. The resulting new shares would be issued at the moment of their final acquisition by deduction from the reserves. Approximately 4,000 persons in 45 countries will receive the equivalent in cash to such 30 shares, provided that this amount will be estimated and paid at the end of the two-year period.

EMPLOYEE INVESTMENT, PROFIT SHARING, AND SAVINGS PLAN

Employee investment

All the French subsidiaries of the Group to which the French law of 7 November 1990 applies have entered into employee investment and profit sharing agreements. An exceptional profit-sharing scheme (*accord de participation dérogatoire*) benefiting at least 90% of the employees of the French companies of the Group took effect on 30 September 2011. The amounts paid in respect of the French statutory employee profit sharing agreements over the last three years are as follows:

Fiscal year ended 31 March *(in € million)*	**2015**	**2016**	**2017**
Statutory employee profit sharing agreements	5.5	0	0

Specific profit sharing

As of today, more than 98% of employees in the Group's French subsidiaries benefit from a specific profit sharing plan (*accord d'intéressement*). The amounts paid in respect of fiscal year 2017/18 are not yet known to date, because they depend on a series of criteria defined in profit sharing plans applicable for each subsidiary, the final results of which are known within six months following the end of fiscal year, *i.e.* 30 September of each year, at the latest. The amounts paid in respect of specific profit sharing plans for the past three fiscal years are as follows:

Fiscal year ended 31 March *(in € million)*	**2015**	**2016**	**2017**
Specific employee profit sharing plans	34.5	16.3	16.1

Employee savings plan and retirement savings plan

Alstom's French employees can invest their savings resulting from profit-sharing, specific profit-sharing, or voluntary savings in the Group Savings Plan not invested in the Company securities or in a collective savings and retirement plan ("PERCO"). This latter plan receives an employer matching contribution from the Company in the maximum amount of €500 for every €1,500 contributed over the year. In 2017, the French employees contributed €5.8 million to the Group Savings Plan and €2.4 million to the PERCO savings plan. These contributions to the PERCO triggered an employer matching contribution of €1.1 million paid by Alstom.

Employee shareholdings within the Group savings plan

Within the Group Savings Plan, employee savings can also be invested in the Company securities.

Since its initial public offering and first listing, the Company implemented has five share capital increases reserved for the employees participating in the Group Savings Plan. No capital increase was carried out in the context of the Group's savings plan over the course of the 2017/18 fiscal year. The most recent capital increase was carried out over the course of the 2008/09 fiscal year in the context of the "Alstom Sharing 2009" shareholding plan reserved for current employees (and retired employees) of the Group with at least three months seniority, and was offered in 22 countries including France, *via* a "Two for One 2009" offering and a "classic" offering. Approximately 28% of the Group's eligible permanent staff as of that date (or approximately 18,400 employees) subscribed to this capital increase.

As of 31 March 2018, the Group's employees and former employees held 1.16% of the Company's share capital, either directly or through a fund ("FCPE") (see pages 291 and 292).

SUMMARY OF TRANSACTIONS OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS OR PEOPLE MENTIONED IN ARTICLE L. 621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE ON THE SECURITIES OF THE COMPANY CONDUCTED DURING FISCAL YEAR 2017/18

As of 15 May 2018, the following transactions were registered with the AMF:

Notifying person	Financial instrument	Type of transaction	Number of transactions	Value of transactions *(in €)*
Sylvie Rucar	Shares	Acquisition	250	7,587
Sylvie Kandé de Beaupuy	Shares	Acquisition	700	21,952
Sylvie Rucar	Shares	Acquisition	250	7,717
Sylvie Rucar	Shares	Acquisition	250	7,822
Sylvie Rucar	Shares	Acquisition	250	7,980
Sylvie Rucar	Shares	Acquisition	500	15,839
État – Agence de Participations de l'État	Shares	End of share loan betweent the French State and Bouygues SA	43,825,360	N/A
Sylvie Kandé de Beaupuy	Shares	Acquisition	700	24,010

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

(Annual General Meeting for the approval of the financial statements for the year ended 31 March 2018)

This is a free translation into English of the Statutory Auditors' special report on related-party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

To the General Meeting of Alstom

In our capacity as Statutory Auditors of Alstom, we hereby present to you our report on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R. 225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R. 225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE ANNUAL SHAREHOLDER MEETING

Agreements and commitments authorised during the year

In accordance with article L. 225-40 of the French Commercial Code, we were informed of the following agreements and commitments concluded during the year authorised by the Board of Directors.

Letter of support from Bouygues SA to the contribution in kind of the Mobility activity of Siemens to Alstom remunerated in newly issued shares

Directors concerned:

Mr Olivier Bouygues, Deputy Chief Executive Officer of Bouygues SA,

Bouygues SA, represented by Mr Philippe Marien.

Nature and purpose:

At its meeting of 26 September 2017, your Board of Directors authorised the signature of a support agreement between Bouygues SA and Alstom, and countersigned by Siemens, on the same day as the signature of the Memorandum of Understanding between Siemens and Alstom to combine Siemens' mobility activities with Alstom (the "Transaction"). The purpose of this agreement, which includes obligations for Alstom, is to set the conditions to which Bouygues SA provides support and the terms and conditions thereof.

By this agreement, Bouygues undertakes in particular to (i) vote in favor of the Transaction at the meeting of the Board of Directors, (ii) not to transfer, directly or indirectly, the Alstom shares it holds before the general meeting called to decide on the Transaction and (iii) vote in favor of any resolution submitted to the vote of the shareholders as part of the approval of the Transaction, with all of its voting rights up to a maximum of 29.99% of the Company's capital.

Alstom undertakes, after the lock-up, to cooperate with Bouygues SA, upon it so requests, in the efforts it may engage to sell its stake in the Company.

Motivations justifying the interest of such commitments for the Group that led to the authorisation given on 26 September 2017:

The Board of Directors underlined the importance of the support of Bouygues SA, as a significant shareholder of Alstom, in the planned merger between Alstom and the mobility activities of Siemens.

Agreements and commitments not subject to prior authorisation

In accordance with articles L. 225-42 and L. 823-12 of the French Commercial Code. In accordance with article L. 225-90 of the French Commercial Code, we have been informed that the following agreements and commitments have not been subject to prior authorisation by your Board of Directors Supervisory Board.

It is our responsibility to inform shareholders of the circumstances by virtue of which the procedure for prior authorisation was not followed.

Exclusive financial advisory mandate entrusted to Rothschild & Cie Bank

Director concerned:

Mr Klaus Mangold, Vice President Europe of Rothschild, Chairman of the Supervisory Board of Rothschild GmbH and Member of Rothschild Global Advisory Group.

Nature and purpose:

On 26 September 2017, Alstom concluded with Rothschild & Cie a mandate agreement as Alstom's exclusive financial advisor, and as part of this mandate, assist Alstom in the study, preparation and implementation in connection with the planned merger between Alstom and Siemens' mobility activities.

This agreement was authorised by your Board of Directors on 26 September 2017 and was signed following this authorisation. Although this agreement had a retroactive effect, its final terms have only been finalised the day of the Board of Directors authorisation. As such, this agreement could not be submitted to the authorisation of your Board of Directors nor formally concluded before this date.

Motivations justifying the interest of such commitments for the Group that led to the authorisation given on 26 September 2017:

The Board of Directors has considered that it was in Alstom's interest to retain Rothschild & Cie as financial adviser given its extensive experience in many cross-border transactions, his knowledge of your Company's activities, and the sector in which your Company operates.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE ANNUAL SHAREHOLDER MEETING

Agreements and commitments approved in previous years which the execution continued during the year

Commitments falling within the scope of article L. 225-42-1 of the French Commercial Code with Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer of Alstom starting 1 January 2017

Director concerned:

Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer of Alstom.

Nature and purpose:

At its meeting of 8 November 2016, the Board of Directors authorised starting 1 January 2017 the new terms and commitments made to Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer of Alstom and motivated the interest of such commitments for the Company, in accordance with Articles L. 225-38 and L. 225-42-1 of the French Commercial Code.

Your Board of Directors meeting of 15 May 2018 has confirmed, for the purpose of the Statutory Auditors' special report, the motivations that led to the authorisation given on 8 November 2016.

These commitments are as follows:

Supplemental retirement schemes:

At its meeting of 8 November 2016, the Board of Directors authorised, upon the recommendation of the Nominations and Remuneration Committee, the closure starting 31 December 2016 and the freeze of cumulative rights of the defined benefit plan in force ("article 39") together with the implementation of a new supplemental retirement scheme in accordance with the articles L. 225-38 and L. 225-42-1 of the Commercial law.

The Board of Directors then decided to replace the defined benefit plan with a new defined contribution supplemental pension scheme, with the objective of reducing the annual expenses held by the Company under these schemes.

The other beneficiaries eligible to the "article 39", being the members of the Executive Committee under French employment contract, with an annual remuneration that exceeds eight times the Social Security ceiling, benefit from an equivalent system.

The implementation of the new terms and conditions aims at creating a retirement saving of which the amount, at the time of the retirement of the Chairman and Chief Executive Officer, should allow him to receive an annual pension equivalent to the one he would have acquired under the "article 39" defined benefit plan, reduced by a discount related to the suppression of the presence condition and depending on his age and seniority in the scheme.

As a consequence, the Board of Directors decided to:

- close, starting 31 December 2016 of the defined benefit pension plan (article 39) attributable to the Chairman and Chief Executive Officer and the freeze of the cumulative rights, as of 31 March 2018, representing an annual pension of €176,000 (constant euros) subject to the presence condition at the time the Chairman and Chief Executive Officer asserts his pension rights. No new rights shall be acquired in relation to this plan;
- implement, starting 1 January 2017, an annual contribution dedicated to retirement paid to a third-party organisation (article 82). The calculation of this gross annual contribution is based on Mr Poupart-Lafarge's total annual remuneration (fixed and variable remuneration) according to the following terms and conditions:
  - 10% of his gross fixed remuneration between eight and twelve times the Social Security Annual Ceilings and 20% of his fixed remuneration greater than twelve times the Social Security Annual Ceilings,
  - 20% of his annual variable remuneration as determined by the Board of Directors,
  - the reference remuneration (fixed and variable) for the calculation of the contribution will not, in any case, exceed €2 million,
  - no contribution will be paid if its variable remuneration is equal to zero.

The Chairman and Chief Executive Officer is committed, once the tax and social obligations relating to these contributions have been satisfied, to keep the amount paid on the dedicated retirement savings vehicle at least for the duration of his mandate.

This system reduces the Company's annual expense by approximately 25% in the full-year accounts on the basis of a remuneration corresponding to the annual objectives.

The amount of the pension to which the Chairman and Chief Executive Officer would be entitled on the basis of this remuneration would be less than the amount currently considered under the terms of the previous "article 39" scheme (amount itself limited to eight times the Social Security ceilings), in application of a discount accompanying the transition from a non-acquired rights plan to an acquired-rights plan.

Agreements and commitments approved in previous years but not implemented during the year

Commitments falling within the scope of article L. 225-42-1 of the French Commercial Code with Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer of Alstom, from 1 February 2016 to 31 December 2016

Director concerned:

Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer of Alstom

Nature and purpose:

At its meetings of 28 January 2016 and 10 May 2016, the Board of Directors authorised the related-party commitments made to Henri Poupart-Lafarge, Chairman and Chief Executive Officer of Alstom starting 1 February 2016 and motivated the interest of such commitments for the Company, in accordance with Articles L. 225-38 and L. 225-42-1 of the French Commercial Code.

At its meeting of 8 November 2016, the Board of Directors authorised the closure and the freeze of the cumulative rights under this plane, starting 31 December 2016.

These commitments are as follows:

Supplemental retirement schemes:

The Chairman and Chief Executive Officer has benefited from a defined benefit plan (article 39) for the benefit of senior executives of Alstom SA and Alstom Executive Management SAS whose basic remuneration exceeds eight times the Social Security Ceilings.

At its meeting of 8 November 2016, the Board of Directors authorised, upon the recommendation of the Nominations and Remuneration Committee, the closure starting 31 December 2016 and the freeze of cumulative rights of the defined benefit plan in force.

Under this scheme, the vesting of rights for the Chairman and Chief Executive Officer was subject to performance conditions. In its deliberation of 28 January 2016, the Board of Directors decided that the Chairman and Chief Executive Officer would acquire his annual rights only if his variable remuneration for the corresponding financial year reached at least 50% of his target value. For the first nine months of fiscal year 2016/17, the Board of Directors noted that this performance condition had been achieved.

The pension that would be paid to Mr Henri Poupart-Lafarge through this plan, unless he claims his rights to retirement while leaving the Group, has been frozen to €176,000 (constant euros) subject to the presence condition when the Chairman and Chief Executive Officer claims his pension rights.

With regard to the defined contribution pension scheme (article 83), the Chairman continues to benefit from the supplementary collective retirement arrangement which the directors of Alstom SA and Alstom Executive Management SAS are benefiting from. The contributions used to finance the defined pension contract amount to 1% of Tranche A, 1% of Tranche B, 4% of Tranche C and 11% of Tranche D of Mr Henri Poupart-Lafarge reference salary and are 95% supported by the Company. For fiscal year 2017/18, the Chairman and Chief Executive Officer benefitted from contributions of €25,187 per year, supported at 95% by the Company, €23,927.

Commitments falling within the scope of article L. 225-42-1 of the French Commercial Code with Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer of Alstom, starting 1 February 2016

Director concerned:

Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer of Alstom.

Nature and purpose:

At its meetings of 28 January 2016 and 10 May 2016, the Board of Directors authorised the related-party commitments made to Henri Poupart-Lafarge, Chairman and Chief Executive Officer of Alstom starting 1 February 2016, and motivated the interest of such commitments for the Company, in accordance with Articles L. 225-38 and L. 225-42-1 of the French Commercial Code.

This agreement was approved by the Annual General Meeting of 5 July 2016.

Since then, it continues to pursue its effects in the same way.

As it had already done on 3 May 2017, your Board of Directors meeting of 15 May 2018 has confirmed, for the purpose of the Statutory Auditors' special report, the motivations that led to the authorisation given on 28 January 2016.

These commitments are as follows:

Severance payment:

As regards the length of Mr Henri Poupart-Lafarge's career as employee before being appointed as Chairman and Chief Executive Officer (18 years), the Board of Directors, upon the recommendation of the Nominations and Remuneration Committee, authorised the suspension (instead of cancellation) of his contract of employment during his Corporate Office. The Board of Directors, upon the recommendation of the Nominations and Remuneration Committee, decided that in the event of revocation of his Corporate Office his contract of employment with Alstom Executive Management SAS would be reactivated. In the event it would not be possible to propose to Mr Henri Poupart-Lafarge a position corresponding to his level of responsibility, he would benefit from a severance payment which cannot exceed two years of his target remuneration as Corporate Officer and is subject to the following performance condition: application of a coefficient corresponding to the average level of attainment of targets applicable to his variable remuneration for the three years preceding his departure to two years of his target remuneration, fixed and variable. It would include and could not be lower than the severance payment to which Mr Henri Poupart-Lafarge is eligible in the frame of his suspended employment contract with the Company Alstom Executive Management SAS as at 31 January 2016, that would amount to €1,856,000.

Neuilly-sur-Seine and Paris La Défense, 22 May 2018

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Édouard Demarcq	Cédric Haaser

STATUTORY **AUDITORS**

STATUTORY AUDITORS

PricewaterhouseCoopers Audit

represented by Mr Édouard Demarcq

63, rue de Villiers
92200 Neuilly-sur-Seine, France

Mazars

represented by Mr Cédric Haaser

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92400 Paris La Défense, France

The Statutory Auditors were appointed by the Ordinary Shareholders' Meeting held on 30 June 2015 for six fiscal years expiring at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for fiscal year 2020/21.

PricewaterhouseCoopers Audit and Mazars belong to the *"Compagnie régionale des Commissaires aux comptes de Versailles"*.

DEPUTY STATUTORY AUDITORS

Mr Jean-Christophe Georghiou

Deputy Statutory Auditor of PricewaterhouseCoopers Audit

63, rue de Villiers
92200 Neuilly-sur-Seine, France

Mr Jean-Maurice El Nouchi

Deputy Statutory Auditor of Mazars

61, rue Henri-Regnault
92400 Paris La Défense, France

The Deputy Statutory Auditors were appointed by the Ordinary Shareholders' Meeting held on 30 June 2015 for six fiscal years expiring at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for fiscal year 2020/21.

STATUTORY AUDITORS' FEES FOR FISCAL YEAR 2017/18

The Statutory Auditors' fees for fiscal year 2017/18 are included under Note 35 to the consolidated financial statements for fiscal year 2017/18.

STATUTORY AUDIT CHARTER

In May 2016, Alstom and its Statutory Auditors formalised, following the Audit Committee's approval, the new Audit Charter applicable until 31 March 2021 when the current Statutory Auditors' engagement comes to an end.

This charter defines the Group's statutory audit process under the various applicable laws and rules. By formalising it, the parties officially commit themselves to respecting the said charter and to aiming for more transparency and efficiency.

The main rules defined apply to the following topics:

- principles on fee and assignment split between both auditing firms;
- work process between the two audit firms and relationship with Alstom, notably with the Internal Audit function;
- relationship between the Statutory Auditors and the Audit Committee;
- defining the allocation principles of assignments accessory to the audit mandate;
- reminder of pre-approval procedure of these assignments and of pre-approved assignments;
- reminder of prohibited assignments.

This charter was updated after it was approved by the Audit Committee.

6

SUSTAINABLE DEVELOPMENT: ALSTOM'S SOCIAL RESPONSIBILITY AFR

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AFR The Content of the Annual Financial Report is identified in the summary table with the help of this pictogram

This section, as part of the Management report, presents Alstom's sustainable development strategy, action plans and achievements as well as environmental, social and societal information as requested by:

- **Article 225 of the law No. 2010-788 dated 12 July 2010, so-called "Grenelle II", as per the Decree No. 2016-1138 dated 19 August 2016 related to the obligations for companies on transparency in environmental and social matters;**
- **Law n°2017-399 published in the Official Journal on the 28th of March 2017 on the Duty of vigilance.**

SUSTAINABLE DEVELOPMENT STRATEGY

A PROACTIVE POLICY OF CORPORATE SOCIAL RESPONSIBILITY

Global and local challenges bringing strategic opportunities

The world is facing strong, rapidly evolving demographic, environmental and economic dynamics, resulting in growing environmental and social challenges:

Mobility growth and global environmental impacts

- The latest projections from the United Nations are showing the world's population is growing even quicker than expected and is likely to reach over 9.8 billion people by 2050 (1). Due to demographic and economic growth, the mobility needs will increase. The International Transport Forum (ITF) forecasts that global demand for passenger traffic could more than double between 2015 and 2050, generating a significant rise for all transport modes. On current trend, the number of cars worldwide could reach 2 billion well ahead of 2050 (2).
- The agreement concluded at COP21 (3) in Paris (France), which entered into force in November 2016, has confirmed the objective of keeping global warming well below +2°C compared to pre-industrial levels. As emissions from transport continue to rise in developing countries and in developed ones, it becomes essential to succeed in decoupling mobility from emissions growth by favouring modes with the lowest carbon footprint, meaning shared and electrical transport. In parallel, hydrogen appears more and more as a viable alternative to fossil fuels in the long term, for transport applications requiring high autonomy.
- In addition, the focus of public authorities on air quality and its potential health impacts has never been so high, while over 90% of the world's population now lives in locations where pollution levels exceed the limits set by the World Health Organisation (4). Air emissions from road transport – especially fine particles resulting from diesel combustion – contribute significantly to the poor air quality in big cities. The pursuit of environmental objectives should lead to the development of regulatory and normative constraints in many countries and major investments in infrastructure.

Evolving social expectations

- The social gaps remain high, both in cities subject to unprecedented urban sprawl and in rural areas where poverty is still largely concentrated and where populations are isolated. In France, about 20% of the working population has difficulty accessing transport (5), while in emerging countries this percentage can amount to as much as 80% (6). Socio-economic development strategies must encompass the improvement of fundamental service delivery, including transport systems (7).
- Social expectations of citizens are developing: environmental quality (noise, air pollution…), well-being, safety, continued access to public transport, connectivity, participation in decision making processes for transport planning, are emerging challenges. As efficient applications to optimise multimodal journeys in big cities become available, urban youth from mature economies yearn as much for efficient and connected multimodal transport services as to own a vehicle themselves. The level of development of soft modes and public transport in cities becomes a major factor of attractivity.
- Digitalisation is bringing new opportunities to transport and impacting traditional business models. Data is becoming money. Consumers also become service providers for example through car sharing which is deploying more and more in cities as a complement to public transport for enhanced global efficiency and service to passengers.
- Safety in transport is attracting renewed attention with a specific focus on the protection of women that represent more than half of the passengers. Ensuring the security of all passengers is a key concern of transport operators which are developing communication campaigns on this topic while deploying specific technology solutions to address it.

(1) UN World Population Prospects: The 2017 revision.
(2) International Transport Forum, Transport Outlook 2017 – Baseline scenario.
(3) Conference of the Parties (COP) organised by the United Nations Framework Convention on Climate Change.
(4) World Health Organisation, Ambient air pollution: A global assessment of exposure and burden of disease, 2016.
(5) *Laboratoire de la Mobilité Inclusive, 2017.*
(6) International Transport Forum 2011 – Transport to Society.
(7) An Overview of Urbanisation, Internal Migration, Population Distribution and Development in the World, UN Population Division, 2008, p. 5.

Cities at the forefront of sustainable mobility

- Cities account for about two-thirds of world energy consumption and more than 70% of global CO_2 emissions [1]. They are key actors of environmental policies. The most advanced ones are issuing their ambitions in terms of carbon neutrality, implementation of traffic limited or low-emission zones, promoting shared mobility or encouraging transition towards electrical modes. For examples 12 major cities of the C40 Cities Climate Leadership Group (ex.: Los Angeles, Quito, Mexico City, Paris, London, Milano…) are now committed to switch to zero-emission mobility [2] though the Fossil – Fuel – Free Streets initiative, promoting transition away from fossil fuels and use of soft modes and shared transport.
- Over 60% of the world's population will live in urban areas by 2050 [3]. This pressure requires careful planning of urban areas and infrastructure to deal with collective mobility needs in densified areas. By 2050, the hours of delay caused by congestion is predicted to almost double [4] with substantial economic consequences resulting from this loss of useful time for the travellers. In cities well equipped with public transport and favouring soft modes, transport costs for the community can indeed be cut by half [5]. Wherever public space is scarce, ability to deliver high capacity of transport within minimum space use will continue to drive demand for shared mobility solutions.
- Cities are more and more becoming providers of global mobility services (public transport, bike rental, car sharing, etc.). In this field, digitalisation is a powerful otpimisation tool that will allow real-time adaptation of the offer to the demand, quick reaction to emergency situations, and optimised use of vehicles and infrastructure through intelligent multimodal systems.

Alstom's sustainable development strategy fully integrates these trends and challenges.

Alstom's mission: contribute to the transition towards sustainable transport systems

As a historical player in the field of sustainable mobility, Alstom considers that access to transport is an essential factor of social progress and economic development and that it is its mission to support the transition to sustainable transport systems that are inclusive, environmentally-friendly, safe and efficient.

Indeed, Alstom offers innovative capacitive solutions that are attractive throughout their entire life cycle, are based on electric and shared mobility and are responsive to social expectations.

Every day, everywhere in the world, Alstom's trains move more than 40 million passengers, making it possible for each of them to access work, medical services, education, culture and leisure activities.

- For the daily journeys within expanding urban and suburban areas, Alstom's trains offer comfortable and reliable high-capacity public transport solutions. Regional trains provide efficient daily commuting services between new urban areas. Intercity and high-speed trains link the very hearts of cities while providing an unrivalled level of comfort. By connecting urban and interurban territories, Alstom's rail solutions thereby contribute to their economic growth.
- Urban projects, where the Group is involved actively, contribute to the sustainable development of cities by providing access to transport to all and optimising transport capacity in dense areas with solutions ready to accommodate their future growth. These projects often provide the opportunity to enhance the urban landscape promoting soft mobility modes for an increased attractivity of the territory. This is the case in Sydney where Alstom is part of a consortium delivering a light rail network which spans 12 km from central Sydney to its south-eastern suburbs. The network will redefine travel through the city ensuring more reliable travel times for commuters while increasing pedestrian spaces, decongesting key routes and linking up with important locations such as the university, hospital precincts and sporting and entertainment facilities.
- The advantages of rail systems, the core of Alstom's portfolio, in terms of air quality, use of space, safety, energy efficiency and CO_2 emissions no longer need to be demonstrated. The potential for electrical mobility to curb CO_2 emissions and air pollution should still improve in the future with the development of clean and renewable energy sources.
- Major transport projects are also an opportunity to develop whole territories through implementation of new industrial sites, development of local supply-chains and creation over the mid-term of a qualified labour employment market. This is the case, for example, of the current project under execution by Alstom's Joint Venture Gibela in the Gauteng province of South Africa, where 21,900 people are expected to be trained by 2028. The project's total contribution to the South African GDP is estimated at approximately €5 billion between 2017 and 2028, in addition to the value of the 600 new trains.

Alstom's Sustainability and Corporate Social Responsibility policy

Alstom's Sustainability strategy reflects primarily its ambition to facilitate transition towards global sustainable transport systems. The Group is also convinced that anticipating environmental and social challenges and managing the risks and opportunities they entail is important for operational efficiency in the short-term and will deliver its long-term growth whilst contributing to the development of its employees and society as a whole.

Hence, Alstom's Sustainability and CSR policy is at the heart of the Company's 2020 strategy. Its most recent update in January 2018 identified it as the over-arching Policy, linking the five others (Quality & Railway Safety, EHS, Ecodesign, Ethics & Compliance, Security). Sustainability is now fully integrated into the strategy and all Alstom's processes.

The policy deployment is guided by quantified and assessed objectives and cascaded throughout Alstom's operations, through a set of action plans, which are outlined throughout the different sections of the chapter.

(1) UN Habitat – Urbanisation and Development: Emerging futures. World cities report 2016.
(2) For a major area of the city – C40 Fossil Fuel Free Streets Declaration.
(3) UN World Urbanisation Prospects, the 2014 Revision.
(4) EY – Deploying autonomous vehicles: Commercial considerations and urban mobility scenario, 2014.
(5) UITP.

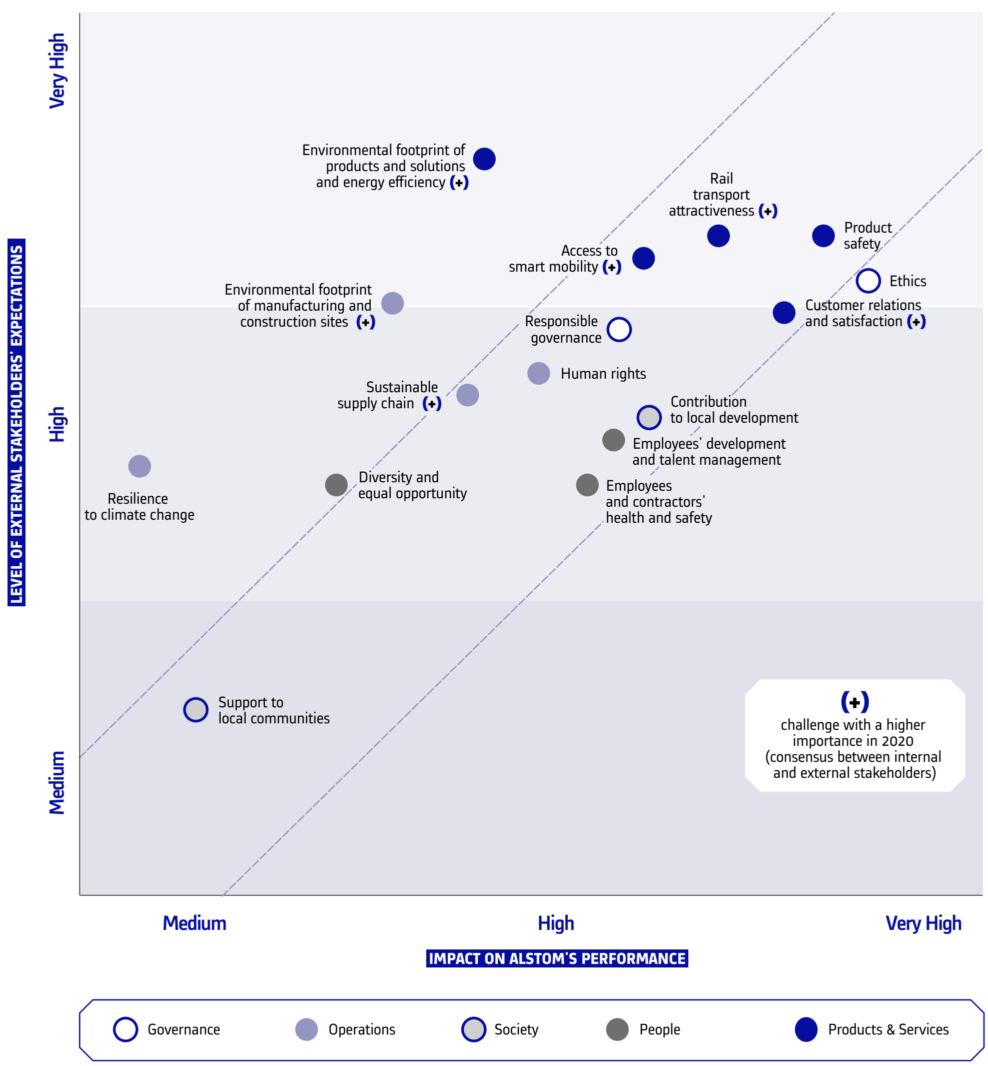
Materiality analysis of sustainable development issues

Alstom considers it is important that its sustainable development actions take into account the expectation of its main stakeholders: customers (increasing importance of Corporate Social Responsibility criteria in calls for tenders), employees, public authorities (emergence of new CSR regulations), shareholders and potential investors, civil society, etc.

In order to clarify these expectations and to assess the relevance of Alstom's Sustainability and CSR policy, the Company updated in 2016 its materiality matrix.

Among many potential issues classified in five areas (Governance, People, Operations, Products and Services, and Society), 16 were identified as the most relevant to the sector, to the Company strategy, and to the mapping of internal risks. The evaluation was based on interviews conducted by a consultant with internal and external stakeholders (including customers, shareholders, industry associations, suppliers, NGOs, partners, representatives of media, public authorities…). This assessment allowed the identification of the priority issues to be considered, the reinforcement of the main axes of Alstom 2020 strategy and the adjustment of the action plans.

ALSTOM MATERIALITY MATRIX



More details on Alstom's sustainable development materiality matrix – and the related methodology – are available on www.alstom.com.

Alstom's contribution to the United Nations Sustainable Development Goals

As a signatory member of the United Nations Global Compact, Alstom supports the Sustainable development goals (SDGs) that aims at ending extreme poverty, protecting the planet and ensuring prosperity for all. Alstom bases its value system and business approach on the 10 principles of the Global Compact and submits its Communication of progress (COP) each year [(1)].

Considering that its sustainable development policy is a lever for the SDGs implementation, Alstom has identified the SDGs to which its new Sustainability and Corporate Social Responsibility policy has a direct contribution through Alstom's daily activities, core business and initiatives:

(1) More information available on the website: www.unglobalcompact.org.

Sustainability and CSR policy	Main objectives	SDG	Examples of programmes and results
To act as a stakeholder-oriented organisation			
• adapting our offering and delivering our projects in line with evolving customer expectations; • supporting improvement in the lives of local communities; • assessing and managing all risks to the business and securing financial stability; • securing recognition as a responsible company.	• tailor-made offer and customer satisfaction index at 8 • Community Action Plan for all countries of more than 200 persons • 15-20 Alstom Foundation projects funded per year • presence in DJSI indices	4	Supporting educational establishments in the promotion of STEM (science, technology, engineering and mathematics) topics as a route to a satisfying career path: Inauguration of a new welding school in South Africa through Alstom Foundation.
		9	Metro of Kochi entirely designed in Bangalore and manufactured at Sri City in India In line with the national "Make in India" initiative.
		10	Alstom Foundation with budget of €1 million/year.
		11	24 Country Community Action plans implemented.
		17	Participation in multi-stakeholder partnerships to mobilise and share knowledge, expertise, and technologies in support of the SDGs: Alstom is a founding member of the Transport Decarbonisation Alliance launched in November 2017.
To develop solutions for sustainable mobility			
• promoting electrical and shared transport; • deploying ecodesign processes to ensure environmental performance; • embedding in our solutions the highest levels of safety, quality, reliability and availability; • integrating green innovation to optimise energy efficiency.	• main solutions covered by ecodesign approach • -20% energy consumption in solutions by 2020 *versus* 2014	9	Promotion of creativity and entrepreneurship through the annual innovation programme I Nove You™.
		11	Adapting APS for road (dynamic charging) in partnership with Volvo Group.
		12	Definition of environmental objectives and performance documentation for ecodesigned products (*e.g.* infrastructure solutions on metro).
		13	14% achieved energy consumption reduction of the portfolio (and associated CO_2 emissions) *vs* 2014.
To manage our operations in a responsible way			
• ensuring safety excellence with and for our employees and contractors; • protecting our employees, assets and data from intentionally malicious actions; • continuously reducing the environmental footprint of our operations; • developing a sustainable supply-chain.	• 0 occupational fatalities • IFR1 (*) at 1 by 2020 • -10% energy intensity in operations by 2020 *versus* 2014 • 100% electricity from renewable sources by 2025 • 80% purchase value with potentially high-risk suppliers covered by assessment by 2020	3	Alstom Zero Deviation Plan (AZDP) Health and Safety policy and health management plan.
		12	77% of employees working in a unit already certified ISO 14001 – other units in progress. -9% energy intensity in operations *vs* 2014 already delivered through energy saving plan targeting main consumers.
		7	Purchase of over 13 million kWh of Renewable Energy Certificates (RECs) associated with 100% green, renewable-sourced electricity for Hornell (US) activities.
		8	Development of a strong Sustainable Sourcing approach with for example the Sustainable Development Charter, updated in 2017, to be signed by all new Suppliers and for all new contracts.
To build a culture of diversity and integrity			
• enforcing the highest ethical standards; • promoting and implementing diversity in its various forms; • acting against discrimination; • respecting human rights.	• zero deviation from the Code of Conduct • 25% women in managers & professionals by 2020 • nationalities of managers to reflect activities by 2020 • anticipating risks of human rights violations	16	Strong ethics and compliance policy, rigorously applied.
		5	Deploying local plans to achieve challenging targets. Proportion of women in the Company raised from 18% in 2014 to 20.1% in March 2018.
		8	Human rights policy and action plans under implementation to anticipate risks of human rights violations.

(*) Lost time injury frequency rate.

A dedicated organisation at all levels of the Company

The implementation of Alstom's Sustainability and CSR policy is monitored by the Sustainability and CSR team. This Department is under the responsibility of the Senior Vice President Human Resources on the one hand and of the Chief Performance Officer on the other hand, placing sustainable development at the heart of the organisation. Sustainable Sourcing, Ecodesign, Social, Environment Health and Safety, and the Integrity programmes are deployed in the corresponding functions of the organisation and are consistent with the global sustainable development approach.

Within the Board of Directors, the Ethics, Compliance and Sustainability (ECS) Committee has been closely following the Company's Sustainability policy and actions since 2010. This Committee meets three to four times a year to review and assess the Company's strategy, policies and procedures on topics related to sustainable development and CSR (see page 178).

The sustainable development three-year action plan is submitted and reviewed twice a year by the management.

The Sustainability Steering Committee, comprised of members from Human Resources, Sourcing, Marketing, Innovation, Sustainable Development, Environment Health and Safety and Communication Departments, meets on a quarterly basis to oversee and monitor progress on the initiatives, and coordinate deployment of transverse activities. In 2018, this Sustainability Steering Committee will be enlarged to ensure the appropriate monitoring and deployment of the Vigilance plan (see page 237).

Alstom's sustainable development approach is implemented through a set of programmes that combine general and specific objectives, whilst leaving room for local initiatives. Implementation of the CSR policy in regions is deployed by the local network which has been systematically developed over last fiscal year. Its role is to locally implement Alstom policies and process, to represent the Company and to develop relations with local organisations and communities. In all the Company's main countries of operation, so 27 countries, the country Managing Director is assisted by a CSR champion.

During fiscal year 2017/18, the role and tasks of the CSR Champions have been clearly defined and formalised. As the CSR central contact point in each country, CSR Champions manage some local CSR initiatives, develop and maintain the Country Community Action Plan and contribute to report and communicate on CSR initiatives, good practices and the Foundation.

Additionally, in October 2017, a first CSR Seminar has been organised, gathering all CSR champions to strengthen the network and exchange on good practices.

Employees awareness on the subject has been raised during fiscal year 2017/18 through the launch in May 2017 of a CSR & Sustainability e-learning in English and in French. This e-learning is mandatory for all newcomers and recommended for specific teams: Engineering, CSR & Sustainability, EHS, Communication, Sales & Marketing and Sourcing. 2,971 people have been trained so far.

Evaluation of the Company's Sustainability & CSR performance by independent third parties

Alstom's Corporate Social Responsibility performance is regularly measured by various rating agencies with different methods and criteria. These evaluations help to identify and analyse areas of improvement.

- In September 2017, Alstom was selected to be part of the Dow Jones Sustainability Index (DJSI), World and Europe for the seventh consecutive year and was, for the first time, awarded the Bronze Class distinction of RobecoSAM. The rating agency, attributed the rating of 80 out of 100 to the sustainability performance, a score well above the average of the global electrical equipment sector and two points higher than the previous year. This year Alstom demonstrated particularly good progress on Codes of Business Conduct, Climate Strategy, Product Stewardship and Occupational Health and Safety. More information on www.alstom.com.
- The sustainable development performance of Alstom was also assessed in January 2016, by Ecovadis. The Company obtained the highest possible recognition, a "Gold" status. It was among the top 5% rated companies on the platform.
- In October 2017, Alstom scored "B" at the CDP's climate change questionnaire. It was the first time Alstom answered the CDP questionnaire for its current perimeter focused on transport activities. This score recognises Alstom as a company taking further steps to effectively reduce emissions, indicating more advanced environmental stewardship than the average French companies and companies from the same business sector.
- Through local community activities and those of the Alstom Foundation, Alstom seeks to act and to be recognised locally as a responsible company. For instance, in 2018 and for the fifth year running, the Company received the Distintivo ESR® 2018 – Socially Responsible Company award from the Mexican Centre for Philanthropy (CEMEFI) and the alliance for corporate social responsibility in Mexico (AliaRSE).
- Alstom Spain received the "Top Employers Spain 2018" certification. It was awarded the certification after attaining the standards required in an in-depth research survey conducted by the Top Employers Institute.

CLIMATE & ENERGY TRANSITION STRATEGY

Climate change is one of the biggest challenges facing the world this century. Despite the efforts made to reduce worldwide CO_2 emissions, emissions from fuel combustion alone reached 32 Gt in 2015 and have continued to rise since then [1].

Over the last two years, it has been increasingly recognised that the contribution of the transport sector (which includes road, rail, aviation and navigation) will be crucial if the world is to reach the target set in the Paris Agreement. Indeed with 8 Gt emitted in 2015, transport represented 25% of world-wide emissions from fuel combustion. It is one of the only sectors where emissions are still growing, even in the developed countries [2].

Railway will be a key contributor in the fight to reduce greenhouse gases (GHG). It is indeed already largely electrified and provides motorised transport service with CO_2 emissions per passenger*kilometres amongst the lowest of the sector.

The implication of the Paris Agreement is clear: to limit temperature rise to +2°C by the end of the century, carbon neutrality must be achieved by 2050. For transport, the scenario of the IEA Mobility model considers that emissions need to peak within the very next few years then start to decrease significantly [3]. Remaining emissions would have to be sequestered or offset.

To follow this curve, most international actors acknowledge that the "Avoid Shift Improve" approach that groups the priorities for action, should be the way to decouple mobility needs and CO_2 emissions generated by transport. Alstom believes carbon neutrality in transport will only be achieved through the transfer of significant flows to cleaner modes (electrical and shared transport), enhanced energy efficiency, and optimised multimodality supported by smarter transport systems.

Indeed, as the path to decarbonise power generation is becoming clearer and the mutation in the sector is on-going [4], it appears obvious that transport decarbonisation will imply the transition to electrical modes.

However, it is likely that different routes will emerge in different places depending on conditions such as local transport needs, availability of electricity and pace of development of renewable sources, availability of funding for infrastructure and implementation of public policies favouring sustainable mobility.

Whatever local paths to decarbonise are selected, Alstom, leader in sustainable mobility solutions, is well prepared to benefit from new opportunities arising from the reinforcement of public policies around climate change, and will be in a good position to contribute to this transition.

Contribution to the +2° trajectory

The Company acknowledges its responsibility to decarbonise both its operations and its product and service offerings. In order to identify priorities for action, the Company has conducted several assessments of its carbon footprint considering direct and indirect emissions. This year, Alstom is reporting for the first time the indirect emissions from the use of its products and services (see page 240). Unsurprisingly, they represent the largest share of the Group's carbon footprint.

Alstom is committed to support carbon neutrality in transport and has defined its strategy along three lines, based on its analysis of the sector and the Company's challenges:

- placing energy-efficient electrical rail solutions at the heart of its portfolio;
- enabling energy transition for sustainable mobility solutions;
- decarbonising operations.

Alstom supports the Science-Based Targets initiative in principle and will consider joining once the methodology for the Transport sector has been defined. As of April 2018, the methodology for Transport has not yet been issued [5].

Placing energy-efficient electrical rail solutions at the heart of the portfolio

Today electrical rail solutions and systems represent most of the Company's orders.

The perspectives on the rail markets are good. It should grow at an average annual rate of 3.2% between 2013-2015 and 2019-2021 according to latest UNIFE study (see page 6). The reinforced need to decarbonise transport and to favour low carbon emission modes through public policies, regulations, and increased financing capacities is an important market driver pushing the demand for electrical rail solutions.

A train is by design a very energy efficient transport mode, due to the wheel/rail contact that limits friction, the optimisation linked to mass transit and the energy recovery at braking made possible by electrical motors.

Neverthless, providing solutions that are energy efficient and can be upgraded for further efficiency is a key focus of Alstom's ecodesign policy. Indeed, Alstom's customers often rank amongst the top electricity consumers in their respective countries and energy efficiency is a key market differentiator.

To address this first axis, Alstom has set a target to reduce the energy consumption of its portfolio of solutions by 20% by 2020 compared to 2014.

(1) IEA CO_2 emissions from fuel combustion Highlights 2017.
(2) UIC- IEA Railway handbook on Energy consumption and CO_2 emissions 2017.
(3) Implications of 2DS and 1.5DS for Land Transport Carbon Emissions in 2050 SLOCAT – 2016.
(4) Renewables accounted for almost two-thirds of net power generation capacity added around the world in 2016 – IEA – Key world energy statistics 2017.
(5) This methodology is in preparation by the originators of the initiative: UN Global Compact, CDP, WWF and the World Resources Institute.

Standardised methods to calculate energy consumption have been defined and the consolidated performance of the solutions portfolio is regularly assessed through a specific KPI. Thanks to permanent focus on innovation, Alstom is pursuing its efforts to improve efficiency through improved traction systems, weight reduction, improved aerodynamics and heating/air conditioning systems, ecodriving, braking energy recovery and storage, and optimisation at system level (see page 221).

Today the solutions that Alstom is able to offer to its customers are currently 14% more energy efficient on average than in 2014.

Enabling energy transition to sustainable mobility solutions

A major transition is currently on-going in the transport sector, impacting all actors and modifying significantly the economic equilibrium. A move away from fossil fuels is gathering pace.

Some important ambitions have been set at the political level with countries announcing a halt to sales of new cars equipped with combustion engines: Norway (2025), France (2040), United Kingdom (2040), India (2030). Major cities worldwide like Paris, Mexico, Madrid or Athens have announced a future ban on diesel vehicles. Meanwhile German cities have been authorised in February 2018 to make similar commitments.

Moving away from diesel in rail

In rail, diesel-powered passenger services still represent 25% of the worldwide total. In Europe, diesel-powered operations represent about 25% whilst as much as 50% of rail tracks are not electrified. Diesel operations are mainly concentrated on regional passenger services and freight transport.

Considering the reinforced pressure on diesel for environmental and public health reasons, Alstom expects to see a progressive phasing out of diesel on the markets it is serving in this segment, mainly Europe, in the medium term.

The supply of diesel rolling-stock (locomotives or trains including bimode) has represented about 5% of Alstom's orders over the last 3 years. This includes 215 trains, 80% of which for Germany and the rest for France, Algeria, Senegal and Denmark and 47 locomotives for Switzerland.

More and more operators are taking measures to reduce the environmental impact of diesel operation by specifying more severe emissions requirements for motors, favouring diesel-electric traction that provides more flexibility and efficiency, or considering hybrid solutions (such as diesel and batteries) or alternative fuels for new fleets as well as through the renovation of existing fleets.

As a consequence, Alstom intends to limit further development of new 100% diesel-powered trains in the future and will concentrate its diesel developments on the improvement of the environmental performance of existing trains (such as upgrades to comply with latest air emissions standards) or new hybrid solutions. In particular, new diesel powered trains should be easily converted into hybrid solutions.

Alstom is also getting prepared to accompany its customers in this major transition by developing and promoting efficient alternatives to diesel trains amongst which are electrification, hybrid traction and hydrogen trains. Ultimately decarbonisation will involve electrical traction, which is the core of Alstom's expertise.

For lines providing a high transport capacity, electrification should be favoured as the most efficient solution. Alstom has the knowledge and expertise to deliver a full range of electrification services. For example, the Company is currently providing the electrification system for the 343-kilometre-long eastern portion of the Dedicated Freight Corridor in India.

However, in some projects electrification can become too expensive or inefficient. Hybrid solutions readily available include the Prima™ locos H3 and H4 (21 hybrid locomotives sold to date). Alstom intends to develop further its range of hybrid solutions for projects where diesel electric traction allows integrating other energy sources such as batteries.

To fully decarbonise operations on non-electrified lines, Alstom is the first manufacturer in the world to offer regional trains powered by hydrogen fuel cells. In November 2017 Alstom signed its first contract to provide 14 Coradia iLint™ to the region of Lower Saxony, Germany and around 50 trains are subject to letters of intent from other German regions. This solution has attracted a lot of customers' attention resulting in discussions on potential applications in a range of countries.

Alstom believes that hydrogen technologies are likely to emerge first in countries where joint demand from different modes (buses, individual cars, trains) and sufficient renewable energy supply will allow hydrogen to be produced from renewable energy sources. Indeed, the availability of hydrogen produced by electrolysis from renewable energy sources will ultimately determine the potential to decarbonise transport through this technology.

The Hydrogen Council, of which Alstom is a member, released in November 2017 its "Scaling up" report which concluded that hydrogen had the potential to decarbonise the economy up to about 20%. This report also noted that, by 2030, one in ten trains/locomotives sold for currently non-electrified railways could be powered by hydrogen.

Expanding the range of solutions for low carbon mobility

Beyond rail, Alstom, worldwide leader in electrical traction and complex transport systems, seeks to position itself as a global provider of sustainable mobility solutions in the fields below:

- Smart cities

  As public authorities and transport operators henceforth target clean mobility services and ensure coordination between several mobility services (*e.g.* public transport, car-sharing, urban logistics, bike renting), Alstom is developing:

  - systems to analyse and manage multi-modal flows of transport such as its Mastria™ platform. This platform facilitates the supervision and optimisation of public transport flows in real time whilst allowing a quick reaction to incidents,
  - new mobility solutions to support the energy transition to electrical and shared mobility. The Aptis™ solution combines the flexibility of a bus with a level of comfort similar to that of a tram for an improved passenger experience with excellent operational efficiency. Prototypes have been operating in several cities such as Paris, Versailles, Brussels, Berlin, etc. Everywhere feedback has demonstrated that Aptis™ delivers on its promises (see page 10),
  - Alstom is also working to enhance its capability in the field of autonomous transportation through selected collaborations. For example, it has developed a commercial partnership with the

company Easymile to provide autonomous shuttle systems to better address last mile transport for urban areas;

- Long-distance road transport

  Long-distance transport for freight is likely to be the most difficult segment to decarbonise in the future as the power requirements and distances involved for this segment imply a high level of energy supply. Alstom plans to act as an enabler for energy transition in long-distance transport. The Company is developing innovative infrastructure for dynamic charging (e-highways), based on its proven APS (ground-level power supply) technology that has been adapted with Volvo and is currently under test at Volvo's headquarters in Sweden. The next stage will be to implement demonstrator projects and then full-scale pilot projects. This technology will enable electricity to be supplied to any type of vehicle, no matter what its height may be, which is a key differentiator.

Decarbonising operations

Alstom has been driving the reduction of the environmental footprint of its operations over the last 10 years with significant progress made. The energy consumption of Alstom's operations in its permanent sites comes from gas (about 50%), electricity (40%) and the rest from district heating and other fuels.

Alstom is targeting to reach carbon neutral operations through a step by step approach. In an initial phase, Alstom is addressing two priorities:

- The continuous reduction of the energy intensity of its operations: Alstom is committed to reduce the energy consumption of its operations by 10% by 2020 *vs* 2014 and is on track to deliver (to date 9% has been achieved);
- The progressive switch to low carbon electricity supply: Alstom has set this year a new target to switch to 100% electricity supply from renewable sources by 2025. This objective will be deployed progressively by supplying electricity from renewable sources to individual sites, as is already the case in Belgium, and partially in France. Since January 2018, Hornell site in the USA has been supplied by certified green electricity. Use of solar panels is also under investigation at some French and Indian sites.

In a second step, Alstom intends to address decarbonisation of the gas used for industrial processes (painting). Alstom will analyse further the availability of gas from renewable sources on the worldwide market. The French Agency for Environment and Energy (ADEME) considers that French needs could be covered fully with gas from renewable energy sources by 2050 [1].

Other sources of emissions (logistics, business travelling, etc.) will be targeted at later stages so as to progress towards decarbonisation by 2050.

Joining the public debate and common initiatives

Alstom fully supports the deployment of the Paris Agreement and the focus of the Global Climate Action Agenda on Transport and is, therefore, following closely the United Nations Framework Convention on Climate Change (UNFCCC) negotiation process. Alstom participated in the UNFCCC's Conference of the Parties in Paris (France) in 2015, in Marrakech (Morocco) in 2016 and Bonn (Germany) in 2017. Alstom was also present at the "One Planet Summit" in Paris. In particular, the Company has contributed to the visibility of transportation issues and the promotion of sustainable mobility through its support to the Paris Process on Mobility and Climate (PPMC).

Alstom also presented its CO_2 emissions reduction solutions and initiatives. By offering mobility solutions that are ever more efficient, environment-friendly and attractive, Alstom is contributing to the transition to sustainable transport systems.

The Talanoa dialogue which reinforces capabilities to share with non-state actors, the structuration of the Nationally-Determined Contributions (NDCs) to drive progress, the Paris Process on Mobility and Climate of which Alstom is a member, have become important elements of the COP process. Alstom is convinced that the process of updating the NDC's, which will be launched this year will bring significant value and expects new versions of NDCs to include a larger focus on transport emissions targets and roadmaps. Currently about 75% of the NDCs already identify transport as a key mitigation source and 19% make a specific reference to rail.

Alstom has been a member since 2014 of the Sustainable Low Carbon Transport Partnership (SLoCaT) which promotes the integration of sustainable transport in global policies on sustainable development and climate change. In November 2017, Alstom also became a founder member of the Transport Decarbonisation Alliance which gathers countries, cities, regions and companies into an eco-system of front-runners to deploy roadmaps towards decarbonising transport.

Alstom continues to support sectorial initiatives such as the Low Carbon Rail Transport Challenge presented by the International Railway Union (UIC) which targets, *inter alia*, to reduce average CO_2 emissions from train operations by 50% by 2030 and by 75% by 2050, relative to a 1990 baseline. To date, specific CO_2 emissions from passenger rail traffic are showing a decrease of about 40% compared with 1990 levels.

Adapting to Climate Change

Assessing the resilience of operations

For several years, an annual risk assessment review has been performed as part of the annual budgeting and three-year plan process (see page 148). The objective is to identify, analyse and anticipate the significant internal and external risks to the Company. This risk mapping integrates specifically "Climate change risk". The risk is assessed by taking into account the potential impact of extreme weather conditions – such as tropical cyclones, extra-tropical cyclones, hail storms, storm surges, flash floods and tsunamis – on the manufacturing activities, sites and buildings of the Company. It takes into account geographical risk indices and probability ratios provided by insurance companies in order to identify the most exposed company facilities.

In fiscal year 2017/18, Alstom mandated its insurance company Allianz to complete a specific analysis of its exposure to natural catastrophe risks, taking into account the evolution of climatic data and its activity perimeter. This analysis allowed the types of events generating the highest risk for the Company, such as flooding in the United Kingdom and large storms in Europe, to be identified.

Based on this risk evaluation, Alstom has defined improvement actions wherever necessary. For example, the Savigliano site in Italy prepared a flooding plan as part of its business continuity plan which underwent a specific external analysis leading to further mitigation measures being proposed. Similarly, the Warrensburg site in the United States, which

(1) *Mix de gaz 100 % renouvelable en 2050 ?*, ADEME, January 2018.

is exposed to tornado risk, is equipped with an alert system to trigger specific protection measures (*e.g.* the use of a storm shelter) when facing exceptional weather conditions. On-site inspections are undertaken on an annual program by Allianz to ensure appropriate prevention and protection measures are in place.

The priority for the years to come will be to ensure that all appropriate prevention measures are in place at the most exposed sites and to integrate climate impact risk analysis in the assessment of strategic suppliers and the Company's investment strategy.

Developing resilient solutions

Finally, in terms of adaptation, Alstom is able to propose resilient solutions to climate change. It is indeed an important topic for the rail industry. In Europe alone, it has been estimated that the annual cost of damage from climatic events on rail infrastructure amounted to about €300 million, about 80% of which was as a result of floods [(1)].

Alstom, which has years of experience of demanding projects at many sites exposed to exceptional weather conditions (*e.g.* Dakar, Dubai, Sweden), has the ability to supply trains and systems that are resilient to climate change. This expertise includes, *inter alia*, enhanced heating/ventilation/air conditioning functions, power supply sub-stations resilient to high temperatures and equipment designed to resist corrosion from saline atmospheres.

For example, in the context of the Sydney tramway project, for which the first trains have entered the testing and commissioning phase in fiscal year 2017/18, Alstom undertook for the first time an analysis that demonstrated the strong resistance capacity of its transport system when faced with extreme weather conditions, thereby validating its resilience to climate change.

During in fiscal year 2017/18, Alstom also participated in the RailAdapt initiative of UIC, which has developed a framework document to support public authorities and operators with strategies, techniques and tools to identify and manage climate risks and ensure the long-term resilience of rail systems.

DEVELOPING IN GROWTH ECONOMIES

The continuous growth of population and urbanisation, mainly driven by emerging countries, is creating strong needs for more efficient transport solutions which are leading Alstom to localise a growing portion of its activities in growth economies.

Alstom's development in emerging markets is a main driver for its growth. As a global player, the Company has a large presence in all leading growth economies, one of the largest among the railway players. This does not only mean a commercial presence, but also significant R&D, engineering, manufacturing, project execution and service activities. The share of emerging markets in Alstom's headcount, capital expenditure and orders has increased in recent years, and will remain at a high level in the foreseeable future, in order to accompany the increased transportation needs in these markets.

In recent years, the Company has accelerated the development of its international footprint, notably in emerging countries. It continued to develop its engineering centre in Bangalore and its production site near Chennai (India) addressing both domestic and export markets; drove the industrial growth of its South African joint-venture; and completed the construction of a new production site for locomotives in Madhepura (India) in 2017 in collaboration with Indian Railways.

Alstom has developed strategic partnerships with key actors, examples of which are:

- Russia: the local company Transmashholding (TMH);
- South Africa: several local companies within the joint-venture Gibela; a majority stake in Ubunye (previously CTLE), specialised in the modernisation of trains;
- Algeria: creation in 2011 of a joint-venture, Cital, for the maintenance and assembly of trams, now expanding its portfolio to regional trains;
- Morocco: acquisition and integration of Cabliance (former joint-venture created in 2011) dedicated to the production of cable bundles for rail applications and electrical switchboxes;
- China: participation in the joint-ventures CASCO (signalling), SATCO (metro & tramway), SATEE (traction), XAYEECO (engines) and AQREC (shock absorbers);
- Kazakhstan: majority participation in the EKZ joint-venture for the production of locomotives.

Alstom's organisation is designed to ensure close proximity to its customers. Alstom is divided into Regions which cover the full value chain, spanning bid preparation, project execution and after sales for trains and infrastructure. This organisation brings significant empowerment of the Regions. As part of its Strategy 2020, Alstom is seeking to strengthen its cultural diversity and to promote the mobility of its international talents, especially in respect of emerging countries. This is demonstrated, in particular, in the Company's ambition to have the nationality mix of middle management reflecting the geographical spread of Alstom's business (see page 255). This supports Alstom's strategic goal of developing its intimacy with its customers and paving the best way to serve them.

By reinforcing its local footprint, Alstom will benefit from the growth potential in these local markets. Furthermore, Alstom is pursuing the localisation of its sources of supply in order to improve the competitiveness of its solutions by reducing delivery times, benefiting from the optimised cost base and limiting its exposure to currency fluctuations.

Thanks to its greater presence in emerging countries, Alstom plays locally a more important societal role. Alstom thus supports the growth in engineering skills and competencies of these countries and contributes to the development of local businesses and the maturity of local industry, especially in respect small and medium-sized enterprises.

(1) Project WEATHER, 2014.

DESIGNING SUSTAINABLE MOBILITY SOLUTIONS

Alstom consistently applies a life-cycle approach for its products and services in order to maximise the environmental and economic benefits over time.

ECODESIGN FOR PRODUCTS AND SERVICES

Alstom's ecodesign concept seeks to develop environmentally-friendly solutions by monitoring and reducing their environmental impact.

This concept is based on three essential elements: a multi-criteria approach to life-cycle thinking; consideration of customer and stakeholder expectations; and continuous improvement.

The priorities set in Alstom's ecodesign policy focus on the:

- energy efficiency of rail transport systems;
- use of clean, recyclable, and natural materials;
- reduction of noise and vibrations;
- reduction of air emissions;
- end-of-life management of products, particularly in maintenance activities.

This policy is embedded at the heart of the group's design activities and its environmental management system (based on ISO 14001). It is deployed, with the support of a network of more than 100 experts (ecodesigners, acoustics experts, materials experts, energy engineers, etc.), following the ecodesign standard.

For several years, Alstom has been monitoring the deployment of its ecodesign process across its solutions through an indicator ("ecodesign coverage"). At the end of March 2018, 25 solutions comprising bogies, substations, rolling stock (Hybrid locomotive, Citadis™ tramway, Metros, TGV [(1)]), infrastructure solutions (metro electrification, concrete track) and signalling (Urbalis Fluence™) had been classified as "ecodesigned", meaning that a process is in place to reduce their environmental footprint with quantified objectives and a specific follow-up on the evolution of their performance.

As an example, Urbalis Fluence™ is a signalling solution whose optimised design ensures, during the operational phase, a reduction in energy consumption and in the quantity of trackside equipment (-20%). The development of this solution is subject to environmental objectives updated periodically.

This year, Alstom has strengthened its approach by:

- completing its standard;
- developing a new training module "Ecodesign for all" for its operational staff;
- asking all sites involved in the design of Alstom's products and solutions to set annual "ecodesign" goals.

To address environmental issues and improve judiciously the performance of its solutions, Alstom conducts analyses based on Life Cycle Assessments (LCA). These analyses help to identify significant environmental aspects and areas for improvement and assist in the making of technical choices. To date, the main environmental levers have been characterised for some trains (metros, Coradia™ Polyvalent), a signalling solution (metros Urbalis Fluence™), for metro electrification and the laying of concrete track.

The LCA and environmental analysis made on the metro signalling solution Urbalis Fluence™ highlighted the fact that the most significant impacts occur during the manufacturing and use phases, whereas the impact of transport of components is negligible. However, the end of life phase is not negligible, in particular when it comes to the water pollution indicator. The root causes of the impacts have been identified and have been fully taken into account in the context of improving the environmental performance of this solution. For example, the safety module has been equipped with a standby mode whilst the integration of other products to reduce the overall environmental footprint has been planned.

Moreover, Alstom reaffirms its intention, through the publication of Environmental Product Declarations, to transparently communicate the performance of its solutions. These offer to stakeholders an exhaustive overview of the environmental impacts throughout the product life-cycle. In 2017, Alstom prepared three major publications: Urbalis Fluence™ Metro Signalling; Metro electrification through rigid catenary; and Concrete-bed Mainline Track.

IMPROVING ENERGY EFFICIENCY

Energy efficiency is a major challenge for the transport operators who are sometimes among the largest energy consumers in a country. Aware of this issue, Alstom makes constant efforts to reduce the energy consumption of its rolling stock and systems. The trains designed today consume up to 25% less than previous generations.

Alstom is the first train manufacturer to have announced a commitment to reduce the energy consumption of its transport solutions by 20% by 2020 (compared with baseline 2014) measured in Wh/passenger.km.

Alstom has defined its energy action plan along three pillars:

- systematic monitoring of solutions performance;
- innovation for energy efficiency;
- collaboration with other actors of the value chain.

(1) TGV is an SNCF brand.

Monitoring of solutions performance

Alstom has set a key performance indicator to monitor its solutions' energy efficiency. The indicator consolidates the global energy consumption reduction of its portfolio based on a weighted average of the energy consumption reductions from standardised trains and systems products – the so-called "reference solutions" – as well as from those projects which represent more than €1 billion in sales.

The Company has established standardised methodologies for energy simulations based on sets of assumptions defined for each type of train (mission profile, occupancy, temperature, etc.) in order to ensure the consistency of collected data. During fiscal year 2017/18, a standard methodology and a set of assumptions were developed for metro signalling solutions.

Since 2016, Alstom has determined and updated the energy consumption of its metro, tramway, regional, intercity and mainline rolling stock solutions, as well as those of complete metro system. The overall improvement in consumption can therefore be consolidated through comparison with the consumption of the solutions available in 2014.

By March 2018 Alstom had reduced the energy consumption of its portfolio by 14% compared to 2014, which puts the Company on track to achieve its 20% reduction target by 2020.

Innovation for energy efficiency

Innovation is a crucial driver of the energy efficiency improvement of solutions. Alstom strives to deploy the best available proven technologies across its entire portfolio where relevant. Innovation at Alstom is structured around four axes:

- "adaptation to the need", aimed at optimised use for the desired performance. This includes mass reduction programs through the use of composite materials and re-designed parts; the optimisation of aerodynamics; improved efficiency of electric or diesel traction systems (permanent magnet motors, optimised engine block control systems, new traction chains, powerful traction auxiliaries); and low consumption auxiliary comfort equipment (lighting, heating and air conditioning). This systematic approach of energy balance analysis in the design phase applies to all materials in the portfolio and, in particular, to the Aptis™ electric bus presented in 2017;
- "energy production and recovery", aimed at minimising energy losses and to reusing it, through electric braking until full stop for example in order to capture the available energy locally (*e.g.* through photovoltaic panels) thus avoiding the need to transport it over substantial distances, which usually results in losses and lower efficiency;
- "energy storage" to increase autonomy and provide additional recovery capabilities coupled with hybridisation approaches for rolling stock to support specific missions;
- "energy management systems" to optimise the use modes, for example by improving standby modes, or by providing operating and / or driving aids both for missions that include an energy criterion and to support the realisation of prepared missions.

For example, the last generation of regional trains, the Coradia Stream™, consumes 30% less energy per passenger than the previous train generation thanks to the optimisation of capacity; the improvement of the ventilation/heating function through CO_2 sensors; and the enhancement of the overall architecture combined with a light aluminium car bodyshell.

For optimised traction chains, new auxiliary converters allow the use of entirely natural cooling and optimise the technical performance of semiconductors made of silicon carbide. This system reduces losses. This technology was adopted for the Riyadh metro as well as new metro projects in Hanoi and Dubai.

Alstom has also worked on the integration of high performance cooling systems used for traction. For example, the ONIX 671 solution developed recently and deployed on US metro projects is based on natural cooling. These technologies can be installed on all trains to replace conventional cooling systems such as fans, pumps and radiators. They offer customers solutions that work silently, do not consume energy and require very little maintenance.

The Hesop™ reversible substation developed by Alstom for urban and suburban networks also makes it possible to achieve significant operational savings. Indeed, almost all the electrical energy that can be recovered on trains equipped with a regenerative braking system can be reinjected into the network. Hesop™ reduces heat dispersion and therefore reduces the associated ventilation requirements in underground operations. To date, more than 120 Hesop™ converters have been ordered or delivered, for such projects as the Riyadh subway (Saudi Arabia), the Sydney tramway (Australia), the Panama subway and the Dubai subway (United Arab Emirates). The commercial commissioning of the reversible sub-stations demonstrated the relevance of the technical solution. The substation on the Victoria Line, commissioned in 2015 for the London Underground at Cloudesley Road, displays an average recovery capacity of 800 kWh/day, which is enough to cover the needs of two medium-sized passenger stations. The substation on line 3 of the Milan metro, commissioned in 2017, displays an average recovery capacity of 2,000 kWh/day.

To reduce the energy consumption of existing systems, Alstom is developing a full range of energy efficiency services, including energy mapping and optimisation solutions to determine the main uses of energy and propose improvements. Among the improvements, Alstom's eco-driving solutions range from driver training, through efficient driving based on immersion technologies, to the most sophisticated on-board driving assistance systems (including dynamic calculation of the optimal speed profile). Meanwhile, renovation services aim at improving the energy performance of the main consumer subsystems such as traction, heating and ventilation and the recovery of braking energy. On recent renovation contracts in Mexico City (MP68) and Chile (NS76), significant reductions in energy consumption have been achieved (up to 35% reduction).

Finally, Alstom and Cosmotech entered into a strategic partnership in February 2017 to develop a new application that will improve the overall efficiency of a railway system. This tool is expected to set the global standard for energy efficiency and operations optimisation. It will allow operators to consider the entirety of their rail operations, which has never been done before as each part of a system is usually assessed separately. Through this, Alstom will be able to design more efficient transport networks and to meet higher performance and service quality standards.

Alstom supports its customers in the development of their energy efficiency strategies, both for their existing systems and for those to come. This structured approach of an analysis which encompasses all of the system's functionalities, which relies on the know-how of experts in each domain and the use of advanced analytical and simulation tools, leads to a set of recommendations which take into account the energy and operational specificities of each customer. Concrete proposals are designed based on a catalogue of solutions, built specifically around the energy efficiency objective, adapted to the unique context of each client.

Collaboration with the value chain

In the field of energy efficiency, improvement often means combining knowledge of train design with operational data. Collaboration with customers, operators and suppliers on this topic is therefore essential.

A number of initiatives are being implemented with customers in France, Brazil and Ireland. They cover energy measurements, energy storage and heat pump tests, new energy management systems, auxiliary control systems, etc. In 2018, Alstom was chosen for the test of an autopilot on mainline trains coupled to the ERTMS system in the Netherlands with the aim of increased operational performance, particularly on the resulting eco-driving speed profiles.

In September 2016, SNCF and Alstom combined their know-how to launch the first innovation partnership to create the new generation of TGV [(1)] (high-speed trains). This collaboration aims at optimising the environmental footprint and reducing energy consumption by at least 25%. To achieve this, the integrated and multidisciplinary team of 20 experts dedicated to the project, applies an innovative agile and collaborative working methodology. Based on an autonomous single site, the SNCF-Alstom team, which works in conjunction with the internal resources of the two companies, regularly hosts experts who bring their knowledge of innovative solutions. It is also enriched by successful collaborations with schools of engineering or design, with other industrial companies and with start-ups.

The integration of supplier's innovations is also a key challenge. Collaboration with the company Thermoking, for example, was essential to conduct tests on heat pump technology applied to rail.

In order to address the energy efficiency of global railway systems, Alstom worked in 2017 in partnership with major organisations on such projects as:

- IN2RAIL and its extension SHIFT2RAIL– which aims to work on the measurement of intelligent energy at the level of a railway system;
- ROLL2Rail – to develop technological bricks for energy efficiency;
- Ecovigidriv – to facilitate the integration of multiple sources of information by the driver, including driver assistance for energy optimisation (with the i-Trans competitiveness cluster and Railenium Institute).

NOISE REDUCTION

Noise is a major concern. It is essential during the design and validation phase of a new project and fundamental for the comfort of passengers. Simulation tools have been developed by Alstom to cover the entire railway system. These enable the design of optimised solutions incorporating the latest innovations such as:

- optimised wheel shape to minimise acoustic radiation (implemented in the new Avelia™ and metro developments);
- development of car bodyshell underframe structures through structural dynamics simulation in order to decrease structure borne rolling noise in passenger saloons and the driver's cab;
- development of high-speed train trailer bogie bushings in order to reduce structure borne rolling noise;
- development of new systems to reduce the squeal noise of tramway wheels in curves;
- hybrid electromagnetic-acoustic simulation tools to optimise the traction control of a metro motors to eliminate the tonal noise perceived by residents and passengers (metro);
- new advances in aeroacoustic calculation to develop new predictive techniques for aerodynamic noise generated by both train and equipment.

Major efforts have also enabled the development of new methodologies for evaluating the uncertainty of exterior noise predictions to enable future virtual validation of trains. Additionally, the creation of a database of soil properties for detailed predictions of groundborne vibrations allows optimised solutions to be developed to reduce vibrations generated by train movement.

Altogether these tools allow the sound quality to be considered as a full design criterion.

In terms of infrastructure, noise is also an issue. Alstom has therefore co-developed high-attenuation sleepers, which are an alternative to the floating slab and provide the same levels of sound performance but at lower cost. The solution, result of a joint development with Sateba, a world leader in the manufacture of sleepers, has been tested in operation in France and the United Kingdom and has been installed on the Crossrail C610 project in London, replacing existing installations (about 5,000 units).

(1) TGV is an SNCF brand.

CIRCULAR ECONOMY AND USE OF CLEAN AND RECYCLABLE MATERIALS

Aware of the challenges of the circular economy, Alstom supports all solutions or initiatives that will lead to:

- increasing the lifetime of its products and solutions: with a complete portfolio of renovation and modernisation solutions, Alstom offers customers the ability to extend the lifetime of their systems whilst allowing for an upgrade of comfort and services;
- increased performance: for example, Urbalis Fluence™ is a signalling solution whose optimised design reduces the number of trackside equipment by 20%;
- increasing the share of recycled or recyclable content in its products and solutions: some Alstom trains are not only very highly recyclable but themselves already contain recycled materials (about 20%). For example, some regional and high-speed trains benefit from a recycled organic fibre insulation system (40% to 100%);
- reducing the use of resources: for the new DMI ACE Conduit System Interface Driver, the ecodesign process implemented in collaboration with the supplier reduced the use of natural resources by 62% compared to the previous solution;
- reuse of components: Alstom offers solutions for the repair of the seats and their backs allowing a simple replacement of foam and fabric, the metal frames thus being reused;
- the recycling of parts and materials: Alstom promotes recyclable materials in its design choices. Trains are now, on average, more than 92% recyclable and more than 97% recoverable (including recovery in the form of energy). In particular, the Montreal subway system, which Alstom contributed to, is 96% recyclable, while the Coradia™ Polyvalent version for the French regions, Regiolis, is 98.5% recoverable.

In order to manage the risks associated with the use of certain hazardous substances, in particular those highlighted by the European regulation on the registration, evaluation, authorisation and restriction of chemicals (REACH [1]), Alstom put in place several years ago a strict limitation of these substances, in collaboration with all stakeholders in the supply chain. The system put in place to ensure this has made it possible to detect and resolve numerous cases of the use of Annex XIV substances and other substances embraced by the REACH Regulation.

As Alstom supplies complex products and services in an international environment, the REACH Regulation (in the European Economic Area) and similar regulatory provisions in other regions in respect of the design and production of equipment and project execution both on and from European territory, apply to its activities. Since REACH is the most binding of these regulations, Alstom has laid down its rules on the use of hazardous substances in its solutions on the basis of this regulation, while taking into account the specificities of other regions of the world.

Today, it is generally understood that:

- it is not necessary, because of its activities, products or quantities involved, to register chemicals or to notify the European Chemicals Agency (ECHA);
- Alstom has put in place provisions to identify the presence of substances of very high concern (SVHC) as included in the list of candidate substances published by the ECHA. Alstom substitutes for these substances when technically feasible and communicates to its customers the presence of SVHCs when substitution is not feasible;
- Alstom implements measures to reduce the human and environmental risks associated with the use of chemicals.

Alstom identifies products at risk through its internal experts, uses alternative products where necessary and updates its internal chemical risk management procedures.

Alstom's proactive approach has allowed the detection and resolution of numerous cases of the use of substances of very high concern under the European REACH regulation. Components or parts which are detected as containing a substance known as "candidate" are being monitored to gradually replace these substances, also known as SVHC, with substances that are more respectful of the environment. The cases of substances subject to authorisation published in Annex XIV of the REACH Regulation are being processed with suppliers in order to ensure 100% of cases are secured before legal deadlines are reached.

DEVELOPMENT OF NEW INTEGRATED, INTELLIGENT AND MULTIMODAL TRANSPORT SOLUTIONS

The Company has been working to identify a range of new business opportunities presented by taking full advantage of the rapidly evolving digital technologies and through the development of multimodal transport systems in order to offer clean, efficient, optimised and attractive transport solutions.

In the frame of its 2020 strategy, Alstom analyses the development of new products and services for its customers, the operators and their passengers by leveraging new technologies related to digitalisation. This initiative is driven by a dedicated organisation called "Smart Mobility".

The most tangible outcomes of this approach to date have been the acquisition of NOMAD DIGITAL™, world's leading provider of connectivity solutions to the railway industry in December 2016 and the investment in EasyMile, an innovative start-up company specialised in providing software for autonomous vehicles in January 2017. These strategic moves will allow Alstom to leapfrog ahead in the race to bring new digital solutions to the marketplace.

(1) European regulation n° 1907/2006 of the European Parliament and of the Council of December 18th, 2006, on the registration, evaluation, authorisation and restriction of chemicals.

Other initiatives that are being taken forward are those focused on:

- providing the operator and the passenger with new real-time data relating to the journey;
- reducing the energy consumption of rail operations;
- optimising the flow of traffic on the rail network;
- optimising the integration of multiple transport modes;
- providing assistance to the driver to facilitate efficient and safe driving.

For example, Alstom entered into a partnership with the Nice Côte d'Azur metropolitan area, the Régie Ligne Azur (RLA), which operates the Nice urban network, and the Nice Côte d'Azur University *via* the IMREDD (Mediterranean Institute for Risk, Environment and Sustainable Development) in June 2016. The aim of this partnership is to experiment with the implementation of big data and open data in tramways on line 1, and to offer new services for the operator and the authority, to benefit both the city and the passengers. Through the initiative Nice Tram Connect, all tramways share their operational and energy consumption data and a specific train has been equipped with a large range of specific sensors measuring, for example, air quality. These trains provide data for open source use and are an integral part of the Smart City.

As for intermodality, Alstom's optimised tramway system Attractis™ is already compatible with ITxPT (Information Technology for Public Transport), an initiative to define an open IT architecture for Public Transport. It allows interoperability between transport information systems, harmonises multimodal integration of urban transport systems and offers passengers innovative mobility services.

Alstom has also developed SRS™, a new catenary-free power supply solution. The SRS™ solution allows fast charging of a large portfolio of vehicles equipped with on-board energy storage during normal dwell time through a compact and discreet device located in the ground. It can be adapted to tramways equipped with on-board energy storage as well as a large range of electrical buses. The SRS™ technology is already proven, safe and reliable because it is derived from APS™, the ground-based power supply solution developed by Alstom for tramways. SRS™ allows a tram to be recharged, automatically and securely, at the station stop in less than 20 seconds during the exchange of passengers, without any additional waiting time, and without intervention of the drivers.

Finally, as cities are looking for ever more intelligent, efficient and connected means of transport, Alstom and NTL have decided to launch a new type of vehicle to complete their emission-free, 100% electric portfolio: Aptis™. Presented in March 2017, this innovative mobility solution provides cities with a clean and efficient transport system as well as a complete system including sizing, load options, and road infrastructure. Based on Alstom and NTL's expertise in vehicles on tyres with axles, motors and traction systems, Aptis™ incorporates the advantages of a tram to enhance both passenger experience and operational efficiency. With four steerable wheels against two only in the buses, Aptis™ occupies 25% less area in the curves. This insertion performance is an advantage at bus stops, as it minimises the parking space and saves space for other vehicles. Aptis™ can be recharged at the depot at night or quickly at the terminus of each line during the day. Fast charging is done either *via* an inverted pantograph or *via* SRS™ technology.

More information on Alstom multimodal solutions pages 9-16.

PASSENGERS AT THE HEART OF SOLUTIONS

For Alstom's customers and prospects, a positive travel experience has become an imperative: their transport offers, beginning with the railway, must provide an enriching, memorable travel experience that encourages passengers to return.

In Alstom, passenger experience is developed through a collaborative approach that involves the engineering, marketing and design teams, to constantly improve the global perception of the service. Based on internally constructed guidelines in the interests of sharing the same vision, the teams focus their analysis on passenger behaviours to identify corrective actions and come up with the most innovative solutions.

One challenge is to develop projections about the transport of tomorrow, anticipating future expectations while responding to fundamental needs. To this end, Alstom assigned IPSOS, the French Social Research Institute, to detect the worldwide cultural and societal trends likely to have the greatest influence on tomorrow's mobility.

The forward-looking activity of the Company includes participation in challenges like the ones organised by ERASME, the Lyon Metropole's open innovation lab, or in workshops led by engineering leaders. Eager to understand patterns of use, Alstom attends conferences on travellers' expectations and behaviours and interacts with partners like the Anthropolis Chair, an academic workspace supported by the technological research institute SystemX and CentraleSupélec, which aims to put human beings back at the heart of urban mobility.

The Company also discusses with associations of passengers and of people with reduced mobility to understand their needs.

These collaborative actions bring about many disruptive solutions. Digital ones, of course, for real-time information on segments and effective connectivity, but also those that take into account safety, cleanliness on board or health, well-being and fluidity. Alstom new offers now include antibacterial handrails, device charging points, smart lighting that respects the passengers' biological rhythms, smart lighting to guide passengers and enhance flows and audio systems delivering a clear, uniform sound. Alstom has also developed an innovative levelling system to allow quick up and down adjustment of trains to platform height using electro-valves on secondary suspension of bogies, which is compliant with latest standards and significantly improves accessibility.

During the UITP Global Public Transport Summit in 2017, Alstom launched different innovations such as the Optimet solutions, developed by Metrolab, a joint venture between RATP Group and Alstom. The Optimet real-time train occupancy ensures a smooth passenger exchange flow and improves on-board comfort by displaying the passenger distribution load of an arriving train *via* intuitive colour-coded graphics on screens installed along the platform. The Optimet OrbanMap, a real-time dynamic information system provided to passengers in metro stations, allows visualisation at a glance of the metro network, its activity, train positions, travel times, service interruptions, and the level of comfort aboard the trains.

Alstom also launched Mastria™, the first multimodal supervision solution, allowing all the actors of mobility in a given city to be linked to maximise efficiency and fluidity: bus, tram and metro networks and also taxis, shared cars and bikes, the police, etc.

To respond to the new needs of passengers, Alstom focuses on innovative solutions dedicated to individual comfort, design for all or configurations addressing diverse needs such as business, family or leisure groups.

Aware of the economic stakes and constraints of customers, Alstom's teams make sure these solutions are easy to maintain and vandal proof, and that they minimise energy consumption targeting reliable and sustainable solutions for tomorrow's mobility.

Finally, as it brings a strong differentiating factor to value each moment of the journey, passenger experience takes an increasingly important part in the upstream discussions with customers in order to come up with the best answer for every project – together.

PRODUCT SAFETY FULLY INTEGRATED IN DESIGN

Product safety is a real concern for the railway industry and a major driver for Alstom's business. The Alstom Quality and Safety policy, updated in August 2017, shows the strong commitment of Alstom on this topic.

For the implementation of this policy, a railway safety procedure is in place which defines three needs, as follows:

- ensure that safety is implemented and demonstrated in the systems/products delivered to customers – a systematic process, including safety risk analysis and safety demonstration, is applied on projects. This process is in line with the EU regulation 402/2013 "Common Safety Method for Risk Assessment" and the CENELEC Railway standard EN50126 "Specification and demonstration of Reliability, Availability, Maintainability and Safety".

  Alstom strives to improve the efficiency in the management of safety aspects by anticipating the inclusion of safety requirements as early as possible in the project management processes;
- maintain safety during the operation and maintenance phase with adequate safety management of maintenance activities when performed by Alstom;
- report and manage any potential safety issues occurring in revenue service. This is done in collaboration with involved customers and suppliers.

Railway safety processes defined at Alstom level are complemented by railway safety deployment instructions for signalling activities, train platforms, services, infrastructure platforms and systems. In addition, the Alstom Management and Quality Manuals define clear responsibilities in terms of product liability and safety authorisation. These processes and governance apply to all Alstom's Regions and sites.

In order to progress, some continuous improvement actions have been put in place:

- the improvement of product safety through the use of return of experience – the Alstom way of working and design take due consideration of the return of experience and of the occurrence of issues with potential safety impact during operation. Over the last year (2017), 194 potential safety issues were dealt with in terms of return of experience, and the global backlog of issues was reduced by more than 10%;
- the reinforcing of the railway safety culture within Alstom, with a training campaign applied at different levels, targeting all employees through different sessions. This campaign targets:
  - the Top Management: three hours mandatory sessions,
  - the Quality & Safety populations: three sessions of one week deployed on an as needed basis,
  - the Project Management: one-day mandatory awareness,
  - any new Manager/Engineer/Professional: an E-learning mandatory session of 40 minutes. This E-learning, launched 1.5 years ago, has been followed by 60% of the targeted population as at the end of March 2018.

Cybersecurity

Alstom has set-up and is currently deploying a cybersecurity roadmap based on three pillars:

- ensure that all Alstom products, core framework, sub-system and system integrate all cybersecurity requirements and related best practices;
- update all Alstom processes to include and integrate cybersecurity constraints through, for example, employee training;
- deploy Alstom's cybersecurity offer by providing our operators new products, services and methodologies.

Indeed, with the increase in cyberattacks and the expansion of the Internet of Things and Big Data, cybersecurity of critical infrastructure in general and railway in particular is today a critical topic that requires new measures to protect transport systems. To support customers over the long term, Alstom, with its partners, offers a full range of cybersecurity products and services. It covers end-to-end advisory, protection and monitoring services to digitally secure railway operations:

- advising through cybersecurity expertise combined with deep industrial knowledge;

  Alstom can help the customer define relevant cybersecurity objectives and procedures according to the identified risks and exposure.
- protect by securing both newly built systems and the installed base;

  With its partners, Alstom can bring the necessary solutions to set up and operate cybersecurity management in line with real life on the railway.
- maintain and sustain cybersecurity over the long term;
- monitor operations, including an intrusion detection service.

In April 2017, a strategic cooperation agreement on cybersecurity has been signed with Airbus. It will support the emergence of a new risk management model adapted to the evolution of the transport industry and provide operators with innovative and efficient cybersecurity solutions for safer transport.

The programme will focus on the co-development of new analysis services concerning the vulnerability of transport systems, new shared core protection technologies and the definition of a new generation of operational security centres adapted to the industrial sector. Alstom will offer its customers products that comply with the latest legislation (1) and governmental specifications, and will be able to propose audits of their existing solutions to increase protection levels.

ETHICS & COMPLIANCE PROGRAMME

The respect of the highest standards of integrity is essential for Alstom. Alstom's reputation can only be built through the continuous strengthening of its ethical rules and procedures, as well as the adhesion of all managers and employees, who must know and rigorously apply the principles of Alstom's Code of Ethics and its Ethics & Compliance instructions.

Within the Board of Directors, the Ethics, Compliance and Sustainability Committee, created in 2010, reviews the Ethics & Compliance policy of the Company and the processes in place, and monitors their implementation by providing its advice to the Board of directors.

The Chief Compliance Officer reports to the General Counsel of Alstom as well as to the Chairman and Chief Executive Officer and to the Board of directors. To avoid any conflict of interests, he has autonomy and independence to define and implement rules and adequate processes.

The Ethics and Compliance Depatment (E&C), managed by the Chief Compliance Officer, includes a central team and a regional network. This team is composed of compliance experts who ensure the implementation of, and the harmonised approach to, the compliance rules of Alstom and its processes. It provides a support to the Chief Compliance Officer for the application of the policies and the current rules as well as for the animation of the network of the ambassadors.

The regional network is composed of six regional compliance officers, each reporting functionally to the Chief Compliance Officer. The regional compliance officers work as closely as possible to the management to provide the support necessary for the operational activities of their region. They are supported by the Ethics & Compliance central team which supports them and gives recommendations for the implementation of the ethics and compliance policies locally.

In order to increase the awareness of managers and employees, the E&C Depatment relies on a community of over 290 E&C ambassadors, all volunteers, who come mainly from the Legal, Finance and Human Resource functions. Their main role is to promote the culture of integrity through E&C Awareness sessions and participation in any action of communication organised in their region and to be a contact point for questions about ethics and compliance.

The mission of the Ethics & Compliance (E&C) Department is to propose the content of the Alstom Integrity Programme and to foster its implementation worldwide. The Company culture embraces all ethical best standards based on the Alstom values: Team, Trust, Action. This culture must permeate the whole organisation, the "tone from the top" being relayed by each level of the management to each and every employee.

CODE OF ETHICS AND INSTRUCTIONS

The Code of Ethics applies to every Alstom manager and employee. Published in 2001, it was reviewed and updated most recently in February 2016, and is now fully in-line with the requirements of the Sapin II Law.

Considerable efforts have been deployed to meet the objective of having a local language version of the Code of Ethics available to all employees. Currently, the updated Code of Ethics is available in 18 languages: English, French, Spanish, Portuguese, Chinese, Arabic, Greek, Italian, Thai, Indonesian, Korean, Vietnamese, Polish, Romanian, Russian, Hindi and Traditional Chinese. The E&C Central team continuously works with local teams to understand the needs of employees and provide further local language versions as required. The objective of the local translations is to facilitate the understanding of all the employees worldwide and send a clear and unambiguous message of the role that Ethics and Compliance should play in their daily activities for Alstom.

The Code of Ethics presents the Alstom Integrity Programme and gives specific instructions and requirements on the level of ethical behaviour expected from each Alstom employee or manager. It also provides contact points so that everyone can raise any question or concern.

The Code of Ethics prescribes fundamental principles of conduct: respect of laws and regulations, respect of all Alstom rules and policies, prevention of corruption and bribery, compliance with competition laws and the importance for everyone to play his/her role in internal control and the disclosure of information.

The Code of Ethics is designed to promote honest and ethical conduct with regard to all the stakeholders and is shared with the customers, suppliers, contractors, joint ventures and consortium partners, shareholders, regulatory authorities and the public. It is widely accessible.

(1) In Europe, for example, the NIS Directive will be mandatory as of 2018.

It covers the way Alstom manages its relations with customers, suppliers and contractors, sales partners and government procurement teams in respect of the control of exports and trade restrictions, anti-money laundering, conflicts of interests, gifts and hospitality, environmental protection, relations with communities, political contributions and activity, charitable contributions, sponsorship, respect for human rights, relationships with employees, career management for employees, equal opportunity and diversity, health and safety, security of employees, data privacy, respect for confidential information, intellectual property, insider dealing, communication with analysts and investors, communication with the media and use of social networks.

The E&C Instructions, which provide detailed guidance to employees on rules and procedures, must be strictly applied by the managers and employees. They specify the principles expressed in the Code of Ethics, in particular regarding gifts and hospitality, political contributions, charitable contributions, sponsorship, dealing with sales partners or consulting companies, conflicts of interest, facilitation payments and the prevention of corruption with suppliers and contractors and in joint ventures and consortia.

Each instruction contains a preamble, a reference to the Code of Ethics, an indication of the public concerned by the instruction, definitions to clarify the issue, an identification of the inherent risks, the principles to be respected, the way of taking an ethical decision and the effective date. The E&C Instructions are regularly updated based on actual experience of the employees, external review (lawyers, companies specialised in the questions of ethics and compliance, etc.) and recommendations emanating from the World Bank and the other public entities.

RISK ASSESSMENT

The E&C Department participates in the annual review of the Group risks which results in an overview of the risks which the Group faces in its business sector and its geographical environment.

On the annual basis of this review, the Department issues its annual evaluation of the risks of corruption and develops an action plan to mitigate the identified risks. In 2017, the E&C Department decided to focus on supplier relations with the update of the Ethics and Sustainable Development Charter, and clauses to be inserted in the contracts with suppliers, the communication of the Alstom Alert Procedure open to third parties, and the enhanced awareness of Sourcing teams. In 2018, joint ventures will be in the spotlight, with the aim of having a Code of Ethics adopted for joint ventures where Alstom is in a minority.

This corruption risk assessment is also shared with the various levels of the organisation to adapt the evaluation of risks locally according to the operational activities and the geographical zone and to adapt corrective actions to every typology of risk.

In addition, a compliance assessment is made on each project during the pre-tender preparation phase. Approximately 300 projects were evaluated during the fiscal year. In larger, more complex projects involving consortium partners and joint ventures, specific risk assessments are conducted on the project partners. A mitigation plan is elaborated according to the importance of the project and the risks identified before any answer to a tender, which is then transferred to the Project teams to ensure its execution.

In all projects and activities, the use of commercial agents is also subject to a specific risk review exercise as part of the due diligence and "on boarding" process of the commercial agent.

Finally, at the discretion of the compliance team, specific risk assessments have been implemented for long term projects which involve a significant investment in the country of activity.

TRAINING AND COMMUNICATION

Communication, awareness and training of the managers and employees are essential to explain Alstom's Ethics & Compliance policy.

These actions are available on multiple media: on-line modules, live sessions and specialist interventions on the questions of ethics and compliance.

The e-Ethics module related to the Code of Ethics targets managers and professionals for whom it is compulsory when they join Alstom. This module has been completed by 14,629 employees, which represents 87% of the targeted population.

A targeted three hours face-to-face "E&C" class goes deeper on the subject of the fight against corruption, the legal environment in which Alstom operates and the Company's rules on this subject. A new two-year learning campaign was launched in January 2017 with the definition of a new target population, considered as more exposed to the risks of corruption, according to the function and the grading. 68% of the target audience has been trained to date.

Finally, a new short e-learning (10 minutes) was developed and implemented in January 2018 with a focus on the Alstom Alert Procedure. This module targets the same population as the face-to-face "E&C Class" of three hours. It forms part of a global objective to implement a new training scheme each year on a different subject.

A number of communication tools were adopted as part of a detailed communication plan in order to increase the visibility of the compliance activities:

- regular news on Alstom's internal communication tools (intranet, social network of Alstom "Chatter", TEAMS magazine);
- an updated E&C educational video addressing the issue of corruption prevention, available in both English and French on the intranet site as well as on www.alstom.com;
- a campaign of posters to give visibility to E&C on sites "When it comes to integrity, I'm on board", or on the Alert Procedure;

- the development of "E&C Days", an all-day or half-day compliance event which can be deployed remotely on each Alstom site to raise awareness and adherence to the Alstom Integrity Programme. These sessions are organised to introduce local teams to the E&C team, to highlight the importance of compliance activities in the Region and also to help fully integrate the E&C ambassadors into the program and raise their visibility. The E&C days are an interactive and informal way to reinforce the Company's expectations and promote an ethical culture, demonstrating that everyone is concerned through various role-playing scenarios where the participant is placed in practical situations. More than 3,000 people participated in E&C Days organised around the world during this fiscal year;
- the celebration of the International Anti-Corruption Day in December with various actions among which were site events. About 10 events took place on this theme;
- the use of the Alstom Alert Procedure was facilitated thanks to the installation of a shortcut on every computer.

The E&C team works continuously with the E&C ambassador community to fully integrate them into the Integrity Programme. All training sessions reference the names and contact information of the local ambassadors and are conducted with their involvement when logistics allow. Also, the Regions circulate regular communication messages showcasing the ambassadors in order to publicise them as a point of contact for E&C issues.

A dedicated training course of one and a half days was implemented to strengthen their knowledge of the ethics and compliance subjects and various tools available to the employees of the Company such as the Alstom Alert Procedure.

ALERT PROCEDURE

The Alstom Alert Procedure, which allows any employee or any third party in relationship with Alstom to report, according to the applicable legislation, a violation of the Code of Ethics or Alstom rules and policies. The Alert Procedure offers several means of reporting:

- a secure website (www.alstom.ethicspoint.com);
- an icon for a direct access on every Company computer;
- a toll-free hotline, both reachable 24 hours a day, seven days a week.

The scope of the Alstom Alert Procedure covers all the values and principles of the Alstom Code of Ethics, according to the applicable legislation in each country. The list of categories for reporting is as follows:

- corruption;
- anti-competitive practices;
- conflicts of interest;
- discrimination and harassment at the workplace;
- health, safety and security at the workplace;
- environmental issues;
- other violations of Alstom rules, policies and internal controls (including violation of power of attorney/delegation of authority limits).

In January 2018, two new categories were created to better meet the applicable legislations and the concerns raised on the Alstom Alert Procedure:

- human rights;
- IT fraud.

The website and the hotline are outsourced to a specialised supplier to increase the confidence of the employees and every person wishing to use it and to insure the respect of data protection and confidentiality. The Alert Procedure is directly accessible on the computer of every employee of Alstom and since December 2017 *via* an icon on the desktop of all Alstom employees. Alstom has also taken all the measures necessary to guarantee the confidentiality of any alert and allows the anonymity of the reporter and the respect of applicable legislation.

In order to increase awareness and use of the Alstom Alert Procedure, the compliance team takes advantage of each meeting and presentation to present compliance to Alstom employees and to integrate a demonstration of the Alert Procedure. These events include the Alstom face- to-face compliance training of three hours, a specific presentation to new employees during Alstom "Induction Days", special "how to" sessions as part of the Alstom "E&C Days" activities and specific presentations of the tools both to functional teams within the Company and to Region management teams.

Between 2016 and 2017, a 19% increase in the number of alerts was noted. This figure must be read in relation with communication and awareness actions.

A new online training package was launched in January 2018 with a focus on the Alert Procedure. More than 5,000 employees have been invited to follow this training over the year.

In order to reinforce and formalise the response to reports which are submitted *via* the Alstom Alert Procedure System, an instruction was drafted in order to determine the principles and procedures for investigating Alert Procedure reports. The goal is to set out clear steps and objectives for each investigation.

Alstom ensures that every measure is taken to respect reporter confidentiality and make the commitment that no employee will suffer from retaliation, such as a change of status, harassment or any other form of discrimination as a result of using the Alert Procedure or disclosing information in good faith.

All cases reported through the Alert Procedure were investigated, measures were taken and sanctions imposed by the disciplinary committee in all substantiated cases when judged necessary (oral warning, reminder letter, dismissal).

DISCIPLINARY COMMITTEE

Alstom has implemented a Disciplinary Committee as the management body with authority to review cases of non-compliance with the Code of Ethics and Alstom rules and decide on appropriate and uniform disciplinary actions throughout the Company. In order to reinforce the importance of this Committee and the Alstom commitment to discipline, the committee is made up of the Chief Executive Officer, the General Counsel, the Senior Vice-President of Human Resources and the Chief Compliance Officer.

This committee adopted a charter which governs its activities and holds reports of meetings and a register of all the disciplinary decisions taken to assure uniformity and equity. If the accused person is an employee, he/she has the right to be heard and any disciplinary action is presented to the employee by the Chief Compliance Officer or by the Human Resources Department and, in certain cases, directly by the General Management, to assure a complete understanding of the measures taken and their justification.

Furthermore, the E&C Central team has started to deploy a communication plan to increase awareness regarding the disciplinary measures taken within the Group and publishes regularly anonymous examples of concrete cases.

CERTIFICATION

Alstom ensures that its efforts systematically reflect best practices in terms of compliance and ethical standards and regularly reviews and audits its Integrity Programme. Since 2009, Alstom has been engaged in a process of certification of its anti-corruption policy.

Alstom obtained, in June 2017, the ISO 37001 certification for its anti-bribery management system on a European scale. Awarded by AFNOR Certification, this certification confirms Alstom's commitment to fight corruption and marks the start of the Alstom certification campaign that will be followed by further audits in other regions in which the Group operates. The international standard ISO 37001, introduced in October 2016, advocates a series of measures to help organisations of all sizes, both private and public, to prevent, detect and tackle bribery through the implementation of an anti-bribery management system. The audit focused on the adequacy of Alstom's anti-bribery system on a European scale according to the standard ISO 37001, in particular its Ethics & Compliance policy, the Code of Ethics, and the various instructions relating to existing anti-corruption procedures and numerous associated training tools. The strong points highlighted by AFNOR Certification include the strong desire of the management to instil an ethical culture within the Company, procedures that are well adapted to risks, particularly at the purchasing level, and the direct involvement of employees.

This first certification starts the campaign of certification of Alstom and will be followed by future audits in the other regions in which the Group operates.

CONTINUOUS IMPROVEMENT

The three-year period of self-reporting obligations that the Group agreed to as part of the Plea Agreement of 22 December 2014 has come to a successful completion during this last fiscal year. This achievement is the result of the Company's efforts during the period and a close cooperation with the US Department of Justice. The Company remains committed to the highest level of integrity in its activities and will continue the development of its compliance program.

To control the relevance, the adequacy and the efficiency of the Alstom Integrity Programme, an internal audit plan dedicated to the E&C processes is established every year and a resource of the Internal Audit Department is dedicated to these audits.

To monitor the performance of the Alstom Integrity Programme, the E&C Department launched in 2012 the Yearly Integrity Review to gather feedback on the performance of the Alstom Integrity Programme during the year. The managers requested to complete the questionnaires were identified by Human Resources and the list is reviewed with the Chief Compliance Officer (approximately 400 managers). The sixth exercise will be launched on March 2018 at the closing of the fiscal year in order to collect the feedback and the comments of the past year.

Based on the responses, the E&C Department provides to the Chief Executive Officer and the Ethics, Compliance & Sustainability Committee members a summary of feedbacks and statistics on the responses to the online survey. Then, the E&C Department prepares an action plan to meet the perceived points of attention.

REGULATION OF LOBBYING ACTIVITY

In December 2016, France modified its legal framework to reinforce its anti-corruption initiatives and promote transparency in public affairs. In this framework, a register of lobbyists was created by the High Authority for Transparence in Public Life (*Haute Autorité pour la Transparence de la Vie Publique*) for concerned French companies to identify themselves and join the register. This registration was completed by Alstom which is currently identifying and training employees and related parties which are subject to the reporting requirement. These efforts will allow Alstom to submit the required annual report to the French authorities within the regulatory deadlines.

VIGILANCE PLAN

In compliance with the French law on the corporate duty of vigilance for parent and instructing companies of 27 March 2017 (Law n°2017-399 published in the Official Journal on 28 March 2018, referred to in this document as the "duty of vigilance law"), the Company established its Vigilance plan (the "Vigilance plan") for fiscal year 2017/18. This document will be updated every year to report on the measures implemented and assess the efficiency of the Group's actions regarding human rights, health, safety and environmental issues.

As required, the Vigilance plan is targeting risks that could have severe adverse impacts. As defined in the UN Guiding Principles on business and human rights, the severity of adverse impacts is judged by their scale, scope and irremediable character.

Alstom is particularly respectful of the laws governing, *inter alia*, human rights and labour, health and safety standards, as well as the protection of the environment: Alstom's policy is to comply fully with the fundamental conventions of the International Labour Organisation (ILO) as specified in the Code of Ethics of the Company. Alstom also complies with the Guidelines for multinational enterprises of the OECD and the United Nations Universal Declaration of Human Rights.

Alstom is a member of the United Nations Global Compact (UNGC), promoting the respect of human rights within its sphere of influence. In May 2017, the Alstom Chairman and CEO renewed his and the Company's commitment to the 10 principles of the UNGC (see Alstom website).

In order to establish the Vigilance plan, Alstom has created a transverse working group composed of members of the following Departments: Human Resources, Environment Health and Safety, Legal, Ethics and Compliance, Sourcing, Internal Audit & Internal Control, Governance and CSR & Sustainability. The group ensures that Alstom benefits in the most efficient manner from the contribution of its various experts. This plan presents the various measures taken at the different levels of the organisation to manage human rights, health and safety and environmental risks:

- global risk mapping and management tools expanded to integrate the relevant topics;
- specific risk analysis and mitigation measures covering Human Rights, Health and Safety and Environmental risks from Alstom activities, which also apply to contractors operating in Alstom's facilities;
- dedicated risk mapping and risk management measures for risks arising from the Supply-chain applied to suppliers and contractors.

GLOBAL RISK MANAGEMENT PROCEDURES

At Alstom, a general risk mapping procedure is implemented by the Internal Audit & Internal Control Department, as described in chapter 4 of this document (see page 148). This mapping allows the identification of the risks that Alstom's activities could pose to its stakeholders and the environment from a three years perspective. Every year, the risks related to Alstom's activities, its contractors' and its suppliers' are reassessed by the Internal Audit & Internal Control Department.

The following six families of risks in relation to Duty of Vigilance are covered by this process:

- employees' safety;
- compliance (including data privacy);
- environmental;
- public, ecological and societal acceptance (including human rights);
- climate change;
- sourcing.

Specific assessment and mitigation actions are taken on the six types of risks identified above.

Every year, the Managing Director of each reporting unit is responsible for assessing and signing-off the reporting unit's risk situation in various domains including Health, Safety and the Environment. This assessment is conducted by filling out the Internal Control Questionnaire ("ICQ") (see page 148) which assesses the maturity of controls implemented to prevent and mitigate risks. The ICQ was updated in fiscal year 2017/18 to include the specific procedure linked to the respect of the "Ethics and Sustainable Development Charter for Alstom's suppliers and contractors" (see page 235). It will be updated again during the next fiscal year to integrate a processes update following the deployment of the Vigilance plan.

If it appears that a reporting unit is below par on the expected level of awareness on one or several of the identified risks, preventive and/or corrective measures and action plans are defined and implemented with review and support by Internal Control. This may include training of the relevant personnel or the implementation of new procedures.

RISK MANAGEMENT COVERING THE ACTIVITIES OF ALSTOM AND ITS CONTRACTORS

It is to be noted that contractors operating in Alstom facilities or in a work environment controlled by Alstom, even on a customer's or third party's site need to respect all of Alstom's procedures.

Human rights

Risk mapping

During fiscal year 2017/18, the Sustainability and Corporate Social Responsibility (CSR) Department drew up a mapping that determines and ranks the Human Rights that Alstom's activities are most likely to affect. This mapping is based on:

- the list of Human Rights as presented in Annex A of the UN Guiding Principles Reporting Framework: "Table: Internationally Recognised Human Rights And Examples Of How Business Might Impact Them";
- the assessment by the transverse working group of the risks posed to each Human Right by each of Alstom's functions and macro-processes.

This assessment leads to the identification of the main risks based on the potential severity and probability of impacts in the fields of safety of solutions and at work; Human Rights standards applied by business partners, both in projects where Alstom is involved, and those where Alstom is an investor; prevention of discrimination and harassment; labour rights; and supply-chain management.

Assessment, mitigation and prevention measures

Following the completion of the Human Rights risk mapping, the existing mitigation measures in place were assessed and additional actions were launched to drive continuous improvement. Additional assessment and mitigation measures have therefore been implemented or will be implemented during fiscal year 2018/19:

- a Human Rights review of the countries in which Alstom operates or might operate to identify potential risks related to projects and mitigation measures ahead of bid submissions, including the undertaking of specific Human Rights due diligence assessments when relevant;
- a questionnaire to assess living conditions on construction sites where workers are provided accommodation, to be included in EHS audits. The questionnaire covers such issues as the general level of comfort and cleanliness of the facilities and the existence of communication means and medical care facilities. The questionnaire was established on the basis of the experiences from Alstom's projects in the Middle East and India and in collaboration with local stakeholders, including Human Resources representatives and workers;
- a Human Rights impact assessment on working conditions (work intensity, payment…) to complete the above-mentioned questionnaire on living conditions. Under the combined actions of the Human Resources, Sourcing and EHS Departments, other Human Rights requirements, such as the freedom of movement or resignation and fairness in wages, will now be assessed. This process will build on the actions already conducted in certain human-rights sensitive geographical areas, such as Qatar, where Alstom works with subcontractors for the construction of a tramway line in Lusail.

These questionnaires and assessments will lead to the implementation of corrective action plans, a process which is already under deployment for example in Madhepura site in India with the questionnaire on living conditions.

In the day-to-day management of its activities, Alstom strives to strictly comply with its commitments:

- it applies a policy based on respect for individuals, their dignity, rights and individual liberties, and promotes their involvement in Alstom's life. Alstom promotes all forms of dialogue with both individual employees and their representatives. This policy is integrated into the management system of Alstom;
- Human Resources management is based upon performance and competence using well-known shared processes. These processes are based on objective data, not on personal factors such as gender, age, racial or ethnic origin, political opinions, religious or philosophical beliefs, trade union membership, health, or sexual orientation. All recorded information shall reflect these principles. All employees have the right to access and to rectify the personal data concerning them when justified (see page 135);
- each year, Alstom conducts a social survey to ensure the absence of any incident regarding child labour, forced labour or freedom of association. This year, no incident was reported;
- Alstom also deploys a sustainable sourcing program (see pages 235 and 261).

Health and safety

Alstom has a proactive approach to risk mitigation and the prevention of serious health and safety hazards for its employees and subcontractors.

Risk Mapping

The risk mapping for the identification, analysis and prioritisation of these hazards is based on an analysis of Alstom's activities for the whole scope of the Group. It breaks down into two main concerns: activities which put the safety of people at high-risk and hazardous chemical substances which have carcinogenic, mutagenic or reproductive effects on persons who are or have been exposed (so called "CMR").

In the fiscal year 2017/18, a survey of approximately 65 countries, focused primarily on-Site Managers, Human Resources staff and the Environment, Health and Safety Teams, showed that the main health-related topics that Alstom should focus on are healthy behaviour, ergonomics and work-life balance. As these subjects don't represent severe risks, they are treated outside the Vigilance plan (see page 249).

High risk activities

Based on this rigorous analysis of main safety risks, Alstom has identified the high-risk activities related to the broad spectrum of work that it performs. These activities are defined in the "Alstom Zero Deviation Plan" ("AZDP"), whether executed directly by Alstom or indirectly by a subcontractor.

The high-risk activities are as follows:

- works for which Lockout Tagout must be performed;
- works involving a risk of interference from moving vehicles, whether on site or on rail;
- lone working;
- working at height;
- lifting operations;
- hot working;
- working in an explosive atmosphere;
- work exposed to electrical risks;
- working in a confined space;
- erection, modification and dismounting of scaffolds;
- excavation works;
- work with exposure to radiation (ionizing or non-ionizing);
- installing, servicing and operating machines.

Exposure to Hazardous Chemicals (CMR)

Asbestos has been identified as the chemical substance which presents the highest risk of serious and irreversible consequences on the health of Alstom's employees and subcontractors.

Assessment, mitigation and prevention measures

A concentrated effort on high-risk activities

The "AZDP" plan remains the keystone of Alstom's actions to achieve "zero serious accidents". Since its launch in 2012, AZDP has made a significant contribution to reducing the number of serious and fatal accidents.

The AZDP plan is applied to all Alstom employees and subcontractors. This plan includes risk assessment, mitigation and prevention measures applicable to all high-risk activities. It is based on 11 directives which describe mandatory requirements to be applied for the whole scope of Alstom. These requirements are related to activities defined as high risk and help to mitigate and prevent serious and irreversible occurrences. In addition, Alstom has implemented a policy of "zero deviation tolerance".

Each Alstom entity regularly undertakes a self-assessment of its compliance with the directives and manages its continuous improvement plans.

A three-year centrally-managed audit programme is deployed in the Group, both at large industrial sites and at smaller activities such as depots or construction sites with the target of carrying out more than 60 audits per fiscal year.

	2014/15	2015/16	2016/17	2017/18
Number of formal AZDP audits conducted during the fiscal year	46	61	62	66

Source: Alstom (EHS Library)

In the context of subcontracting activities considered as critical according to the list defined above, the main procedures implemented are:

- before engagement, the EHS system and performance of critical contractors are evaluated;
- all EHS requirements must be included in the terms and conditions of contracts placed with critical contractors;
- critical contractors have to submit a Risk Control Plan to be approved by Alstom. The contractor may not start the work until the Risk Control Plan has been verified as compliant with all of Alstom's EHS requirements;
- critical contractors and their personnel must receive relevant EHS training;
- formal inspections on the EHS requirements are deployed by Alstom for critical contractors.

All the EHS elements contributing to the performance are evaluated and, on this basis, the local EHS teams define recommendations to be taken into account in the future selection of subcontractors and the updating of the evaluation process.

Exposure to hazardous chemical substances (CMR)

The use of asbestos and material containing asbestos is strictly prohibited in Alstom's products. Risk management of asbestos exposure at operational sites has been an integral part of Alstom's policy for many years, even in countries where asbestos is permitted: this includes such aspects as asbestos diagnosis of buildings (rented or purchased) and equipment and the implementation of risk-based asset retirement plans, Alstom applies instructions to frame the monitoring process and workers' protection; these instructions are updated and improved regularly. Within this framework, Alstom retains the ambition to eradicate asbestos in its buildings as far as is reasonably and economically practicable.

In addition, this year, a detailed guide containing the regulatory and legislative situations of relevant countries, the employee protection obligations, as well as the measurement methods and the legal thresholds to be respected, has been made available to all Alstom staff. This facilitates risk control in the context of new contracts. An information and awareness campaign was conducted with the Services teams.

Continuous improvement and results

Safety

Alstom also undertakes continuous improvement actions relating to the safety of its workers such as:

Notification and Return of Experience ("REX")

An immediate (24 hour) notification process is in place for when a lost time accident or a severe event, or an event that could potentially have been severe, occurs in Alstom. This allows the organisation to react quickly when necessary. Each severe or potentially severe accident is analysed to identify its root causes and to allow measures to be taken to avoid a repeat occurrence. It is then subject to REX analysis during systematic reviews organised by the Head of the EHS organisation in each Alstom Region. Lessons learned are shared within the Group. When necessary, Alstom's safety standards are upgraded to take into account the return of experience.

Alstom is continuing to deploy, among the EHS population, accident investigation and analyses training in order to reinforce its ability to identify the root causes of events. This fiscal year, about 100 REX sessions were conducted following severe or potentially severe accidents. Each one was summarised in a synthetic report issued within Alstom and made available in the Group's shared EHS platform. An important evolution of the AZDP referential has been achieved from the lessons learned during the REX sessions.

Safety Observation Visits

The "Safety Observation Visits" programme was initiated several years ago in order to develop managerial practices which encourage a positive safety culture and safe behaviour on the part of all employees. The deployment of this program continued during the fiscal year at all sites where the level of safety maturity allowed such an initiative to be conducted. Since April 2015, Safety Observation Visits have been carried out regularly in almost all of the Group's European sites. To date, in France, more than 1,500 visits have been conducted by managers at all sites. Elsewhere in Europe, nearly 2000 visits have been carried out, an increase of more than 40% compared to the previous year. In the APAC (Asia/Pacific) Region, more than 300 visits have been conducted. The initiative is being progressively deployed in the rest of the world. In Israel, for example, 270 visits were conducted, whilst in Canada there were 58. Significant progress has been made in the number of Safety Observations Visits during the year.

OHSAS 18001

In line with the global OHSAS 18001 global certification [1] objectives for Alstom Group activities for the year 2020, the OHSAS 18001 certification process is ongoing. To date, 9,400 Alstom employees and subcontractors at industrial sites, regional centres, depots and construction sites apply processes compliant with OHSAS 18001 and certified by official independent bodies.

Safety Training

In addition to the training required by the various regulations, Alstom designs and deploys safety training modules to meet its specific needs and continuously adapts its internal training offer.

	2015	2016	2017
% of Alstom employees trained using the e-learning module on High Risk Activities (*)	86%	80%	81%

Source: Alstom HRIS.

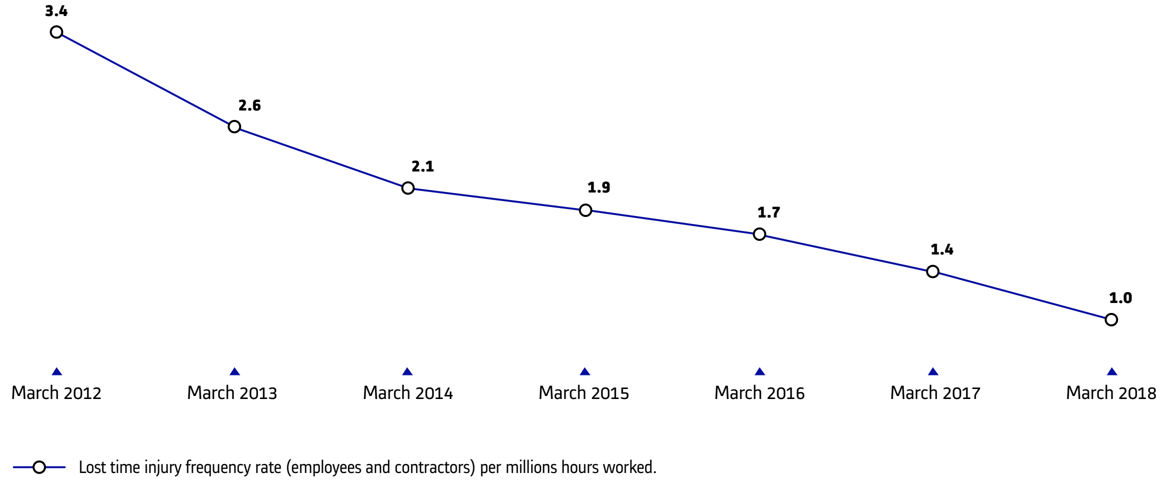
(*) Alstom deploys an e-learning programme about high risk activities targeting all employees. The table gives the percentage of employees present in the Group as of end of calendar year who have followed the training course.

A dedicated training course has been created for employees at construction sites in order for them to have a better understanding of all the risks inherent in working in such a complex railway environment. This training has been deployed and will continue next year.

There are seven training programs delivered by Alstom University, two of which are e-learning programs (EHS Fundamentals and High-Risk Activities).

Frequency rate of occupational injuries of employees and contractors

Thanks to assessment and risk mitigation measures, in 2017/18 the frequency rate of lost-time injuries for employees and contractors was 1.0 as at 31 March 2018. This represents a decrease of more than 20% compared to the previous year, exceeding the Group's annual objectives and reaching the level set for the 2020 ambition.



(1) Management standard on health and safety at work.

Nevertheless, Alstom regrets that a fatal accident took place this year involving a contractor during the performance of a project in India.

	2015/16	2016/17	2017/18
Number of fatalities at work (Alstom employees and contractors) [(1)]	0	0	1
Number of travel fatalities (Alstom employees) [(2)]	2	0	0
Number of occupational severe accidents [(3)]	6	6	8
Lost time injury frequency rate (employees and contractors) – IFR 1 [(4)]	1.7	1.4	1.0

Source: Alstom Teranga.

(1) Includes all accidental fatalities at the workplace and on the way between two workplaces.
(2) Includes all accidental fatalities on the way from home to work or work to home, when Alstom directly or indirectly participates in the travel organisation.
(3) Occupational severe accident: fatal accident and any accident resulting in permanent consequences (either in permanent disfigurement, or permanent disability such as amputation of any digit or part of a digit) whatever the length of the medical leave, as well as any accident causing fracture requiring surgery, whatever the length of the medical leave. Severe accidents between two workplaces are included, severe accidents on the way from home to work or from work to home are excluded.
(4) IFR 1: Number of work-related injuries, which prevents the injured person from carrying out work for a period of at least one full day, per million of hours worked. Accidents on the way from home to work or from work to home are excluded from the calculation of the indicator.

Health

Alstom strives to reduce the risk of occurrence of occupational diseases. On top of preventive or protective measures resulting from work place risk assessment, Alstom seeks to take full account of ergonomics in the design of workstations: each year Alstom industrial teams conduct audits in accordance with the APSYS ("Alstom Production SYStem") referential in production sites to measure the progress made in respect of Alstom's operational requirements. The ergonomics of workstations is one of the assessed criteria in these audits. In fiscal year 2017/18, 25 APSYS audits were conducted.

A central working group has been set up to test solutions based on CoBots [(1)] but also physical assistance devices such as exoskeletons to assist operators in their daily tasks.

	2016	2017
Number of recognised occupational diseases during the calendar year for the Alstom perimeter	26	39

Source: Alstom Teranga.

Environment

Risk mapping

Alstom opted for an environmental management based on the continuous improvement principle, as described in the Environmental Management System Manual. The procedures address the management of all the sites and are applied for the new sites, a lease agreement or a service contract (or on every existing site when such an assessment has never been done).

An environmental risk mapping is drawn up on each site. For all the sites, lease agreements or service contract, the EHS manager assesses the potential environmental impacts related to the activities. Those impacts are: release of substances onto/into the ground; release of substances to the water; release of substances to the air; waste resulting from an activity, product or service, waste disposal; use of resources.

Once the impacts are identified, the EHS manager assesses the likelihood of severe damages to the environment. The impacts are classified into three categories: unlikely, possible, very likely.

Assessment, mitigation and prevention measures

All the sites with more than 200 employees are ISO 14001 certified, which guarantees the implementation of appropriate control measures for the risks identified on each site. Almost 80 % of Alstom employees work on certified sites or projects.

Alstom aims a global certification by 2020 (see page 238).

On a site

Within the framework of ISO 14001, some control measures of the environmental risk are considered at site level. Those measures are designed on the results of the risk mapping. On each site the evaluation team must determine and agree appropriate control measures and responsibility for their implementation.

At Alstom level

In addition to local management measures, Alstom performs a specific follow-up at central level in three areas likely to generate potentially severe impacts at Group level:

Waterborne discharge

In 2017, 65% of sites had the obligation to monitor the quantity and the quality of waterborne discharges. The various obligations in terms of nature and limits of the discharges do not allow the consolidation of those figures at Alstom level. Nevertheless, Alstom ensures, through an indicator measuring the regulatory compliance of the waterborne discharges created in 2015, that regulatory monitoring is done and the authorised thresholds respected.

(1) The term comes from a neologism from Cooperation and Robotics.

Airborne emissions

In 2017, 49% of Alstom's sites had the obligation to monitor the quantity or the quality of their air emissions. The various obligations in terms of nature and limits of the emissions do not allow those figures to be consolidated at Alstom level. Nevertheless, Alstom ensures, through an indicator measuring the regulatory compliance of the air emissions created in 2015, that regulatory monitoring is done and the authorised thresholds respected.

Historical pollution control

The current and standard Alstom activities do not generate soil releases. Nevertheless, some accidental leakage prevention devices are deployed on site.

On old sites potentially contaminated as a result of past activities, Alstom implements a monitoring and management programme and ensures compliance with local regulations. This five-year plan must be applied on each site. Through this plan, the sites must conduct the surveys to assess the environmental and health risks due to contamination in ground and groundwater. They must have an action plan according to the priority level defined for the site (from 1: immediate risk to 4: absence of risk).

The progress of the plan is monitored centrally. To date no site has been assessed at the level 1.

Beyond the scope of the duty of vigilance and severe environmental risks, as part of its 2020 strategy, Alstom committed to reduce the environmental footprint of its sites (see page 237).

RISK MANAGEMENT COVERING ALSTOM'S SUPPLY CHAIN

Whilst operating on an Alstom site, sub-contractors have to respect Alstom's set of procedures. As part of Alstom's supply chain, they also have to observe the Alstom's Sustainable Sourcing processes regarding the social, environmental, ethical, health and safety requirements.

Risk mapping

With 105 sites distributed over 60 countries Alstom is both a local and global actor. This geographical proximity fosters long-term partnerships with customers and suppliers while increasing Alstom's industrial agility. The Group works with a panel of diverse suppliers. As a consequence, in order to deliver continuous operational excellence, it is necessary to assess in priority the suppliers which represent the highest levels of environmental, social and ethics risks to Alstom. To achieve this a supplier risk mapping is performed every year according to three criteria:

- product family;
- supplier's country;
- volume of purchases by Alstom.

The level of risk per product category (based on its level of energy consumption, on the risk of chemical pollution it poses, as well as on the threat it represents for health and safety) and country (based on risks relating to corruption, political instability, human rights respect and ecological awareness) is assessed by an external provider. This risk mapping allows Alstom to prioritise the suppliers at which the assessment and mitigation measures should be directed.

Assessment, mitigation and prevention measures

Commitment and qualification of suppliers

Alstom's first Sustainable Development Charter was published in 2007. It sought to ensure the commitment of suppliers towards social, environmental, ethical, health and safety-related requirements.

By signing the Charter, Alstom's suppliers commit to comply with the principles of the United Nations General Declaration of Human Rights, the fundamental conventions of the International Labour Organisation (ILO), the OECD Guidelines for Multinational Enterprises, the rules of conduct of the International Chamber of Commerce (ICC) and the values set out in the Alstom's Code of Ethics.

In line with its ISO 37001 (Anti-bribery management systems) certification, the 5th edition of Alstom's Charter, published in October 2017 and renamed "Ethics and Sustainable Development Charter for Alstom's Suppliers and Contractors", now includes a paragraph related to Alstom's Alert Procedure.

Suppliers and contractors can therefore, on a named or anonymous basis, use this procedure 24h/24 and 7d/7 in respect of all forms of illicit practices, particularly those linked to business ethics and human rights violations.

Alstom has set up the objective that all its suppliers and contractors commit to respecting this charter. As of 31 March 2018, over 80% of the key suppliers with whom Alstom has a yearly turnover superior to €100,000 (representing 94% of purchasing volume) have signed this charter. Sourcing teams take action on this at the earliest possible stage of the negotiation process and request the signature of these charters before the contracting phase. Conformity with the charter has been included in Alstom's general purchasing conditions.

Furthermore, as part of the qualification process, buyers carry out with the suppliers a first audit, the "Quick Industrial Assessment", that includes questions related to their CSR activities. If results are satisfactory, a second audit, more extensive, is conducted by the quality team. This second audit includes questions aimed at minimizing CSR risks. An update of the CSR questions raised during these audits was made in January 2017. They now include the signature of the Ethics and Sustainable Development Charter, the respect of a minimum level of social practices and more precise questions regarding waste management, recycling processes and measures related to the reduction of greenhouse gas emissions

Non-compliances are subject to corrective action plans and monitoring to ensure that the required levels are reached. Established in March 2018, an internal management committee focused on suppliers' CSR and financial risks will meet on a quarterly basis to deal with such cases.

Evaluation of suppliers and corrective action plans

The CSR activities of Alstom's suppliers are assessed according to environmental, social and ethical criteria and how they apply such criteria to their own suppliers.

Undertaken by EcoVadis, these assessments are led by a team of CSR experts who analyse the suppliers answers and the uploaded evidence documentation. The evaluation system complies with the United Nations Global Compact guidelines, the ISO 26000 standard and the Global Reporting Initiative. As of 31 March 2018, more than 510 suppliers have a valid valuation less than three years old, representing a 65% coverage of the volume of purchases made with suppliers identified as at risk. Alstom has the objective to raise this to at least 80% by 2020.

In April 2017, Alstom's threshold requirements regarding CSR performance was revised upwards. When the evaluation results are not in line with Alstom's requirements, the suppliers are required to set up and implement an action plan to address the identified weaknesses. In this task, they are free to ask the fully trained Sourcing Managers of Alstom to accompany them in their improvement process.

Once the corrective action plans have been implemented, the suppliers undergo a new evaluation. In the event that a non-compliant supplier declines to put in place corrective actions or to commit to progress, Alstom may decide to stop the commercial relationship.

Sectorial Initiative: RAILSPONSIBLE

Alstom is working with other stakeholders within the railway sector to improve sustainable development practices and to broaden the assessment of the supply chain.

Launched in March 2015, Railsponsible is a collaborative initiative on railway sustainable procurement that was founded by Alstom, SNCF, Nederlandse Spoorwegen (NS), DB, Bombardier and Knorr-Bremse. SKF, SBB and RFI respectively have joined the Railsponsible committee subsequently.

Focused on sustainable sourcing, this initiative aims at improving the CSR practices of the whole supply chain through a common approach, field collaboration and the sharing of best practices, tools and processes. Under this framework, the members use the same evaluation platform – EcoVadis – in order to measure their supplier's CSR performance. There are many advantages to be derived from this initiative, for both the suppliers and the members. Once the evaluation has been carried out, a supplier may make his score visible to the rest of the members of the initiative. Through its access to the supplier evaluations that are not necessarily derived from the risk mapping, Alstom benefits from a better overview of the CSR performance of the supplier and gains time and efficiency in doing so. For more information please see www.railsponsible.org.

In January 2017, Railsponsible joined the Sustainable Public Procurement Program led by the United Nations Environment Programme (UNEP). This partnership allowed Railsponsible to join a network of private and public actors aligned with the global movement to achieve the United Nations' Sustainable Development Goals.

The 2020 strategy of the Railsponsible Committee is made up of three main actions: empowering and training staff and executives of member organisations to sustainable sourcing; building common programs with suppliers; and promoting the initiative to railway organisations.

By 31 March 2018, about 850 suppliers representing the whole range of professions in the railway industry have been assessed on this common platform under the Railsponsible initiative. Two key areas of improvements have been identified as matters of priority to be addressed in the following years: climate resilience and EHS. Members of the initiative, divided into working groups, will work on information and training guides for the suppliers to help them progress on those subjects. The first guides will be deployed in 2018.

In August 2017, the second ceremony of the "Railsponsible Awards" was organised during the German Railway Forum. The ceremony, which gathered more than 1,100 participants, rewarded the suppliers who had shown the best CSR performance during the year. For Railsponsible it is a way to shine a spotlight each year on those suppliers and contractors that have best integrated a responsible approach.

Increasing the sustainable development awareness of Alstom's buyers

Alstom's whole approach is supported by a network of sourcing offices across five continents and is aimed at embracing sustainable development as a key element of the sourcing culture. Conscious that this dynamic needs a strong involvement of the buyers, Alstom has developed a communication and training programme adapted to the sourcing and supplier quality communities.

The objectives of these training are a better understanding of Alstom's sustainable sourcing and supplier evaluation requirements and their accompaniment in the setting-up of corrective action plans. The training content is updated each year and evolves with the sustainable sourcing maturity of buyers and suppliers.

Two levels of training were proposed in the fiscal year 2017/18:

- the complete training module originally dedicated to sourcing managers and now open to buyers, 66 buyers followed this training in 2017/18;
- an introduction to sustainable sourcing delivered in the form of short face-to-face modules for new buyers, 43 members of the sourcing network have attended the introduction module.

As at 31 March 2018, nearly 90% of the sourcing managers – the priority target – had been trained.

Every year, a proportion of Alstom's sourcing managers have to respond to an Internal Audit, SMART, the goal of which is to ensure the maturity of sourcing through the full application of the processes. Management of the suppliers' and contractors' CSR is among the subjects whose effectiveness is tested by auditors. The minimum score of this audit is part of the individual objectives.

Key indicators

	2015/16	2016/17	2017/18
% of purchase amount covered by the referenced suppliers having signed the Sustainable Development Charter (*)	75%	90%	94%
Number of suppliers covered by an assessment less than 3 years old	338	483	510
% of sourcing managers who have attended sustainable sourcing training	76%	88%	87%

(*) Suppliers with whom Alstom has a spend superior to €100 thousand, excluding the charters accounted for in the general purchasing conditions.

ALERT PROCEDURE

Alstom created, a few years ago, an Alert Procedure that allows employees or any person or third party to report what they suspect to be a violation of the Code of Ethics, Alstom rules and policies or the law.

In the framework of the implementation of the French Duty of Vigilance Law, the scope of the Alert Procedure was more precisely defined with regard to safety, health, environment, and Human Rights.

The integration of safety and environment cases was presented to the French Committee of workers representatives in December 2016.

More details on the Alert Procedure can be found page 228 under "Ethics & Compliance Programme".

FOLLOW-UP OF THE VIGILANCE PLAN DEPLOYMENT

The follow up of, and reporting on, the Vigilance plan will be carried out by the Sustainability Steering Committee that meets every three months and is composed of representatives of every Department concerned by this plan: Human Resources, Environmental Health and Safety, Legal, Ethics and Compliance, Sourcing, Internal Audit, Governance, Communication, Marketing, Innovation, Sustainability & CSR.

The plan presented at this Committeee will be fully reported on in next year's registration document.

ENVIRONMENTAL **PERFORMANCE**

This report presents the results of the Company regarding the environmental footprint of its facilities, as described in the section "Methodology" (see page 268).

Management of the environment is based on:

- consideration given to environmental issues at all levels of the Company;
- deployment of environmental objectives in the organisation and periodical results reviews at the same frequency and in the same internal governance committees as for financial results reviews;
- implementation of an environmental programme: development and deployment of internal standards, assessment tools, targeted training actions to involve employees, communication and awareness-raising actions;
- an EHS ("Environment, Health & Safety") organisation managed in the Regions and coordinated centrally.

The Company has made operational and environmental excellence one of its five strategic pillars. In this context, the Company set environmental targets for 2020, taking 2014 as the reference year. On this occasion, the Company rationalised the perimeter of its environmental results as described in the methodology.

The main environmental indicators for monitoring Alstom's progress are:

- energy consumption and greenhouse gas emissions (GHG) related to activity (intensities);
- percentage of recovered waste;
- volume of waste related to activity (intensity);
- water consumption related to activity (intensity);
- Volatile Organic Compounds (VOC) emissions related to activity (intensity).

In this section, environmental results are presented by calendar year and compared to 2016 and to the reference year 2014. ISO 14001 certification results are presented by fiscal year.

The topics related to severe risks are addressed in the Vigilance plan (see page 234).

Data on provisions and guarantees for environmental risk is available in Chapter 4 Risk Factors, section "Risks in relation to Environmental Health and Safety regulations" (see page 136).

CERTIFICATION OF UNITS

Objective 2020: Global Alstom ISO 14001 certification.

Results: This year, all manufacturing sites and regional centres with over 200 employees have maintained their ISO 14001 certification. Deployment of ISO 14001 certification is in progress with new certified entities (infrastructure and system activities in Greece, rolling stock in India). At the end of fiscal year 2017/18, 77% of Alstom employees were working on an ISO 14001 certified site. Alstom is aligned with its 2020 objective.

The requirements of the ISO 14001 standard are integrated in the Alstom Management System and contribute to the environmental performance improvement process of sites.

ENERGY CONSUMPTION

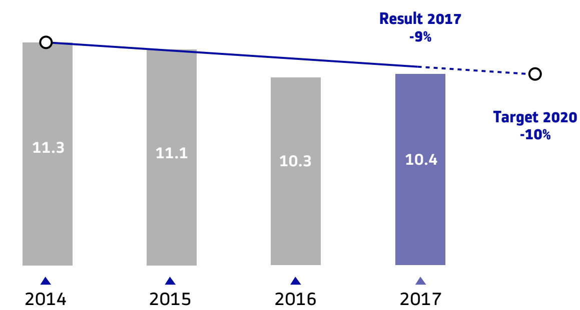
Objective 2020: Reduce energy intensity by 10% compared with the reference year 2014.

Energy intensity is defined as the amount of energy used in relation to Alstom's activity. The activity is measured in hours worked. The amount of energy used is recalculated by integrating a climate factor. In this way, the part of energy considered as used for heating is corrected to take into account the impact of winter temperatures on heating energy consumption. This correction is done every month with the factor "heating degree days" which, for a given location, estimates daily gaps between base temperature and average measured temperature.

Result: By the end of 2017, energy intensity had decreased by 9% compared to the reference year, in line with the 2020 objective. It is quite stable *versus* the 2016 achievement (+0.7%).

ENERGY INTENSITY
(in kWh/hours worked)

Further to the acquisition of activities in South Africa and Morocco, two new sites have been integrated in the consolidated 2017 perimeter. Therefore, the 2014 to 2016 results have been recalculated to allow the evolution of the performance to be followed at constant perimeter.



Details of energy consumption

	Alstom			
(in GWh –raw values)	**2014**	**2015**	**2016**	**2017**
Natural gas	242	245	231	223
Butane or propane and other gases	7	7	8	8
Domestic fuel	10	10	6	5
Steam / heat	30	35	42	41
Electricity	180	175	181	184
Coal, heavy fuels and other fuels	0	0	0	1
TOTAL ENERGY CONSUMPTION	**469**	**472**	**468**	**462**

Source: Alstom Teranga.

The Company's total energy consumption is still decreasing compared to the previous years. The gross consumption of natural gas, the main heating source and the energy source for the painting booths, continued to decrease this year (-3% in 2017 *vs* 2016). The electricity consumption slightly increased, reflecting the increase of activity. Globally, the energy intensity, with the integration of the climate factor, decreased by approximately 9% compared to 2014 thanks to the actions that were implemented.

A five-year energy plan was launched in 2016 which focuses on the 20 main contributors. Moreover, each year special attention is paid to five sites within the framework of this plan: Savigliano, Barcelona, Reichshoffen, Belfort, and Hornell in 2017. The development of action plans, reviewed quarterly by a dedicated steering committee, allowed those five sites to improve and the other sites to be inspired by the good practices shared. Thus, Belfort reduced its energy intensity by 5% in 2017 compared to 2016 thanks to surface otpimisation which allowed the energy inside unused buildings to be cut off, the management of the compressed air leakages and the renovation of lighting facilities. Five new sites will be selected in 2018.

GREENHOUSE GAS (GHG) EMISSIONS

GHG emissions related to operations – Scopes 1&2

Objective 2020: Reduce GHG emissions intensity attributable to energy usage by 10% compared to 2014.

GHG emission intensity is defined as the amount of GHG emissions attributable to energy usage, expressed in kilograms of CO_2 equivalent, in relation to Alstom's activity measured in hours worked.

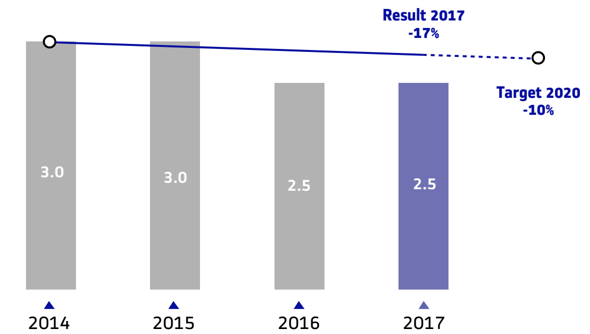
The objective of reducing GHG emissions intensity is directly linked to the objective of energy intensity reduction. The quantity of GHG emissions attributable to energy usage takes into account the climate factor as presented in the section "Energy consumption".

The Company measures separately the GHG emissions attributable to energy usage – the main ones – and the fugitive emissions of hydrofluorocarbons (HFC). As such, only GHG emissions from energy consumption are considered in the intensity indicator.

Result: At the end of 2017, the GHG emissions intensity attributable to energy consumption was stable (-0.6%) compared to 2016 and had decreased by 17% compared to the reference year 2014.

GREENHOUSE GAS EMISSIONS INTENSITY
(in kg CO_2 eq./hours worked)

Further to the acquisition of activities in South Africa and Morocco, two sites were integrated in the consolidated 2017 perimeter. Therefore, 2014 to 2016 results have been recalculated to allow the evolution of the performance to be followed at constant perimeter.



GHG emissions details

(in kilotonnes CO_2eq– raw values)	Alstom 2014	2015	2016	2017
Direct CO_2 emissions from natural gas, butane, propane, coal and oil consumption [(1)]	53	54	50	48
Indirect CO_2 emissions from steam, heat and electricity consumption [(2)]	70	69	62	65
Total CO_2 emissions from energy consumption	123	123	112	113
Other Direct CO_2 fugitive emissions from HFC	1	1	1	1
TOTAL CO_2 EMISSIONS FROM ENERGY CONSUMPTION AND OTHER DIRECT EMISSIONS	**124**	**124**	**113**	**114**

Source: Alstom Teranga.
(1) Source: for natural gas, butane, propane, the CO_2 emissions factors come from IPCC Guidelines for National Greenhouse Gas Inventories (2006).
(2) Source: for electricity the CO_2 emissions factors come for 2014 and 2015 from The Climate Registry Default Emission Factors and for 2016 and 2017 from the International Energy Agency (2015 data for 2017).

Alstom's direct and indirect CO_2 emissions from energy consumption have strongly decreased since 2014. Actions undertaken to reduce energy consumption and associated GHG emissions are implemented though the energy plan deployed since 2016.

Use of renewable energies

Within the framework of its environmental friendly approach, the Company has committed to using 100% of electricity from renewable sources by 2025.

The Company has signed contracts for the usage of electricity from renewable sources where economically viable. For example, Alstom is fully supplied with green electricity in Belgium. In France, the electricity from renewable energy sources is 40% (excluding Belfort site where Alstom does not manage directly the contract). In Germany, all the sites are supplied with 30% of green energy. Finally, the Hornell site in the United States has been supplied by green electricity since early 2018 through the purchase of green certificates representing 13 million kWh of green electricity.

Indirect GHG emissions – Scope 3

GHG emissions related to products and services sold

Alstom regularly conducts life cycle analysis of its solutions to assess its environmental footprint. These analyses show that for most solutions, the majority of CO_2 emissions are related to products' use phase, and particularly the associated energy consumption.

This year, Alstom established a method to assess CO_2 emissions from the use of its products and services, as well as emissions related to the materials needed for their construction. These emissions were evaluated for all products and services sold during the year, over their whole lifetime, and under the conditions of use (nominal capacity of transport, energy mix in the country of operation). A detailed analysis of the expected evolution of emission factors for electricity was also completed in countries where Alstom has projects, based on the national commitments under the Paris agreement (NDCs).

In fiscal year 2017/18, the carbon footprint of products and services sold during the year is estimated at approximately 20 million tonnes of CO_2 over an average lifespan of 30 to 40 years.

A significant part of these emissions (around 40%) is related to the Locomotives activity which provides transport solutions for heavy freight. Moreover, Alstom provides electrical solutions all over the world, including in countries whose energy mixes are still largely carbon-based (India, Kazakhstan, South Africa, etc.). Alstom's first lever to reduce these emissions is therefore to continue its efforts to improve the energy performance of its solutions. Opening the dialogue with its customers on the options for supplying trains with electricity from renewable energy sources is another lever.

Regarding passenger transport solutions, emissions amount to an average of 7 g CO_2/passenger*km for a total transport capacity of around 17,000 billion passengers*km. This confirms Alstom's solutions rank amongst the most efficient in the transport sector for low-carbon mobility.

CO_2 emissions related to business travels

	Alstom	
(in kilotonnes CO_2eq.)	**2016**	**2017**
CO_2 emissions from air travels (*)	27	29
CO_2 emissions from train travels (*)	1	1
CO_2 emissions from company cars using gasoline	1	1
CO_2 emissions from company cars using diesel oil	3	3

Source: Alstom Teranga.
(*) Source: Carlson Wagonlit Travel (CWT) – CO_2eq calculations are based on the 2011 guidelines produced by DEFRA/DECC's GHG Conversion Factors – The calculation takes only into account air travel that has been tracked by CWT.

In 2017, even though Alstom maintained strict control on air travel, encouraging the use of trains and conference calls as much as possible, the number of business trips increased in relation to the worldwide distribution of activities (especially in India and Qatar where the development of Alstom activities requires the support of the central functions). This has contributed to the increase in the CO_2 emissions related to air travel by 8%. Emissions from the other travel modes remained stable.

The Company vehicle policy was revised in November 2017. Alstom encourages the choice of company cars emitting less than 130 g CO_2/km and favours the selection of electric and hybrid cars.

CO_2 emissions related to logistics

Initiated in 2016, Alstom assessed the carbon footprint of the logistics flows under its control (between its sites; to customers; and a limited part of deliveries from suppliers).

In 2017, CO_2 emissions have increased due to overseas flow exchange intensification, especially Europe from&to Asia. Aligned with Alstom sourcing strategy, several new projects increased their purchasing from Low Labour Cost countries.

CO_2 emissions related to logistics *(in kilotonnes CO_2eq.)*	**2016**	**2017**
Standard Transport (SMC)	14 (*)	19
Out of Gauge Transport (OOG)	3	7

Source: Alstom/Logistics Dept.
(*) Methodology and data reviewed by logistics partner

Alstom is working to reduce its CO_2 impact by deploying specific actions related to logistics and the use of packaging for transportation, to support in a sustainable way the growth of its activities.

By deepening partnerships with its service providers, Alstom wants to reduce the CO_2 impact of its freight transport by anticipating shipments appropriately and by improving coordination and piloting. In particular for overseas transportation, the mode of transport with the lowest environmental impact (rail, shipping, or a combination of both) is favoured over air freight. Globally, the actual loading rate of containers is optimised by pooling shipments.

WATER CONSUMPTION

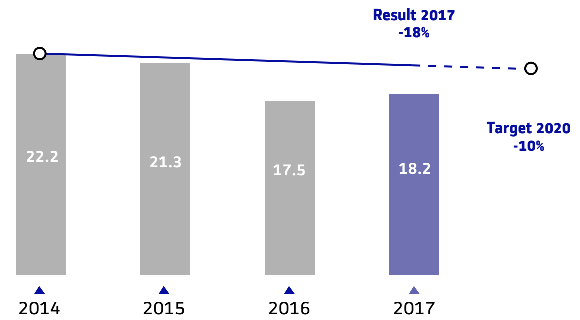
Objective 2020: Reduce water consumption by 10% compared with the reference year 2014.

This indicator is monitored because of the sensitivity of this resource, specifically in water-stressed areas but more generally in emerging countries where Alstom is developing its business.

Results: In 2017, it was decided to not monitor the gross consumption anymore but the water intensity, which is more relevant, defined by the volume of water consumed related to Alstom's activity measured in hours worked. Water Intensity reduction is ahead of the 2020 (-10%) objective having achieved -18% compared to reference year 2014, albeit whilst showing a slight increase in 2017 over the previous year (+4%).

WATER INTENSITY
(in l/hours worked)

Further to the acquisition of activities in South Africa and Morocco, two sites have been integrated in the consolidated 2017 perimeter. Therefore, 2014 to 2016 results have been recalculated to allow the evolution of the performance to be followed at constant perimeter.



Sites located in water-stressed areas

Special attention is given to sites located in extremely high and high water-stressed areas [1]. This category represents 25 permanent sites. Their water intensity has decreased by almost 6% since 2014.

Details of water consumption

	Alstom			
(in thousands of cubic metres)	2014	2015	2016	2017
Public network	633	590	557	612
Ground water [1]	238	228	125 [2]	149
Surface water	0	0	0	0
TOTAL WATER CONSUMPTION	**871**	**818**	**682**	**761**

Source: Alstom Teranga.
(1) This figure doesn't take into account the groundwater pumped for geothermal purposes, considering that the water is reinjected into the ground without any impact.
(2) Data modified following methodology review.

Most of the consumption is for domestic use. The Company slightly increased its water consumption directly linked to groundwater use as a result of the validation tests in Tarbes; the installation of a fire water tank in Katowice; and the increase in activity at Sri-City, India.

(1) Mapping as per the WRI Aqueduct™ project reference map.

AIRBORNE EMISSIONS NON-METHANE VOLATILE ORGANIC COMPOUNDS (VOC) EMISSIONS

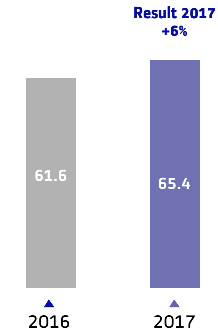
Objective 2020: Reduce non-methane VOC emissions intensity by 10% compared with the reference year 2016.

VOC are the main air pollutants emitted by Alstom operations. Painting operations are the main source of VOC. Thanks to its paint substitution initiatives (replacement of solvent-containing paints by aqueous paints), Alstom has divided by two its VOC emissions between 2010 and 2016. The Company is continuing its efforts with the ambition to continue to reduce the intensity of these emissions.

The VOC intensity corresponds to the quantity of VOC emitted related to the painting activity (11 sites concerned). The activity is measured in number of units painted (one unit can be a locomotive or a coach).

Results: In 2017, Alstom refined the calculation method of this indicator and consolidated the associated reporting. At the end of 2017, non-methane VOC intensity is at 65.4 kg/unit painted representing an increase of 6% compared with 2016.

VOC INTENSITY
(in kg/unit painted)



Detail of non-methane VOC emissions

	Alstom			
(in metric tonnes)	2014	2015	2016	2017
VOC emissions	146	150	141	163

Source: Alstom Teranga.

In terms of gross emissions, Barcelona is the plant which emitted the most VOC in 2017 (43 t). This was due to the recovery of its painting activity. In Belfort, where the locomotives are painted, the ratio of VOC emissions per unit painted is the highest (271 kg/loco) because a locomotive has a bigger surface to paint than a coach. It is notable that the Indian, Brazilian and South African markets specify trains in stainless steel and these are, therefore, unpainted (the use of film being an alternative to painting for the provision of a livery). This factor favours the minimisation of VOC emissions.

WASTE MANAGEMENT

Objectives 2020:

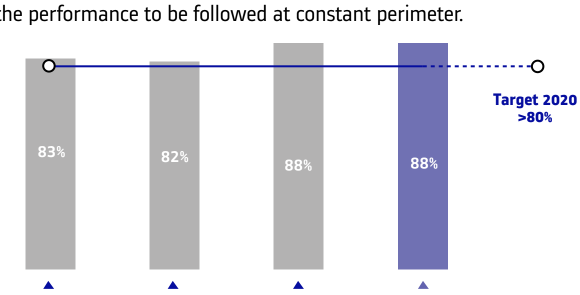
- maintain the percentage of recovered waste at 80%;
- reduce waste intensity by 10% compared with reference year 2014.

The Company is pursuing its objective of waste recovery at 80% with particular emphasis on countries in which waste recovery is not developed. Waste intensity is defined as the amount of waste produced in relation to Alstom's activity. The activity is measured in hours worked.

Results: By the end of 2017, the waste recovery target had been far exceeded with an 88% rate. During the year, the waste intensity decreased by 0.4% compared to 2016 and by 3% compared to 2014: it sat at 0.73 which is slightly above the 2020 objective.

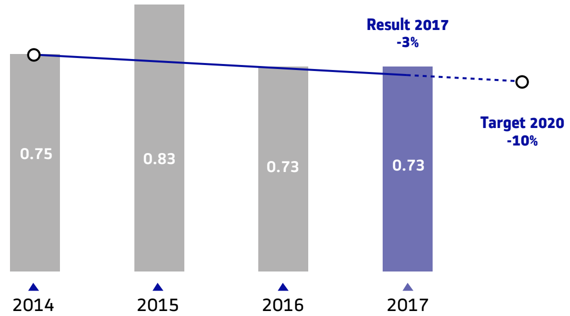
PERCENTAGE OF RECOVERED WASTE

Further to the acquisition of activities in South Africa and Morocco, two sites have been integrated in the consolidated 2017 perimeter. Therefore, 2014 to 2016 results have been recalculated to allow the evolution of the performance to be followed at constant perimeter.



WASTE INTENSITY
(in kg/hours worked)

Further to the acquisition of activities in South Africa and Morocco, two sites have been integrated in the consolidated 2017 perimeter. Therefore, 2014 to 2016 results have been recalculated to allow the evolution of the performance to be followed at constant perimeter.



Waste production

(in metric tonnes)	Alstom 2014	Alstom 2015	Alstom 2016	Alstom 2017
Hazardous waste	2,658	4,236	2,728	2,633
of which recovered	*1,635*	*1,790*	*1,504*	*1,600*
Non-hazardous waste	27,710	28,860	27,014	27,910
of which recovered	*23,656*	*25,420*	*24,529*	*25,280*
TOTAL WASTE PRODUCTION	**30,368**	**33,096**	**29,742**	**30,543**
of which recovered	*25,291*	*27,210*	*26,033*	*26,880*
PERCENTAGE OF RECOVERED WASTE	**83%**	**82%**	**88%**	**88%**

Source: Alstom Teranga.

In 2017, the volume of waste produced is almost stable. Recycling is kept at a very high level, thanks to efforts on hazardous waste.

Food wastage

Since the Company's food waste is only linked to meals taken in the canteens, it is part of non-hazardous waste and is not specifically monitored.

OTHER IMPACTS

Raw materials

Alstom, as an engineering company, does not use a significant amount of raw materials as such. It generally uses already transformed material or components. Nevertheless, through its sustainable development policy, Alstom encourages its suppliers to work on raw material reduction whenever possible. For more information on Alstom's approach to "sustainable supplies", please refer to the section "Relationships with suppliers and contractors" pages 235 and 261.

Alstom has started integrating 3D printing in its industrial processes, to produce spare parts for the Services activity in a fast and agile way and some non-critical parts (interiors, tools) for the first trains or small volumes. This technology is a solution to avoid stocks, to localise production close to the needs and to use only the amount of material necessary (which reduces the mass of the parts and avoids material wastage such as shavings). The waste has thereby been reduced by 40% in comparison to more traditional techniques (such as machining).

During the year 2017, when the printing of tools, models and prototypes has become an increasingly common practice to the benefit of time and efficiency, its use for mass-produced products has begun to appear as a serious option. As a result, Alstom has launched the development of a cheap, fire-resistant and smoke-free polymer to enable safe and cost-effective deployment within the product porfolio. During the fiscal year 2017/18, this technique could be used for the serial production of handles for cockpit equipment in the Riyadh metro.

Noise pollution

Alstom is careful to minimise noise pollution. Some measures are taken locally, such as the regular monitoring of noise levels, the use of acoustic covers on sites, etc. Work is organised according to local specificities and notably for night activities.

Ground footprint

Most production sites have been located in areas that have for a long time been dedicated to industrial activities. During the development of new sites or the renovation of existing sites, Alstom takes into account all applicable regulations regarding soil sealing and the maintenance of green spaces. The ground footprint of Alstom's industrial sites and the associated environmental impact are not considered significant and therefore are not subject to detailed analysis.

Biodiversity protection

A biodiversity assessment was conducted in March 2013 to evaluate Alstom's manufacturing sites of more than 200 employees. It used the Integrated Biodiversity Assessment Tool (IBAT), a database which allows the proximity of sites to sensitive biodiversity areas to be assessed.

Updated with the list of relevant sites in 2016, the assessment highlighted that, of the 25 main production sites, 23 are located outside legally protected areas [1] and/or priority sites for biodiversity [2], representing over 90% of Alstom's major manufacturing sites; all these sites keep abreast of regulatory changes.

Alstom currently does not own any site located within the sub-categories of legally protected areas (IUCN I, II, III and IV) nor within priority sites for biodiversity. The two sites identified as being in biodiversity hotspots are located in France. The Reichshoffen manufacturing site is situated in a protected area classified IUCN V-VI (protected landscape/ protected area with sustainable use of natural resources) and the Ornans manufacturing site in an area classified Natura 2000. At both sites, monitoring and compliance processes have been implemented, in line with the regulations. A few years ago, Reichshoffen site launched a project to protect the river crossing the site by treating the accidental release of oil from parking lots and roads (oil separators), thereby preventing harmful discharges from entering into the environment. Since last year, the site has put in place, together with a local school and in partnership with a local network *"Réseau Animation Intercommunale"*, a variety of hotels for insects, birdhouses, bird feeders and explanatory panels about the 17 protected species existing on the site (14 bird species, two reptile species and one insect species). This initiative aims to raise awareness of the richness of flora and fauna and to encourage responsible behaviour.

EMPLOYEE AWARENESS AND RECOGNITION FOR BEST PRACTICES

The Group carries out communication and awareness-raising activities for its employees on environmental best practices, in particular as part of its ISO 14001 certification program. These actions are supplemented by mobilisation programs often coupled with those for health and safety.

For example, Qatar's Alstom employees mobilised during the Qatari environment day by participating in the beach clean-up, organised by the municipality of Al Shamal. The Valenciennes site, as part of the company travel plan, organised a communication campaign for its employees on modes of alternative transportation to the car for commuting to the workplace (car pool, public transport, bike) and created a "mobility space".

In September 2017, during European mobility week, Alstom organised its second Sustainable Mobility Day, the first edition having been successful. The objectives were to develop internal awareness on sustainable mobility, to influence individual behaviour and to reinforce messages on the Company's contribution to the transition towards more sustainable transportation modes. For this occasion, a global survey of the CO_2 emitted during journeys between home and work was launched in 26 countries. The results estimated the CO_2 emissions at around 40,000 tonnes per year, which is, on average, 6 kg/day/employee.

Moreover, a training module on the environment has been developed for the EHS population which will be deployed in the coming years. A new e-training module on Sustainability and Corporate Social Responsibility, which includes awareness of the environment, was followed by 2,971 people (see page 215).

SOCIAL **PERFORMANCE**

To succeed on numerous wide-scale projects, invent and implement smart technology and equipment and design fluidity for the future, Alstom needs competent, motivated and dedicated employees and teams worldwide.

People are therefore Alstom's greatest asset – they shape its future. Alstom's people vision is that "regardless of religion, country of origin, colour, gender, sexual orientation, age and only based on performance, leadership, potential, behaviours and competencies, everyone can succeed and contribute to the sustainable success of Alstom".

Alstom's Human Resources strategy aims at supporting the Company's success by attracting, developing and retaining employees whilst leveraging the management ability to develop all talents. It is based on Alstom's values – Team, Trust & Action and Ethics & Compliance – and its Leadership dimensions – Entrepreneurship, Collaboration, Agility & Global vision – and is embedded in the Alstom strategy.

Alstom's commitment is to ensure consistency and fairness for all employees. These values bring all Alstom employees together in a shared culture, and aim at inspiring a strong feeling of belonging to a single unified organisation working towards success collaboratively.

(1) Legally protected areas (PA): IUCN I-VI, World heritage sites, Natura 2000, Ramsar, OSPAR, Barcelona convention, ASEAN heritage sites. Definitions of IUCN I-VI, Natura 2000, "biodiversity hotspots", etc. available on www.biodiversitya-z.org.

(2) Priority sites for Biodiversity (KBA): Important Bird Area (IBA) and Alliance for Zero Extinction (AZE).

HUMAN RESOURCES POLICY

The Human Resources strategy has been designed in order to best support the Alstom 2020 strategy.

Unifying values

Alstom's core values – Team, Trust and Action and Ethics & Compliance – provide a common cohesion between all Alstom employees. Team spirit is vital in a company that works on complex projects demanding combined efforts and networking, to make the most of the full array of skills and expertise available while ensuring the successful execution of tenders and contracts. Trust is built on individual responsibility and accountability, delegation and the belief that each person provides a significant contribution to company development. Action stems from a shared commitment to the Company's strategy, with a daily focus on customer satisfaction, embodied by an excellence and a speed of execution that sets Alstom apart from its competitors.

Fostering talent management

Effective Talent Management and a Care for People attitude are at the heart of Alstom's identity. Recruiting, developing and retaining people is key to maintaining the Group's leadership in global markets and in growing business in the future. Alstom strives to know and develop its employees, building the reservoirs of talent to support ongoing and future business requirements, to fill vacancies internally and to motivate, engage and retain all talents. The Performance Management Cycle, through the People Review process, as well as internal mobility management helps manage collectively and share talent across countries, functions and projects. Talent Management teams, organised by community and addressing the relevant layer of managers, employees and professionals in their respective communities, take care of career management and people and competency development whilst focusing on diversity & inclusion as a cornerstone of the talent management strategy.

Strengthening diversity and inclusion

As part of its campaign to harness the power of diversity, Alstom has long pursued initiatives designed to respect equal opportunity while promoting diversity in terms of gender, generation, nationality and social and cultural background, as well as aiding integration and supporting the employment of people with disabilities. These efforts have taken on particular importance in Alstom's strategy: the nationality mix of middle management should reflect Alstom's business activities, half of which are outside Europe.

There has also been a special focus on encouraging gender balance, with the aim of having women represent 25% of the managerial and professional workforce by 2020. To this end, initiatives have been taken in several countries by Human Resources and the business together, such as organising training for women to enable enlarged responsibilities within the Company. Alstom also supports a number of other initiatives designed to promote careers for women in industry. Making engineering careers appealing to female students is a global concern for the industry.

Encouraging entrepreneurial spirit

Alstom has introduced a number of initiatives to enhance empowerment and entrepreneurial spirit. Starting with the Alstom organisation principle of empowered Regions, continuing with the Leadership model (Entrepreneurship, Collaboration, Agility, Global Vision) which aims to deploy standards of behaviour at every level of the Company, and up to the reward systems, all processes are designed to encourage entrepreneurial spirit. To support the empowerment of employees, Alstom recognises their individual and collective performance largely through an incentivising compensation policy which includes measures such as performance incentives, profit sharing and employee shareholding plans.

WORKFORCE AND WORK ORGANISATION

The figures in the following tables include employee permanent and fixed-term contracts, apprentices and trainees (interns) and long-term absentees (LTA), unless otherwise stated. Altogether, they represent the total headcount.

Note: Alstom HRIS stands for Alstom Human Resources Information System, a worldwide database supporting human resources management.

Breakdown by type of contract

At 31 March 2017				At 31 March 2018			
Permanent contracts	Fixed-Term contracts	Interns	Total employees	Permanent contracts	Fixed-term contracts	Interns	Total employees
29,808	2,265	706	32,779	30,972	2,563	931	34,466

Source: Alstom HRIS.

Breakdown by Region

	At 31 March 2017					At 31 March 2018				
	Middle East/ Africa	Asia/ Pacific	Europe	Americas	Total	Middle East/ Africa	Asia/ Pacific	Europe	Americas	Total
Employees	2,877	4,016	20,717	5,169	32,779	3,561	4,701	21,071 (1)	5,133	34,466
% of employees	8.8%	12.3%	63.2%	15.8%	100.0%	10.3%	13.6%	61.1%	14.9%	100.0%
Out of which long-term absentees (LTA) (2)	11	11	537	54	613	10	6	558	56	630

Source: Alstom HRIS.
(1) Including France with 8,828 employees.
(2) Employees on leave of absence for more than three months (maternity leave, sabbatical, etc.).

Breakdown by category

At 31 March 2017				At 31 March 2018			
Managers and professionals		Other employees		Managers and professionals		Other employees	
Total	% of total employees	Total	% of total employees	Total	% of total employees	Total	% of total employees
16,486	50.3%	16,293	49.7%	17,927	52.0%	16,539	48.0%

Source: Alstom HRIS.

Breakdown by gender

At 31 March 2017				At 31 March 2018			
Men		Women		Men		Women	
Total	% of total employees	Total	% of total employees	Total	% of total employees	Total	% of total employees
27,176	82.9%	5,603	17.1%	28,483	82.6%	5,983	17.4%

Source: Alstom HRIS.

Workforce changes during fiscal year

At 31 March 2017						At 31 March 2018					
Hiring on permanent contracts	Hiring on fixed-term contracts	Resignations (1)	Redundancies (1)	Dismissals (1)	Other departures (2)	Hiring on permanent contracts	Hiring on fixed-term contracts	Resignations (1)	Redundancies (1)	Dismissals (1)	Other departures (2)
3,339	1,731	1,425	236	563	1,345	4,286	2,216	1,583	382	582	2,179

Source: Alstom HRIS.
Not including acquisitions and disposals.
(1) Calculated on permanent headcount only.
(2) Including retirement and end of Fixed Term Contract (FTC).

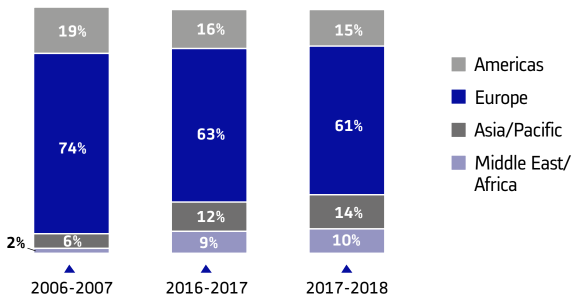
Adapting the workforce to the markets and activities

At 31 March 2018, Alstom employed directly 34,466 people. Hired staff represent 3,684 people. They have no direct employment contract or training contract with an Alstom subsidiary but are hired because of a fluctuation of activity.

The priority is to have the competencies needed for the Company's development and to facilitate the integration of newcomers.

The chart below shows the workforce breakdown evolution by region over the past decade, which demonstrates the development in emerging countries where the markets grow faster. The main workforce evolution in fiscal year 2017/18, as last year, is noted in India, resulting from the significant growth in all activities of the portfolio, the development of Alstom India as a strong local leader, and the increase of supporting activities for the whole of Alstom. However, Africa and Middle East region shows an equal pace of growth of its workforce with the integration of Ubunye and the development of Gibela's activities in South Africa and the full mobilisation of the main projects in GCC Countries (Riyadh, Dubai). In parallel, other parts of the world (mainly Europe and Latin America) have continued to adapt their footprint to the business context evolution. This is especially the case in the United Kingdom and Brazil.

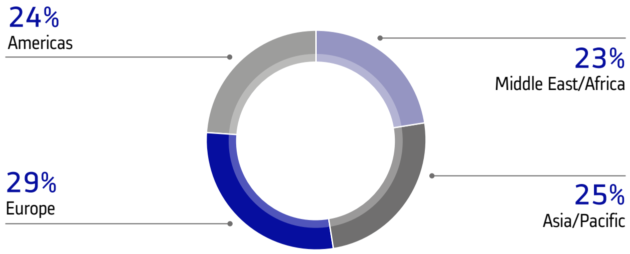
WORKFORCE BREAKDOWN BY REGION (EMPLOYEES)



Source: Alstom HRIS.

Alstom recruited 4,286 permanent employees over fiscal year 2017/18. In particular, active relationships and partnerships with schools and universities are key to Alstom's recruitment policy.

RECRUITMENT BY REGION IN 2017/18 (PERMANENT CONTRACTS)



Source: Alstom HRIS.

Organisation of working time

Work practices at Alstom's industrial, commercial and administrative sites vary greatly depending on the site, type of activity, geographical location and local legislation.

In France, as per the social survey, 9.2% of the employees work on 2x8 shifts, 2.2% on 3x8 shifts and less than 1% on weekend shifts.

Overtime

Overtime refers to hours worked beyond the individual contractual laws. The concept of overtime may vary from one country to the next and in some cases is not applicable. This somewhat mitigates the relevance of this benchmark as a consolidated indicator.

In France, the average figure of overtime is 6.2 hours per employee for calendar year 2017, which is quite stable compared to 2016 (6.3 hours).

INVOLVING EMPLOYEES IN THE COMPANY

The development of a common culture is important to hold Alstom's employees together and is done through:

- a set of common values and ethical principles: Alstom's three core values – Team Trust, Action – contribute to the sense of belonging. Awareness-raising actions and training at local level are put in place;
- four leadership dimensions – Entrepreneurship, Collaboration, Agility and Global vision–, based on the core values. The leadership dimensions are defined as core behavioural competencies for all employees. Specific actions to promote, assess and develop these four dimensions are continuously being implemented and rolled-out such as the recent global quiz "Daily challenge" which saw the participation of 10,854 employees, the reward being shared between three NGOs thereby also promoting the Company's community investment initiatives. Participants in the Alstom Leadership Program have worked on and proposed action plans regarding, both Diversity and Digital entrepreneurship;
- the "Alstom in the Community" program, which includes actions in support of local communities where employees are encouraged to participate, such as the Alstom Foundation's projects that directly benefit communities located near the Company's presence around the world; in 2017, the Alstom Foundation selected 17 projects from around the world for support, such as education for street kids in India, renovation of the Youth Center in Hornell, USA or improving farm commodity transportation in Vietnam;
- action plans to promote this involvement in the life of the Company – some major actions are detailed below – measured through specific indicators.

Remuneration schemes

Remuneration evolution

Due to Alstom's presence in numerous countries, the influence of local inflation and other economic factors, no comprehensive indicator can be developed. Alstom's policy is to review the employees' base salaries every year, with a specific attention given to gender equity, and to have open negotiations with employee representatives where they exist. In each country in which Alstom operates, remuneration surveys are conducted through dedicated external providers in order to ensure that remuneration evolves according to local market practices.

Performance linked remuneration schemes

Short-term incentive scheme

Alstom's annual short-term incentive scheme is based on two performance factors: collective performance (60% of the incentive target) and individual performance (40% of the incentive target). The target incentive is the incentive payment that is received when 100% of the financial goals and individual objectives are met. If the financial results and/or the employee performances exceed the goals, the incentive paid out may exceed the target incentive.

Eligibility and incentive target rates are linked to the job grading and influenced by local market practice in each country. More than 10,000 employees were eligible for this remuneration scheme as at 31 December 2017.

As safety, quality, care of the environment and sustainability performance are aspects which Alstom wishes to develop and reinforce, an indicator based on the Group performance in terms of safety at work has been taken into consideration within the quantitative collective objectives, in line with the Alstom 2020 strategy. The individual performance targets of a number of the top management teams also include related indicators.

Profit-sharing

Alstom's policy aims to recognise collective performance. Profit-sharing schemes are in place in various countries (such as France, Brazil, Egypt, Germany, Mexico or Italy) covering more than almost 14,000 members of the Group headcount.

The profit-sharing schemes are often calculated on agreed criteria, including the injury frequency rate reduction or other safety-related indicators. These schemes may also include business-related indicators such as the reduction of waste or quality-related points.

Employee shareholding & long-term incentive scheme

Since the reorientation of Alstom on its Transport activities, the Senior Management of the Company has proposed to its shareholders to relaunch Employee Shareholding plans. In consequence, the Extraordinary General Meeting held on 18 December 2015 approved the principle of a capital increase dedicated to employees of up to 5,000,000 shares over a period of 38 months, including up to 2,000,000 shares to be dedicated to democratic free share distribution plans.

Subsequent to this authorisation, the Board of Directors has approved each year, during its March meeting, new performance share programmes. Accordingly, over the past three years, 957,975; 1,022,400 and 1,016,025 shares have been granted to around 800 employees around the world, with a vesting period of three years and based on internal and external performance conditions, thereby allowing the alignment of shareholders' and employee's interests.

In parallel, a distribution of 30 free Alstom shares (or their cash equivalent in countries where legally impossible or too complex) to all employees (31,693) with a two years vesting period, known as "We are Alstom – Plan 2016", was implemented on 23 September 2016. The related shares are planned to be finally delivered to beneficiaries in September 2018.

At 31 March 2018, current and former Alstom employees held 1.16% of the Alstom share capital, either directly or through mutual funds.

Health and life insurance

As per the Global Benefit and Corporate Social Responsibility policies and guidelines, a minimum level of benefits shall be provided to all employees in terms of:

- life Insurance coverage, particularly for accidents at work;
- health coverage.

In terms of life insurance, the aim is that all employees should be covered by a life insurance in case of accidental death amounting to at least one year of salary.

	2016 (*)	2017
Ratio of employees covered by a life insurance in case of accidental death or total and permanent disability during calendar year	97.3%	97.3%
Ratio of employees covered by a life insurance giving one-year salary in case of accidental death or total and permanent disability during calendar year	85.1%	90.0%

Source: Alstom social survey conducted in 27 countries representing 95.6% of Alstom's total headcount.
(*) 2016 data was covering 25 countries representing 94.5% of Alstom total headcount.

In some countries, such as Poland, employer contributions to insurance policies are considered as a taxable benefit, leading some employees to decline this offer.

Alstom's Global Benefit policy states that, in countries where the statutory health coverage does not provide adequate benefits or where there are long waiting-lists for treatment, a supplementary healthcare plan can be implemented, or at least a group plan is negotiated with a local provider as an option for employees to join on a voluntary basis. Preventive care should be encouraged. In countries where inadequate statutory health benefits are provided, then all employees must be covered by a supplementary scheme.

Indicators to measure involvement

Regular indicators to measure motivation include overall resignation rate, absenteeism and results from opinion surveys.

Resignation rate

The resignation rate, which also reflects the general employment situation in each geographical area in which the Company operates, is one of the criteria used to determine the level of satisfaction of the Group's employees. The rates are closely monitored at both global and regional levels.

RESIGNATION RATE FOR EMPLOYEES ON PERMANENT CONTRACTS IN EACH REGION

Region	2015/16	2016/17	2017/18
Europe	2.0%	3.6%	4.0%
Middle East/Africa	4.9%	7.0%	6.4%
Asia/Pacific	8.9%	9.2%	10.5%
Americas	4.8%	6.5%	5.6%
ALSTOM	**3.2%**	**4.9%**	**5.2%**

Source: Alstom HRIS.

The resignation rate, which was historically low in European countries, has increased since 2015/16. This can be explained by several factors such as the more limited opportunities for internal career evolution after the disposal of the Energy activities to General Electric; the increased proportion of employees in Middle East/Africa and Asia/Pacific (where the labour markets are by nature more volatile); the economic situation in Latin America; and the improvement of the economic situation and unemployment rates in western countries. The Group is closely monitoring this indicator and has put in place action plans to retain employees. As a result, the voluntary attrition rate has stabilised since summer 2017. Retention schemes have been selectively put in place in year 2017 in volatile countries to ensure the retention of key and critical staff.

Absenteeism

The absenteeism indicator allows the monitoring of Alstom's ability to provide an appropriate working environment for its employees, as part of its well-being policy.

The absenteeism rate has slightly increased this year, although with significant variations from region to region. This is the third year that the absenteeism rate has been gathered at Group level. The data shows that "Medical or sick absence due to personal injury and disease" accounts for 88% of total number of absence hours; appropriate actions and initiatives are taken continuously and locally in order to better identify the causes of absenteeism and propose actions to influence the absenteeism rate.

As this indicator is monitored and analysed at local level, local initiatives around well-being (see next section "Well-being and employer of choice") are already implemented to reduce the absenteeism rate.

Absenteeism Rate	2016 (1)	2017
Europe	3.2%	3.3%
Middle East/Africa	2.0%	2.4% (2)
Asia/Pacific	1.5%	2.4%
Americas	1.9%	1.9%
ALSTOM	**2.7%**	**2.9%**

Source: Social survey conducted in 27 countries representing 95.6% (2) of the Company's total headcount.
(1) 2016 data was covering 24 countries (excluding South Africa) representing 92% of Alstom total headcount.
(2) South Africa absenteeism reporting only covers Ubunye site. Gibela site is not tracked. Alstom headcount really covered is 93.9%.

Well-being and employer of choice

Alstom is committed to the continuous improvement of health and well-being at work. An improvement program has been defined based on the following four axes:

- occupational health risk management aimed at promoting healthy behaviour;
- supporting mental health by creating a peaceful and engaging environment;
- support for physical health through the provision of tools for managing health and well-being at work;
- improving social well-being by promoting communications and social interactions.

This program is being rolled out and will continue in the coming years.

For the first time, a thematic day was organised at all primary Alstom sites focused on well-being at work; the benefits of physical activity; prevention of addictions such as alcohol and tobacco; nutrition; and health for frequent travellers. The activities, workshops and initiatives were abundant on Alstom's sites.

Amongst the many examples that could be cited, it is notable that, in Hong Kong, employees raised awareness of traveller behaviour and health. Meanwhile, in Sri City, India, employees received dental health information sessions and eye exams and in Kazakhstan, workshops on healthy eating habits were organised by partner doctors.

At site and country level, specific programs are in place to improve the health and well-being of employees and the balance between their personal and professional lives (see "Equal opportunity" section page 254):

- in recognition of its focus on the well-being of its employees, Alstom was awarded the Best Employer Brand Award in Asia for 2017 (Industry category), attributed by the World HRD Forum and the Malaysian Institute of Human Resource Management. In the United States, Alstom is listed among the "Best Employers of the Americas in 2017" by Forbes (midsize category);
- aiming to establish a more flexible work relationship and aligned with well-being program objectives, Alstom Brazil launched a Home Office Program in all sites, implemented as of March 2018. The Program is applied, on a voluntary basis, to all employees the nature of whose activities and digital tools are compatible with remote working. Eligible employees can work remotely, outside of Alstom Units, for one fixed day per week, in agreement with their manager and after the signature of a contract addendum;
- in Italy, 800 employees (31% of total employees) on five sites are already part of the "Smartworking" program launched there two years ago. This program will be extended as the results are very positive. It allows the employee to work one day a week out of the office and with flexibility on the timing, using the technological devices provided by the Company, in accordance with the contractual hours. For employees with disabilities it is possible to ask for an additional "Smartworking" day.

In its internal guide "Visible Active Leadership", dedicated to EHS managerial practices, Alstom recommends that a fair balance be established between the recognition of individual initiatives and discipline, *i.e.* the strict application of EHS rules. As a result, local programmes were initiated for the recognition of employees according to their involvement in the control of environmental and health and safety risks. For example, a "safety hero" program has been conducted in the United States, the goal of which being to change and improve the safety culture by promoting the people who are most likely to lead by example and who, through training, will push others to adopt safe behaviour practices.

Also in the United States, OSHA's [1] VPP (Protective Action Program) has proved to be an effective way to reduce injuries while promoting employee productivity and well-being. Alstom currently has two VPP Star certified sites: Grain Valley and Warrensburg in Missouri. Both sites have reduced workplace injury rates by over 90% since joining VPP. Grain Valley has previously been awarded the "Star among Stars" designation and has been a "Star of Excellence" site for the past four consecutive years. Warrensburg has been a previous "Star among Stars" award winner on two occasions. Alstom is currently working to achieve VPP Star site certification at other sites in the United States in the near future.

Employee engagement surveys

Engagement is one of the pillars of the Alstom Human Resources strategy. In order to foster the employees' involvement, Alstom organises surveys every two years which aim to measure employee opinion and assess employee engagement in respect of the Company's vision, roadmap and strategy in order to implement appropriate actions.

Alstom conducted an Employee Opinion Survey for all its employees in November 2016 with a 61% response rate that represents nearly 18,000 responses. Compared with 2014 survey results, improvement actions launched in different Regions have shown positive impact.

In particular, for topics related to the work environment, trends are positive, particularly regarding the pride in working for the Company and recommending Alstom as a good place to work. This evolution offsets the four-point drop in work-life balance satisfaction compared to the last engagement survey:

- 88% are proud to work for Alstom (*vs* 87% in 2014);
- 83% would recommend working for Alstom (*vs* 78%);
- 73% are satisfied with the work/life balance (*vs* 77%).

Action plans are implemented country by country where relevant. As an example, Asia-Pacific launched town hall meetings with employees every quarter to provide all staff with a regular business update. A peer-to-peer Reward and Recognition framework is being implemented in several countries from the Middle East & Africa and Asia-Pacific regions. The next engagement survey is planned for autumn 2018.

MANAGING CAREERS AND DEVELOPING COMPETENCIES

Alstom offers a complete range of solutions (from high-speed trains to metros, tramways and e-buses), customised services (maintenance, modernisation), infrastructure, signalling and digital mobility solutions and is a world leader in integrated transport systems handling large-scale and complex projects over the long-term.

In an internationally competitive labour market facing an ever changing business scenario, Talent Management has been a priority for Alstom in 2017/18 as the professionalism, expertise and commitment of its team is key to ensuring the Company's sustainable success. A Talent Management Organisation is in place, reporting directly to the Human Resources Senior Vice-President, which aims at enabling Alstom to attract, develop and grow diverse and entrepreneurial leaders and a sustainable talent pool for today and for the future.

The primary responsibilities of the Talent Management & Organisation Development function are:

- talent acquisition;
- career management and talent development;
- learning solutions provision.

(1) Federal government agency of the United States, OSHA's mission is to prevent injuries, illnesses and fatalities at work. OSHA stands for Occupational Safety and Health Administration.

A strong Talent Management network, made of a central team and the Talent Management teams of each region, executes the talent management roadmap.

Talent Acquisition

The overall Talent Acquisition objectives, as aligned with the 2020 strategy, are to:

- develop and deploy a Talent Acquisition Strategy to better attract, engage & retain a diverse workforce representative of the Company's organisation, values, territorial demographics, societal views and customer base;
- develop and implement an attractive Alstom employer brand and an effective employer value proposition;
- contribute to effective resource planning & processes, as well as talent mapping.

The way Alstom attracts, engages and retains talent was redefined in 2017. A new tool for Application Management has been implemented and an in-house Sourcing Team based in India has been recruited. Alstom has also increased their efforts in communicating the employer brand *via* various Social Media Channels. Various training modules have been implemented with the objective of improving internal evaluation & interviewing skills, as well as the use of Social Media. These training modules include a focus on the ethical and legal guidelines, an important aspect for Alstom.

Developing active relationships with universities and developing a young talent value proposition

Alstom's 2020 strategy aims for a more diverse workforce, representative of its organisation, values, territorial demographics, societal views and customer base. This diverse workforce must also include young talents.

For example,

- in 2017 an initiative was launched to create Employee Videos with the objective of increasing internal & external awareness of the different job functions (*métiers*) and promoting the visibility of employees in their daily work;
- in MEA, a Young Professionals Program was built and launched in 2016/17, selecting 12 fresh graduates (representing five countries in the region) which were offered assignments of one to two years outside their home countries, in four host countries within the region and in various roles within Engineering. The aim was to prepare these diverse talents for international exposure, bringing their new perspectives and motivation to the local teams in return for an infusion of local experience and global know-how, whilst strengthening partnerships with local universities. The feedback being very positive, from all parties of the program (young talent, managers, mentors and HR), a second wave is being prepared for 2018/19 to repeat the experience, focusing for example on scarce specialities in E&C and RAMs;
- in India, the Young Engineering Graduate Programme (YEGP) was implemented in 2015 to hire young talents, with strong support from, and relationships with, key universities. 81 young engineering graduates were on-boarded in 2017/18;
- in France, Alstom welcomed 222 apprentices and 376 trainees on its sites. Partnerships have been set up with key engineering schools in order to develop close relationships (participation in R&D programs, target presentations to the students, priority access to trainee positions at Alstom...);
- as a result of the global mapping of current Alstom practices regarding relationships with universities during 2016, relevant tools for future young talent strategies have been implemented in 2017. Alstom is now present on relevant social networks (*e.g.* Facebook, Twitter, LinkedIn...).

Integrating new employees

Various actions are undertaken to facilitate the integration of new recruits into the Alstom teams they are joining.

Onboarding & induction processes are in place at Alstom sites composed of local orientation and centrally-managed training (*e.g.* On-time delivery, EHS, Rail Discovery, Ethics & Compliance, CSR & Sustainability, etc.). A process has also been designed by the central team covering recruitment and internal mobility practices.

Global Recruitment Policy

To further ensure all recruitment & Talent Acquisition activities are managed in an effective and ethical manner across all Regions, an Alstom global recruitment policy was implemented. The objective is to provide a sound framework for the recruitment & candidate selection process. The policy, applied to all Alstom employees, is based on the principle that all recruitment & selection procedures must reflect Alstom's commitment to providing equal opportunity by assessing all potential candidates according to their skills, knowledge, qualifications and capabilities. No regard will be given to factors such as age, gender, marital status, race, religion, physical impairment or political opinions.

Career management

Internal mobility

In Alstom, employees are encouraged to take ownership of their development and to manage their career in collaboration with their managers and Human Resources. Employees are treated equally on the basis of their skills, especially with regard to employment, recruitment, talent identification, mobility, training, remuneration, health and safety, through the implementation of consistent processes and common policies across Alstom.

To enhance internal mobility and stimulate employee applications, Alstom provides a platform where employees can view vacant internal positions and apply for them. In addition, Alstom organises periodically, through the talent network, various local and central forums to match the available competencies with the business needs and to facilitate cross-functional and cross-regional moves.

Given the international nature of the Alstom Group, and in an environment where international careers are sought and encouraged, international mobility plays an important part in meeting business and customer needs. Indeed, as at 31 March 2018, 800 employees work on International assignments. During the fiscal year 2017/18 more than 500 employees moved from one country to another. Alstom also encourages cross-function mobility: 5.7% of employees have changed their area of activity during the year (around 1,922 employees).

Development programmes

Development programmes have been built to address different populations: technical experts, project managers, and employees with management and leadership roles.

Technical experts' development programmes

Alstom manages the development of technical experts through programmes adapted to their specific needs and environment. In particular, the World Class Engineering and World Class Manufacturing programmes are important yearly processes meant to identify all technical experts, and to provide them with appropriate personal development opportunities ensuring that technical expertise supports the evolution of the market and Alstom's strategy. Today, Alstom benefits from a global network of around 460 Senior Experts and 45 Master Experts. New Experts were appointed last year, especially in the Signalling business due to the recent acquisition of a new entity, and new expertise has been integrated into the World Class Manufacturing program.

The main missions of the Experts are:

- to use their technical expertise to support the teams in charge of the operational performance of bids and projects, both through design reviews and the resolution of problems arising during commercial service;
- to develop Alstom's knowledge in their field and to transmit their knowhow internally, thereby acting as trainers;
- to develop their influence in their area of competence and get recognition, not only within their entity and within the Company, but also outside the Company (in particular for Master Experts).

Specific skills-transfer programmes are implemented for Senior & Master Experts in order to develop technical expertise in the organisation.

Project Management development programmes

In 2016, Alstom launched a certification programme for its project manager community aimed at bringing a recognised external vision to the assessment and development of the Company's project management skills. This certification is provided by the International Project Management Association (IPMA), an independent certification body. As of March 2018, 34 Project Managers have been certified and 25 Project Managers have been enrolled. As a pilot initiative, four Bid Managers have also been enrolled. The full programme will be gradually rolled-out to the broader Project and Bid Manager community, with 50 Project Managers and 10 Bid Managers to be enrolled each year.

Management development programmes

Regarding management and leadership skills:

- the ALP ("Accelerated Leadership Programme") is a programme in place for several years and which is enriched/fine-tuned each year based on return of experience. It is a Learning Journey on Personal Leadership Development organised in three modules and held in various international locations. It aims to develop mid-level managerial executives with diverse backgrounds who have shown great potential in developing their leadership skills. The career progression of the participants is centrally monitored. In 2017/18, 14 different nationalities were represented among the 24 participants and 38% were women;
- other management development programs are organised at Region or Country level, as is the case in Middle-East and Africa (M3 program designed with HEC business school, Paris) and Asia-Pacific (FMP – Future Managers Program designed with Nanyang business school, Singapore).

Performance and talent management

Career path management relies on the combination of three processes articulated in the People Management Cycle (PMC) launched each year on 1 March:

- objective setting and annual performance evaluation;
- people reviews;
- assessment and evaluation of competences.

The PMC adapts to the business priorities and leads to improvements.

Alstom proposes that managers and employees follow a training module named PMTD (Performance Management & Talent Development) which is focused on equipping managers with basic people management skills including how to do an effective performance management evaluation, setting SMART objectives, structuring development plans, providing feedback, etc.

Objective setting and Annual performance interviews

Objective: All employees have an annual objective setting meeting and performance evaluation with their managers.

The aim is to discuss and agree on specific individual objectives at the beginning of each fiscal year.

At the end of the fiscal year, during the annual performance evaluation, the manager and the employee review the achievement of these objectives.

All managers, engineers and professionals participate in the objective-setting and performance evaluation process. As at 1 May 2017, 93% of managers, engineers and professionals had had a performance interview (14,739 out of 15,793).

People Reviews

The People Review is a key management engagement event, conducted on a yearly basis by HR and managers with the objective of putting the right person in the right place at the right time. It aims to build a collective and shared vision of the potential of employees and their evolution within the organisation as well as to prepare the next steps of their careers taking into account their career aspirations and the needs of the Company.

This staff review allows management to discuss employees on the basis of such things as performance, potential for change and the wishes expressed by employees and to develop succession plans for key positions.

This process is used to identify the employees with the highest growth potential.

Decisions taken during the People Reviews are communicated by the manager to his/her direct reports during an individual meeting, called the People Review Feedback, which is part of the People Management Cycle.

People reviews are carried out at sites, Regions, functions and Group level as a whole and cover systematically about 16,000 people.

Competencies identification & evaluation

Alstom launched in 2016/17 a major program of skills identification and assessment. This project progressed in three waves, across three years. For a given function a competency matrix has been defined. For each competency within the portfolio of a given function, a target level has been set.

During the competency assessment exercise, the employee carries out a self-assessment, the manager evaluates the employee and then, during the meeting held together, they discuss the assessments and decide, if needed, on development actions (training or other). These assessments allow the better allocation of resources, a better identification of training needs and the development of more relevant individual or collective development programs.

Learning Solutions

Alstom University

Learning is a cornerstone of Alstom's people development strategy. The internal University, Alstom University, proposes relevant and customised programmes. Carefully chosen expert partners – universities, external consultants, companies specialised in training design and delivery, as well as internal specialists – collaborate on these programmes and a wide range of training methods is used (including classroom-based learning, workshops, virtual classrooms and pure e-Learning).

Today the existing global catalogue proposes more than 300 different courses (face to face and virtual classrooms) and online content comprised of more than 120 in-house and more than 3,000 off-the-shelf learning elements (e-learning, tutorials, testimonials, MOOCs) in many languages in order to support self-development. All of the core business topics are addressed: Security, Environment, Health and Safety, Cyberdefense, Manufacturing, Engineering, Industrial, Project Management, Signalling, Supply Chain, Sourcing, Finance, Legal, HR, Leadership and Management, Ethics & Compliance, Sustainability.

The main missions of the Alstom University team include:

- to define and share yearly learning orientations in line with business strategy (see below for fiscal year 2017/18);
- to design, build and manage a central and global learning offer and deploy it worldwide;
- to benchmark and detect innovative training methods and tools;
- to animate and facilitate the sharing of best practices and networking within the Learning community;
- to identify, train and reward internal trainers across the organisation.

A new Digital Learning ecosystem was implemented in June 2017 in the global HRIS. This evolving group of digital solutions allows better knowledge sharing across the organisation. The core of this system is the i-Learn portal: a web platform available from any device (computer, tablet, smartphone) that offers highly interactive digital learning, within and outside of Alstom's universe. People can explore a broad range of topics, find relevant content and learn in their own rhythm. They are also able to create and share content in their area of expertise in a variety of formats.

The global learning orientations established for fiscal year 2017/18 and shared with all the regions focused on:

- keeping ethics and compliance at the heart of Alstom ways of working;
- having security and safety at the top of Alstom priorities;
- reinforcing technical expertise and the capacity to innovate;
- targeting excellence in execution of Alstom products and projects;
- leading and motivating diverse teams.

	2016 (*)	2017
Percentage of employees who have had training	76%	86%
Average number of training hours/employee	19 h	20 h
Total number of training hours	584,600 h	621,042 h

Source: Alstom social survey conducted in 27 countries representing 95.6% of Alstom's total headcount.
(*) Alstom social survey conducted in 25 countries representing 94.5% of Alstom's total headcount

The percentage of employees trained and the average number of training hours per employee has increased during fiscal year 2017/18. The main reasons are:

- the necessary development of competencies in the developing regions and countries (India, MEA);
- some activities or functions have deployed large training programs including mandatory ones (EHS, Engineering, Quality, functions like Finance with IFRS 15 and Legal with Ethics & Compliance programs).

Knowledge management/transfer

Alstom believes that there is a positive and significant relationship between motivation and performance, and that having opportunities to learn is part of this motivation. Developing all employees is part of the Company's "People Management Cycle" which guides managers in empowering their teams. For each employee a training plan is designed annually together with his/her manager and the Human Resources partner and put into action during the year. In addition to the training planned, Alstom employees have access to an increased learning offer thanks to free access to a range of Digital Learning content. The digital portal also has the virtue of connecting experts and learners. Alstom University also supports local experts, Knowledge Centre, Technical Training Centres… at Alstom by bringing educational methods and tools to them.

Alstom University supports and animates the identification and training of internal trainers. Indeed, Alstom believes that being able to design and deliver training is a real managerial competency that needs to be valued, and also that internal training helps to develop and keep the expertise within the Company and that being taught by colleagues facilitates the knowledge transfer. In 2017/18, more than 300 internal trainers have been running training courses of the Alstom University Catalogue and more than 50% of the training sessions have been delivered by internal trainers. It's precisely in order to cope with the constant increase in volume of training that an Internal Trainer Policy has been implemented. It specifies how Alstom recruits new trainers and also how they are rewarded so as to keep them engaged in this role. This network of internal trainers is animated on a regular basis by Alstom University which also manages the implementation of the Internal Trainer Policy.

Alstom also puts an emphasis on coaching and mentorship based on individual development needs. Regular coaching and mentoring engagements are implemented globally and regionally to address people development areas and to support the sharing of knowledge and learning from each other.

Additionally, there is a high activity of knowledge transfer between entities, through collaborative ways of working and special assignments. This year Alstom had about 80 staff on international short-term assignments relating to Training, Technology and Knowledge transfer.

EQUAL OPPORTUNITY

Diversity is one of the five pillars of the Alstom 2020 strategy (see chapter 1 "Description of Group activities", section "Strategy"). Common objectives and Key Performance Indicators have been set for the whole of Alstom around gender and multicultural diversity. By 2020, Alstom is targeting to reach 25% of women amongst managers & professionals (compared with 20.1% today and 18% in 2014) and to ensure that the nationalities of middle management reflect Alstom's business worldwide. Alstom is proud to acknowledge that among its most recently recruited population of managers and engineers (Grade A in Alstom classification system), more than 25% are women.

Country-specific diversity action plans are being set up encompassing nationality and gender and beyond: age/generations, educational background, social status and ability/disability are also included in local action plans.

The global initiatives to promote a more diverse and inclusive workplace during 2017 have been: the set up of a quarterly dashboard to track the Company's Diversity and Inclusion (D&I) KPIs; the introduction and review of "Diverse" Talent Pools inside the annual People Review Process; the running of training sessions on interview skills with a specific focus on unconscious bias; and the availability of an intercultural awareness e-learning module.

In addition to the actions above, a D&I central governance was set up in January 2018 with two bodies:

- a D&I Steering Committee with the role of developing corporate Diversity & Inclusion strategy, defining global initiatives on D&I, ensuring internal and external communication on D&I and evaluate progress on organisation's diversity goals;
- the D&I Champions Network with the role of promoting, facilitating and supporting the implementation of the corporate diversity initiatives at business unit and regional levels.

The D&I governance will work on three areas of activities, at Global and Regional level summarised in the "Tell, Train and Track" framework.

Since 2015, the following measures have been validated and implemented:

- diversity as an objective for the Company;
- diversity recommendation for short list: at least one diverse candidate in all short lists (gender, nationality, social background, disability);
- diversity of participants in the Accelerated Leadership Programme;
- analysis of the salary gap between women and men for the same level of responsibilities.

Promoting gender equality

It is Alstom's policy to promote equal opportunities for men and women on the basis of equal employment and qualifications. This principle is included in Alstom's Code of Ethics and in the Company's Human Resources policy. Moreover, as previously mentioned, Alstom aims to have 25% of women among its Managers and Professionals.

The question of professional equality between women and men has been part of Alstom's Social and Human Resources policy for many years. It is nevertheless noteworthy that the training path leading to the skills required for most Alstom positions primarily attracts men. The proportion of women in those curricula is about 15% to 20%, which prevents meaningful quantitative comparison. Therefore, Alstom focuses particularly on optimising the integration of women in its activities and offering them career opportunities.

INDICATORS RELATED TO WOMEN BY CATEGORY

	2016/17	2017/18
Percentage of women in the workforce	17.1%	17.4%
Percentage of women: managers & professionals	19.9%	20.1%
Percentage of women: executives & senior managers	13.0%	16.3%
Percentage of women trained in training sessions (*)	17.0%	17.3%

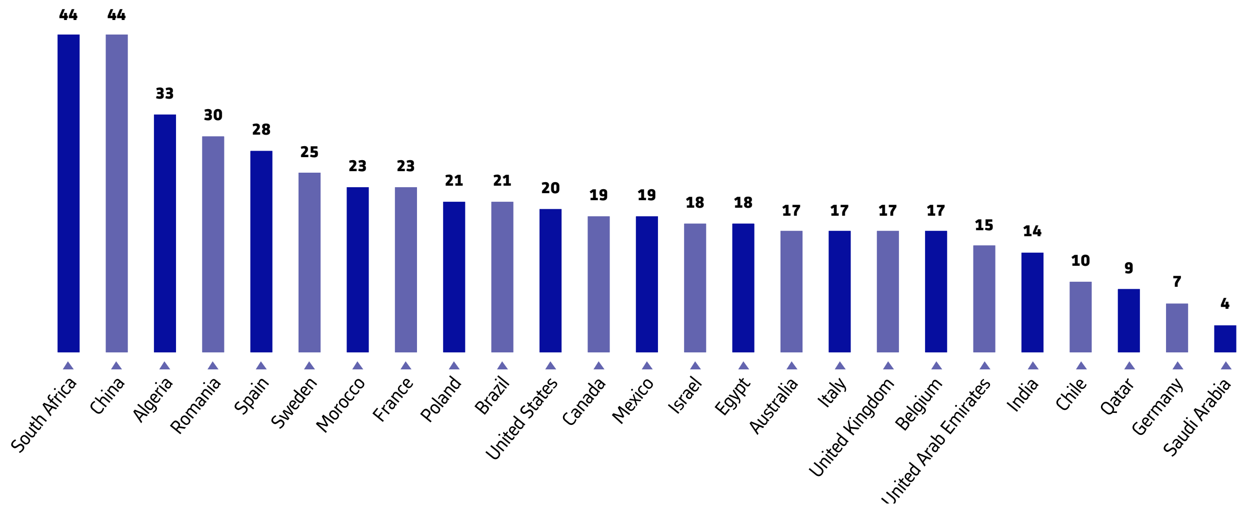
Sources: Alstom HRIS. As of 31 March 2018.
(*) 2017 Social survey conducted in 27 countries representing 95.6% of Alstom's total headcount.
2016 Alstom social survey conducted in 25 countries representing 94.5% of Alstom's total headcount.

These results globally demonstrate the efforts to promote gender diversity. Promoting diversity remains an important task. A steady progression is noticed: the number of female managers & professionals in the last year has grown (+300), with more than 3,600 women at the end of the fiscal year. The setting of the two specific bodies on Diversity & Inclusion, mentioned above, confirms the desire to accelerate on this topic.

The proportion of women in the headcount varies greatly between countries.

See figures below for country with more than 200 permanent employees.

PERCENTAGE OF WOMEN IN MEP(*) PERMANENT POSITION PER COUNTRY (AS OF 31 MARCH 2018)



Source: Alstom HRIS.
(*) Managers and Professionals.

Supporting initiatives dedicated to the promotion of women

Several initiatives under the global framework "Tell" "Train" "Track", to promote gender equality and women's opportunities in the Company, have been undertaken. With "Tell" we communicate internally and externally about the positive impact of Diversity & Inclusion *via* all communication channels, events & programs. With "Train" we raise awareness of our Managers & Professionals of the importance of Diversity & Inclusion by training and various other means and with "Track" we measure regularly our global Diversity & assess Inclusion.

Within the aforesaid global framework, initiatives being implemented include a bi-monthly webinar for men and women by the support groups "Women of Excellence" in the United States and "*Mulheres em foco*" in Brazil, designed to promote diversity in the Company and encourage women's access to managerial positions. In France, 90 female employees are "godmothers" of the association "*Elles Bougent*", and regularly address high school and college students. The aim is to get them interested in careers in industry and technology, and then show them the ways to make it possible. In Italy, female employees are also doing their bit to change the image of a sector still largely perceived as "masculine" alongside the association *Valore D*. The Australian sites are working to help women in difficulty enter the labour market and keep their jobs. A collection of "job interview-appropriate" clothes was organised on behalf of the association Fitted For Work.

At global level, a mentoring program called "WILL" (Women In Leadership Levels) was launched in January 2018 to increase the presence of women in top management positions.

With all these main initiatives, Alstom expects to see improvement in its D&I journey.

Balance between personal and professional life

In several countries, measures have been taken or renewed to encourage a good balance between personal and professional life. For example, Alstom encourages the development of its parental policy by helping employees to find childcare solutions or establishing inter-company day nurseries as in India and France, and pushing for flexible work schemes, such as the "smart working program" in Italy (see page 249).

Promoting cultural diversity

Alstom is fully aware of the strength resulting from the large number of nationalities, cultures and approaches that its employees represent. Specific action plans have been developed at local level to take advantage of this asset.

Two indicators measure diversity:

- nationalities in middle management and talent pools: progress has been made on the localisation of managerial positions within the Alstom Regions. The Alstom Headquarters now includes 10% of employees coming from outside Europe;

- the number of expatriates: this has increased from 589 on in March 2017 to 695 on December 2017, reflecting Alstom's ability to mobilise experts to work on critical missions and support local expertise in areas such as the Middle-East, South Africa or the Asia-Pacific, where major projects are under way.

Employment of disabled people

It has been a continuous guideline within Alstom to develop and support the integration and employment of disabled people. This enables those employees to work in a challenging environment while following the Alstom Code of Ethics – which strictly prohibits any discrimination on the basis of health or disability – and the local regulations.

With regard to disability, Alstom is focusing on five complementary areas: job access, maintaining employment, raising awareness, accessibility to premises and information, and partnership with the sheltered work sector. Each entity is encouraged to integrate them into its process. Each year, Alstom organises internal training sessions to help Human Resources team members better understand the various situations relating to disability and to help prepare job interviews and the integration of people with disabilities.

PERCENTAGE OF PEOPLE WITH DISABILITIES

Objective: measure the degree of integration of people with disabilities in total workforce.

Percentage of employees with disabilities	2016 (*)	2017
Alstom	2.4%	2.8%
Europe only	3.4%	4.2%

Source: Alstom social survey conducted in 27 countries representing 95.6% of Alstom's total headcount.
(*) Alstom social survey conducted in 25 countries representing 94.5% of Alstom's total headcount.

Regulations regarding the employment of disabled people are very different from one country to another. Action plans to promote the integration of people with disabilities in the Company are therefore conducted at local level.

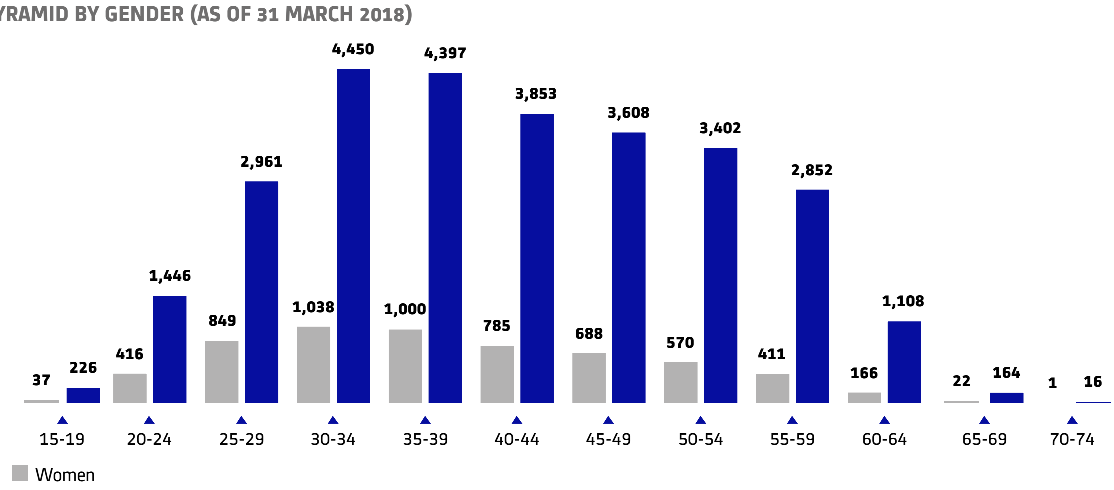
In Spain since 2016 a project called "*Alstom, Diversidad sin etiquetas*" (Diversity without labels) has been launched and many initiatives have been organised to raise awareness of handicaps with the direct contribution of Alstom employees.

In France, the percentage of people with disabilities is regularly increasing: 7.31% in 2015, 7.37% in 2016 and 7.81% in 2017 (1). The decision to nominate on each site and at country level a "Disability Coordinator", working together in a network, has helped to develop a sustainable policy. For instance, this network has developed a strong relationship with the Sourcing network to increase the sourcing of products or services from companies dedicated to disabled people employment. In order to ease the integration of new suppliers dedicated to disabled people employment, a new process has been put in place within the Indirect Sourcing Organisation. During the selection of a supplier for service purchasing: at least one supplier dedicated to disabled people employment (when existing), out of three suppliers, must be included in the bid comparison chart.

Managing senior careers

In Alstom, employees aged over 45 represent around 38% of the total headcount. The women/men breakdown by age is identical.

AGE PYRAMID BY GENDER (AS OF 31 MARCH 2018)

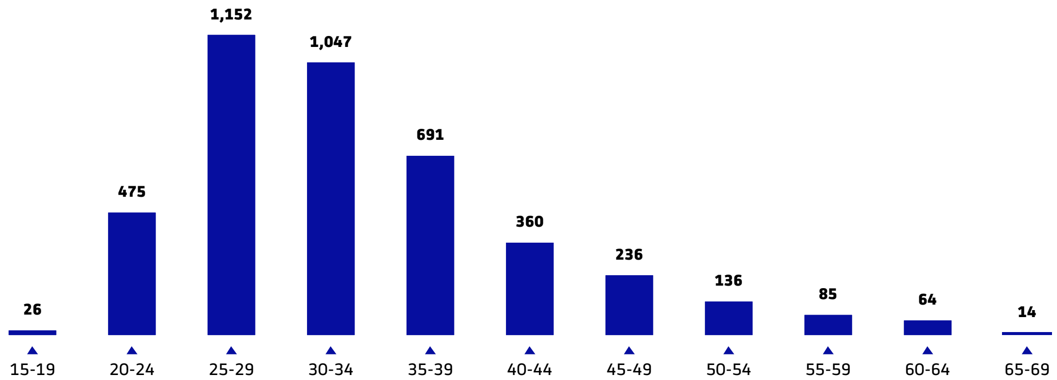


Source: Alstom HRIS.

535 people aged over 45 were hired over the fiscal year, corresponding to 12% of the new permanent recruits.

(1) Source: DOETH – French mandatory declaration of disabled workers.

AGE PYRAMID OF NEW HIRES 2017/18 – PERMANENT CONTRACTS



Source: Alstom HRIS.

EMPLOYEE RELATIONS

An internal survey (named the Social Survey), conducted in 27 countries and representing 95.6% of Alstom's total headcount, showed that 65.4% of employees are covered by a national or legal entity collective bargaining agreement.

Collective bargaining agreements

Alstom's Management and employee representatives work closely together at all levels within Alstom (European, countries, sites…).

The European Works Forum (EWF) meets on a regular basis in various formats:

- three regular select committees were held during 2017;
- four regular plenary sessions were held during 2017.

The regular exchanges allowed the business situation and its impact on the workforce to be reviewed. Most meetings focused on Business and Market updates and the impact on workload, Product and Solutions strategy and Innovation.

On top of those regular select and plenary sessions, extraordinary meetings are organised according to the need.

In 2017, four extraordinary meetings of the EWF took place regarding the Siemens Alstom Project (two select & two plenary sessions). Information was shared subsequently in the different countries.

In 2017, 84 agreements were signed in Alstom's most important countries. These agreements were signed either at country or legal entity level. The majority of them were related to the following topics:

- health, medical & retirement;
- working time & organisation;
- work life balance / well-being;
- total compensation;
- union's rights.

One objective of the new agreements or addenda is to continue the harmonisation of Alstom benefits offered at country level.

This year, health and life insurance coverage/improvement were confirmed in some countries (Chile, Canada, Mexico, Morocco, Spain) and some Profit Sharing agreements (France, Brazil, Italy) were renewed.

Work-life balance / Well-being / Diversity were also a strong focus this year. Different agreements/amendments were signed regarding:

- work-life balance, solidarity days & parenthood in France for example;
- remote work/smartworking (Italy – including some specific conditions for people with disabilities, Germany, Spain).

Management of restructuring impacts

First signed in February 2011, the agreement between Alstom and the European Metalworkers' Federation (which has become IndustriAll since that date) was renewed in November 2015 and adapted to the new scope of Alstom activities. The agreement aims at safeguarding employment and accompanying the redeployment of employees. It also organises the social dialogue at European and local levels.

When facing a restructuring plan, local Human Resources teams work together with management to foster initiatives that help impacted employees find new positions. As an example, Brazil faced a restructuring in 2017 and more than a hundred employees moved to Alstom projects and sites outside the country.

RELATIONSHIPS WITH EXTERNAL STAKEHOLDERS

RELATIONSHIPS WITH CUSTOMERS

Customer centricity: the first pillar of Alstom's strategy

Alstom serves the owners and operators of public and private transport services for urban and main line passenger mobility as well as the freight and mining sectors around the world. The Company offers these customers a broad range of products, systems and services that are tailored, configured and integrated by Alstom into the customer's environment. Alstom's vision is to be the preferred partner of its customers and to develop innovative solutions that bring value to both parties. So, "Customer centricity" is the first pillar of Alstom's strategy. Specifically, this means to:

- strive to understand customers' business challenges and expectations;
- commit to and deliver on promises;
- seek feedback from our customers proactively;
- work towards establishing long-term relationships and mutual trust with our customers.

80% of Alstom customers are recurring customers. Building-on the regionalised customer-focused organisation set up in 2014 to be closer to customers and to better understand and address their needs throughout each stage of their buying cycle, Alstom deployed a number of transverse initiatives. These aim to boost Customer centricity behaviour in actions and interactions with customers. They are detailed below.

Key Account Management

Alstom serves over 200 customers around the world. Most of them are public entities with long investment cycles. This market is characterised by growth and shift trends in this customer base that come from cities in emerging economies developing new public transport infrastructure and services and from established transport operators developing their business internationally. In this context, customers become more and more global in an ever more complex ecosystem of players (investors, engineering companies…) and their expectations tend to be increasingly value-centric. This has led Alstom to define a set of strategic key accounts and some principles for the way it will work with them.

The essence of this approach is the Key Account Team, composed of Alstom people drawn from a broad range of roles in the Company, who have a good knowledge of the customer. The methodology consists of an in-depth analysis of the customer (strategy, business model, eco-system, organisation) and of Alstom's positioning. The objective is to place current projects into a broader strategic relationship framework and to engage new initiatives which bring value to both parties. Examples of such new initiatives could be joint specification of new solutions and the evaluation or joint development of new technologies. All the knowledge gained in this initiative is captured in a key account plan where strategic objectives and actions are clearly documented. It is supported by an explicit governance process.

This approach strengthens customer intimacy. More generally, it serves to implement the "Preferred Partner" axis of the Company strategy.

Customer relationship is digital

Open since 2015, the Alstom Customer Portal is a web platform that gives customers access to a wide range of online self-service facilities such as customised customer support, e-documentation, real-time information and spares ordering through Partsfolio, the dedicated e-business solution for parts and repairs.

Entirely secured and accessible 24/7, the Customer Portal offers a convenient and easy way to work with Alstom. As the preferred digital point of entry to Alstom services, the Customer Portal brings information and data together from diverse sources in a uniform and seamless way.

In order to offer a unique navigation experience for its users, Partsfolio is directly accessible through the Customer Portal and has been since 2016.

Available all over the world, the Customer Portal welcomes over 1,200 active users from 220 customer companies on a regular basis to give direct feedback on services and products; follow-up their requests; share files and data; and exchange with experts through the online customer community. More information on Service Customer Portal and Partsfolio can be found by going to: https://services.transport.alstom.com or https://www.partsfolio.transport.alstom.com.

Training for the Sales population

A customer-focused company needs customer-focused people in the front line. The business models of Alstom's customers are evolving. Transport operators, just like their suppliers, need to anticipate and address change effectively in order to grow profitably. So, beyond the tenders that customers issue for equipment, services and system solutions within the current business paradigm, there are green fields of customer future needs yet to be fully apprehended and defined. This was the context in which it was decided, in 2016, to build a training curriculum, "Value Selling", to give sales managers a framework and a methodology to model the essential aspects of a customer's strategic posture and business goals. It goes on to develop skills in building insight into their changing objectives and the obstacles and challenges that customer decision-makers face. These are used to initiate conversations with senior people in customer companies, to anticipate tomorrow's needs and define together new "win-win added value solutions".

In 2017 a pilot course was carried out with 12 Customer Directors/Business Development Directors representing operational regions. This pilot lasted for 12 months, involving three large sessions and intermediate tasks performed by each Customer Director/Business Development Director plus the coaching of their teams locally. As the feedback from the 12 participants and their teams was very positive, a more synthetic version of this course will be deployed widely by the

Alstom University in 2018. Ultimately the goal of this course is to develop behaviours that contribute in a significant way to the positioning of Alstom as the "Preferred Partner" of its customers.

Customer Satisfaction Surveys

Since 2013, Alstom has run periodic surveys to measure customer satisfaction of the way projects are executed. Alstom executes concurrently some 500 contracts as "projects" worldwide. Of these about 400 have a contract value over €15 million and fall within the scope of the Customer Satisfaction Surveys, about half of the 400 projects are selected to be surveyed each year. These surveys are a way to step back from day-to-day interactions with customers and to ask them to assess Alstom performance.

In 2017 a new version of the survey was successfully developed and deployed while a new tool for survey management was introduced. Being better integrated with Alstom's customer relations management tool, its objective is to facilitate the on-line answers given by clients. All customers who have participated in the survey must receive a follow-up action plan.

The objective is to achieve an annual average Net Promoter Score (NPS) of 8 out of 10 through to 2020. In 2017, with the new questionnaire implemented, the average NPS score over more than 100 Projects surveyed was 8.0.

Customer relationships through industry associations and events

Beyond the day-to-day relationships with its customers, Alstom is active in a range of industry bodies on all continents through which the Company tries to address customer needs beyond specific opportunities and contracts. For example, Alstom plays a proactive role in various transport industry associations by:

- taking tasks within industry-wide programs or roles of responsibility in industry committees that these associations run;
- being a contributor to training programs organised by transport industry associations for the benefit of their members – most often existing or potential customers;
- playing an active role in events such as exhibitions and conferences that these associations organise, not only to present and promote Alstom offerings and to meet existing and new potential customers, but also by contributing to the program with speakers who may often be Alstom customers.

Participation allows Alstom to contribute globally to knowledge sharing and building across the rail industry and to position itself as a reference towards its customers.

In 2017 Alstom became a member of the "Corporate Partnership Board" of the "International Transport Forum" (ITF is part of the OECD – Organisation for Economic Co-operation and Development) alongside other major transport actors. In this context, Alstom is contributing to some of the future transport policy studies and recommendations for the 59 transport ministries that are members of the ITF.

RELATIONS WITH GOVERNMENTS, INTERNATIONAL ORGANISATIONS AND THINK TANKS

Contribution to the public debate on sustainable development policies

Alstom contributes to the public debate around sustainable mobility and rail transport, engaging with governments and international organisations in the development of policies.

As a company with a long history and a unique portfolio of sustainable transport technologies, Alstom has the experience and expertise to help drive sustainable and low-carbon development.

The Company therefore engages in advocacy, both directly with governments, international organisations and other influencers, and through memberships of selected coalitions sharing the same vision.

The messages through which Alstom contributes to the policy debate focus on the following:

- the role of open markets and fair competition in supporting green growth, particularly through:
  - fair competition and reciprocity in public procurement,
  - consistent application of high international standards for ethics and compliance,
  - protection of intellectual property rights (IPR) as a major driver of innovation and investment in Research, Development and Deployment (RD&D),
  - evaluating tendering procedures for transport systems on the basis of the most economically advantageous tender criteria, taking into account the duration of these investments,
  - uniform implementation and mutual recognition of standards and norms between different jurisdictions (certification and approval) in order to reduce costs,
  - robust standards on energy efficiency and incentives to improve it, which play an important role in driving investment in transport technologies;
- the need for continued investment in sustainable technologies in the public and private sectors, particularly through:
  - public support and collaboration to accelerate ongoing R&D and the demonstration of sustainable technologies and services,
  - public funding for the piloting and demonstration of pre-commercial technologies,
  - international financial institutions' support for major infrastructure projects in developing countries,

  - encouraging governments to support and facilitate the increased use of innovative instruments by financial institutions in order to leverage private investment, notably through risk-sharing;
- the importance of long-term, transparent and stable policy frameworks to support investment in sustainable development, particularly through:
  - improving the resilience of transport infrastructure, especially in response to climate change impacts,
  - the definition of a pan-European infrastructure network enabling the deployment of rail transport for the benefit of all citizens and businesses and dedicated medium-to-long term financing mechanisms (support for the European policy on the trans-European transport network and European funds relating thereto),
  - regulations setting targets for reducing CO_2 emissions from transport,
  - policy support to internalise external costs, in particular through coherent CO_2 pricing,
  - promoting sustainable and low-carbon transport strategies based on electric and shared mobility rather than fossil-fueled and individual transport,
  - the definition and effective application of balanced regulations and standards to support a broad portfolio of low-carbon, sustainable and high-efficiency solutions (support for the proposed European Clean Vehicle Directive, setting national targets for public procurement for the purchase of this type of vehicle).

The transition to a low-carbon economy is an essential element in ensuring a long-term sustainable operating environment for Alstom's businesses. It provides major opportunities for the deployment of the Company's technologies, and effective action on it is a central part of the Company's wider Corporate Social Responsibility. In line with the global climate change agreement reached at the Paris COP 21, major economies need to make ambitious CO_2 emission reduction commitments to drive the transition to a low-carbon society. Transport should become a major area of its implementation.

Participation in organisations and high-level initiatives

Convinced that the Sustainable Development goals will only be reached if all relevant stakeholders are actively involved, Alstom participates in a number of leading bodies.

At international level

- Since 2008, Alstom has been a member of the United Nations' Global Compact Organisation which seeks to encourage companies to commit to a set of key values spanning human rights, labour standards, environmental protection and ethics in business practices. Alstom is actively involved in this network and promotes the ten principles that summarise its key values.
- In 2014, Alstom took part in the Carbon Pricing Leadership Coalition of the World Bank, which gathers governments, companies and civil society with the aim of widening and improving the development and implementation of carbon pricing policies in order to maintain competitiveness, support job creation, encourage innovation and significantly reduce CO_2 emissions.
- Furthermore, Alstom continued to actively support the United Nations Framework Convention on Climate Change (UNFCCC) by participating in COP23 which took place in Germany in November 2017, demonstrating there how its technologies support the transition towards a low carbon emission society.
- Alstom is a member of the Sustainable Low Carbon Transport Partnership (SLoCaT) initiative bringing together international players committed to sustainable mobility and a sponsor of the Paris Process on Mobility and Climate (PPMC), an open and inclusive platform created to reinforce the position of actors in favour of sustainable transport.
- In 2017, Alstom confirmed its support to the International Union of Railways (UIC) Low Carbon Rail Transport Challenge, "a commitment to deliver railway solutions which are ever more energy efficient and attractive such as high performance electrical, diesel and hybrid trains, smart railway systems and modernisation services".
- As a member of the International Association of Public Transport (Union Internationale des Transports Publics, UITP), Alstom has signed the Sustainable Development Charter drawn up by the UITP.
- On the occasion of the World Economic Forum held in Davos, Switzerland in January 2017, Alstom participated in the creation of the Hydrogen Council with 12 other leading companies involved in the energy, transport and industrial sectors. This initiative aims to promote hydrogen as one of the main energy transition solutions in order to achieve the climate goals set in 2015 by the Paris Agreement to fight against global warming. Council members met for the second time in Bonn in November 2017 at the annual COP 23 climate conference.
- At the "One Planet Summit", organised in Paris in December 2017 by the French President, the President of the World Bank Group and the Secretary General of the United Nations:
  - twelve international commitments were made to enhance the financing of the fight against climate change. Amongst the actions agreed was the creation, on the initiative of four countries – the Netherlands, Costa Rica, Portugal and France – and three companies – Alstom, Michelin and Itaipu Binacional – of the Transport Decarbonisation Alliance. Its objective is to have states, regions, cities, and companies working together to determine and deploy roadmaps towards decarbonising transport and increasing investment in clean transport. Since the launch, Finland, Luxembourg, Lisboa, Rotterdam, Porto, EDP and PTV Group amongst others have joined;
  - Alstom signed, with 88 other French companies, the "French Business Climate Pledge" recognising the need to collectively change course in order to drastically reduce greenhouse gas emissions (GHG) on a planetary scale.

At regional/country level

- Alstom is a member of the Union of European Railway Industries (UNIFE), which represents the sector in front of the European institutions. It promotes, among other things, the establishment of a European railway equipment market through interoperability and the implementation of the 4th railway package, as well as the role of rail in achieving the EU's greenhouse gas emission reduction targets.

- Alstom is also contributing to the platform for electro-mobility, a voluntary grouping of 31 European companies, NGOs and sectoral associations, which encourages a wider use of electric vehicles in all modes to control emissions from the transport sector.
- Alstom is a founding member of Shift2Rail, the European Union joint venture for railway research. Shift2Rail aims to respond to the changing transport needs of the EU, through research and innovation, in order to develop advanced and innovative technologies.
- Alstom is a member of Hydrogen Europe, which represents more than 100 national companies and associations active in the Hydrogen Fuel Cell sector, and supports sectoral research while promoting this type of energy as a clean and efficient technology.

Throughout 2017, Alstom continued its involvement in various bodies and contributed to discussions relating to the railway sector. Several local initiatives can be cited by way of example:

- Alstom participates in the work of a large number of industrial associations in France, such as the CS2F (the strategic committee for the railway sector), the AFEP (French Association of Private Enterprises), Fer de France (Federation of Railway Industries), MEDEF (Confederation of French Industries), etc. This active participation enables the Company to better understand government expectations and anticipate changes in regulations.
- Alstom, in collaboration with the Ministries of Education of France and other countries, has created local centres of excellence, particularly in Panama, Morocco and South Africa. The purpose of these centres is to train railway technicians to operate autonomously at the local level thereby ensuring the maintenance of their modern equipment and allowing its carbon footprint to be reduced.
- Alstom is a member of the Presidency Committee of the Italian Association for Hydrogen and Fuel Cells (H2IT), an association promoting knowledge in the field of hydrogen technologies and the development of its market.

RELATIONSHIPS WITH SUPPLIERS AND CONTRACTORS

Sourcing represents more than 60% of Alstom's turnover and directly influences the financial performance of the Company. It's also a great lever for the deployment of Corporate Social Responsibility (CSR) within the supply chain. The sustainable development principles have been, for more than 10 years, integrated in the sourcing activities of the Company and criteria relating to social, environmental and ethical stakes are part of the supplier and sub-contractor selection process. The Company aims at reducing the CSR risks in its supply chain.

The Sustainable Sourcing approach initiated by the Alstom group aims particularly at sustaining the relationships with its suppliers and sub-contractors and at continuously reinforcing its quality. The different axes of this approach are described in the "Sustainable Sourcing Policy" signed by the Chief Purchasing Officer of Alstom and available on www.alstom.com.

Detailed elements related to the supply chain risk management are presented in the Vigilance Plan on page 230.

Partnerships development with suppliers

Alstom has developed a premium programme with its strategic suppliers, called Alliance, that aims to develop a new collaborative approach based on three main axes: Business Development, Industrial Excellence, Product & Innovation.

During the fiscal year 2017/18, 31 suppliers were part of the programme.

These partners have distinguished themselves through their R&D investment; by demonstrating their localisation capacity; or by collaborating at the early stage of projects.

The strategic status of these partners is reviewed yearly according to a managerial process that evaluates the legitimacy and the expectations of these partnerships. Indeed, renewal within or exit from the programme is determined according to the developed competitive advantages, the differentiation, the performance and the achievement of the objectives that are mutually fixed In the Alliance Charter.

Furthermore, along the year, "Tech days", "Suppliers Days" and other events spotlighting suppliers and sub-contractors are organised on the Alstom sites. These gatherings present opportunities to communicate with suppliers on the main stakes and axes of the Alstom Sourcing policy and to showcase innovative products that have been co-developed.

The Alstom group has been a member of the "Pacte PME" association since its creation in 2010. This association gathers fifty-three public and large private companies and thirty-five professional organisations the common ambition of whom is to reinforce cooperation between large and small & medium companies (SMEs) resulting in the emergence of new leading companies. Within this association, the Alstom Group leads actions to accompany its SMEs on three axes: innovation, pooling and international development. Alstom, along with Pacte PME and sixteen partners, among which nine large companies, launched in October 2017 the aeronautic and railway multi-industries programme "Destination ETI".

In addition, Alstom takes part in the annual suppliers "Barometer" of Pacte PME that allows the quality of the relationships with the SMEs to be measured. This has obtained the positive notification of the Monitoring Committee for each of the years 2015, 2016 and 2017.

Signatory of the Charter "*Relations Fournisseurs Responsables*" ("Sustainable Relationships with Suppliers") created by the "Médiation Inter-Entreprises", Alstom obtained in September 2013 the Label "Sustainable Relationships with Suppliers" that distinguishes the French companies that have demonstrated sustainable and fair relationships with their suppliers. This label was confirmed in October 2015 for the third consecutive year. In October 2017, the new norm of the Sustainable Sourcing standard, ISO 20400, and the Label "Sustainable Relationships with Suppliers" have merged to become the "Suppliers Relationships and Sustainable Sourcing Label". In this new framework, the Alstom Group is targeting the renewal of this label during the year 2018.

Alstom participates in several external events during the year that present good opportunities to meet with Directors of SMEs and Start-ups. This can lead to concrete professional collaborations.

During the fiscal year 2017/18, in a common approach with the Human Resources Department, and with the aim of enhancing collaboration with suppliers and sub-contractors who employ people who are differently able, the Sourcing Department has reinforced its processes in order to systematically include companies from the "Adapted" and "Protected" sector in its supplier selection tools for eligible markets.

Sourcing of sustainable products and services

Alstom collaborates with its partners in the frame of a "sustainable product" approach taking into account the life cycle of its solutions. The supplier consultation process includes ecoconception. This collaborative approach allows components and technologies to be chosen and developed that are more environment-friendly. It is based both on environmental diagnosis and on the improvements of environment-related drivers such as energy performance, the effective usage of the material resources, emissions reduction, the otpimisation of recyclability and the use of green material.

As an example, a global environmental analysis based on a life cycle analysis was undertaken for the doors of urban rolling stock and for the seats of reginal trains. A perfect cooperation with a cable supplier has enabled Alstom to undertake the diagnosis of one of its major electrification solutions. Furthermore, the storage systems proposed on our tramways have been optimised from an energetics perspective. Lastly some suppliers of isolating products, in a circular economy approach, propose solutions that include important proportions of recycled products.

In addition, in the context of continuous improvement, Alstom works in close collaboration with its suppliers to identify and replace potentially dangerous substances, according to the evolution of the scientific knowledge and of the legislation (refer to section "Design sustainable mobility solutions").

RELATIONSHIPS WITH LOCAL COMMUNITIES

Alstom recognises that, whilst it is a global player, it also has the obligation to act as a local player wherever it is operating. This requires engagement with communities local to its sites and offices in order to nurture good relationships, to ensure an acceptance of its presence and to demonstrate its long-term commitment to the locations where it is present. The Company's various stakeholders – its customers; investors; employees; local authorities; and the local communities themselves – increasingly expect such engagement to lead to measurable material benefit for the communities; indeed, in some countries (*e.g.* India) there is a legal requirement for companies to undertake such activities.

Under the banner of "Alstom in the Community" there are two arms to the Company's local community activities. One arm is the Alstom Foundation (see page 266) which is a centrally managed entity, with its own unique budget and branding, which selects, finances and monitors the progress of local community-related projects around the world on a once a year cycle. These projects are generally of a six month to three year duration. The second arm involves the management teams, in all countries in which Alstom has a significant employee headcount, in the development of their own annual Country Community Action Plans (CCAPs) for the application of the Company's community investment policy. 24 countries established CCAPs during the year, encompassing nearly 400 separate activities. These plans are developed, funded, managed and implemented locally in line with the Company's community investment policy. The actions under each plan are decided based upon a local perspective of how the Company can have maximum impact in addressing local needs, whilst taking into account local culture and sensitivities. They tend to be actions of short duration, but which can be replicated. Such actions are normally performed in the name of the local Alstom entity.

Alstom first defined its global Community Investment Policy – which is published on the Company's website – in 2013. Since then it has consistently applied this policy, engaging with local stakeholders in order to develop and implement local action plans (the CCAPs) which meet their expectations and needs. A global cash budget of €1 million per year has been established to support the implementation of CCAP activities, this money being used as leverage to achieve benefits of greater value to the supported communities. In addition, Alstom's Joint Venture in South Africa – Gibela – spent during the year over €10 million on Broad-Based Black Economic Empowerment-related skills development, local enterprise development and socio-economic development.

It is difficult to assess with any accuracy the number of people who benefit directly and indirectly from these various activities and the ways in which they benefit can vary enormously from, for example, having an immediate effect on their everyday living standards to having a latent effect which appears over time due to increased awareness of a specific topic such as women in industry or the protection of the environment. Overall, it is estimated that 10,000 to 20,000 people have benefitted in some way from Alstom's community activities during the year.

The Community Investment Policy has three priorities:

- responding to local social needs;
- supporting development through education;
- encouraging the development of local enterprises.

In support of its Community Investment Policy, Alstom has developed its Volunteering Policy which seeks to encourage volunteering amongst its workforce. It is estimated that a significant proportion of the Alstom workforce (between 20-25%) engage in some sort of philanthropic activity in support of charities or NGOs. This they do of their own volition, giving freely of their time, money and expertise. Alstom seeks to leverage this, adding value where it can consistent with its Community Investment Policy. Some Alstom employee are entitled to one paid day per year to undertake a volunteering activity. The means of implementing this is determined at country/cluster level by the local management teams in order that local culture and other specificities may be fully taken into account. Whilst activities can be undertaken at individual level, it has been found that team activities give the best results for the beneficiaries whilst promoting team-building amongst Alstom colleagues.

Responding to local social needs

Alstom seeks to make a positive impact on disadvantaged local communities, improving their living conditions and their socio-economic standing through pragmatic dialogue and by encouraging employee awareness and employee involvement in various volunteering activities. Formal and informal mechanisms have been developed at different levels to coordinate and encourage these volunteering activities. The enthusiasm for volunteering amongst Alstom's workforce is strong, with a sizeable proportion already offering their time and expertise in support of good causes. The Company is looking to leverage this going forward, seeking to add value to such employee-led initiatives.

Overall, Alstom addresses social needs through community project support; by helping disadvantaged individuals; and through its support to charities (donations, raising money, collecting items and volunteering). Emergency relief in the wake of natural disasters is in the remit of the Alstom Foundation (see page 266).

A few examples of Alstom's activities in meeting social needs, undertaken during the year, are listed below.

Community project support

- In Chile, Alstom gathers together all the waste paper from its offices on a monthly basis and gives it to the San Jose Foundation which then sells it on. The San Jose Foundation looks after abandoned children pre-adoption and those who have parents with justice issues.
- In Italy, Alstom is working in partnership with the Savigliano Railway Museum to make available the wealth of documentation and historical archive in its possession covering the 165 years of train manufacture at its site in the town.
- In Singapore and Dubai, in a demonstration of their care for the environment, teams of employees got together to participate in a multi-stakeholder effort to clean up local beaches.
- In the United Kingdom, access to the Alstom site near Glasgow is being given to the British Transport Police in order that they may train their dogs in a working railway environment and with a special focus on safety.
- Alstom sites in several countries (*e.g.* France, Hong Kong, Spain) are involved in the coordination of employee blood donations.

Helping disadvantaged individuals

- In Belgium, Alstom's office in Brussels gives regular patronage to a local "social restaurant" which supports the reintegration of the long-term unemployed into the labour market.
- In France, Alstom works in partnership with the association "Sport dans la Ville" to provide disadvantaged youth from a Paris suburb with access to employment through sport. The Company facilitates company visits, provides internships, mentoring and interview coaching and organises sporting events. 35 Alstom volunteers help drive this programme. In addition, several French sites have entered into god-fathering partnerships with local organisations with the aim of preparing disabled people for the job market. The Company's role is to offer workplace familiarisation courses and internships, to participate in disabled people's recruitment forums and to generally raise awareness of their needs and capabilities.
- In Italy, Alstom's Bologna site is participating in the Rainman Programme which involves it in providing six month internships to five young people with autism, thereby giving them workplace experience with the possibility of permanent employment at the end of it.
- In the United Kingdom, 10 volunteers from Alstom are acting as mentors to young people from disadvantaged backgrounds who aspire to go to one of the UKs top universities. The programme, administered by the Social Mobility Foundation and supported by the Alstom Foundation, serves to raise the ambitions of bright young people who had never previously considered that attending a university was a viable option for them.

Support to charities

Alstom is involved in charitable activities and fund-raising in most of the countries in which it has a major presence. The Company encourages initiatives amongst its employees to raise money or other forms of donation for local charities and often contributes to them in some way, such as through sponsorship, the "matching" of employee donations, the provision of logistical support, the provision of food or refreshments, by allowing the use of company property or by giving employees the time to participate.

Most usually Alstom's employees get involved in fund-raising events such as charity runs, golf tournaments, coffee mornings and barbecues. They also are frequently engaged in collecting or donating clothes, toys, books or food. In France, an agreement with the charity Emmaus has led to a skip being made available twice a year at the Company's Headquarters into which employees may put items which could be of value to disadvantaged individuals or saleable to raise money. Other countries, such as Belgium, Italy, Poland, Brazil and USA, do something similar but more geared to a specific calendar event such as Christmas time, Ramadan or Chinese New Year.

- In Australia, the employees voted four years ago to select the charity that they would collectively support. All subsequent fund-raising events have been in support of the chosen charity – the Children's Cancer Institute (CCI). This year, barbeques at Ballarat site, Diamond Balls in Sydney and Melbourne and sports activities such as swims, cycling and river runs have raised a sizeable sum for CCI.
- In China, employees from Alstom's Beijing and Shanghai offices participate in the "Walking for Love" spring charity to raise money for haemophilia patients and to raise awareness about the topic.
- In Spain, following an office renovation, former office equipment was donated to three charities nominated by the employees.
- In India, the same was done with canteen furniture which was donated to a local school in Coimbatore.

Supporting development through education

Alstom promotes education among young people through four primary activities: the development of individual skills and employability, the raising of awareness on key topics linked to Alstom values (*e.g.* the environment, diversity, health and safety, human rights, STEM), the support of schools and partnerships with colleges and universities.

Developing individual skills and employability

- Alstom has apprentice and internship programmes in place in several countries which are often (as is the case in Brazil, France, Spain and the UK) focused on young people from disadvantaged or marginalised backgrounds. This frequently involves partnerships with local institutions, the training of internal mentors, and the development and implementation of a training plan. The aim is for apprentices to learn a trade as leverage to future employment – whether in Alstom or elsewhere. Training can be full or part time and of different durations.
- In Brazil, Alstom has a programme targeting the skills development of socially vulnerable youth. This programme, developed with local institutions SENAI and CIEE, provides paid part-time apprentice training within Alstom to 37 students each year and can support the regeneration of the Alstom workforce.
- In France, Alstom's sites at Valenciennes and Le Creusot support E2C (*Écoles de la deuxième chance*) which gives a second chance to students who did not successfully complete their education at the first attempt. The Company provides apprentice training for up to ten such students each year giving them the possibility of permanent employment.
- Alstom frequently hosts site visits to familiarise students with the railway industrial environment. One of the aims of this is to raise, in the minds of young people who may have never seen the inside of a factory or workshop before, the possibility of a career in the industry. An example of this is in Romania where students from the NESST Concordia social enterprise visited the metro depot in Bucharest.
- In the United Kingdom, Alstom is a signatory to the Armed Forces Covenant which is committed to the retraining of, and the finding of suitable employment for, ex-Armed Forces personnel. Several such personnel have found employment within Alstom over the past year.

Raising awareness on key topics

- In China, Alstom organised "Pink Shirt Day" prompted by some recent cases of school bullying in different parts of the country. Around 70 people actively participated in the event, which included an interactive discussion on the topic. The sea of pink showed the strength of feeling that the issue needs to be addressed.
- In France and Spain, Alstom acts in partnership with the Association *"Elles Bougent"* in order to develop mindsets on diversity and promote engineering as a career for women. The Company contributes to a broad range of events – both external (*e.g.* Engineering Day for Women, Industrial week at INSA – the National Institute of Applied Sciences) and internal (*e.g.* hosting site visits).
- In Italy, Alstom is a member of *"Valore D"* (Value Diversity), the first association of large companies formed in Italy to support women's leadership in the corporate world. Through this, women have access to seminars, training, events and other forms of support dedicated to supporting women's professional growth, work-life balance and to promoting diversity.
- In India, prompted by the number of accidents which occur on the road to the site, employees from the Sri City factory have been providing road safety awareness training to drivers, riders and pedestrians alike through a dedicated road safety awareness camp.
- In Poland, Alstom is a member of the Women's Forum in Infrastructure and Transportation which promotes diversity and women's professional development in the railway sector. This involves supporting and coaching female students in their career design and the promotion of employment in companies such as Alstom amongst female graduates of technical universities.

Supporting local schools

Alstom's sites around the world often have strong links, either formal or informal, to local schools, supporting them by organising familiarisation visits to its sites, by participating in Governing or Examining Boards, by deploying its STEM Ambassadors (experts in Science, Technology, Engineering, Mathematics) to encourage the children to contemplate careers in these areas, by facilitating internships and by fulfilling other needs such as equipment provision or the renovation of school infrastructure. Examples of activities beyond these are:

- in Panama and India, teams from the Panama Metro project and the Sri City factory respectively took time out to repaint and renovate the classrooms and restore green spaces at local schools that had fallen into disrepair. A team of 40 willing volunteers can do a lot in one day to help enhance the learning environment;
- in the United Arab Emirates, the Alstom team in Dubai hosted a visit of students from the Al Manzil School for Special Needs during a visit to the Dubai Tramway and project site. The aim of this half-day visit, which included a presentation over lunch and mementoes, was to give the students exposure to this form of public transport and to explain how it works;
- in India, activities have been performed to support education and the upgrading of schools around our manufacturing locations at Sri City and Coimbatore and the new Madhepura facility. A highlight this year was the Joy of Giving week organised across several locations. In Coimbatore, for example, 30 beds and dining tables and chairs were provided for 60 children in an orphanage;
- in Israel, Alstom's local entity Citadis Israel is providing financial support and professional expertise so that students from the Jerusalem Technical High School ORT at Givat Ram may participate in the annual FRC International Robotics Competition;
- in the United Kingdom, for the second year, a group of Alstom STEM Ambassadors from the Wolverhampton Traincare Centre have been mentoring students with an Engineering Education Scheme (EES) project. The EES is a six month programme run by the Engineering Development Trust to provide hands-on experience of teamwork, interviews, presentations, project management and technical report writing. Students who successfully complete the EES graduate as Industrial Cadets at Gold Level. This is an industry-led quality standard designed to address skill shortages in industry and prepare the future workforce.

Supporting Colleges and Universities

Alstom has a broad array of technical partnerships in place with Universities/Higher Education establishments in Europe and beyond. The objective of these is to enhance the Company's Research and Development (R&D) capability by using local talent. A list of these partners by country can be found on the Alstom website.

The Company has targeted relationships with selected educational establishments around the world aimed at facilitating internships and encouraging students into the railway industry. This has the double benefit of allowing alumni to secure good jobs at the end of their course, whilst allowing Alstom to identify strong candidates for recruitment.

Beyond this, the Company frequently supports educational establishments by making its experts available as lecturers, examiners and mentors, by participating in job/career fairs, and by organising workshops and site visits.

The following examples are worthy of particular mention.

- In China, the Company organised a Spring Light lecture at Southwest Jiaotong (Transport) University in Chengdu. The lecture covered key topics from the railway industry and attracted close to 100 students encouraging them to consider careers in industry in general and Alstom in particular. Subsequent survey results showed that 99% had a potential interest in joining the railway sector.
- In Italy, at Bologna University, Alstom together with other companies have created a Summer School course entitled "The Engineering of Systems for Integrated Mobility" which represents to students a unique opportunity to become expert in smart/digital mobility and railway infrastructure.
- In the United Kingdom, Alstom has been actively supporting the establishment of a new University Technical College through the creation of a specialist course aimed at developing skills for the Transport Engineering and Construction sectors. The course, supported by Sir Simon Milton scholarships, provides options for further study and/or employment. Alstom staff were involved in developing the curriculum by providing real life project examples. The students benefit from an integrated curriculum with work experience and an engaging, creative after-school programme.

Encouraging the development of local enterprises

The third axis of Alstom's community investment policy is the development of local enterprises, which is achieved mainly by supporting innovative local institutions and companies, and by cultivating the local supply chain. This is especially pertinent in places where Alstom is expanding its industrial footprint, as has been the case recently with new factories in India and South Africa. In such situations local expectations can run high and it is important that the Company does its utmost to ensure that local enterprises benefit as much as possible from its presence.

As a multinational Company, Alstom assumes a responsibility to coach and support small and medium-sized enterprises (SMEs) and start-ups at local level through mentorships and financial support. Particular emphasis is placed on strengthening suppliers' skills and helping them to understand what it takes to become a supplier to Alstom in terms of, *inter alia*, quality standards, working practices, ethics and compliance, human rights. In France, Alstom is a member of the Association Pacte PME (see page 261) which seeks to facilitate and strengthen the relationships between companies of all sizes. This year the Association launched a new initiative "Destination ETI" aimed at helping 34 leaders to grow their enterprises from small to medium size.

As part of its open innovation paradigm, Alstom contributes to local development by participating in programmes related to technology and research, nurturing the key enabling technologies alongside other counterparts through different instruments such as competitiveness clusters.

Some examples are:

- Alstom supports innovative companies through the venture capital fund Aster VI, the investments of which are focused on innovations in the field of future mobility, in particular: new usages; technologies and infrastructure which foster sustainable mobility and multi-modality; and connected and autonomous vehicles. The investments are primarily in Europe, Israel and the United States with a scope ranging from seed capital to growth funds;
- in South Africa, where Alstom Joint Venture Gibela, which is building passenger trains for the state passenger rail agency PRASA, has a contractual obligation to achieve set levels of local content and to develop the local supply chain whilst complying with national Preferential Procurement legislation. This implies a significant amount of knowledge transfer and skills development from Alstom to the local companies. The first report on socio-economic impact showed that 91% of the capex spent has been with South African companies [1];
- in France, Alstom is a member of the Association Alliance et Territoires which was set up to develop employability in the Rhône-Alpes region by creating a secure dynamic in terms of employment and skills development through the development of initiatives, pathways and skills enhancement programmes and by contributing to social innovation through the development of new management, human resource and corporate social responsibility practices;
- in France, Alstom develops joint projects with SMEs and academics as part of the "Investments for the Future" program. Examples of this are its involvement in Technology Research Institutes in Saclay (SystemX) and in Northern France (Railenium) and the Energy Transition Institute in Villeurbanne (SuperGrid). To develop ecosystems around innovation, Alstom is also present in numerous clusters, such as the I-Trans and Médée clusters in Northern France, the Vehicle of the Future cluster in Belfort, the Aerospace Valley cluster in Toulouse and the Systematic cluster in Paris.

More information can be found on www.alstom.com.

(1) Gibela, Socio-economic impact report 2016.

THE ALSTOM FOUNDATION

The Alstom Foundation was created in 2007 in order to share Alstom's success with disadvantaged communities situated in countries where Alstom is active, thereby enhancing the relationships with such communities whilst recognising the citizenship and engagement of Alstom's employees. Working with international and local partners, the Foundation seeks to improve the living conditions of local communities by providing finance for a variety of concrete initiatives which support socio-economic development and sustainability. With its budget of €1 million per year, the Foundation has supported 168 projects to date, including the 17 projects selected in 2017/18. These projects, all of which were submitted by Alstom employees working hand-in-hand with partner entities with proven local expertise, span 52 countries across six of the world's continents. The Alstom Foundation also makes donations on a selective basis to expert Non-Governmental Organisations actively involved in supporting communities in the aftermath of natural disasters. During the Fiscal Year, it acted in the aftermath of the floods in the State of Bihar, India and Cyclone Urduja in Eastern Samar, the Philippines.

Whilst the focus of the Foundation in the past has been, and will remain, predominantly developing economies, its new Board, nominated in 2015, has sought to recognise that Alstom also has a major presence in several developed countries and that disadvantaged communities also exist in these countries. In consequence, the Foundation has broadened its reach in order to embrace suitable community projects located in these developed countries.

The projects of the Foundation generally address one or more of the following four challenges:

- supporting communities facing social and economic difficulties;
- protecting or preserving our natural environment;
- addressing energy and/or water supply insecurity;
- assisting communities which suffer from a lack of access to mobility.

The record number of submissions received in the 2017/18 cycle meant that the budget of the Foundation was ten times oversubscribed. In consequence, it has been decided that from 2018/19 the dominant socio-economic category will be refined to address exclusively:

- skills development and employability of disadvantaged communities (especially young adults and women);
- care and protection, shelters and homes for the homeless and for orphans.

The work of the Alstom Foundation in respect to disadvantaged and often remote communities touches on a number of the Sustainable Development Goals (SDGs) which are different to those with which the company Alstom is aligned (see page 214). These are summarised below together with examples of projects supported by the Foundation in respect of each SDG:

SDG	Focus	Example of Foundation projects
1	End Poverty	Skills and employability development, India & Cambodia
2	End Hunger	Provision of training in sustainable agricultural practices, Vietnam & Mexico
3	Good Health and Wellbeing	Provision of health clinics, Senegal Provision of green spaces, Peru
4	Quality Education	Fitting out of a school as a technical centre for the development of welding and technical drawing skills, South Africa Raising of environmental awareness at schools, Morocco
6	Clean Water and Sanitation	Supply of solar powered water pumps, Indonesia Supply of rain storage water tanks, Vietnam
7	Affordable and Clean Energy	Installation of micro-hydro plant to serve off-grid communities, Bhutan Installation of solar panels to support a children's village, Algeria
10	Reduced Inequalities	Focusing skills development primarily on women and the disabled, India Supporting social mobility, United Kingdom
15	Life on Land	Encouraging environmental awareness and bio-diversity protection, Panama Encouraging reforestation, Chile

The Foundation's Board of Directors includes eight members, five of whom are internal to Alstom and three of whom are external experts. The Board is supported by a Secretariat which undertakes the day-to-day running of the Foundation and implements the Board's decisions. The Secretariat oversees the implementation of the agreements with the selected partners and the progress of the projects that the Foundation is supporting.

40 projects were active in April 2017; of these, 28 remained active at the end of the fiscal year (March 2018). Several of these projects (notably those in Panama; Algeria; Israel; Italy; South Africa) were the subject of focused volunteering activity by teams of Alstom employees who gave freely of their time and expertise to give on the ground support to our local NGO partners.

At its meeting in September 2017 the Board of Directors selected the following 17 projects for support from the 2017/18 budget, presented below by geographical region. The relevant local Alstom facility, be it a factory site, an office or some other entity, is identified.

Asia-Pacific

- Cambodia – supported from the Singapore office. Renovation, to improve the living conditions, of a shelter in Phnom Penh for 93 young people from orphanages around the country, thereby providing them with a safe and healthy environment in which to develop skills for future employment; partner: Enfants d'Asie.
- India – Madhepura factory site. Provision of a mobile service which travels between the five villages that are closest to the factory site to improve the health status and education level of the villagers and to help develop vocational skills and employability; partner: Pragya.
- India – Bangalore office. "Resourceful women" – the setting up of 600 self-help groups, each of 12-20 women living below the poverty line, plus the provision of training to them on how to set up a micro-enterprise and subsequently the provision of micro-credits to help them get started in improving their economic situation; partner: SEVAI (Society for Education, Village Action and Improvement).
- India – Bangalore office. "Small Homes: Big Dreams" – the extension of a project supported by the Foundation in the previous year aimed at offering street children (girls) a safe home, decent healthcare and a proper education; partner: Dream India Network.
- The Philippines – Manila project site. Preventing the spread of water-borne diseases though the provision of a domestic human waste management system (collection/treatment/conversion to fertiliser) for communities of Eastern Samar; partner: ACTED.
- Vietnam – Hanoi office. Addressing the lack of access to clean water by the installation of 40 concrete rain water storage tanks in Phong Nam commune. In this way exposure to water-borne diseases will be reduced and the health of the commune will be improved; partner: Christine Noble Children's Foundation.
- Vietnam – Hanoi office. The installation of ropeways in six villages in Tun Giao District to transport seeds and equipment up to farmers fields high up in the mountains and to transport grown produce down again, thereby reducing the burden on the farmers who previously had to carry everything on their backs; partner: World Vision France.

Europe

- France – Saint-Ouen office. "Breaking the cycle No Home: No Job" – supporting disadvantaged young people in their transition to an independent adulthood through an approach to youth housing services (social residences) which builds on their strengths; partner: Fondation Apprentis d'Auteuil.
- Italy – Savigliano site. "Give a chance to Chernobyl children" – supporting Italian families in hosting children contaminated by radiation from the Chernobyl nuclear plant in the Ukraine, giving them each a one-month holiday and helping to reduce their contamination levels; partner: Smile Onlus per la Bielorussia.
- United Kingdom – Widnes Railway Technical Centre. Year 2 of a project to improve the social mobility of disadvantaged youth in Liverpool. The project aims to boost the ability of young people from poorer areas to get into the top Universities through such means as mentoring, training, skills development and internships; partner: Social Mobility Foundation.

The Americas

- Chile – Santiago office. Reforestation of seven hectares of land denuded by the widespread forest fires of January/February 2017. Part of a plan to plant 1 million native trees over five years; partner: Corporacion Cultiva.
- Mexico – Mexico City office. Phase 2 of a project to help conserve the Papaloapan River watershed in Oaxaca by empowering rural and indigenous communities restore degraded forest, adopt sustainable agricultural alternatives and use technologies that reduce pressure on the environment; partner: Ecologic Development Fund.
- Peru – Lima office. Phase 3 of a project to construct, using local women, green spaces and recreational areas and to encourage market gardening in a shanty town on the outskirts of Lima; partner: Mano a Mano.
- USA – Hornell site. Renovation of an adult-supervised year-round facility for 8-19-year olds from disadvantaged backgrounds that frequent it after school and during holidays. This facility serves to keep the youth off the streets and provide them with *inter alia* extended learning opportunities; mentoring; anti-drug counselling; partner: Hornell Area Concern for Youth.

Middle East & Africa

- Algeria – Algiers office. Year 2 of a project to upgrade buildings providing homes to 142 children deprived of their biological families at Draria SOS Children's Village, south of Algiers. The aim of the village is to alleviate hardship and maintain family-like stability so that children will be safe and protected and grow up in a loving home; partner: SOS Village d'Enfants, Algeria.
- Morocco/Senegal – Casablanca office. Prototype testing of a system (electric bicycles with trailers) for the movement of goods for people of limited resources in areas where the distances between population centres preclude travel on foot; partner: Fundacion Ingenieros de ICAI para el Desarrollo.
- Senegal – Dakar project site. The facilitation of access to solar electricity for women in rural areas through the provision of micro-finance services and strengthening their ability to take economic benefit from this access; partner: PAMIGA.

More information about the Alstom Foundation and its projects can be found on the Foundation's website: www.alstom.com/foundation/.

METHODOLOGY

INTRODUCTION

The content of this chapter dedicated to Alstom's Sustainable Development and Corporate Social Responsibility (CSR) has been prepared by the Sustainable Development and CSR central team of Alstom with the collaboration of many support functions such as Sourcing, Human Resources, Risk Control, Ethics & Compliance, Environment Health & Safety (EHS), Ecodesign, Innovation, country representatives and Product platforms.

The collection and consolidation of all information was the subject of a dedicated process between January and April 2018. The whole chapter has been reviewed by PricewaterhouseCoopers as an independent third party in respect of Article 225 of the French Grenelle II law.

REPORTING PRINCIPLES

All the data reported (indicators) are coming from different Alstom internal reporting systems, detailed in the respective sub-sections.

Indicators considered relevant are defined with reference to the Global Reporting Initiative (GRI). However, some indicators are not yet available on a consolidated basis or have been considered irrelevant for Alstom reporting. In such cases, they are not mentioned or are limited in scope, which is then specified.

A synthesis of indicators/key figures is available in a dedicated section at the end of this chapter. It includes information as per Article L. 225-102-1 of the French Commercial Code and the decree and order – as well as per the Decree No. 2016-1138 dated 19 August 2016 related to the obligation for companies to be transparent in environmental and social matters.

Environmental performance and health and safety results

Data covering these topics are gathered within the reporting and consolidation system so-called "Teranga" which is also used for financial reporting.

On the reporting scope, the safety and health results cover nearly 100% of Alstom's employees and contractors working for Alstom. As far as environmental performance is concerned, all production sites, all depots operated and managed by Alstom in the context of a contract duration of five years or more, all permanent offices occupied and managed by Alstom and all permanent sites of more than 200 persons are consolidated in the environmental reporting. Due to the significantly different possible configurations and partnerships that can occur in projects, the environmental performance of temporary construction sites is not consolidated. This is also the case for the environmental performance of activities conducted in sites of less than 200 persons on which the utilities are not managed by Alstom. Environmental results cover almost 72% of Alstom employees.

Newly acquired activities start to report after a full calendar month of presence in the Group in the case of safety results and after a full calendar quarter of presence in the case of environmental results. The environmental results of newly acquired sites are consolidated after a full calendar year of reporting, the data of the reference year being recalculated to take account of the new sites and allow the performance to be measured at a constant perimeter. It should be noted that the sites Cabliance in Morocco and Ubunye in South Africa were acquired by Alstom in 2016. In consequence, their environmental results have only been consolidated since 2017.

Health and safety reporting is done on a monthly basis from around 170 elementary reporting units with 12 basic indicators. On environment, the reporting is done on a quarterly basis from around 70 reporting units with 27 basic indicators. The intensities (energy, greenhouse gases, waste and water) are calculated with the hours worked for the units that report on environment. The VOC (Volatile Organic Compounds) intensity is calculated per painted unit (coach or locomotive) on the sites where there is a painting activity. Monthly and quarterly reporting is complemented by a yearly reporting campaign with 18 additional indicators.

The definition of indicators is described in a Group document, the EHS reporting manual, which is complemented by a reporting procedure. The process is under the responsibility of the EHS Vice President.

Except when specified differently, health and safety data is presented over the fiscal year, *i.e.* from April 2017 to March 2018, while environmental data is consolidated over the calendar year, *i.e.* from January to December 2017.

Social report and actions on local communities

The sources for social reporting indicators are:

- the Alstom Human Resources Information System (HRIS), which is based on Success Factor software and covers all Alstom facilities;
- a social survey, conducted in 27 countries, on the figures of calendar year 2017 – Algeria, Australia, Belgium, Brazil, Canada, Chile, China, Egypt, France, Germany, Hong Kong, Israel, India, Italy, Mexico, Morocco, The Netherlands, Poland, Qatar, Romania, Saudi Arabia, South Africa, Spain, Sweden, United Arab Emirates (UAE), United Kingdom (UK) and United States of America (USA) –, representing 95.6% of Alstom's workforce.

ALPS data is presented over the fiscal year, *i.e.* from April 2017 to March 2018, while data from the Social Survey is consolidated over the calendar year, *i.e.* from January to December 2017.

In addition, and in order to illustrate the different sections with examples of initiatives, the following actions are conducted by the Sustainability and CSR central team:

- a collection and summarisation of the local community activities conducted in the 25 countries of more than 200 employees, with the support of the network of CSR Champions and local management teams;
- a survey among the Product platforms regarding achievements of the year and ongoing developments;
- a collection of all news related to Sustainability and CSR, published internally through internal communication tools and externally through press releases.

SYNTHESIS OF **INDICATORS/KEY FIGURES** 2017/18

Indicators	2016/17	**2017/18**	GRI 2016 reference	Page
ENVIRONMENTAL INDICATORS				
Energy				
Energy consumption from natural gas [1] *(in GWh)*	231	223	302.1	238
Energy consumption from butane/propane and other gases [1] *(in GWh)*	8	8	302.1	238
Energy consumption from domestic fuel [1] *(in GWh)*	6	5	302.1	238
Energy consumption from imported steam and heat [1] *(in GWh)*	42	41	302.1	238
Energy consumption from electricity [1] *(in GWh)*	181	184	302.1	238
Energy consumption from coal, heavy fuels and other fuels [1] *(in GWh)*	0	1	302.1	238
Total energy consumption [1] *(in GWh)*	468	462	302.1	238
Energy intensity [1] *(in kWh/hours worked)*	10.3 [2]	10.4	302.3	238
Direct CO_2 emissions from natural gas, butane, propane, coal and oil consumption [1] *(in kilotonnes CO_2 eq.)*	50	48	305.1	239
Indirect CO_2 emissions from steam, heat and electricity consumption [1] *(in kilotonnes CO_2 eq.)*	62	65	305.2	239
Total CO_2 emissions from energy consumption [1] *(in kilotonnes CO_2 eq.)*	112	113	305.1/2	239
Other direct CO_2 emissions from HFC [1] *(in kilotonnes CO_2 eq.)*	1	1	305.3	239
Total CO_2 emissions from energy consumption and other direct emissions [1] *(in kilotonnes CO_2 eq.)*	113	114	305.1/2/3	239
GHG emissions intensity [1] *(in kilotonnes CO_2 eq./hours worked)*	2.5	2.5	305.4	239
CO_2 emissions from trains sold for passengers service *(average in g CO_2 eq. per pass*km)*	/	7	305.3	240
CO_2 emissions from air travels [1] *(in kilotonnes CO_2 eq.)*	27	29	305.3	240
CO_2 emissions from train travels [1] *(in kilotonnes CO_2 eq.)*	1	1	305.3	240
Company cars CO_2 emissions from gasoline [1] *(in kilotonnes CO_2 eq.)*	1	1	305.1	240
Company cars CO_2 emissions from diesel oil [1] *(in kilotonnes CO_2 eq.)*	3	3	305.1	240
CO_2 emissions linked the standard transport of goods [1] *(in kilotonnes CO_2 eq.)*	14 [2]	19	305.3	240
CO_2 emissions linked the exceptional transport of goods [1] *(in kilotonnes CO_2 eq.)*	3	7	305.3	240
Water				
Water consumption from public network [1] *(in thousands of m³)*	557	612	303.1	241
Water consumption pumped from groundwater [1] *(in thousands of m³)*	125 [3]	149	303.1	241
Water consumption pumped from surface water [1] *(in thousands of m³)*	0	0	303.1	241
Total water consumption [1] *(in thousands of m³)*	682	761	303.1	241
Airborne Emissions				
Non-methane Volatile Organic Compounds (VOCs) emissions [1] *(in tonnes)*	141	163	305	242
Waste management				
Total hazardous waste production [1] *(in tonnes)*	2,728	2,633	306.2	243
Recovered hazardous waste [1] *(in tonnes)*	1,504	1,600	306.2	243
Total non-hazardous waste production [1] *(in tonnes)*	27,014	27,910	306.2	243
Recovered non-hazardous waste [1] *(in tonnes)*	24,529	25,280	306.2	243
Total waste production [1] *(in tonnes)*	29,742	30,543	306.2	243
Percentage of recovered waste [1] *(in %)*	88	88	306.2	242-243
Waste intensity [1] *(in kg/hours worked)*	0.73	0.73	306.2	243
Management system				
Proportion of manufacturing sites and Regional Centres of more than 200 employees certified ISO 14001 *(in %)*	100	100	103	238

Indicators	2016/17	2017/18	GRI 2016 reference	Page
SOCIAL INDICATORS				
Occupational Health and Safety				
Number of fatalities at work (Alstom employees and contractors)	0	1	403.2	234
Number of travel fatalities (Alstom employees)	0	0	403.2	234
Number of occupational severe accidents (incl. fatal accidents)	6	8	403.2	234
Lost time injury frequency rate 1 (IFR 1) (employees and contractors)	1.4	1.0	403.2	234
Number of Alstom Zero Deviation Plan audits conducted during fiscal year	62	66	Non-GRI	232
Proportion of employees trained to e-learning module on High Risk Activities (1) *(in %)*	80	81	404.1	233
Number of recognised occupational diseases for the Alstom perimeter (1)	26	39	403.2	234
Ratio of employees covered by a life insurance in case of accidental death or total and permanent disability (1) *(in %)*	97.3	97.3	401.2	248
Ratio of employees covered by a life insurance giving one-year salary in case of accidental death or total and permanent disability (1) *(in %)*	85.1	90.0	401.2	248
Workforce and organisation				
Total workforce by type of contract			102.8	246
• Permanent contracts	29,808	30,972		246
• Fixed-term contracts	2,265	2,563		246
• Interns	706	931		246
Total employees	32,779	34,466	102.7	246
Distribution of employees by Region (employees) *(in %)*			102.8	246
• Middle East/Africa	8.8	10.3		246
• Asia/Pacific	12.3	13.6		246
• Europe	63.2	61.1		246
• Americas	15.8	14.9		246
Distribution of employees by category (employees)			Non-GRI	246
• Managers and professionals *(in %)*	50.3	52.0		246
• Other employees *(in %)*	49.7	48.0		246
Employees' movements during fiscal year (employees)			401.1	246
• Hiring on permanent contracts	3,339	4,286		246
• Hiring on fixed-term contracts	1,731	2,216		246
• Resignations	1,425	1,583		246
• Redundancies	236	382		246
• Dismissals *(permanent headcount)*	563	582		246
• Other departures (incl. retirements, excl. acquisitions/disposals)	1,345	2,179		246
Recruitment by region (permanent contracts) *(in %)*			401.1	247
• Middle East/Africa	16	23		247
• Asia/Pacific	31	25		247
• Europe	29	29		247
• Americas	24	24		247
Resignation rate for employees on permanent contracts by Region *(in %)*	4.9	5.2	401.1	249
• Middle East/Africa	7.0	6.4		249
• Asia/Pacific	9.2	10.5		249
• Europe	3.6	4.0		249
• Americas	6.5	5.6		249
Absenteeism rate (1) *(in %)*	2.7	2.9	403.2	249
• Middle East/Africa	2.0	2.4		249
• Asia/Pacific	1.5	2.4		249
• Europe	3.2	3.3		249
• Americas	1.9	1.9		249

Indicators	2016/17	2017/18	GRI 2016 reference	Page
Competencies and carriers				
Proportion of annual performance interviews conducted (managers & professionals) *(in %)*	96	93	404.3	252
Proportion of employees trained (1) *(in %)*	76	86	404.2	253
Average training hours per employee (1) *(in hours/employee)*	19	20	404.1	253
Total number of training hours (1) *(in hours)*	584,600	621,042	404.1	253
Diversity and equal opportunity				
Proportion of women in the workforce *(in %)*	17.1	17.4	405.1	254
Proportion of female managers or engineers *(in %)*	19.9	20.1	405.1	254
Proportion of executive of senior managers women *(in %)*	13.0	16.3	405.1	254
Proportion of women trained (1) *(in %)*	17.0	17.3	405.1	254
Proportion of employees with disabilities (1) *(in %)*	2.4	2.8	405.1	256
• Europe	3.4	4.2		256
Proportion of employees aged over 45 years *(in %)*	40	38	405.1	256
Sustainable sourcing			414	
Proportion of purchase amount covered by the referenced suppliers having signed the Sustainable Development Charter *(in %)*	90	94		237
Number of suppliers covered by an assessment less than three years old	483	510		237
Proportion of sourcing managers who have attended sustainable sourcing training *(in %)*	88	87		237
Labour/Management relations				
Proportion of employees covered by a collective bargaining agreement (1) *(in %)*	70.7	65.4	103	257
Ethics				
Proportion of targeted population who have received training on ethics (4) *(in %)*	/	68	205.2	227

(1) Indicators reported for calendar years 2016 and 2017.
(2) Scope modified.
(3) Methodology modified.
(4) Target population was modified in January 2017 (objective: train 100% of population over two years).

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 March 2018

To the Shareholders,

In our capacity as Statutory Auditor of Alstom S.A. (the "Company"), appointed as independent third party and certified by COFRAC under number 3-1060 (1), we hereby report to you our report on the consolidated human resources, environmental and social information for the year ended 31 March 2018, included in the management report (hereinafter named "CSR Information"), pursuant to article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R. 225-105-1 of the French Commercial Code in accordance with the Company's internal reporting guidelines consisting of "Census Rules" and "Social Survey indicator protocol" for the human resources information and of "Environment, Health & Safety Reporting Manual" for the environmental information (hereinafter the "Guidelines") and available on request from the Company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L. 822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

Statutory Auditors' responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

However, it is not for us to express an opinion on the compliance with the other legal provisions applicable, in particular those set out by the article L. 225-102-4 of the Commercial Code (plan of vigilance) and by the law n° 2016-1691 of 9 December 2016 known as Sapin II (fight against corruption).

Our work involved seven persons and was conducted between September 2017 and April 2018 during an eight week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des Commissaires aux comptes*) relating to this engagement and with ISAE 3000 (2) concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant Departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R. 225-105-1 of the French Commercial Code.

(1) Scope is available at www.cofrac.fr.

(2) ISAE 300 - Assurance engagements other than audits or reviews of historical financial information.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, *i.e.*, the Company, its subsidiaries as defined by article L. 233-1 and the controlled entities as defined by article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in chapter 6 of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted more than one hundred interviews with around one hundred persons responsible for preparing the CSR Information in the Departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important and whose list is given in annex:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities, Sorel-Tracy in Canada, La Rochelle, Valenciennes and Saint-Ouen in France, Salzgitter and Stendal in Germany, Hong-Kong, Mexico City in Mexico, Cabliance in Morocco, Riyadh in Saudi Arabia, Gibela in South Africa and Manchester and Radlett in the United Kingdom, selected by us on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. This work represents 25% of headcount considered as typical size of the social component, and between 21% and 37% of environmental data considered as characteristic variables of the environmental component.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, the 15th of May, 2018

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Édouard Demarcq	Pascal Baranger
Partner	Director at the "Sustainable Development" Department

Appendix: CSR information that we considered to be the most important

Human resources:

- Total number and breakdown of employees by gender, age and geography, indicators total workforce at 31 March 2018, breakdown by category, breakdown by gender and breakdown by region.
- Hiring and dismissals, indicators number of hires, number of resignations and number of dismissals.
- Absenteeism, indicator absenteeism rate.
- Organisation of social dialogue, including procedures for information, consultation and negotiation with employees, indicator percentage of employees covered by a collective bargaining agreement.
- Health and safety conditions at work.
- Occupational accidents, including frequency and severity, and occupational diseases, indicators number of fatalities at work (Alstom employees and contractors), number of occupational severe accidents and lost time injury frequency rate (employees and contractors) and total number of occupational diseases.
- Training policies.
- Total number of training hours, indicators total number of training hours and average number of training hours per employee.
- Policy implemented and measures taken in favor of equality between women and men, indicator proportion of women, proportion of women managers, proportion of women executive officers.
- Respect for freedom of association and rights for collective bargaining.

Environmental information:

- Company organisation to take into account environmental issues and if relevant, environmental evaluation and certification process.
- Amount of provisions and guarantees for environmental-related risks.
- Measures to prevent, reduce or compensate discharges in the air, water and soil causing important damage to the environment, indicators VOC [1] emissions and VOC intensity.
- Measures to prevent, recycle and eliminate waste, indicators hazardous and non-hazardous waste production, share of hazardous and non-hazardous waste recovered.
- Water consumption and water supply regarding local constraints, indicators consumption of water from public water supply, surface water and groundwater.
- Energy consumption and measures taken to improve energy efficiency and renewable energy use, indicators consumptions of natural gas, butane/propane and other gas, domestic fuel, steam/heat, electricity, heavy fuels and other fuels.
- Greenhouse gas (GHG) emissions, indicators direct and indirect CO_2 emissions from energy consumption and other direct CO_2 fugitive emissions from HFC, CO_2 emissions related to business travels.

Social information:

- Territorial, economic and social impact of the Company in terms of employment and regional development.
- Consideration of social and environmental issues in the Company's procurement policy.
- Importance of subcontracting and inclusion in the relationships with suppliers and subcontractors of their social and environmental responsibility, indicators proportion of purchase amount covered by the referenced suppliers having signed the Sustainable Development Charter and number of suppliers covered by an assessment less than three years old.
- Actions carried out to prevent corruption.
- Measures taken to promote consumers' health and security.
- Other actions carried out to promote human rights.

(1) Non-methane Volatile Organic Compounds (VOC).

TABLE OF COMPULSORY CSR INFORMATION

Information pursuant to Articles L. 225-10, L. 225-102-1 al. 5 and L. 225-102-4 of the French Commercial Code.

		Pages of the Registration Document
1.	**Non-financial key performance indicators (Article L. 225-10 of the French Commercial Code)**	
	Synthesis of non-financial key performance indicators	270-272
2.	**Vigilance plan (Article L. 225-102-4 of the French Commercial Code)**	230-237
3.	**Social information (Articles L. 225-102-1 al. 5 and R. 225-105-1 of the French Commercial Code)**	
	3.1. Workforce	
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	Hiring and dismissals/redundancies	246, 257
	Compensation and compensation evolution	248
	3.2. Working time	
	Working time organisation	247
	Absenteeism	249
	3.3. Industrial relations	
	Organisation of social dialogue, in particular processes of employee information and consultation, and negotiation	257
	Assessment of collective agreements	257
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INFORMATION ON **THE GROUP AND THE HOLDING COMPANY**

HISTORICAL INFORMATION

The Group was created in 1989, when the parent company GEC ALSTHOM NV was incorporated as a holding company under the laws of The Netherlands, by The General Electric Company plc ("GEC") and Alcatel, its 50-50 shareholders, in order to consolidate in one single group the businesses until then carried out by certain of their respective subsidiaries. This joint venture, carried out during a time of consolidation in the energy sector, aimed at benefiting from certain complementary products and markets of Alcatel and GEC respectively.

At the end of 1997, the two shareholders decided to list the Company on the Paris, New York and London Stock Exchanges and to put part of their shares on the market. They chose Paris as the main listing exchange and they decided to transfer to a French public limited company *(société anonyme),* renamed ALSTOM (previously Jotelec), the whole of the activities until then carried out by GEC ALSTHOM NV. Before the IPO and listing on the Stock Exchange of ALSTOM (or the "Company"), almost all of the assets directly or indirectly held by GEC ALSTHOM NV were transferred to one of its French subsidiaries, ALSTOM France SA, 100% owned by ALSTOM. This company, since then renamed ALSTOM Holdings, is the sub-holding of the Group, which owns the operational subsidiaries of the Group (see below "Simplified organisation chart of the Group at 31 March 2017").

Since the listing of ALSTOM in 1998, the Group's scope has deeply changed. One of the most significant operations was the acquisition of ABB power generation activities in two phases: first, in July 1999, a joint venture was set up and then in May 2000, Alstom bought ABB's share in the above-mentioned joint venture. At the same time, the Group re-focused on its core business, notably by selling its Contracting Sector in July 2001.

The Group sold its Transmission & Distribution and Marine Sectors in 2004 and 2006 respectively. In June 2010, Alstom acquired the Transmission activities of AREVA, now the Grid Sector of the Group.

The operational activities of the Group had been organised in four Sectors since July 2011: Thermal Power, Renewable Power, Grid and Transport.

On 4 November 2014, the Board of Directors of ALSTOM approved the signing of an agreement with General Electric to sell Alstom's Energy businesses, namely Power (electricity generation) and Grid, as well as shared and central services of Alstom. This transaction was accompanied by the reinvestment of part of the sale proceeds in three joint-ventures to be created with General Electric in the nuclear the company GEAST (20% minus one share), grid the company GE Grid Alliance BV (50% minus one share) and renewables activities the company GE Renewable Holdings BV (50% minus one share). Alstom has acquired General Electric's Signalling business and has concluded a global alliance in the rail sector.

The transaction was completed on 2 November 2015 after the finalisation of carve-out operations of the Energy businesses and the receipt of the competition and regulatory authorisations.

Alstom has, for each of these joint-ventures, a put option (exercisable in September 2018 or in September 2019 for the Grid and Renewable joint ventures, and during the first quarter of years 2021 and 2022 for the nuclear joint venture) at a price based on a formula related to results, provided such price shall not be lower than that of Alstom's acquisition of the joint venture shares plus 2% or 3% per year, as applicable, from the closing of the sale of the Energy businesses to General Electric.

On May 10, 2018, Alstom signed an agreement with General Electric relating to the implementation of the agreements from 2015 regarding the intended exit of Alstom from the Renewables, Grid and Nuclear joint ventures. Alstom intends to exercise its options to sell its interests in these Renewables and Grid joint ventures in September 2018 (pursuant to Alstom's put options). If these options are exercised, General Electric will then be deemed to have exercised its option to acquire Alstom's interest in the Nuclear joint venture (pursuant to General Electric's call option), and the transfer of all interests should occur on 2 October 2018 for a total amount of €2.594 billion.

IDENTITY OF THE COMPANY

Company name and registered office

ALSTOM
48, rue Albert-Dhalenne, 93400 Saint-Ouen
Tel.: 01 57 06 90 00

Legal form

Limited liability company (French *"société anonyme à Conseil d'administration"*) incorporated under the laws of France and regulated notably by the French Commercial Code.

Duration

Alstom was incorporated under the name "Jotelec" on 17 November 1992 and its existence will expire on 17 November 2091, unless it is earlier dissolved or its life is extended.

Registration number

389 058 447 RCS Bobigny.

Code APE

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SUMMARY OF KEY PROVISIONS OF THE ARTICLES OF ASSOCIATION

Purpose of the Company

(Extract of Article 3 of the Articles of Association)

The purposes of ALSTOM are directly or indirectly:

- the conduct of all industrial, commercial, shipping, financial, real property and asset transactions in France and abroad, notably in the following fields:
  - energy,
  - transmission and distribution of energy,
  - transport,
  - industrial equipment,
  - naval construction and repair work,
  - engineering and consultancy, design and/or production studies and general contracting associated with public or private works and construction, and
  - more generally, activities related or incidental to the above;
- participation, by every means, directly or indirectly, in any operations which may be associated with its purpose, by the creation of new companies, capital contributions, subscription or purchase of stocks or rights, merger with such companies or otherwise, the creation, acquisition, lease or takeover of business goodwill or businesses; the adoption, acquisition, operation or sale of any processes and patents relating to such activities; and
- generally undertaking all industrial, commercial, financial and civil operations and real property and asset transactions that may be directly or indirectly associated with Alstom purposes or with any similar or related.

Furthermore, ALSTOM may acquire an interest, of whatever form, in any French or foreign business or organisation.

Fiscal year

(Article 19 of the Articles of Association)

The financial year starts on 1 April and ends on 31 March.

Shareholders' Meetings

(Article 15 of the Articles of Association)

Convening and proceedings – agenda

Ordinary and Extraordinary General Meetings, satisfying the legal conditions for quorum and majority voting, exercise the powers respectively attributed to them by the law. They are convened in accordance with the rules and the terms laid down by law.

Meetings are held at the registered office of Alstom or at any other place determined by the Board, either within the *"département"* in which the registered office is located or in any other French territory.

The agenda of the meeting is drawn up by the Board of Directors if the Board has called the meeting and, if not, by the person calling the meeting. However, one or more shareholders satisfying the conditions laid down by law may request the inclusion of draft resolutions on the agenda. Questions not appearing on the agenda may not be considered.

Admission and representation

Ordinary and Extraordinary General Meetings are made up of all shareholders without distinction between the class of shares which they hold.

In all Shareholders' Meetings, shareholders are only entitled to exercise their right to vote if their shares have been recorded in the accounts in the name of the shareholder or the intermediary registered for its account pursuant to the legal and regulatory provisions on the second business day (1) preceding the date of the Shareholders' Meeting at midnight, Paris time, either in the accounts of registered securities held by the Company for registered shares, or in the accounts of bearer securities held by an intermediary authorised for bearer shares. This record is officially acknowledged in accordance with the terms laid down by law.

Shareholders may vote by proxy or by correspondence at General Meetings under the conditions laid down by law.

In order to be taken into account, the voting forms and proxies must be received by the Company at least two days prior to the Meeting, unless a shorter term is decided by the Board of Directors or is stipulated by law.

Pursuant to the Board of Directors' decision, communicated by way of notice of meeting and/or the convocation to the meeting, any shareholder may vote at a Shareholders' Meeting, by proxy or by correspondence *via* any electronic means of telecommunication in accordance with the conditions set by law. In these cases, forms for voting at a distance or by proxy, as well as participation certificates, can be completed by way of a duly signed electronic medium under the conditions set forth by the applicable legal and regulatory provisions.

To this end, completing and electronically signing the form can be done directly on the Internet site created by the centralizing agent of the Shareholders' Meeting. The electronic signature of the form can be carried out (i) by entering an identification code and password, under the conditions that comply with the provisions of the first sentence of the second paragraph of Article 1367 of the French Civil Code, or (ii) by any other process satisfying the conditions defined in the first sentence of the second paragraph of Article 1367 of the French Civil Code. The power to vote by proxy or the vote expressed as such before the Shareholders' Meeting by way of this electronic method as well as, if applicable, the proof of receipt delivered after the power to vote by proxy or the vote is expressed, will be considered as a written proof that is irrevocable and binding to all, excluding cases of sales of securities that are subject to the notification set forth in paragraph IV of Article R. 225-85 of the French Commercial Code.

However, in compliance with the 7th paragraph of Article L. 228-1 of the *Code de commerce,* the owners of the securities may be represented by a registered intermediary, in the conditions set down by Law.

Any shareholder having voted at a distance, or sent a proxy or requested his or her admission card or an attendance certificate, may at any time sell all or some of his or her shares pursuant to which he or she transmitted his or her vote or proxy or requested one of these documents. Any sale shall be taken into account in the conditions laid down by law.

The Board of Directors shall have the powers to organise, within the limits of the law, the attendance and voting of the shareholders at General Meetings by videoconferencing or by any telecommunications

(1) Article R. 225-85 of the French Commercial Code resulting from a decree dated 8 December 2014, amended the deadline applicable to the record dates for Shareholders' Meetings of listed companies from three business days before the meeting to two business days before the meeting. This is a public mandatory provision.

means enabling the identification of such shareholders. If applicable, this decision of the Board of Directors shall be communicated in the notice of the meeting and/or the invitation to attend. Those shareholders attending Shareholders' Meetings by videoconference or by these other means are deemed to be present for the purposes of calculating the quorum and the majority.

Voting rights

Each member of the meeting is entitled to as many votes as the number of shares which he holds or represents.

At all Ordinary, Extraordinary or Special General Meetings, the voting right on shares shall, in cases where such shares are subject to usufruct, be exercisable by the usufructuary.

Upon the law "aimed at recapturing the real economy", known as "Florange" Act, enacted in France on 29 March 2014, double voting rights will be fully allocated to shareholders holding registered shares for at least two years in a listed company, unless stated otherwise in a provision of the Articles of Association of the Company adopted after the entry in force of the new law. Given the accounting period which started on 1 April 2014 and in the absence of a contrary provision in the Articles of Association, double voting rights are automatically applied from 31 March 2016. It is reminded that the Ordinary and Extraordinary Shareholders' Meeting, convened on 1 July 2014, voted against the 20th resolution, which proposed to introduce in the ALSTOM's Articles of Association a new provision in order to maintain single voting rights.

Notification of holdings exceeding certain percentages

(Extract of Article 7 of the Articles of Association)

In addition to the legal obligation to notify the Company of certain shareholding levels or voting rights, any individual or legal entity who holds directly or indirectly, alone or in concert pursuant to articles L. 233-10 *et seq.* of the *Code de commerce* a number of shares in the Company giving a shareholding equal to or in excess of 0.5% of the total number of shares or voting rights issued must notify the Company by recorded letter with proof of receipt within five trading days of this threshold being exceeded. Notification is to be repeated under the same conditions whenever a new threshold of a multiple of 0.5% of the total number of shares or voting rights is exceeded, up to and including threshold of 50%.

To determine these thresholds, shares assimilated to the shares owned as defined by the legislative and regulatory provisions of article L. 233-7 *et seq.* of the *Code de commerce,* will be taken into account.

In each of the above-mentioned notifications, the declaring person must certify that the notification includes all stock held or owned in the sense of the preceding paragraph. Such notification must also state: the declarer's identity as well as that of individuals or legal entities acting in concert with him, the total number of shares or voting rights that he holds directly or indirectly, alone or in concert, the date and the source of exceeding the threshold, as well as if need be the information mentioned in the third paragraph I of article L. 233-7 of the *Code de commerce*.

Any shareholder whose participation in the shareholding or in voting rights falls below one of the above-mentioned thresholds is also required to notify the Company within the same length of time of five trading days and by the same means.

In the event of non-observance of the above provisions and in accordance with the conditions and levels laid down by law, the shareholder shall lose the voting rights relating to the shares in excess of the thresholds which should have been notified, if one or more shareholders holding at least 3% of the share capital or voting rights so requires.

Identification of holders of bearer shares

(Extract of Article 7 of the Articles of Association)

The Company may, under the conditions laid down by the legal provisions in force, request any officially authorised organisation or intermediary to pass on all information concerning its shareholders or holders of its stock conferring an immediate or subsequent right to vote, their identity and the number of shares that they hold.

Appropriation of income

(Extract of Article 21 of the Articles of Association)

The profits for fiscal year consist of the revenues relating to the preceding fiscal year, less overhead and other Company expenditure including provisions and depreciation allowances. At least 5% is set aside from the profits less any previous losses if appropriate to form the legal reserve fund. This provision ceases to be mandatory once the value of the fund reaches one-tenth of the share capital.

The remainder (less the above deductions) of the retained earnings and withdrawals from the reserves which the General Meeting has at its disposal shall, if the General Meeting so desires, be distributed among the shares, once the sums carried forward by the said Meeting or transferred by it to one or more reserve funds have been deducted.

After the General Meeting has approved the accounts, any losses are carried forward and imputed to the profits of future fiscal years until they are discharged.

Each shareholder may be granted, at the General Meeting, for all or part of the dividend or interim dividend to be distributed, an option to be paid the dividend or interim dividends in cash or in shares of the Company, under the current legal and regulatory conditions.

The Articles of Association do not contain any provision, which may delay, postpone or prevent a change of control.

DOCUMENTS ACCESSIBLE TO THE PUBLIC

The legal documents relating to the Company and the Group, which are required to be accessible by the shareholders according to the applicable law are available for inspection at the Company's registered office and some of them, including the articles of association, are available on the Group's website (http://www.alstom.com/fr/), in particular in sections "Investors" as per Article L. 451-1-2 of the French *Code monétaire et financier.* The Group Annual Reports for the last ten fiscal years are also available on the Company's website.

ACTIVITY OF THE HOLDING COMPANY

ALSTOM is the holding company of the Group. ALSTOM investments consist exclusively of the shares of ALSTOM Holdings. ALSTOM centralises a large part of the external financing of the Group and directs the funds so obtained to its subsidiary ALSTOM Holdings through loans and a current account. Fees from its indirect subsidiaries for the use of the ALSTOM name are ALSTOM's main other source of revenue.

For more information, see section "Financial information – Statutory accounts – Comments on statutory accounts".

INTELLECTUAL PROPERTY

The Group owns or benefits from licenses for the use of several trademarks, patents and other intellectual property rights. All these rights contribute to the good performance of the business, but none of the licenses alone currently has a material relevance for the activities of the Group.

REAL PROPERTY

The Group carries out its activities on certain real estate over which it has rights of different types. The Group has full ownership of most of its main industrial sites.

The Group set up a leasing strategy for its offices buildings, which applies notably to the headquarters of the Group. The gross value of land and buildings fully owned and leased under financial leases as of 31 March 2018 is €946 million. The depreciation booked for the above is €465 million. These amounts do not include operating leases. The Group's tangible assets are subject to costs for general maintenance and repairs required for their good functioning, to meet with legal and quality requirements, including environmental, health and safety matters.

MAIN SITES HELD (NON EXHAUSTIVE LIST)

Country	Site
Algeria	Alger *(Lease)*
Australia	Ballarat
	Sydney *(Lease)*
Belgium	Charleroi
Brazil	Sao Paolo
	Taubate
Canada	Sorel-Tracy *(Lease)*
	Toronto *(Lease)*
Egypt	Cairo *(Lease)*
France	Aytré – La Rochelle
	Belfort
	Le Creusot
	Ornans
	Petit-Quevilly *(Lease)*
	Reichshoffen
	Saint-Ouen *(Lease)*
	Tarbes
	Valenciennes
	Villeurbanne *(Lease)*
Germany	Braunschweig *(Lease)*
	Salzgitter
	Stendal
India	Bangalore *(Lease)*
	Madhepura
	Chennai – SriCity
	Coimbatore *(Lease)*
Italy	Bologna *(Lease)*
	Florence *(Lease)*
	Lecco *(Lease)*
	Nola
	Savigliano
	Sesto *(Lease)*
Kazakhstan	Astana
Mexico	Mexico *(Lease)*
Morocco	Fes *(Lease)*
Netherlands	Ridderkerk *(Lease)*
	Utrecht *(Lease)*
Poland	Katowice
South Africa	Johannesburg (Gibela)
	Johannesburg (Ubunye)
Spain	Barcelona
	Madrid *(Lease)*
Sweden	Motala
Turkey	Istanbul *(Lease)*
United Kingdom	Manchester *(Lease)*
	Preston *(Lease)*
	Radlett *(Lease)*
USA	Hornell (NY) *(Lease)*
	Rochester (NY) *(Lease)*
	Grain Valley (MI)
	Warrensburg (MI)
	Melbourne (FL) *(Lease)*

AGREEMENTS CONCLUDED BY EXECUTIVE OFFICERS OR MAJOR SHAREHOLDERS OF THE COMPANY WITH A COMPANY'S SUBSIDIARY

(Information as per Article L. 225-37-4 of the French Commercial Code)

None.

MATERIAL CONTRACTS

The main acquisitions, disposals, partnerships, joint ventures and changes in scope of consolidation are identified in Note 1 of the consolidated financial statements as of 31 March 2018, in section "Management report on consolidated financial statements fiscal year 2017/18 – Main events of fiscal year 2017/18 of this Registration Document" and in section below "Details on shareholdings taken during fiscal year 2017/18".

DETAILS ON SHAREHOLDINGS TAKEN DURING FISCAL YEAR 2017/18

(Section including information as per Article L. 233-6 of the French Commercial Code)

There were no acquisitions of shareholding during the 2017/18 financial year.

SIGNIFICANT CHANGE IN THE FINANCIAL OR TRADING CONDITION

To the Company's knowledge and as of the date of this Registration Document, no significant change in the financial or trading condition of the Group has occurred since 15 May 2018, date of closing of the latest published statutory and consolidated accounts.

FINANCIAL RATING

ALSTOM is rated by the rating agency Moody's Investors Services since May 2008. On 23 September 2016, Alstom requested Standard & Poors to withdraw all of its ratings on the Group and to cease rating it going forward.

Agency	May 2016	May 2017	May 2018
Moody's Investors Services			
Short-term rating	P-3	P-2	P-2
Long-term rating (*)	Baa3 (positive outlook)	Baa2 (outlook stable)	Baa2 (outlook stable)

(*) Moody's Investors Services revised the long term credit rating from Baa3 to Baa2 (outlook stable) on 10 June 2016.

INFORMATION ON THE SHARE CAPITAL

As of 31 March 2018, ALSTOM's share capital amounted to €1,555,473,297 consisting of 222,210,471 shares of the same class and fully paid with a nominal value of €7 per share, following the operations completed during fiscal year 2017/18, which are detailed in the table page 287 in section "Changes in share capital" below.

As of 30 April 2018, the share capital amounted to €1,555,534,771 divided into 222,219,253 shares of €7 par value each, resulting from the issuance of 8,782 new shares since 31 March 2018.

Upon the law "aimed at recapturing the real economy", known as "Florange" Act, enacted in France on 29 March 2014, double voting rights will be fully allocated to shareholders holding registered shares for at least two years in a listed company, unless stated otherwise in a provision of the Articles of Association of the Company adopted after the entry in force of the new law. Given the accounting period which started on 1 April 2014 and in the absence of a contrary provision in the Articles of Association, double voting rights are automatically applied from 31 March 2016.

To the knowledge of the Company, there is to date no pledge over the shares of the Company or of its significant subsidiaries.

Following the consolidation of the Company's shares completed on 3 August 2005, the shareholders had two years until 4 August 2007, to claim the consolidated shares. On 6 August 2007, the consolidated shares not claimed by their beneficiaries were sold on the stock exchange and the net proceeds of the sale will be held at their disposal for a period of ten years on a blocked account opened with the financial institution appointed by the Company to hold the Company's share registry.

Following the decision of the Ordinary and Extraordinary General Meeting of 24 June 2008 in its 16th resolution, the par value of the share was split in two on 7 July 2008. Each share of par value €14 comprising the share capital as of this date was in full right, exchanged for two shares of par value €7 each and entitled to the same rights as the previous shares.

As a consequence of these operations, the number of shares that could possibly be obtained by the beneficiaries of stock options and free allocation of shares, as well as the redemption ratio of the ORA were adjusted.

FINANCIAL AUTHORISATIONS

(Section including information as per Article L. 225-37-4 of the French Commercial Code)

The table below sets forth the financial authorisations that are in force as of 15 May 2018 and their use during fiscal year:

Nature of the authorisation	Maximum nominal amount authorised	Nominal amount used during expired fiscal year	Available amount	Expiry / Duration
ISSUANCE OF SECURITIES				
Delegation of competence to issue shares and securities giving access to the share capital with preferential subscription right and/or by capitalisation of reserves (only available outside of public tender offers' periods) (AGM 5 July 2016, resolution No. 10)	Share capital: €506 million (corresponds to 33% of the share capital) [1] [5] Debt securities: €1.5 billion [2]	None	Maximum amount authorised	5 September 2018 (duration: 26 months)
Delegation of competence to issue shares and securities giving access to the share capital with cancellation of the preferential subscription right, via a public offer and option to offer a priority right (only available outside of public tender offers' periods) (AGM 5 July 2016, resolution No. 11)	Share capital: €153 million which corresponds to approximately 10% of the share capital [5], minus any capital increase with cancellation of the preferential subscription right by virtue of resolutions No. 12, 13, 14, 16 and 17 of the AGM dated 5 July 2016 [1] [3] Debt securities: €750 million [2]	None	Maximum amount authorised	5 September 2018 (duration: 26 months)
Delegation of competence to issue shares and securities giving access to the share capital with cancellation of the preferential subscription right via a private placement (only available outside of public tender offers' periods) (AGM 5 July 2016, resolution No. 12)	Share capital: €153 million (corresponds to approximately 10% of the share capital) [5], minus any capital increase with cancellation of the preferential subscription right by virtue of resolutions No. 11, 13, 14, 16 and 17 of the AGM dated 5 July 2016 [1] [3] Debt securities: €750 million [2]	None	Maximum amount authorised	5 September 2018 (duration: 26 months)
Delegation of authority to increase the share capital by no more than 10% in consideration of contributions in kind (only available outside of public tender offers' periods) (AGM 5 July 2016, resolution No. 13)	Share capital: €153 million, which corresponds to approximately 10% of the share capital [5], minus any capital increase with cancellation of the preferential subscription right by virtue of resolutions No. 11, 12, 14, 16 and 17 of the AGM dated 5 July 2016 [1] [3]	None	Maximum amount authorised	5 September 2018 (duration: 26 months)
Delegation of competence to increase by 15% the amount of the initial issue with maintenance or cancellation of the preferential subscription right (only available outside of public tender offers' periods) (AGM 5 July 2016, resolution No. 14)	Not to exceed 15% of the initial issuance, and to be deducted from the maximum amounts authorised by the delegations of authority under which the initial issuance is carried out (resolutions No. 10, 11, 12 and 17 of the AGM dated 5 July 2016 [1] [3] Debt securities: €750 million [2]	None	Maximum amount authorised	5 September 2018 (duration: 26 months)
Delegation of competence to issue, with cancellation of the preferential subscription right, Company shares and securities granting access to the Company's share capital in the event of a public exchange offer initiated by the Company (only available outside of public tender offers' periods) (AGM 5 July 2016, resolution No. 16)	Share capital: €153 million, which corresponds to approximately 10% of the share capital [5], minus any capital increase with cancellation of the preferential subscription right by virtue of resolutions No. 11, 12, 13, 14 and 17 of the AGM dated 5 July 2016 [1] [3]	None	Maximum amount authorised	5 September 2018 (duration: 26 months)

Nature of the authorisation	Maximum nominal amount authorised	Nominal amount used during expired fiscal year	Available amount	Expiry / Duration
Delegation of competence to issue Company shares, with cancellation of the preferential subscription right, as a result of the Company's subsidiaries issuing securities granting access to the Company's share capital (only available outside of public tender offers' periods) (AGM 5 July 2016, resolution No. 17)	Share capital: €153 million, which corresponds to approximately 10% of the share capital [(5)], minus any capital increase with cancellation of the preferential subscription right by virtue of resolutions No. 11, 12, 13, 14 and 16 of the AGM dated 5 July 2016 [(1)] [(3)]	None	Maximum amount authorised	5 September 2018 (duration: 26 months)
OFFERINGS TO EMPLOYEES AND EXECUTIVES				
Delegation of competence to issue shares and other securities granting rights to the share capital with cancellation of the preferential subscription right reserved for members of a Group savings plan (AGM 4 July 2017, resolution No. 12)	2% of the share capital at the date of the Shareholders' Meeting, less any amount issued by virtue of resolution No. 10 of the AGM dated 5 July 2016 [(1)] [(4)]	None	Maximum amount authorised	4 September 2019 (duration: 26 months)
Delegation of competence to issue shares reserved for a category of beneficiaries with cancellation of the preferential subscription rights (AGM dated 4 July 2017, resolution No. 13)	0.5% of the share capital at the date of the Shareholders' Meeting, to be deducted from the overall limit set in resolution No. 10 of the AGM dated 5 July 2016 [(1)] [(4)]	None	Maximum amount authorised	4 January 2019 (duration: 18 months)
Autorisation to make free allotment of existing or futures shares with cancellation of the preferential subscription rights (GM dated 18 December 2015, resolution No. 2)	5 million shares (which corresponds to approximately 2.3% of the share capital) [(1)], including 200,000 shares for corporate officers and 2 million shares pursuant to democratic plans	€7,112,175	€8,254,400 *(corresponding to 1,179,200 shares)*	18 February 2019 (duration: 38 months)
SHARE BUYBACK AND REDUCTION OF THE SHARE CAPITAL				
Share buyback authorisation (AGM dated 4 July 2017, resolution No. 10)	10% of the share capital	None	Maximum nominal amount authorised	4 January 2019 (duration: 18 months)
Authorisation to reduce the share capital by cancellation of shares (AGM 4 July 2017, resolution No. 11)	10% of the share capital	None	Maximum amount authorised	4 July 2019 (duration: 24 months)

(1) Global limitation of the capital increases resulting from these authorisations to €506 million corresponding to approximately 33% of the share capital as of 31 March 2016 (before any adjustments).
(2) Global limitation of the amount of debt securities resulting from these authorisations to €1.5 billion.
(3) Global limitation of capital increases resulting from these authorisations with cancellation of preferential subscription rights (resolutions No. 11, 12, 13, 14, 16 and 17) to €153 million corresponding to approximately 10% of the share capital as of 31 March 2016 (before any adjustments).
(4) Global limitation of capital increases related to employee shareholding to 2% of the share capital at the date of the Shareholders' General Meeting (before any adjustments).
(5) On the basis of the share capital as of 31 March 2016 which amounted to €1,533,889,308 consisting of 219,127,044 shares with a nominal value of €7 per share.

It will be proposed to the 2018 Annual Shareholder Meeting to renew the share buy-back authorisation and the authorisation to reduce the share capital by cancellation of shares granted by the Shareholders General Meeting held on 4 July 2017 which will expire during fiscal year 2018/19.

It will be also proposed to renew the authorisations related to capital increases, notably those related to employee shareholding transactions which are intended for the development of employee savings, set at 1.16% of the share capital as of 31 March 2018 (either directly or *via* Alstom's *Fonds Commun de Placement, i.e.* a French shareholding vehicle or "FCP").

CHANGES IN SHARE CAPITAL

	Number of shares issued or cancelled	Nominal amount of capital increase or decrease *(in €)*	Paid in capital amount *(in €)*	Resulting total number of shares	Capital *(in €)*
31 MARCH 2015				**309,792,497**	**2,168,547,479**
Increase in share capital resulting from the exercise of options (13 May 2015)	11,173	78,211	133,237	309,803,670	2,168,625,690
Increase in share capital resulting from the allocation of performance shares under plan LTI No. 15 (15 May 2015)	95,462	668,234	-	309,899,132	2,169,293,924
Increase in share capital resulting from the exercise of options and allocation of performance shares under plan LTI No. 15 (26 June 2015)	21,513	150,591	235,941	309,920,645	2,169,444,515
Increase in share capital resulting from the exercise of options and allocation of performance shares under plans LTI No. 14, LTI No. 15 and LTI No. 16 (31 August 2015)	61,237	428,659	657,652	309,981,882	2,169,873,174
Increase in share capital resulting from the exercise of options (30 September 2015)	257,864	1,805,048	2,814,495	310,239,746	2,171,678,222
Increase in share capital resulting from the allocation of performance shares under plan LTI No. 14 (5 October 2015)	248,038	1,736,266	-	310,487,784	2,173,414,488
Increase in share capital resulting from the exercise of options (31 October 2015)	1,694	11,858	32,846	310,489,478	2,173,426,346
Increase in share capital resulting from the allocation of performance shares under plan LTI No. 15 (9 November 2015)	62,220	435,540	-	310,551,698	2,173,861,886
Increase in share capital resulting from the exercise of options (30 November 2015)	39,676	277,732	769,317	310,591,374	2,174,139,618
Increase in share capital resulting from the exercise of options and allocation of performance shares under plan LTI No. 15 (16 December 2015)	3,535	24,745	62,435	310,594,909	2,174,164,363
Increase in share capital resulting from the exercise of ORA (*) and options (20 January 2016)	31,888	223,216	648,378.54	310,626,797	2,174,387,579
Decrease of capital resulting from the realisation of the OPRA (28 January 2016)	-91,500,000	-640,500,000	-	219,126,797	1,533,887,579
Increase in share capital resulting from the exercise of ORA (*) and allocation of performance shares under plan LTI No. 16 (31 March 2016)	247	1,729	-	219,127,044	1,533,889,308
31 MARCH 2016				**219,127,044**	**1,533,889,308**
Increase in share capital resulting from the exercise of ORA (*) and options (30 April 2016)	31	217	488	219,127,075	1,533,889,525
Increase in share capital resulting from the exercise of options (30 September 2016)	4,900	34,300	78,204	219,131,975	1,533,923,825
Increase in share capital resulting from the exercise of options (30 November 2016)	182,564	1,277,948	2,998,026	219,314,539	1,535, 201,773
Increase in share capital resulting from the allocation of performance shares under plans LTI No. 15 and LTI No. 16 (12 December 2016)	212,821	1,489,747	-	219,527,360	1,536, 691,520

	Number of shares issued or cancelled	Nominal amount of capital increase or decrease *(in €)*	Paid in capital amount *(in €)*	Resulting total number of shares	Capital *(in €)*
Increase in share capital resulting from the exercise of options (31 December 2016)	51,644	361,508	858,208	219,579,004	1,537,053,028
Increase in share capital resulting from the exercise of options and allocation of performance shares under plan LTI No. 16 (31 January 2017)	45,669	319,683	738,417	219,624,673	1,537,372,711
Increase in share capital resulting from the exercise of options (28 February 2017)	52,309	366,163	858,388	219,676,982	1,537,738,874
Increase in share capital resulting from the exercise of options, allocation of performance shares under plans LTI No. 16 and PSP 2016 and allocation of free shares under plan We are *Alstom 2016* (31 March 2017)	34,848	243,936	542,965	219,711,830	1,537,982,810
31 MARCH 2017				**219,711,830**	**1,537,982,810**
Increase in share capital resulting from the exercise of ORA (*) of options (30 April 2017)	36,852	257,964	593,126	219,748,682	1,538,240,774
Increase in share capital resulting from the exercise of options (26 May 2017)	169,295	1,185,065	-	219,917,977	1,539,425,839
Increase in share capital resulting from the exercise of options (31 May 2017)	58,629	410,403	3,941,952	219,976,606	1,539,836,242
Increase in share capital resulting from the exercise of options (30 June 2017)	191,443	1,340,101	3,379,306	220,168,049	1,541,176,343
Increase in share capital resulting from the exercise of ORA (*) of options (31 July 2017)	94,778	663,446	1,693,405	220,262,827	1,541,839,789
Increase in share capital resulting from the exercise of options (31 August 2017)	18,565	129,955	327,952	220,281,392	1,541,969,744
Increase in share capital resulting from the exercise of options and allocation of performance shares under plan LTI No. 16 (2 October 2017)	1,261,047	8,827,329	4,596,544	221,542,439	1,550,797,073
Increase in share capital resulting from the exercise of options (31 October 2017)	281,790	1,972,530	5,246,061	221,824,229	1,552,769,603
Increase in share capital resulting from the exercise of ORA (*) and options (30 November 2017)	51,028	357,196	916,809	221,875,257	1,553,126,799
Increase in share capital resulting from the exercise of options (31 December 2017)	57,659	403,613	1,039,320	221,932,916	1,553,530,412
Increase in share capital resulting from the exercise of options (31 January 2018)	212,558	1,487,906	3,758,902	222,145,474	1,555,018,318
Increase in share capital resulting from the exercise of options (28 February 2018)	14,281	99,967	242,648	222,159,755	1,555,118,285
Increase in share capital resulting from the exercise of options (31 March 2018)	50,716	355,012	952,813	222,210,471	1,555,473,297
31 MARCH 2018				**222,210,471**	**1,555, 473,297**

(*) Subordinated bonds reimbursable into shares issue 2% December 2008.

OWNERSHIP OF ALSTOM SHARES

(Information as per articles L. 225-102 and L. 233-13 of the French Commercial Code)

To the Company's knowledge based on notifications received by the Company, the table below shows the voting rights and the shares held by shareholders with more than 0.50% of the Company's share capital as of 31 March 2018:

	Share Capital as of 31 March 2018				Share Capital as of 31 March 2017				Share Capital as of 31 March 2016	
	Number of Shares	% of share capital (1)	Number of votes	% of votes (1)	Number of Shares	% of share capital (1)	Number of votes	% of votes (1)	Number of Shares and votes	% of shares and votes (1)
Public	82,854,841	37.29%	83,568,157	36.76%	96,353,193	43.85%	96,883,135	43.06%	69,006,474	31.49%
Bouygues SA	62,086,226	27.94%	65,347,092	28.75%	18,260,866	8.31%	21,521,732	9.57%	18,260,866	8.33%
Wellington Management	6,574,392	2.96%	6,574,392	2.89%	-	-	-	-	-	-
State Street Corporation	6,295,305	2.83%	6,295,305	2.77%	6,295,305	2.87%	6,295,305	2.80%	6,295,305	2.87%
Aviva plc	5,113,366	2.30%	5,113,366	2.25%	5,113,366	2.33%	5,113,366	2.27%	5,113,366	2.33%
Schroders plc	4,585,056	2.06%	4,585,056	2.02%	4,429,438	2.02%	4,429,438	1.97%	4,906,904	2.24%
BNP Paribas Asset Management	4,452,283	2.00%	4,541,817	2.00%	2,320,362	1.06%	2,320,362	1.03%	(3)	(3)
Prudential plc	4,336,879	1.95%	4,336,879	1.91%	-	-	-	-	-	-
DNCA Investments	3,187,957	1.43%	3,187,957	1.40%	4,171,960	1.90%	4,171,960	1.85%	6,755,771	3.08%
AFFM SA	2,809,715	1.26%	2,809,715	1.24%	-	-	-	-	-	-
Employees (2)	2,569,390	1.16%	3,882,733	1.71%	2,667,642	1.21%	4,164,574	1.85%	2,962,678	1.35%
Amundi	2,328,094	1.05%	2,328,094	1.02%	(4)	(4)	(4)	(4)	4,303,193	1.96%
Crédit Suisse Group AG	2,206,894	0.99%	2,206,894	0.97%	(4)	(4)	(4)	(4)	(3)	(3)
Norges Bank	2,139,879	0.96%	2,139,879	0.94%	2,139,879	0.97%	2,139,879	0.95%	3,438,772	1.57%
Financière de l'Échiquier	2,063,750	0.93%	2,063,750	0.91%	3,374,020	1.54%	3,374,020	1.50%	-	-
Covea Finance	1,996,760	0.90%	1,996,760	0.88%	1,996,760	0.91%	1,996,760	0.89%	1,996,760	0.91%
Edmond de Rothschild Asset Management	1,872,016	0.84%	1,872,016	0.82%	1,872,016	0.85%	1,872,016	0.83%	1,872,016	0.85%
Oppenheimer Funds	1,514,586	0.68%	1,514,586	0.67%	1,514,586	0.69%	1,514,586	0.67%	1,514,586	0.69%
Eton Park	1,502,300	0.68%	1,502,300	0.66%	1,502,300	0.68%	1,502,300	0.67%	1,502,300	0.69%
Franklin Resources Inc.	1,425,626	0.64%	1,425,626	0.63%	1,425,626	0.65%	1,425,626	0.63%	1,425,626	0.65%
Groupama Asset Management	1,403,076	0.63%	1,403,076	0.62%	1,403,076	0.64%	1,403,076	0.62%	1,403,076	0.64%
Lloyds Banking Group	1,400,970	0.63%	1,400,970	0.62%	1,400,970	0.64%	1,400,970	0.62%	1,400,970	0.64%
Artisan Partners	1,393,382	0.63%	1,393,382	0.61%	1,393,382	0.63%	1,393,382	0.62%	1,393,382	0.64%
FIL Limited	1,387,923	0.62%	1,387,923	0.61%	1,387,923	0.63%	1,387,923	0.62%	1,387,923	0.63%
Legal & General Group plc	1,378,282	0.62%	1,107,354	0.49%	1,330,144	0.61%	1,330,144	0.59%	1,330,144	0.61%
York Capital Management	1,350,000	0.61%	1,350,000	0.59%	1,350,000	0.62%	1,350,000	0.60%	1,350,000	0.62%
HSBC Holdings plc	1,319,326	0.59%	1,319,326	0.58%	1,319,326	0.60%	1,319,326	0.59%	1,319,326	0.60%
Richelieu Finance	1,312,000	0.59%	1,312,000	0.58%	1,312,000	0.60%	1,312,000	0.58%	1,312,000	0.60%
Groupe Fradim	1,300,000	0.59%	1,300,000	0.57%	1,300,000	0.59%	1,300,000	0.58%	1,300,000	0.59%
Marsico Capital Management	1,245,255	0.56%	1,245,255	0.55%	1,245,255	0.57%	1,245,255	0.55%	1,245,255	0.57%
La Banque Postale AM	1,225,938	0.55%	1,225,938	0.54%	-	-	-	-	-	-
Moneta AM	1,150,000	0.52%	1,150,000	0.51%	-	-	-	-	-	-
UBS Asset Management	1,110,753	0.50%	1,110,753	0.49%	(4)	(4)	(4)	(4)	1,128,659	0.52%
HSBC Global Asset Management	1,110,748	0.50%	1,110,748	0.49%	1,110,748	0.51%	1,110,748	0.49%	1,110,748	0.51%
FMR LLC	1,106,981	0.50%	1,106,981	0.49%	1,153,867	0.53%	1,153,867	0.51%	4,333,965	1.98%
Marshall Wace	1,100,522	0.50%	1,100,522	0.48%	-	-	-	-	-	-
APE	-	-	-	-	43,825,361	19.95%	43,825,361	19.48%	43,825,361	20.00%
Alken Luxembourg S.A.	-	-	-	-	3,363,429	1.53%	3,363,429	1.49%	2,161,642	0.99%
Fonds de Réserve pour les Retraites (FRR)	(5)	(5)	(5)	(5)	1,181,722	0.54%	1,181,722	0.53%	-	-
Crédit Agricole SA	(5)	(5)	(5)	(5)	1,104,501	0.50%	1,104,501	0.49%	-	-

	Share Capital as of 31 March 2018				Share Capital as of 31 March 2017				Share Capital as of 31 March 2016	
	Number of Shares	% of share capital (1)	Number of votes	% of votes (1)	Number of Shares	% of share capital (1)	Number of votes	% of votes (1)	Number of Shares and votes	% of shares and votes (1)
Caisse des Dépôts et Consignations	(5)	(5)	(5)	(5)	1,092,807	0.50%	1,092,807	0.49%	2,134,341	0.97%
Natixis Asset Management	(5)	(5)	(5)	(5)	(4)	(4)	(4)	(4)	1,511,882	0.69%
GIC Private Limited	(5)	(5)	(5)	(5)	(4)	(4)	(4)	(4)	3,961,232	1.81%
AXA SA	(5)	(5)	(5)	(5)	(4)	(4)	(4)	(4)	1,287,929	0.59%
Och Ziff Capital Management	(5)	(5)	(5)	(5)	(4)	(4)	(4)	(4)	1,179,055	0.54%
Société Générale	(5)	(5)	(5)	(5)	(4)	(4)	(4)	(4)	13,695,537	6.25%
TOTAL	**222,210,471**	**100.00%**	**227,316,602**	**100.00%**	**219,711,830**	**100.00%**	**224,999,570**	**100.00%**	**219,127,044**	**100.00%**

(1) % calculated based on the share capital and voting rights as of 31 March of each year and not on the basis of the share capital and voting rights on the date of the declaration.
(2) Shares held by the employees and former employees of the Group as of 31 March 2018, of which approximately 0.36% of the share capital and 0.35% of the voting rights are held through an employee mutual fund.
(3) Shareholders with less than 0.5% of share capital on 31 March 2016.
(4) Shareholders with less than 0.5% of share capital on 31 March 2017.
(5) Shareholders with less than 0.5% of share capital on 31 March 2018.

To the knowledge of the Company, on the basis of declarations of threshold crossing received, excluding notifications received from registered brokers, no other shareholder holds, directly or indirectly, more than 0.50% of the share capital or voting rights of the Company as of 31 March 2018.

Following declarations of threshold crossing received after 31 March 2018, the following shareholders hold:

- Wellington Management notified that it held, on 4 April 2018, 6,748,670 shares (3.04% of the share capital of Alstom);
- Schroders plc notified that it held, on 24 April 2018, 4,600,620 shares and voting rights (2.024% of the voting rights of Alstom);
- Norges Bank notified that it held, on 3 May 2018, 2,242,993 shares (1.005% of the share capital of Alstom);
- Prudential plc notified that it held, on 11 May 2018, 3,312,445 shares and voting rights (1.49% of the share capital of Alstom and 1.43% of the voting rights of Alstom);
- Legal & General Group plc notified that it held, on 15 May 2018, 1,467,771 shares and 1,184,909 voting rights (0.66% of the share capital of Alstom and 0.51% of the voting rights of Alstom);
- Amundi notified that it held, on 17 May 2018, 7,610,512 shares (3.42% of the share capital of Alstom);
- Marshall Wace notified that it held, on 17 May 2018, 1,137,509 shares (0.51% of the share capital of Alstom);
- Credit Suisse Group AG notified that it held, on 25 May 2018, 754,334 shares (0.34% of the share capital of Alstom).

On 22 June 2014 Bouygues concluded with the French Republic (the "State"), represented by the *Agence des Participations de l'État* (State Shareholdings Agency, "APE"), an agreement under which the State, or any other entity of its choice controlled by it, could purchase part of the ALSTOM shares held by Bouygues. A detailed description of the agreement is provided in notice 214C1292 published by the *Autorité des marchés financiers* (AMF) on 3 July 2014 in which the AMF concludes, after examining said agreement, that the State and Bouygues are acting in concert in respect of ALSTOM.

Following the AMF's decision of 3 July 2014, the APE, controlled by the State, and Bouygues SA formally recorded that they are acting in concert in respect of ALSTOM under article L. 233-10 of the French Commercial Code. In the notification received by the Company from the members of the concert on 10 July 2014, they indicated that no members of the above-mentioned concert other than Bouygues SA held, alone or in concert, shares or securities giving access to ALSTOM's capital and that only Bouygues SA held ALSTOM shares, *i.e.* 90,543,867 ALSTOM shares representing 29.29% of this company's share capital and voting rights.

Moreover, pursuant to the provisions of articles L. 233-7-VII and L. 233-9-I-3° of the French Commercial Code and article 223-17-I of the AMF's General Regulations, the APE stated in the notification:

- that it was not acting in concert with persons other than Bouygues SA;
- that the shares that will be acquired in the event of the exercise of the put option granted by Bouygues SA to the APE under the terms of the agreement signed on 22 June 2014 between the French Republic represented by the APE and Bouygues SA (the "Agreement") will be financed out of its own funds;

- that it reserves the right to acquire shares on the market or from third parties, it being specified that the aim of the APE is to hold a stake equal to 20% of ALSTOM's capital and that it does not intend to increase its holding in ALSTOM's capital beyond the mandatory tender offer threshold or take control of ALSTOM;
- that it supports Alstom's strategy within the framework of the agreement signed between the French Republic, Alstom and General Electric on 21 June 2014;
- that it does not contemplate proposing a merger, reorganisation, liquidation or transfer project for Alstom assets nor a change in Alstom's business, other than those detailed in the agreement signed with General Electric on 21 June 2014, or a change in its articles of association or an issuance by Alstom of financial securities or the withdrawal of securities from the financial markets;
- that it will decide to exercise or not the put options described in the Agreement on the basis of market conditions;
- that, under the terms of the Agreement, Bouygues SA will loan, under the terms of a loan *(prêt de consommation)* to the APE, from the first stock exchange trading day following the Reference Date (*e.g.* the Reference Date being defined in the Agreement as the payment date of the exceptional dividend or any transaction with an equivalent effect following the completion of the transactions announced by ALSTOM on 21 June 2014) and up to the payment/delivery of the third put option, if it is exercised, or the expiry of the exercise period of the third put option, if it is not exercised, a number of shares such that the number of ALSTOM voting rights held by the APE (taking into account the voting rights acquired by the APE) including after the Reference Date is equal to 20% of the Alstom voting rights; and
- that it intends to request the appointment of the two representatives on Alstom's Board of Directors as from the Reference Date.

Bouygues SA indicated that it was not obligated to issue a declaration of intent since it already held more than 25% of the capital and the voting rights prior to the concert being established, but nevertheless declared that, should it be necessary:

- it does not contemplate acquiring Alstom shares or control over Alstom;
- it supports the strategy decided upon by Alstom's general management and, in particular, the signing of the agreement concluded with General Electric on 21 June 2014;
- it does not contemplate proposing a merger, reorganisation, liquidation or asset transfer project for Alstom assets or a change in Alstom's business or a change to its articles of association or an issue of Alstom financial securities or the withdrawal of securities from the financial markets;
- that it has granted put options and a loan agreement for shares to the APE under the terms of the Agreement; and
- that it does not envisage requesting the appointment of additional representatives on ALSTOM's Board of Directors (given that Bouygues SA currently has two representatives on ALSTOM's Board of Directors and will keep one representative after the Reference Date).

In accordance with the terms of the agreement signed between the French State and Bouygues, Bouygues submitted a resolution at the General Shareholders' Meeting dated 18 December 2015 convened to approve the distribution to the shareholders of a portion of the proceeds in the form of an *offre publique de rachat d'actions* (public share buyback offer or "OPRA") for the appointment of Mr Olivier Bourges as Director on the Board of Directors of the Company as from the settlement-delivery of the OPRA. The General Shareholders' Meeting dated 18 December 2015 approved the appointment of Mr Olivier Bourges as Director. By ministerial order dated 25 July 2016, M. Pascal Faure was appointed as French State representative within the ALSTOM Board of Directors.

On 17 October 2017, the restitution to Bouygues SA of the shares of the Company which were held by the French state took place based on the French state's decision to (i) not exercise its option to acquire the shares of the Company it held pursuant to the agreement of 22 June 2014 with Bouygues SA and (ii) to terminate the shareholder loan with Bouygues SA regarding 43,825,360 shares of the Company dated 4 February 2016. The Board of Directors acknowledged the resignations of Mr. Pascal Faure and Mr. Olivier Bourges following the restitution of the shares to Bouygues SA.

The French State sold the remaining share it held on 15 December 2017.

The Company is not aware of the existence of a shareholders' agreement relating to the Company's capital.

As of 15 May 2018, to the knowledge of the Company, 55,390 shares are held by the individual Directors of the Company representing less than 0.1% of Alstom's share capital and voting rights.

The company Bouygues SA, Director of Alstom since 18 March 2008, holds 62,086,226 shares, *i.e.* 27.94% of the share capital and 28.75% voting rights of the Company as of 15 May 2018. By letter dated 26 September 2017, Bouygues SA undertook to maintain its shareholding in the Company until 31 July 2018 and to not exceed 29.99% of voting rights.

A table identifying the operations as per Article L. 621-18-2 of the French Monetary and Financial Code is available in section "Corporate governance – Interest of the officers and employees in the share capital".

ALSTOM does not hold, directly or indirectly through companies it controls, any of its own shares. The Internal Rules of the Board, as amended on 17 March 2015, increased from 500 to 2,000 the number of shares needed to be held by each Director, which corresponds to approximately one year of Director's fees. Each Director shall have a period of two years from 1 January 2015 or the beginning of his or her mandate if later, to increase his or her number of shares at this minimum level. Shares shall be held in registered form.

SECURITIES AND RIGHTS GIVING ACCESS TO THE SHARE CAPITAL

The securities and rights giving access to the Company's share capital are composed of:

- the rights resulting from free allocations of shares; and
- stock options to subscribe shares.

The subordinated 2% bonds due December 2008 reimbursable in Company's shares ("ORA") were reimbursed in shares on 31 December 2008, as described below.

There are no other securities giving rights to the share capital of the Company.

Subordinated 2% bonds due December 2008 reimbursable in Company's shares ("ORA")

In December 2003 the Company issued subordinated 2% bonds due December 2008 for €901,313,660.80 and reimbursable in Company's shares ("ORA") with preferential subscription rights which may lead to the issue of a maximum of 643,795,472 new shares with a ratio of 0.0628 ALSTOM share of €7 par value, after adjustments of the redemption ratio following the operations on the share capital of the Company.

On 31 December 2008 the ORA were reimbursed in shares pursuant to the terms and conditions of the bonds.

As of 31 March 2018, 74,378 ORA, representing 0.01% of the issue, were held by bondholders who did not yet notify the Company if they request at redemption the number of shares resulting either from the rounding down to the nearest whole number (with cash compensation by the Company) or the rounding up to the nearest whole number (with cash payment by the bondholder).

Free allocations of shares

See sections:

- "Corporate governance – Interest of the officers and employees in the share capital – Stock options and performance share plans"; and
- "Corporate governance – Interest of the officers and employees in the share capital – Allocation of free shares».

Stock options

See section "Corporate governance – Interest of the officers and employees in the share capital – Stock options and performance share plans".

POTENTIAL SHARE CAPITAL

	Total number of shares that may be issued	Amount of corresponding capital increase *(in €)*	% of the share capital as of 31 March 2018
Shares that may result from the exercise of existing stock option plans (*)	1,338,471	9,369,297	0.60%
Shares that may be issued on the basis of performance shares plans (*)	2,819,577	19,737,041	1.27%
Shares that may be issued on the basis of free shares plans	824,370	5,770,590	0.37%
TOTAL (*)	**4,982,418**	**34,876,928**	**2.24%**

(*) Subject to satisfaction of all performance conditions. See section "Information on the share capital – Interests of the officers and employees in the share capital – Stock options and performance shares plans" and Note 30 to the Consolidated Financial Statements for fiscal year 2017/18.

REPURCHASE OF SHARES

(Information as per Articles 241-1 *et seq.* of the *Règlement Général de l'Autorité des Marchés Financiers* (AMF))

Use by the Board of Directors of the authorisation granted by the Shareholders' Meeting

Acting pursuant to Article L. 225-209 *et seq.* of the French Commercial Code, the Ordinary and Extraordinary General Meeting held on 4 July 2017 authorised the Board of Directors to purchase on a stock exchange or otherwise, and by any means, Alstom's shares within the limit of a number of shares representing 10% of ALSTOM's share capital as of 31 March 2017, *i.e.* a theoretical number of 21,971,183 shares for a maximum purchase price of €45, subject to adjustments in relation to operations on the share capital and for a duration of 18 months after the General Meeting expiring on 4 January 2019. The Company did not use this authorisation during fiscal year 2017/18.

Presentation of the share purchase programme submitted to the approval of the Annual General Meeting 2018

The section below constitutes the presentation of the share purchase programme which will be submitted to the approval of the 2018 Annual Shareholder Meeting, pursuant to Article 241-2-I of the *Règlement Général de l'Autorité des Marchés Financiers* (AMF).

Number of shares and portion of the share capital held directly or indirectly by ALSTOM

ALSTOM does not hold directly or indirectly any shares composing its share capital and any securities giving access to its share capital.

Split by objectives of shares purchased

Not applicable.

Objectives of the share purchase programme

This share purchase programme may be used for the purpose of acquiring or ordering the acquisition of Company shares, including, as described in the Board of Directors' report, to ensure a shareholding of the Siemens group as of the completion date of the French Contribution and Luxembourg Contribution and as of the Determination Date (as defined in the Board of Directors' report), as if the Siemens Group were a shareholder of the Company as of this Determination Date and, and, if necessary, and in order to, in particular:

- cancel all or part of the shares acquired, under the conditions set forth by law;
- grant or sell them to employees, former employees or corporate officers of the Company and its affiliated companies in the meaning of Articles L. 225-180 and L. 233-16 of the French Commercial Code, in particular through employee savings plans, stock option plans (including pursuant to the provisions of Articles L. 225-77 *et seq.* of the French Commercial Code), free share plans (including pursuant to the provisions of Article L. 225-197-1 of the French Commercial Code), employee shareholding plans (including pursuant to the provisions of Articles L. 3332-1 *et seq.* of the French Labour Code) or any share-based compensation mechanism, under the conditions specified by market authorities and at the times the Board of Directors or the person acting pursuant to the Board of Directors' delegation decides to grant or sell said shares;
- hold the shares purchased, or sell, transfer or exchange the shares purchased as part of or following any external growth transactions within the limit set forth in the 6th paragraph of Article L. 225-209 of the French Commercial Code and in accordance with common market practices;
- deliver shares upon the exercise of rights attached to securities giving access by any means, either immediately or in the future, to shares of the Company;
- maintaining a secondary market in, or the liquidity of, the Company's shares through an investment services provider, in connection with a liquidity agreement that complies with the code of ethics agreed upon by the French *Autorité des marchés financiers* ("AMF");
- implement any market practice that could potentially be allowed by law or the AMF and, more generally, to carry out any other transaction in compliance with applicable regulations.

The purchase, sale, transfer or exchange of these shares may occur, in whole or in part, in accordance with the rules set by the relevant regulatory bodies, on regulated markets or off the market, including *via* multilateral trading facilities (MTFs) or via a systematic internaliser, by any means, including a block transfer of securities, the use or exercise of financial instruments, derivatives and, in particular through optional transactions such as the purchase and sale of options, or by delivery of shares following the issue of securities giving access to the Company's share capital by conversion, exchange, redemption or exercise of a warrant, either directly or indirectly through an investment service provider, or in any other way (without limiting the share of the buyback program that may be carried out by any of these means), and at any time within the limits set forth by laws and regulations, excluding during any take-over period on the Company's share capital. The portion of the programme carried out in the form of a block transfer can constitute the entire programme.

Maximum portion of share capital and maximum number of shares which may be repurchased

Purchases of the Company's own shares may relate to a number of shares such that, at the date of each purchase, the total number of shares purchased by the Company since the beginning of the buyback program (including shares subject to said buyback), does not exceed 10% of the shares that make up the Company's share capital at that time (taking into account transactions affecting the share capital subsequent to this General Meeting), *i.e.*, for illustration purposes, as of 31 March 2018, a theoretical maximum number of 22,221,047 shares of par value €7 each and a theoretical maximum amount of €1.2 billion based upon the maximum purchase price set hereafter. However, (i) the number of shares acquired by the Company to be held as treasury shares to be used at a later date as payment or in exchange in the context of an external growth transaction cannot exceed 5% of the share capital and (ii) when the shares are purchased to ensure liquidity under the conditions defined by the AMF General Regulation, the number of shares taken into account for calculating the 10% limit provided for above corresponds to the number of shares purchased, less the number of shares sold during the period of the authorisation.

Maximum purchase price

The purchase price may not exceed €55 (excluding expenses) per share (or the equivalent of that amount in other currencies at the same date), it being specified that this maximum price is applicable only to purchases decided as from the date of this Shareholders' Meeting and not to forward transactions (o*pérations à terme*) concluded pursuant to the autorisation granted in the ninth resolution of the Shareholders' Meeting dated 5 July 2016 and enabling shares purchases after the date of this Shareholders' Meeting. In the event of a change in the nominal value of the shares, a share capital increase through the capitalisation of reserves, an allotment of free or performance shares, a stock split or reverse stock split, a distribution of reserves or of any other assets, an amortisation of capital or any other transactions affecting the share capital or the shareholders' equity, the General Meeting of Shareholders delegates to the Board of Directors the power to decide whether to adjust the aforementioned maximum purchase price in order to take into account the impact of these transactions on the value of the share. The total amount allocated to this share buyback program may not exceed €1.2 billion before the completion of the French Contribution and Luxembourg Contribution and €2 billion upon such completion.

Duration

The share purchase programme will be valid during 18 months after the Annual Shareholder Meeting 2018.

Characteristics of the shares which may be purchased

Shares listed on the NYSE Euronext Paris (Compartment A).

Name: ALSTOM.

ISIN Code: FR0010220475.

Ticker: ALO.

ISSUE OF DEBT SECURITIES

On 13 November 2017, the Board of Directors renewed the delegations of authority to the Chairman and Chief Executive Officer, for a one-year period, to issue, in one or more issuances, bonds within a maximum nominal amount of €750,000,000.

During fiscal year 2017/18, the Company did not issue any debt securities.

DIVIDENDS PAID OVER THE LAST THREE FISCAL YEARS

(Information as per Article 243 *bis* of the French General Tax Code)

The fiscal year ended 31 March 2018 has resulted in a net profit of €281,672,279.84. It is proposed to distribute a dividend of a total amount of €77,773,664.85, corresponding to €0.35 per share of €7 of nominal value, to be paid as from 24 July 2018.

Fiscal year ended on:	31 March 2017	31 March 2016	31 March 2015
Dividend per share *(in €)*	€0.25	0	0
TOTAL	**€54,927,957.50**	**0**	**0**

See section "Financial statements – Statutory accounts – Appropriation of the net income".

ELEMENTS WHICH COULD HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER

(Information as per Article L. 225-37-5 of the French Commercial Code)

Structure of the Company's share capital

A table detailing the structure of ALSTOM's share capital is presented in section "Additional information – Information on the share capital – Ownership of Alstom shares".

Provisions of the Articles of Association restricting the exercise of voting rights and the transfer of shares, or other clauses of agreements known by the Company

There is no statutory restriction other than those mentioned in Article 7 of the articles of associations which provides the loss of voting rights under certain conditions, for not giving to the Company notification of shareholding or voting rights exceeding certain levels set forth in the articles of association. See section "Additional information – Summary of key provisions of the articles of association – Notification of holdings exceeding certain percentages".

Agreements of which the Company is aware in application of article L. 233-11 of the French Commercial Code.

None.

Direct or indirect shareholdings in the Company

As of 31 March 2018, Bouygues SA held 27.94% of the share capital and 28.75% voting rights of ALSTOM.

See also section "Additional information – Information on the share capital – Ownership of Alstom shares".

List of holders of any security granting special control rights

None.

Control mechanisms within employee shareholding schemes

The rules of the Alstom savings plan ("FCPE Alstom") provide that the Supervisory Board of the FCPE Alstom is entitled to vote in Alstom Shareholders' Meetings, and not employees directly.

Therefore only the Supervisory Board is entitled to decide on the answer to be given in case of a public offer. The FCPE Alstom held 0.36% of the Company's share capital and 0.35% of the voting rights as of 31 March 2018.

Shareholders' agreements that may restrict the transfer of shares and the exercise of voting rights

To the knowledge of Alstom, there are no shareholders' agreements that may restrict the transfer of Alstom's shares and/or the exercise of Alstom's voting rights. See also section "Additional information – Information on the share capital – Ownership of the capital".

Specific rules governing the nomination and replacement of Directors, and the modification of the Company's Articles of Association

None.

Board of Directors' powers

The Shareholders' Meeting held on 4 July 2017 authorised the Board of Directors to acquire the Company's shares, within the limits set forth by laws and regulations, excluding during any take-over period in respect of the Company's share capital.

It will be proposed to the next Annual General Meeting 2018 to renew this authorisation under the conditions detailed page 294, excluding during any take-over on the Company's share capital. See also section "Additional information – Information on the share capital – Repurchase of shares".

Agreements that may be amended or terminated in case of a change of control of the Company

The financing agreements, the terms of bonds issues and certain bonding programmes of the Group include change of control clauses.

All ALSTOM's bond issues contain each a change of control clause that allows any bondholder to request the early reimbursement of its bonds during a specific period of time, following a change of control of ALSTOM.

The revolving credit facility, amounting to €400 billion, maturing in June 2022 contains a change of control clause that allows each financial institution party to this agreement to request the cancellation of its credit commitment and the early reimbursement of its participation in the facility in case of change of control of Alstom.

The committed bonding facility of a maximum amount of €3 billion maturing 1 November 2020 also contains a change of control clause which may result, in case of a change of control, in the programme being suspended, with the obligation to procure new bonds to replace outstanding bonds or to provide cash collateral, as well as a potential cross default. For further information on this facility and the revolving committed bonding facilities, see section "Financial risks – Liquidity risks".

Agreements providing indemnities to Board members or employees, if they resign or are dismissed without actual and serious reason or if their employment ends due a public offer

None. See section "Corporate governance – Corporate governance and Executive and Non-Executive Directors' compensation report".

RELATIONS WITH SHAREHOLDERS

The mission of the Investor Relations team is to provide the financial community (institutional investors or financial analysts) with a complete and updated information on the financial situation of the Group, its strategy and evolution.

Stock market news

On 31 March 2018, the share price closed at €36.61 and the Group's stock market capitalisation stood at €8.1 billion.

Keeping investors informed

www.alstom.com

The Investors' section of the Alstom website has been especially designed to provide shareholders with easy access to all of the Group's financial communications: share price quotes, the possibility to download historical data, as well as financial results, presentations, Registration Documents, dates of important meetings, frequently asked questions. Printed copies of the Registration Document can be obtained in French and English by sending a request to the Investor Relations Department.

Contacts

E-mail: investor.relations@alstomgroup.com

France: Toll free number from France – 0800 50 90 51, from Monday to Friday, from 9 am to 6 pm.

From abroad: + 33 1 57 06 87 78 (call will be charged at your local operator's standard international rate).

Alstom – Investors Relations

48, rue Albert-Dhalenne
93400 Saint-Ouen
France
Investors Relations Director: Selma Bekhechi
Investors Relations Manager: Julien Minot

LISTING OF THE SHARES

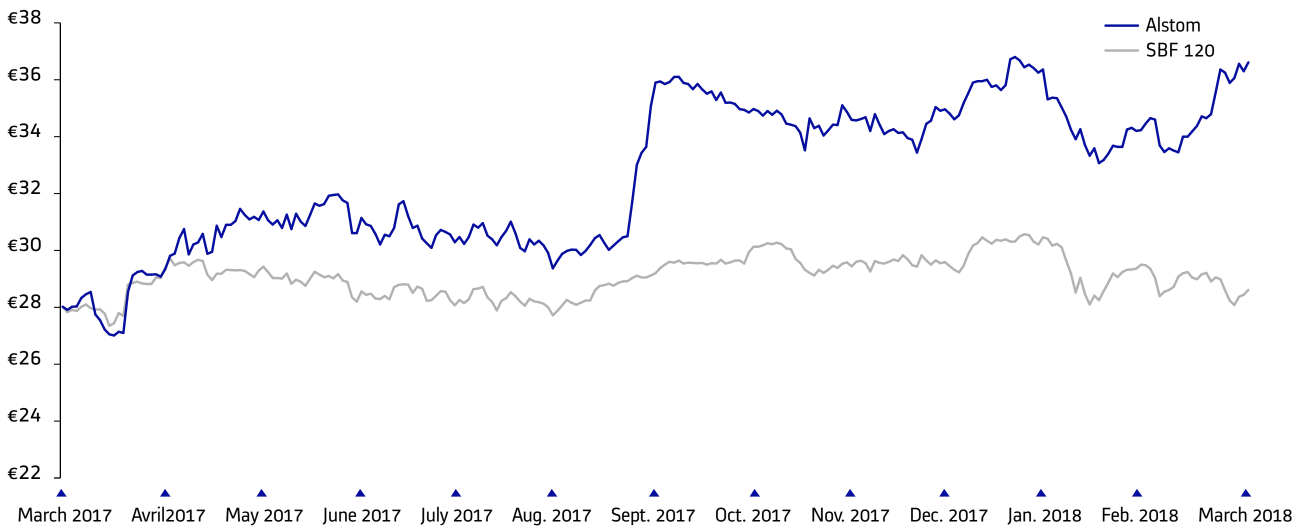
ALSTOM share as of 31 March 2018

Place of listing:	Euronext Paris
ISIN Code:	FR0010220475
Ticker:	ALO
Nominal value:	€7
Number of shares:	222,210,471
Market capitalisation:	€8,135,125,343
Main indexes:	CAC Next 20 SBF 120 Euronext 100

The ALSTOM shares are no longer listed on the London Stock Exchange since 17 November 2003, nor on the New York Stock Exchange since 10 August 2004.

The Company has chosen not to create or otherwise sponsor an American Depositary Receipt (ADR) facility in respect of its shares. Any ADR facility currently in existence is "unsponsored" and has no ties whatsoever to the Company. This means that the Company cannot be relied upon to ensure the proper operation of such facility or to protect the rights of ADR holders, and the Company expressly disclaims any liability or submission to jurisdiction to any courts in the United States in respect of such facility. Persons choosing to deposit Alstom shares into such a facility or to acquire ADRs issued from such a facility do so at their own risk and on the basis of their own analysis of such facility.

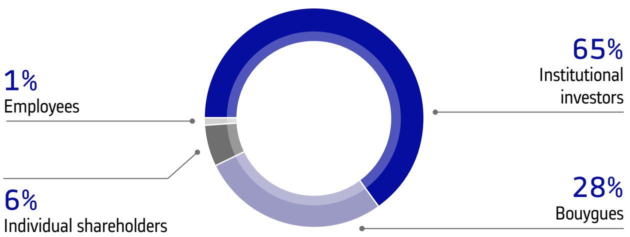
SHARE PRICE EVOLUTION *(in €)* – APRIL 2017/MARCH 2018



Alstom basis as of 31st March 2017: €28.015
Source: Nasdaq IR Insight

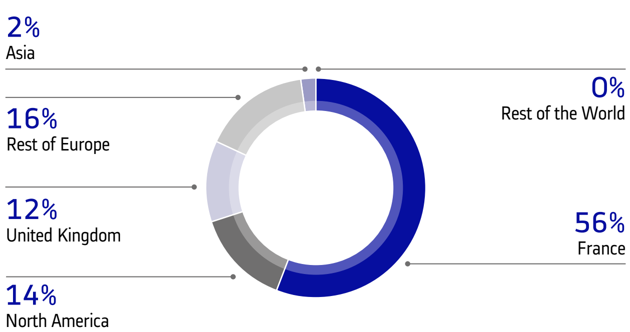
Shareholder structure

According to a shareholder study carried out by Euroclear France and Orient Capital on 16 March 2018, the share capital was distributed as follows:



Source: Alstom

CAPITAL STRUCTURE BY REGION (1)



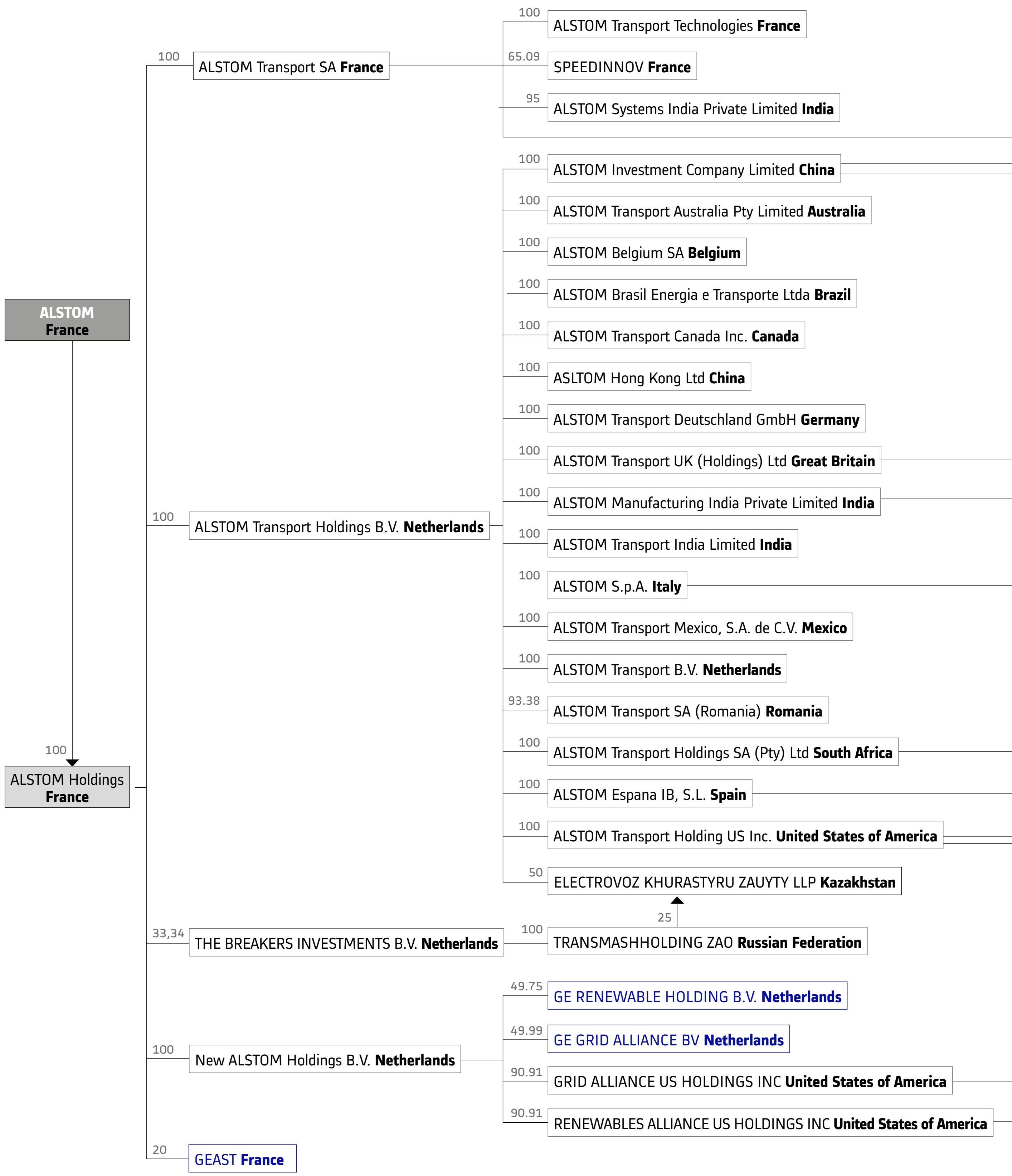
Source: Alstom

(1) Based on identified shareholders only.

SIMPLIFIED ORGANISATION CHART AS OF 31 MARCH 2018

The full list of companies included in the scope of consolidation as of 31 March 2018 is available in Note 38 of the consolidated financial statements.

Nota: *The figures are expressed as percentage and reflect the capital ownership – The joint-ventures with General Electric have a blue border.*



9 / 51 — SHANGHAI ALSTOM Transport Electrical Equipment Company Ltd **China**

49 — CASCO SIGNAL LTD **China**

100 — ALSTOM Transport UK Limited **Great Britain** — 37.50 — THE ATC JOINT VENTURE **Great Britain**

100 — ALSTOM NL Service Provision Limited **Great Britain**

100 — NOMAD HOLDINGS Limited **Great Britain**

74 — MADHEPURA ELECTRIC LOCOMOTIVE PRIVATE LIMITED **India**

100 — ALSTOM Ferroviara S.p.A. **Italy**

100 — ALSTOM Southern Africa Holdings (Pty) Ltd **South Africa** — 60.90 — GIBELA RAIL TRANSPORT CONSORTIUM (PTY) LTD **South Africa**

100 — ALSTOM Transporte, S.A. **Spain**

100 — ALSTOM Signaling Inc. **United States of America** — 100 — ALSTOM Signaling Operation, LLC **United States of America**

100 — ALSTOM Transportation Inc. **United States of America**

33.33 — GRID SOLUTIONS (U.S.) LLC **United States of America**

49.99 — ALSTOM Renewable US, LLC **United States of America**

INFORMATION ON THE **ANNUAL FINANCIAL REPORT**

The Alstom Annual Financial Report for fiscal year 2017/18, established pursuant to Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulation of the French *Autorité des marchés financiers*, is made up of the sections at sub-sections of the French Registration Document identified in the table below:

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INFORMATION ON THE **REGISTRATION DOCUMENT**

INFORMATION INCLUDED BY REFERENCE

Pursuant to Article 28 of EC Regulation No. 809-2004 of the Commission of 29 April 2004 regarding prospectuses, the following information is included by reference in this Registration Document:

- the consolidated and statutory financial statements for the fiscal year ended 31 March 2018, the Auditors' reports thereto and the Group's management report, as shown at pages 32 to 95, 98 to 113, 96 to 97, 114 to 115, 182 and 20 to 30 respectively, of the Registration Document n° D.17-0558 filed with the French Stock Market Authority (*Autorité des marchés financiers*) on 23 May 2017; and
- the consolidated and statutory financial statements for the fiscal year ended 31 March 2017, the Auditors' reports thereto and the Group's management report, as shown at pages 40 to 109, 112 to 129, 110 to 111, 130 to 135 and 20 to 37 respectively, of the Registration Document No. D. 6-0546 filed with the French Stock Market Authority (*Autorité des marchés financiers*) on 31 May 2016.

The sections of these documents not included here are either not relevant for the investor, or covered in another part of this Registration Document.

NAMES AND FUNCTIONS OF THE PERSONS RESPONSIBLE

Mr Henri Poupart-Lafarge
Chairman and Chief Executive Officer
ALSTOM

STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT (1)

I hereby declare, after having taken all reasonable care to ensure that it is case, that the information included in this Registration Document is, to my knowledge, true and accurate and contains no material omission which could make it misleading.

I declare, to best of my knowledge, that the accounts have been established in conformity with applicable accounting standards and give an accurate description of the assets and liabilities, the financial position and the results of the Company and all companies included in the consolidation perimeter and that the Management Report included in Chapter 7 of this Registration Document, pages 302 and 303, presents an accurate picture of the evolution of the activity, of the results, of the financial position of the Company and all companies included in the consolidation perimeter and that it describes the main risks and uncertainties that they face.

The Statutory Auditors of the Company, PricewaterhouseCoopers Audit and Mazars, provided me a statement at the end of their assignment in which they indicate that they have conducted a review of the information related to the financial position and financial statements provided in this Registration Document and have reviewed the entire Registration Document.

Saint-Ouen, 29 May 2018.

Henri Poupart-Lafarge
Chairman and Chief Executive Officer

(1) This is a free translation of the statement signed and issued in French language by the Chairman and Chief Executive Officer of the Company and is provided solely for the convenience of English speaking readers.

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